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# PEGASUS

A NEWSLETTER FOR THE CAUX ROUND TABLE FOR MORAL CAPITALISM  
NETWORK LOOKING AT BUSINESS ABOVE THE CLUTTER AND CONFETTI



# *Pegasus*

Introduction by Stephen B. Young

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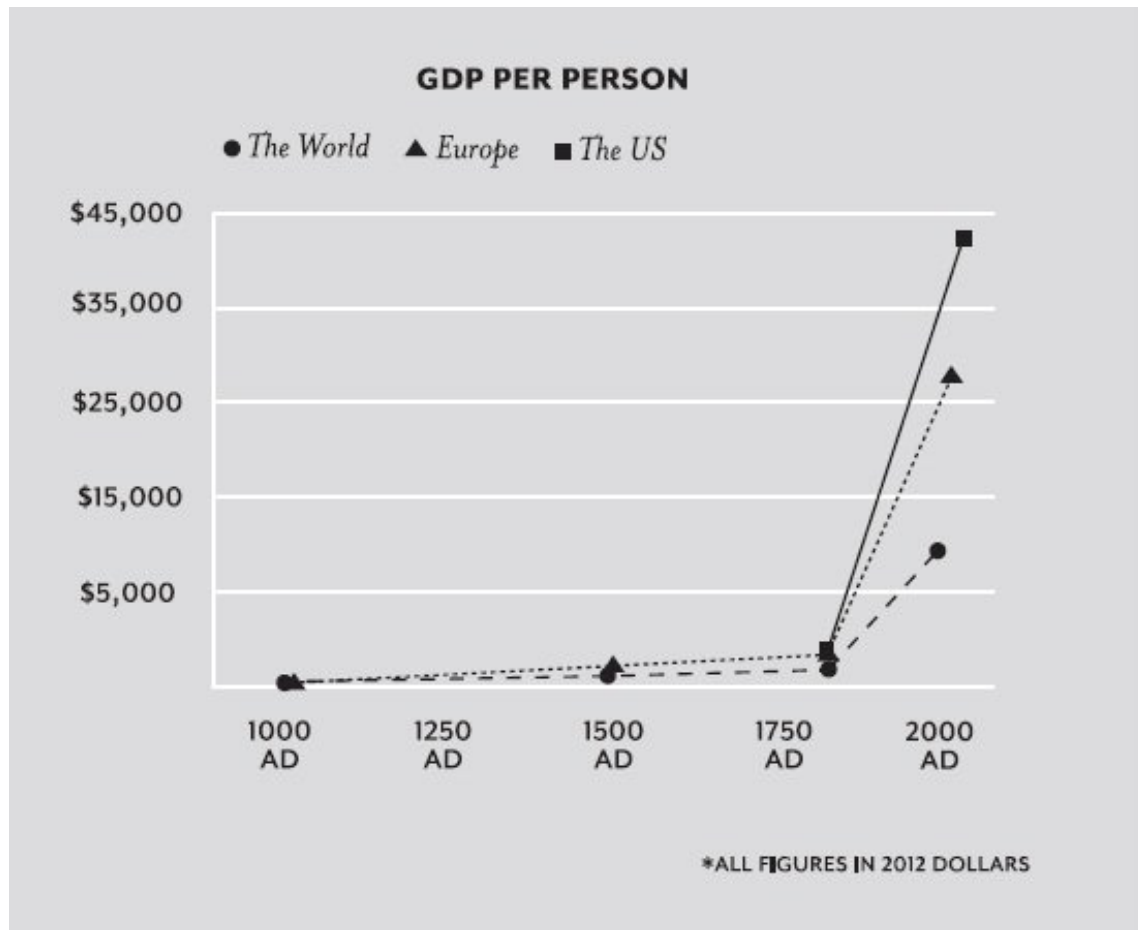
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# Introduction

When the new civilizational form which we call “capitalism” was emerging in the small Calvinist cultures of Holland, England and Scotland in the 1600s and 1700s, Adam Smith excitedly proposed that such new social and economic arrangements would generate “the wealth of nations.”

The consequent effects of capitalism prove Smith correct, as shown in this graph:



But the creation of wealth, as never before accomplished in human history, was unevenly distributed. Some grew wealthy, others did not and lived generation after generation in poverty. To this day, not every society into which the human family is divided has become wealthy. This failure of capitalism exposes its moral qualities as a human system or the lack thereof.

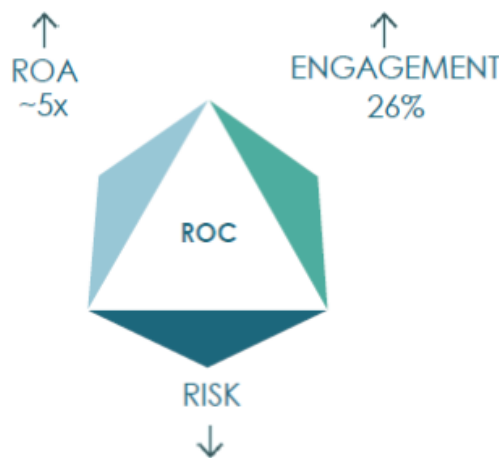
There is, apparently, a method to the making of wealth. If used well, wealth is created; if not used, economic growth does not happen.

As Shakespeare’s Brutus declaimed: “There is a tide in the affairs of men which, taken at the flood, leads on to fortune; omitted, all the voyage of their life is bound in shallows and in miseries.”

The Caux Round Table's proposal of a "moral" capitalism would integrate the social and the human with the financial as the necessary "capital" contributions to wealth creation. Deny a person or a society any one of this triad and wealth will not emerge.

The consulting firm KRW claims that social capital, in particular, makes an outsized contribution to wealth creation. The firm asserts: "Senior leadership character reputation is one of the strongest predictors of organizational success. After 7 years, 100+ organizations and more than 1 million data points, we now know leadership character reputation is one of the strongest predictors of an organization's success. Senior teams with a strong character reputation average ~5x greater ROA, +26% Employee engagement and notably less risk than peers with a self-focused reputation."

Their graphic on this relationship between character – a form of both social and human capitals – is:



In the U.S., our current crisis, as you know, has been provoked by demands for ending the wealth inequality between some 50% of African Americans and other Americans, an inequality which has historic roots and has lasted over generations.

The question before the country is how can capitalism create wealth for all Americans, including those who don't now have adequate assets and incomes?

My answer, using the theory of moral capitalism, is presented in this issue of *Pegasus*.

I am reassured that a moral capitalism can create wealth for African Americans by some comments of Adam Smith on the disutility of slavery, the system which first disenfranchised our African American families. Smith was convinced that slavery was a terrible system because it did not foster opportunity for wealth creation for those whose labor produced marketable products: "A slave, on the contrary, who can acquire nothing but his maintenance, consults his own ease by making the land produce as little as possible over and above that maintenance. A person who can acquire no property, can have no other interest but to eat as much and to labor as little as possible. Whatever work he does beyond what is sufficient to purchase his own maintenance, can be squeezed out of him by violence only and not by any interest of his own."

