

“Necessity ... Mother of Invention”.

By Mark Stapp, executive director of the Master of Real Estate Development program, W.P. Carey School of Business, Arizona State University, October 10, 2011.

There is something going on at the political level that is disturbing – a simultaneous movement to deregulate in order to foster short term pecuniary self interest and a failure to create regulation to prevent pecuniary self interest. The failure of our law makers to impose new regulation on the financial markets and their less reported aggressive move to remove many environmental regulations (we all should be very concerned about this because it is a bad policy position), signal a movement backwards for this country. This is happening at the same time we have a worldwide financial crises and a dialogue about sustainability. There seems to be a very large disconnect between current political leaders and what the general population wants and needs.

The Baby Boomer generation was one of, if not the most, radical generation of this country. I have been generally disappointed in the Gen X, Gen Y and Millennium generations because they seem much too complacent. We Baby Boomers grew up to be codling “helicopter” parents who were afraid their kids would do what we did as teenagers and young adults. On top of that we got greedy and we taught our kids to strive for financial growth and success with little regard for the impact our search for the pot of gold had on us, our family or our community. We created a society of self interested, passive political participants. Now we’re in a real mess – we drove straight into the mud and are stuck, hoping our current political leaders will toss us a rope and pull us out. They drew the map and wrote the instructions that we followed into the mud, they are not going to toss us a rope we have to figure this out ourselves.

The Occupy Wall Street movement may not have well defined objectives, as some critics have pointed out, but for the first time in a very long time people are beginning to stand up and say something. There is rhetoric that they lack definition in their movement and the conservative movement is dismissing them because of this. That’s not the point – people are mad as s hell and frustrated by the lack of attention to the problems we face every day. The hubris at the top is amazing. From Romney’s comment that “Corporations are people too” (yea I get it they are legal people but with no ability to care for themselves so this is about their caretakers, not the company), to B of A’s CEO Brian Moynihan saying “*Understand we have a right to make a profit.*” (I get this too – management’s job is to increase shareholder profit but not on the back of those who bailed you out).

The lack of business ethic and community responsibility has been stripped away for short term profit ignoring the secondary and tertiary impacts of that mentality. The measures currently used to assess success are no longer sufficient. We need measures and metrics that assess the balance between short term profit and long term impact on the places and people business depend upon. Business come and go, shareholders buy and sell their stock, executives come and go, but communities and their populations live with corporate decisions long after the benignly correct business decisions has been made and the corporate profits or losses recognized. Public accounting has different focus and relies much more on cost/benefit analysis, not IRR or NPV, ROA, ROI or other financial measures of merit.

You learn to use cost/benefit analysis in business school but it is not the favorite measure – it's more of a capital rationing tool. But shouldn't we insist on a cost/benefit analysis that considers the long term impacts on the community and its people and not just on the immediate impact on the balance sheet of corporations? Yes, we need to allow corporations to make profits; yes, we need to consider impacts of our regulations but both need to be considered in a balanced way and right now there is no requirement to measure the impacts beyond the selfish, short term corporate level and that mentality has not served us well. Plato is credited with the saying "Necessity ... mother of invention", we have a need and so let's come up with new ways of doing business that address fair profit, encourage investment but don't do it at high social and environmental cost.

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