Further, Smith inferred that slaves are negligently and carelessly treated by masters and overseers to the detriment of their ability to contribute to wealth creation. Therefore, Smith recommended the conversion of slaves to free laborers who would have agency and ownership of property and so would participate robustly in the creation of more wealth for all.

As I propose, first providing those in poverty with better social and human capitals will empower them to seek the acquisition of property, as Smith called it, or what we think of as financial capital today.

It is also in support of my proposal that the “property” embraced by Smith in his day also included the intangible qualities peculiar to a person – that which could be considered “one’s own” – all that which is inherent in a thing or essential to a nature, so that one had a property in one’s person and in one’s persona. Today, we call this human dignity, which others must respect and not strip from us.

*Stephen B. Young*  
*Global Executive Director*  
*Caux Round Table for Moral Capitalism*

# **A Caux Round Table Proposal: Addressing An Historic Disparity in Accessing Capital Assets**

**Stephen B. Young  
Global Executive Director  
Caux Round Table for Moral Capitalism**

A new report from the American Enterprise Institute (AEI) puts in perspective just who among the community of African Americans in the U.S. is systematically challenged in lifting themselves out of the poverty, which diminishes their capacity to fully engage in society, culture, politics and the economy.

The AEI report concludes:

*We find that black families are over 16 times more likely than white families are to experience three generations of poverty (defined as the bottom fifth of the income distribution). We show that 21.3 percent of black Americans are experiencing third generation poverty today, compared to only 1.2 percent of whites. Black Americans are 41 percent more likely to be in third-generation poverty than white adults are to be poor. The grandparents of black adults had much lower incomes than the grandparents of their white counterparts had; this initial inequality has been compounded by lower rates of subsequent black upward mobility out of poverty and by greater black downward mobility.*

*These patterns mean that poor black and white adults today have dramatically different family poverty trajectories. Half of blacks in the bottom fifth of the income distribution have parents and grandparents who were also poor, compared to just 8 percent of poor whites. We show that the longer the time frame, the starker the racial gaps*

Recent data collected by the U.S. Census Bureau similarly illuminates the singular experience of many African Americans in persistently experiencing disparate, less equal access to income, wealth and educational achievement, all of which denies them upward social and political mobility. Unlike many other Americans, such African Americans find themselves without access to enjoyment of the “American dream” for themselves and their families.

For native born African American households in 2016, some 53% had middle class or higher incomes. By a different calculation, that year, some 54% of native-born African Americans earned \$35,000 or more. Thus, for native born African Americans, some 47% had working class or lower family incomes. Taking all African Americans as a group, the median household income was only \$41,000, given the very low annual earnings of some 21% of such families, only \$15,000 or less.

For all American households, some 70% had middle class or higher incomes. The median household income for all Americans was \$63,179 in 2018. For white ethnic households, the median household income was \$66,000. For Asian American households, it was \$87,000. Indian Americans and Taiwanese Americans had the highest median household incomes - \$123,453 and \$102,328 respectively. Recent immigrant communities arriving in the 1980's - pre-literate Hmong clans from Laos and the Vietnamese (many as boat people) - each had a \$67,000 median household income. With respect to African heritage, Ghanaian Americans had a median household income of \$66,000 and Nigerian Americans had a median household income of \$60,000.

A severe inequality of life expectations for some 47% of African Americans has persisted some 55 years after the Civil Rights Movement ended legal racial segregation in the U.S. In 1967, the U.S. Supreme Court also voided state laws preventing marriages between individuals of different races.

Taking action to overcome such disparities is now a widely accepted goal of all Americans.

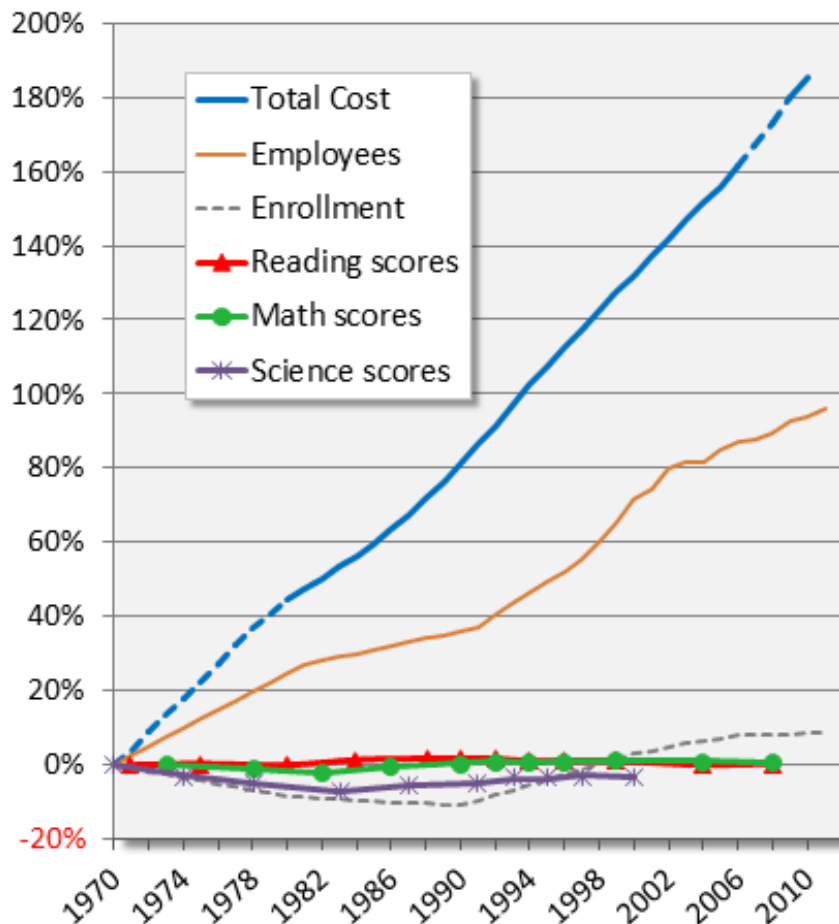
However, in my opinion, none of the solutions being currently proposed can succeed as promised.

One widely promoted solution is for “white” ethnics to outgrow their alleged racist animosities against African Americans. This approach is defended by critical race theory. Even if all “white” ethnics, along with all Asians and Hispanics, were never to notice race in their lives and relationships, that would not in any way provide under-served African Americans with the skills and qualifications needed for many employments. It is most improbable that full application of critical race theory would ever drive better educational achievement by African American students in public schools.



Even 40 years of steady increases in funding of public education has not produced corresponding improvements in academic achievements.

## Trends in American Public Schooling Since 1970



### Cato Institute

"Total cost" is the full cost of the K-through-12 education of a single student graduating in the given year, adjusted for inflation.

In 1970: \$57,602

In 2010: \$164,426

(Constant 2013 dollars)

#### Data sources:

U.S. Dept. of Ed., "Digest of Education Statistics," & NAEP tests, Long Term Trends, 17-year-olds.

#### Chart by:

Andrew J. Coulson,  
May 2013

Another version of proposing anti-racism as an immediate solution to African American inequality is to place responsibility for disparate outcomes on an anonymous social miasma called "systemic racism" or obstacles imposed by institutions on some African Americans automatically, as if such institutions were on auto-pilot, driven by an unseen, disembodied, prejudice against only African Americans. Systemic racism is said to work mysteriously through people who are not personally racist themselves, but who nevertheless, without conscious intention or any other animus, robotically respond to African Americans by placing insurmountable difficulties in their way. There is no remedy for such a cause of inequality for many African Americans because such an unlocatable,



untouchable, disembodied force field cannot become the object of intentional human interventions, no matter how well-intentioned they might be.

A third prominent remedial proposal is the payment of cash reparations as atonement for what happened in history. This assumes that money alone can overcome generational poverty. Reparation proposals are vacuous as to how such payments would or should be used by recipients in ways that would effectively and permanently take them out of poverty.

Fourth, there is the alternative to reparations which is present re-distribution of advantage, called “privilege,” as if it were arbitrarily awarded to some and not justly earned by them. Under this program of intervention, “privileges” would be more “equitably” awarded in recompense for past hurtful discrimination against African Americans. Such “equitable” mandates for the granting of positions and of preferential access to economic rents would require differential treatment of individuals according to each person’s racial classification. Under this “equity” approach, positions and access to cash flows are to be allocated based on racial status. A further assumption is made that the racial diversity of an organization should be the same as the racial diversity of the larger community. This “equity” approach is just old-fashioned racism, packaged with a more politically correct label.

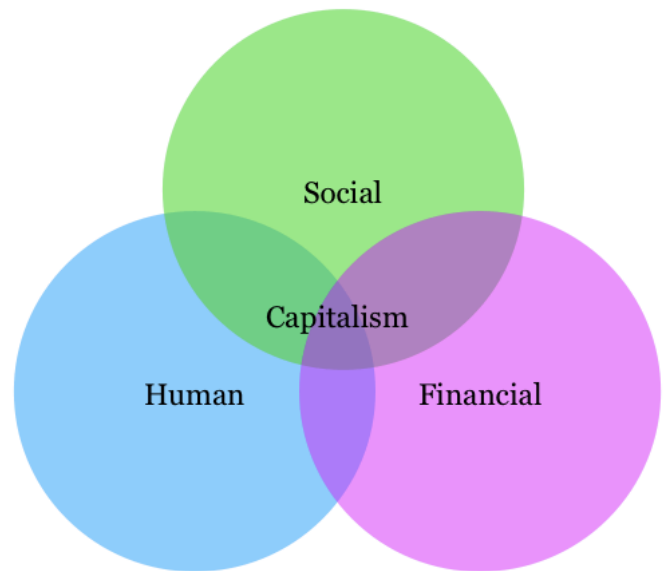
What is needed to overcome generational poverty and all its disadvantages is an effective strategy, not some Nietzschean emotion of *ressentiment* provocatively casting blame heedlessly where very few, if any, actual persons alive today having personal responsibility for creating the circumstances we want to change for the better.

An effective strategy would provide previously disadvantaged African Americans with access to the three fundamental capitals needed for human flourishing: financial, social and human.

The Caux Round Table (CRT) program of moral capitalism integrates for systemic wealth creation by individuals, communities, nations and our global community 1) financial capital, 2) social capital and 3) human capital. In addition, these three anthropocentric capitals draw on natural capital to create our cultures, economies and civilizations.

(The International Integrated Reporting Council also now asserts that the value of a business firm depends on use of natural, social, human and financial capitals (its report [can be found here](#))

The three capitals supporting human achievement are interdependent, each needing the other two to optimize its ability to contribute to value creation. A deficit in one form of capital limits the effectiveness of the others. Therefore, a shortfall in access to one form of capital will hinder acquisition of both more of that kind of capital and of the other forms, as well. Capitalism is, therefore, a system of capitals dynamically employed, something far more complicated than just markets, which permit the making of profits and losses.



While finance enables improving human and social capitals, social and human capitals are the foundation for the acquisition and creation of financial wealth. Financial capital is not a manna dropped upon us by a loving God. It must be created by human skill, usually in collaboration with others. One without skills and support from others will, no doubt, experience life, in the words of Thomas Hobbes, only as “solitary, poor, nasty, brutish and short.”

Consequently, if we seek to obtain financial capital, we might well start with improving our personal human capital and then use that form of capital to gain access to social capital. Once we have command of effective human and social capitals, we are much more likely to gain access to financial capital in the forms of income and ownership of wealth.

However, a serious impediment keeping us from fully comprehending the complexity of capitalism as an economic system is the intellectual limitations arising from our conventional thinking about accounting. We have, since the dawn of capitalism and maybe much earlier, thought of wealth mostly in terms of money and other tangible possessions – gold bars, jewelry, cowrie shells, sheep, cattle, measures of grain or acreage. Accordingly, we have become accustomed to

account in private business only for activities and decisions which can be denominated in money. Capitalism has been too narrowly conceptualized as a system dedicated to coming up with accounting statements of money and other tangible assets. As a quip has it: “At death, those with the most toys win.”

The intangible assets which are the various forms of social and human capitals are very hard to measure in monetary units. They, therefore, don’t appear either on our profit and loss statements or on our balance sheets.

We are astigmatic when we look at capitalism; we see it through a foggy lens. Its many working parts do not appear to us in clear focus. Some – the tangible ones – are more apparent than others. What we do tend to see clearly becomes the obvious stigmata which we associate with capitalism – money, financial profit, greed – all of what has become worthy of moral critique.

The nearly blinding myopia which prevents us from seeing the systemic complexity of capitalism seems to have convinced us that money drives outcomes. This is far too simplistic. Values drive outcomes, not money. Money is inert, amoral. It has no preferences. What money brings about comes from how it is used. The dollar, which can do good, could equally just as easily pay for something harmful. In short, in capitalism, people determine results and, generally speaking, what people do comes from their values. As the Apostle Paul noted, it is the love of money, not money itself, which is the root of all evil. It is human failings, not finance, which prevent capitalism from improving our lives.

To get the results we want from capitalism, we must first apply social and human capitals, not financial wealth. If we rely only on finance and ignore these two intangible capitals, we will never create the wealth or sustainably enjoy the personally fulfilling living standards we seek to share with our human communities. Proper stimulation of social and human capitals will kickstart the continuous generation and ever-growing accumulation of financial capital. This sequence was famously promoted by W.W. Rostow in his 1960 book, *The Stages of Economic Growth*. Accordingly, failure to properly deploy social and human capitals will restrain financial wealth creation.

To a similar conclusion, Peter Drucker argued that “culture eats strategy for breakfast.” It is our stocks of values – the intangible products of social and human capitals – which are the most important causes of our successes and happiness.

Now, there is a most important difference – conceptual and practical – between social and human capitals, on the one hand and financial capitals, on the other. Generally, we conceive of qualitative dimensions to apply to social and human capitals, which we do not so readily apply to financial capitals. Financial capitals can be easily monetized in our minds as a common denominator of their values and so are fungible – one dollar in circulation has the same value as any other dollar. The essential nature of financial resources is conceptualized mostly as transferable quantitative units.

(A rare \$20 U.S. Liberty gold coin from 1882 in good condition is worth more than \$20 today because it has become the object of social valuation – it has become collectable as a cultural artifact. Its market value is \$2,009. Still, we tend to measure its “cultural” value in dollar denominated units of currency.)

Cultures, organizations, societies, institutions and human persons are not fungible. One cannot be readily exchanged for another as a perfect substitute. To use a trite contemporary example, Joe Biden is not fungible with Donald Trump.

Market prices, however, can be and are used to distinguish between all capitals of different qualities. Two different people will command different prices for their employment depending on the qualitative value they will bring to the employer. Two companies competing in the same market will be assigned different net present values depending on the estimated “quality” of their future earnings. If one is better managed – a qualitative, non-fungible distinction, it can be expected to have lower future risks and so higher future returns. Thus, it is worth more today than its more poorly managed competitor. That difference in quality between the two companies has arisen, most likely, because the more valuable company has better quality social and human capitals and knows how to use them effectively in its business model.

As a result, many consultants earn high fees advising companies on how to improve their “culture” and how to maximize the talent, loyalty and productivity of their employees. So, when we think about how to get more out of capitalism, we easily settle into a cognitive bias: we just think of the money side of the system. We privilege financial capital over its intangible colleagues. Such a foolish consistency has become a “hobgoblin for little minds,” in the words of Ralph Waldo Emerson.

To avoid such simplistic thinking when planning to overcome the historical deficits holding back many African Americans, we should give immediate priority to social and human capital formation, rather than to transfers of financial capital.

The adage from international economic development of poor countries is: better to teach people how to fish than to give them fish.

## Social Capital

Most often overlooked by readers and commentators, Adam Smith took not money, not labor, not financial capital, but the organizational methodology of division of labor and specialization of function as the center of gravity of the new economic system he was describing in his book on the *Nature and Origins of the Wealth of Nations*. What he drew attention to in his description of a small pin factory was social organization – social capital in action.

(The World Business Council for Sustainable Development now proposes a social and human capital protocol, [which can be found here](#).)



Creating roles and responsibilities in companies and systems of production is a social undertaking. It also presumes that some will manage, direct and coordinate the interdependence of the different roles and positions to optimize the contribution of each to the others. This need for management is a second social process inherent in modern capitalism.

Any system of coordination of the efforts of mutually dependent individuals requires the reliance of one person on others. This was the insight of Chester Bernard in his influential 1938 book, *The Functions of the Executive*. Such reliance, in turn, must rest on a moral force - trust in others, as others trust in us. Trust among individuals working for the enterprise is a vital form of social capital. Reliance and trust further empower a firm to successfully engage with its stakeholders: customers to provide operating income; employees to deliver what the customers want; investors to provide finance to obtain real estate, equipment and raw materials; suppliers of inputs for production of goods and services; communities to provide quality employees; and government to provide law and order.

The CRT has created a scale for measuring the social capital of different countries. In brief, countries with high social capital have more wealth and provide higher standards of living for their citizens. Countries with low social capital deliver the worst comparative results for their citizens.

The countries with the most social capital, as of 2020, were: Switzerland; Norway; Denmark; New Zealand; Finland; Sweden; Netherlands; Australia; Canada; Luxembourg; Germany; Ireland; Austria; Iceland; Singapore; Hong Kong SAR China; United Kingdom; Japan; and the U.S.

The countries with the smallest accumulations of social capital were: Togo; Myanmar; Ethiopia; Pakistan; Comoros; Liberia; Nigeria; Niger; Mali; Mauritania; Haiti; Guinea; Cameroon; Mozambique; Tajikistan; Angola; Iraq; the Congo (Brazzaville); Venezuela; Afghanistan; Sudan; Burundi; Chad; Central African Republic; and the Congo (Kinshasa).

## **Human Capital**

Most simplistically, human capital consists of our skills, talents and social capabilities. Individual human capital can be discussed in terms of the degree of



effective agency that we have acquired. In addition to the ability to read, write, speak coherently and the possession of knowledge of history, literature, the sciences and civics, our personal capital resources include social skills such as empathy and listening, ethical reasoning, strength of character, emotional resilience and a robust and healthy self-system.

(The World Economic Forum provides a measure of human capital at the country level. Its report [can be found here.](#))

The CRT has developed a personal balance sheet to permit accounting for the many different components of human capital accounting:

Annex 1

## Human Capital Balance Sheet (Individual)

### Intangible Assets

Investments in Self	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	Societal Investments
	Self-confidence	Pride (hubris)	Loyalty	Manipulation	
	Self-respect	Co-Dependency	Humility	Enmity	
	Courage	Low Social Intelligence	Love/Friendship	Low Emotional Intelligence	
	Education	Afflicting Emotions	Transparency		
	Character		Trust		
	Mindfulness		Gratefulness		
	Patience		Leadership		
			Creativity		
			Engagement with Task		
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	
	Skills	Irrational Exuberance	Servant Leadership	Bribery & Corruption	
	Money	Narcissism	Stewardship	Rent Extraction	
	Managerial Power		Charity	Fraud	
			Invest in Enterprise		

Enhancing the human capital function of personal resilience was the object of advocacy by the Stoics. Providing guidance on how to master our positional opportunities was the goal of Cicero in writing his book on duty. Buddhist mindfulness can fortify individuals and empower them to maintain balance in the face of risk and to rise above all circumstances. Buddhist mindfulness empowers



us to overcome the disturbances in our minds called *kleshas*, which consist of greed, hate, delusion, conceit, wrong views, doubt, torpor, restlessness, shamelessness and recklessness.

Confucius elaborated on virtue and propriety as personal assets of character and success.

The Qur'an commands that each of us, on our own, must find and follow "the straight path." Thus, each person accumulates value in the mind of God through steadfastness and a mental discipline. One is to judge not by one's own nervous and fickle mind, but instead by God's mind. One's own mind, therefore, must become accustomed to a comprehensive and fixed orientation of believing in, holding fast to and fearing God. Such mindfulness directs the individual to "have faith and do good works." Such mindfulness easily expresses itself in behavior – acting not from passion or hatred, but with charity, kindness and peacefulness, being pious and doing justice.

Many of the parables of Jesus highlighted our personal ability to shape who we become: that we are salt that needs flavor, leaven that can make dough rise; that we are a light which can shine on others; that we are the ground on which a good seed can fall and grow robustly – we can let that seed die or we can nourish it to bring forth good grain; that, since good fruit grows on a tree that is well tended and well fertilized, the fruits of our lives depend on our tending to ourselves. Jesus entwines the idea of our human capital as treasure with the nature of our hearts. He speaks of the treasure that comes out of a good heart and that we should place our heart where we want to accumulate our treasure. He taught that the heart defiles our character.

In the modern secular realm, Amartya Sen and Martha Nussbaum have listed those forms of human capital – traits of character would be a more familiar description – which cumulate in personal agency – the empowerment of being able to live copiously and courageously.

Sen defines an agent as someone who acts and brings about change, whose achievement can be evaluated in terms of his or her own values and goals. Concern for agency stresses that participation, public debate, democratic practice and empowerment should be fostered alongside well-being.

For the purposes of this capability approach, agency primarily refers to a person's

role as a member of society with the ability to participate in economic, social and political actions.

The core capabilities that Nussbaum argues constitute useful human capital are:

1. *Life.*
2. *Bodily Health.*
3. *Senses, Imagination and Thought.* Being able to use the senses to imagine, think and reason and to do these things in a “truly human” way, a way informed and cultivated by an adequate education, including, but by no means limited to, literacy and basic mathematical and scientific training. Being able to use imagination and thought in connection with experiencing and producing works and events of one’s own choice, religious, literary, musical and so forth. Being able to use one’s mind in ways protected by guarantees of freedom of expression with respect to both political and artistic speech and freedom of religious exercise. Being able to have pleasurable experiences and to avoid non-beneficial pain.
4. *Emotions.* Being able to have attachments to things and people outside ourselves; to love those who love and care for us, to grieve at their absence; in general, to love, to grieve, to experience longing, gratitude and justified anger. Not having one’s emotional development blighted by fear and anxiety. (Supporting this capability means supporting forms of human association that can be shown to be crucial in their development.)
5. *Practical Reason.* Being able to form a conception of the good and to engage in critical reflection about the planning of one’s life. (This entails protection for the liberty of conscience and religious observance.)
6. *Affiliation.*
  1. Being able to live with and toward others, to recognize and show concern for other humans, to engage in various forms of social interaction; to be able to imagine the situation of another. (Protecting this capability means protecting institutions that constitute and nourish such forms of affiliation and also protecting the freedom of assembly and political speech.)

2. Having the social bases of self-respect and non-humiliation; being able to be treated as a dignified being whose worth is equal to that of others. This entails provisions of non-discrimination on the basis of race, sex, sexual orientation, ethnicity, caste, religion, national origin and species.
7. *Play*. Being able to laugh, to play, to enjoy recreational activities.
8. *Control over one's Environment*.
  1. *Political*. Being able to participate effectively in political choices that govern one's life; having the right of political participation, protections of free speech and association.
  2. *Material*. Being able to hold property (both land and movable goods) and having property rights on an equal basis with others; having the right to seek employment on an equal basis with others; having the freedom from unwarranted search and seizure. In work, being able to work as a human, exercising practical reason and entering into meaningful relationships of mutual recognition with other workers.

## **2015 World Bank Report, *Mind, Society and Behavior***

Next, the World Bank in 2015 published a fascinating report on how a community's mindset contributes to success in economic development. (*World Bank Report 2015: Mind, Society and Behavior*) This is a form of human capital aggregated on a social scale through culture.

*The title of this report, Mind, Society and Behavior, captures the idea that paying attention to how humans think (the processes of mind) and how history and context shape thinking (the influence of society) can improve the design and implementation of development policies and interventions that target human choice and action (behavior). To put it differently, development policy is due for its own redesign based on careful consideration of human factors.*

*This report aims to integrate recent findings on the psychological and social underpinnings of behavior to make them available for more systematic use by both researchers and practitioners in development*

*communities. The report draws on findings from many disciplines, including neuroscience, cognitive science, psychology, behavioral economics, sociology, political science and anthropology. In ongoing research, these findings help explain decisions that individuals make in many aspects of development, including savings, investment, energy consumption, health and child rearing. The findings also enhance the understanding of how collective behaviors—such as widespread trust or widespread corruption—develop and become entrenched in a society. The findings apply not only to individuals in developing countries, but also to development professionals, who are themselves prone to error when decision-making contexts are complex.*

*This approach expands the set of tools and strategies for promoting development and combating poverty. The strength of standard economics is that it places human cognition and motivation in a “black box,” intentionally simplifying the “messy and mysterious internal workings of actors” (Freese 2009, 98) by using models that often assume that people consider all possible costs and benefits from a self-interested perspective and then make a thoughtful and rational decision. This approach can be powerful and useful, but in a number of contexts, it also has a liability: it ignores the psychological and social influences on behavior. Individuals are not calculating automatons. Rather, people are malleable and emotional actors whose decision-making is influenced by contextual cues, local social networks and social norms and shared mental models. All of these play a role in determining what individuals perceive as desirable, possible or even “thinkable” for their lives.*

*The mind, society and behavior framework points to new tools for achieving development objectives, as well as new means of increasing the effectiveness of existing interventions. It provides more entry points for policy and new tools that practitioners can draw on in their efforts to reduce poverty and increase shared prosperity. This report discusses how taking the human factors more completely into account in decision-making sheds light on a number of areas: the persistence of poverty, early childhood development, household finance, productivity, health and climate change. The framework and many examples in the report show how impediments to people’s ability to process information and the ways societies shape mindsets can be sources of development disadvantage, but also can be changed.*

Accordingly, to expedite the alleviation of poverty around the world, the World Bank has elevated human capital factors to a central concern for policy makers and governments. Raising living standards for poor people by overcoming historic barriers to economic growth in their societies has moved beyond the use of financial tools to embrace a more sophisticated understanding of human reality and how wealth is created.

## **Mindfulness Undercut by Cognitive Bias**

The effectiveness, the value, of human capital is very depended on qualitative factors created by mindfulness. However, such effectiveness can be degraded and such value compromised when our minds become subservient to certain cognitive biases.

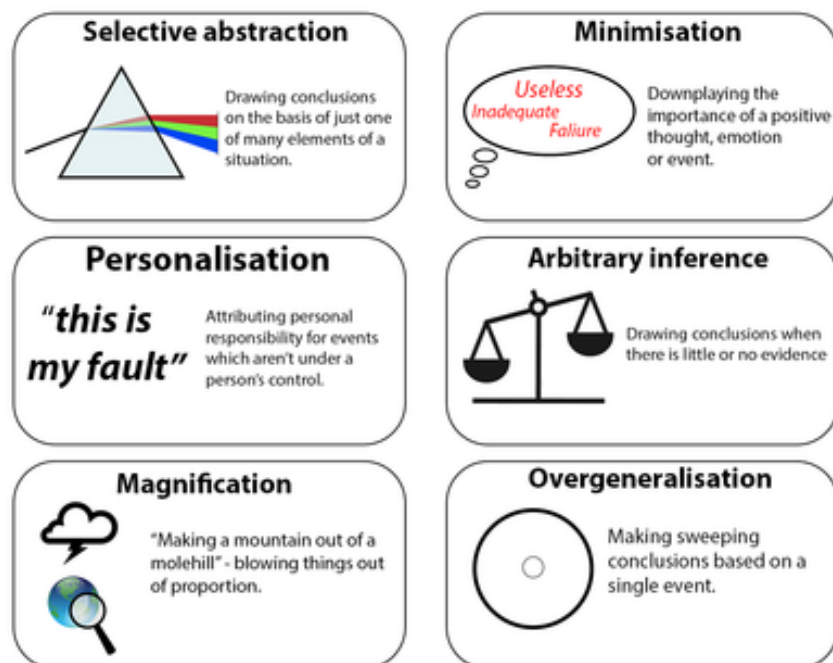
First, from the learning of behavioral economics, there is a list of rather normal and widely used cognitive biases, such as:

<u>Fundamental Attribution Error</u>	Also known as the correspondence bias, is the tendency for people to over-emphasize personality-based explanations for behaviors observed in others. At the same time, individuals under-emphasize the role and power of situational influences on the same behavior.
<u>Unconscious Bias</u>	An implicit attribution of positive or negative qualities to a group of individuals.
<u>Priming Bias</u>	The tendency to be influenced by what someone else has said to create preconceived idea.
<u>Confirmation Bias</u>	The tendency to search for or interpret information in a way that confirms one's preconceptions. In addition, individuals may discredit information that does not support their views. The confirmation bias is related to the concept of cognitive dissonance, in that individuals may reduce inconsistency by searching for information which reconfirms their views.
<u>Affinity Bias</u>	The unconscious tendency to be favorably biased toward people like ourselves.
<u>Self-serving Bias</u>	The unconscious tendency to claim more responsibility for successes than failures. It may also manifest itself as a tendency for people to evaluate ambiguous information in a way beneficial to their interests.

<u>Belief Bias</u>	When one's evaluation of the logical strength of an argument is biased by their belief in the truth or falsity of the conclusion.
<u>Framing</u>	Using a too-narrow approach and description of the situation or issue.
<u>Hindsight Bias</u>	Sometimes called the "I-knew-it-all-along" effect, is the inclination to see past events as being predictable.
<u>Embodied Cognition</u>	A tendency to have selectivity in perception, attention, decision-making and motivation based on the biological state of the body.
<u>Anchoring</u>	Anchoring bias is defined as the incapability of people to make appropriate adjustments from a starting point. Anchoring affects decision-making, for example in negotiations, medical diagnoses and including judicial sentencing.
<u>Status Quo</u>	The status quo bias is one implication of a loss aversion. In status quo bias, a decision-maker has the propensity to choose an alternative because it is default option or status quo.
<u>Overconfidence</u>	Overconfidence bias is the situation when people are inclined to trust their capability to make correct decisions too much. They are tended to overrate their abilities and skills as decision-makers.

## Mindfulness Undercut by Cognitive Distortions

A second set of distractions, which can degrade the quality of our mindfulness, are cognitive distortions. These cognitive biases arise in people who are depressed or anxious. Some of the most common cognitive distortions are:



Other cognitive distortions are:

### **All-or-Nothing Thinking**

The “all-or-nothing thinking distortion” is also referred to as “splitting,” “black-and-white thinking” and “polarized thinking.” Someone with the all-or-nothing thinking distortion looks at life in black and white categories. Either they are a success or a failure; either they are good or bad.

### **Filtering**

Filtering distortions occur when an individual dwells only on the negative details of a situation and filters out the positive aspects.

### **Disqualifying the Positive**

Disqualifying the positive refers to rejecting positive experiences by insisting they “don't count” for some reason or other. Negative belief is maintained, despite contradiction by everyday experiences. Disqualifying the positive may be the most common fallacy in the cognitive distortion range.

### **Emotional Reasoning**

In the emotional reasoning distortion, it is assumed that feelings expose the true nature of things and experience reality as a reflection of emotionally linked thoughts; something is believed true, solely based on a feeling.

### **Narcissistic Defense**

Those diagnosed with narcissistic personality disorder tend, unrealistically, to view themselves as superior, overemphasizing their strengths and understating their weaknesses. Narcissists use exaggeration and minimization this way to shield themselves against psychological pain.

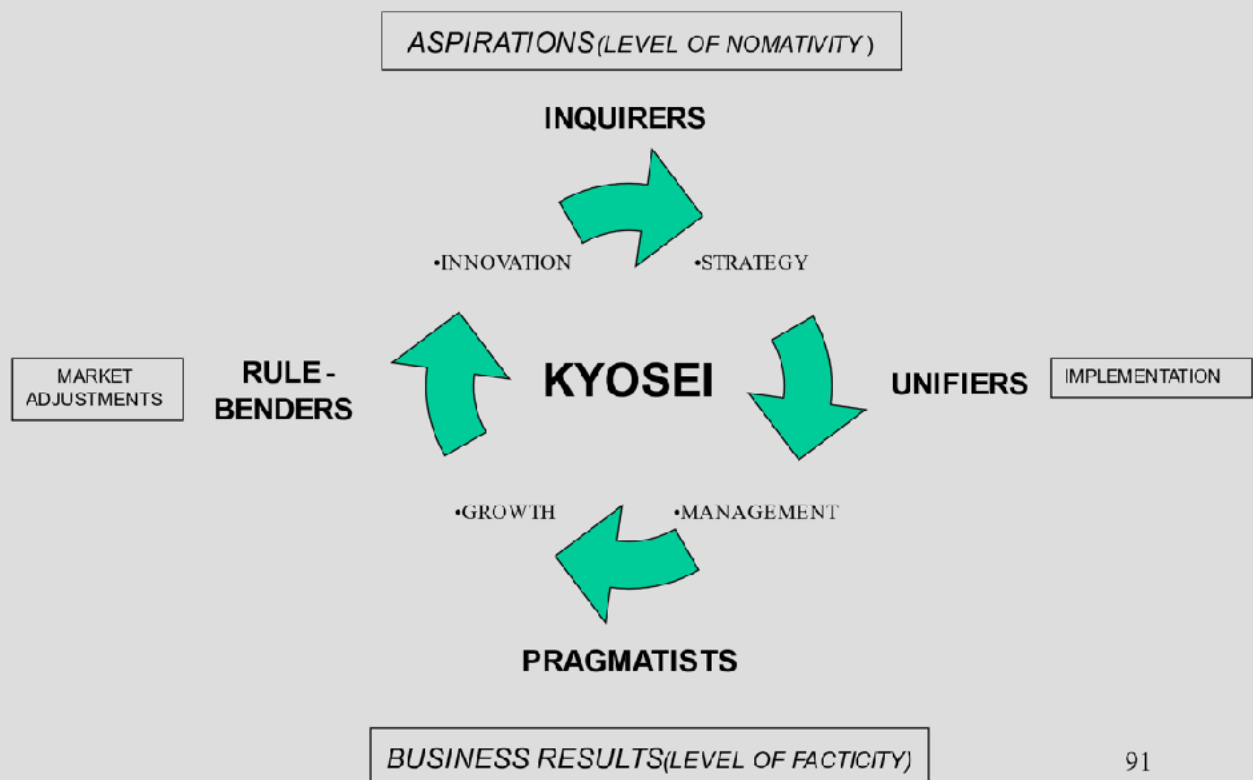
In most organizations today, under the discipline of organizational/institutional psychology professionals, considerable effort is made by HR departments to test and screen potential employees for their attitudes, orientations and mindsets.



Coaching and 360-degree personality assessments are provided to employees to assist them in improving their performance so that they will contribute more to the company and so enhance the net asset value of the firm.

The CRT has developed a decision styles inventory to help board members, executives and managers better understand their implicit preferences and default modes of decision-making. The inventory comes with a self-assessment coaching handbook to help individuals more consciously align their decision-making with the CRT's Principles for Business.

### Decision Style Cultural Dynamic



## Early Advocates for the Importance of Human Capital for African American Achievement

In 1852, Martin Delany – born, as they said at the time, a “free person of color” – wrote a short book titled *The Condition, Elevation, Emigration and Destiny of the Colored People of the United States*. A chapter of considerable relevance to today’s challenges of still providing means for the “elevation” of African Americans contained Delany’s recommendations on how such “elevation” could come about. He wrote:



Martin Delany

*Moral theories have long been resorted to by us, as a means of effecting the redemption of our brethren in bonds and the elevation of the free colored people in this country. Experience has taught us, that speculations are not enough; that the practical application of principles adduced, the thing carried out, is the only true and proper course to pursue.*

*We have speculated and moralised much about equality—claiming to be as good as our neighbors and everybody else—all of which, may do very well in ethics—but not in politics. We live in society among men, conducted by men, governed by rules and regulations. However arbitrary, there are certain policies that regulate all well-organized institutions and corporate bodies. We do not intend here to speak of the legal political relations of society, for those are treated on elsewhere. The business and social, or voluntary and mutual policies, are those that now claim our attention. Society regulates itself—being governed by mind, which like water, finds its own level. “Like seeks like,” is a principle in the laws of matter, as well as of mind. There is such a thing as inferiority of things and positions; at least society has made them so; and while we continue to live among men, we must agree to all just measures—all those we mean, that do not necessarily infringe on the rights of others. By the regulations of society, there is no equality of attainments. By this, we do not wish to be understood as advocating the actual equal attainments of every individual; but we mean to say, that if these attainments be necessary for the elevation of the white man, they are necessary for the elevation of the colored man. That some colored men and women, in a like proportion to the whites, should be qualified in all the attainments possessed by them. It is one of the regulations of society the world*

*over and we shall have to conform to it, or be discarded as unworthy of the associations of our fellows.*

*Cast our eyes about us and reflect for a moment and what do we behold! Everything that presents to view gives evidence of the skill of the white man. Should we purchase a pound of groceries, a yard of linen, a vessel of crockery-ware, a piece of furniture, the very provisions that we eat,— all, all are the products of the white man, purchased by us from the white man, consequently, our earnings and means, are all given to the white man.*

*Pass along the avenues of any city or town, in which you live—behold the trading shops—the manufacturies—see the operations of the various machinery—see the stagecoaches coming in, bringing the mails of intelligence—look at the railroads interlining every section, bearing upon them their mighty trains, flying with the velocity of the swallow, ushering in the hundreds of industrious, enterprising travellers. Cast again your eyes widespread over the ocean—see the vessels in every direction with their white sheets spread to the winds of heaven, freighted with the commerce, merchandise and wealth of many nations. Look as you pass along through the cities, at the great and massive buildings—the beautiful and extensive structures of architecture—behold the ten thousand cupolas, with their spires all reared up towards heaven, intersecting the territory of the clouds—all standing as mighty living monuments, of the industry, enterprise, and intelligence of the white man. And yet, with all these living truths, rebuking us with scorn, we strut about, place our hands akimbo, straighten up ourselves to our greatest height, and talk loudly about being “as good as anybody.” How do we compare with them? Our fathers are their coachmen, our brothers their cookmen and ourselves their waiting-men. Our mothers their nurse-women, our sisters their scrub-women, our daughters their maid-women and our wives their washer-women. Until colored men, attain to a position above permitting their mothers, sisters, wives and daughters, to do the drudgery and menial offices of other men’s wives and daughters; it is useless, it is nonsense, it is pitiable mockery, to talk about equality and elevation in society. The world is looking upon us, with feelings of commiseration, sorrow and contempt. We scarcely deserve sympathy, if we peremptorily refuse advice, bearing upon our elevation.*

*We will suppose a case for argument: In this city reside, two colored families, of three sons and three daughters each. At the head of each family, there is an old father and mother. The opportunities of these families, may or may not be the*

*same for educational advantages—be that as it may, the children of the one go to school, and become qualified for the duties of life. One daughter becomes schoolteacher, another a mantua-maker and a third a fancy shopkeeper; while one son becomes a farmer, another a merchant and a third a mechanic. All enter into business with fine prospects, marry respectably and settle down in domestic comfort—while the six sons and daughters of the other family, grow up without educational and business qualifications and the highest aim they have, is to apply to the sons and daughters of the first named family, to hire for domestics! Would there be an equality here between the children of these two families? Certainly not. This, then, is precisely the position of the colored people generally in the United States, compared with the whites. What is necessary to be done, in order to attain an equality, is to change the condition and the person is at once changed. If, as before stated, a knowledge of all the various business enterprises, trades, professions and sciences, is necessary for the elevation of the white, a knowledge of them also is necessary for the elevation of the colored man; and he cannot be elevated without them.*

*White men are producers—we are consumers. They build houses and we rent them. They raise produce and we consume it. They manufacture clothes and wares and we garnish ourselves with them. They build coaches, vessels, cars, hotels, saloons and other vehicles and places of accommodation and we deliberately wait until they have got them in readiness, then walk in and contend with as much assurance for a “right,” as though the whole thing was bought by, paid for and belonged to us. By their literary attainments, they are the contributors to, authors and teachers of, literature, science, religion, law, medicine and all other useful attainments that the world now makes use of. We have no reference to ancient times—we speak of modern things.*

*These are the means by which God intended man to succeed: and this discloses the secret of the white man’s success with all of his wickedness, over the head of the colored man, with all of his religion. We have been pointed and plain, on this part of the subject, because we desire our readers to see persons and things in their true position. Until we are determined to change the condition of things and raise ourselves above the position in which we are now prostrated, we must hang our heads in sorrow and hide our faces in shame. It is enough to know that these things are so; the causes we care little about. Those we have been examining, complaining about and moralising over, all our lifetime. This we are weary of. What we desire to learn now is, how to effect a remedy; this we have endeavored to point out. Our elevation must be the result of self-efforts*

*and work of our own hands. No other human power can accomplish it. If we but determine it shall be so, it will be so. Let each one make the case his own and endeavor to rival his neighbor, in honorable competition.*

*These are the proper and only means of elevating ourselves and attaining equality in this country or any other and it is useless, utterly futile, to think about going anywhere, except we are determined to use these as the necessary means of developing our manhood. The means are at hand, within our reach. Are we willing to try them? Are we willing to raise ourselves superior to the condition of slaves, or continue the meanest underlings, subject to the beck and call of every creature bearing a pale complexion? If we are, we had as well remained in the South, as to have come to the North in search of more freedom. What was the object of our parents in leaving the south, if it were not for the purpose of attaining equality in common with others of their fellow citizens, by giving their children access to all the advantages enjoyed by others? Surely this was their object. They heard of liberty and equality here and they hastened on to enjoy it and no people are more astonished and disappointed than they, who for the first time, on beholding the position we occupy here in the free north—what is called and what they expect to find, the free States. They at once tell us, that they have as much liberty in the south as we have in the north—that there as free people, they are protected in their rights—that we have nothing more—that in other respects they have the same opportunity, indeed the preferred opportunity, of being their maids, servants, cooks, waiters and menials in general, there, as we have here—that had they known for a moment, before leaving, that such was to be the only position they occupied here, they would have remained where they were and never left. Indeed, such is the disappointment in many cases, that they immediately return back again, completely insulted at the idea, of having us here at the north, assume ourselves to be their superiors. Indeed, if our superior advantages of the free States, do not induce and stimulate us to the higher attainments in life, what in the name of degraded humanity will do it? Nothing, surely nothing. If, in fine, the advantages of free schools in Massachusetts, New York, Pennsylvania, Ohio, Michigan and wherever else we may have them, do not give us advantages and pursuits superior to our slave brethren, then are the unjust assertions of Messrs. Henry Clay, John C. Calhoun, Theodore Frelinghuysen, late Governor Poindexter of Mississippi, George McDuffy, Governor Hammond of South Carolina, Extra Billy (present Governor) Smith, of Virginia and the host of our oppressors, slave-holders and others, true, that we are insusceptible and incapable of elevation to the more respectable, honorable, and higher*

*attainments among white men. But this we do not believe—neither do you, although our whole life and course of policy in this country are such, that it would seem to prove otherwise. The degradation of the slave parent has been entailed upon the child, induced by the subtle policy of the oppressor, in regular succession handed down from father to son—a system of regular submission and servitude, menialism and dependence, until it has become almost a physiological function of our system, an actual condition of our nature. Let this no longer be so, but let us determine to equal the whites among whom we live, not by declarations and unexpressed self-opinion, for we have always had enough of that, but by actual proof in acting, doing and carrying out practically, the measures of equality. Here is our nativity and here have we the natural right to abide and be elevated through the measures of our own efforts.*

In 1903, the noted African American scholar, W.E.B. Du Bois wrote *The Souls of Black Folk*. As Delany had before him, Du Bois looked to social and human capitals as powerful instruments to be used for the acquisition of economic wealth, social influence and political power. Here are some selected passages from that important commentary:



W.E.B. Du Bois

*The history of the American Negro is the history of this strife,—this longing to attain self-conscious manhood, to merge his double self into a better and truer self. In this merging he wishes neither of the older selves to be lost. He would not Africanize America, for America has too much to teach the world and Africa. He would not bleach his Negro soul in a flood of white Americanism, for he knows that Negro blood has a message for the world. He simply wishes to make it possible for a man to be both a Negro and an American, without being cursed and spit upon by his fellows, without having the doors of Opportunity closed roughly in his face.*

*My journey was done, and behind me lay hill and dale, and Life and Death. How shall man measure Progress there where the dark-faced Josie lies? How many heartfuls of sorrow shall balance a bushel of wheat? How hard a thing is life to the lowly, and yet how human and real! And all this life and love and strife and failure,—is it the twilight of nightfall or the flush of some faint-dawning day?*

*Thus, sadly musing, I rode to Nashville in the Jim Crow car.*

*It is not enough for the Negroes to declare that color-prejudice is the sole cause of their social condition, nor for the white South to reply that their social condition is the main cause of prejudice. They both act as reciprocal cause and effect and a change in neither alone will bring the desired effect. Both must change, or neither can improve to any great extent. The Negro cannot stand the present reactionary tendencies and unreasoning drawing of the color-line indefinitely without discouragement and retrogression. And the condition of the Negro is ever the excuse for further discrimination. Only by a union of intelligence and sympathy across the color-line in this critical period of the Republic shall justice and right triumph.*

*We cannot hope, then, in this generation, or for several generations, that the mass of the whites can be brought to assume that close sympathetic and self-sacrificing leadership of the blacks which their present situation so eloquently demands. Such leadership, such social teaching and example, must come from the blacks themselves. For some time men doubted as to whether the Negro could develop such leaders; but today no one seriously disputes the capability of individual Negroes to assimilate the culture and common sense of modern civilization and to pass it on, to some extent at least, to their fellows. If this is true, then here is the path out of the economic situation and here is the imperative demand for trained Negro leaders of character and intelligence,—men of skill, men of light and leading, college-bred men, black captains of industry and missionaries of culture; men who thoroughly comprehend and know modern civilization and can take hold of Negro communities and raise and train them by force of precept and example, deep sympathy and the inspiration of common blood and ideals. But if such men are to be effective they must have some power,—they must be backed by the best public opinion of these communities and able to wield for their objects and aims such weapons as the experience of the world has taught are indispensable to human progress.*

*Let us build the Southern university—William and Mary, Trinity, Georgia, Texas, Tulane, Vanderbilt and the others—fit to live; let us build, too, the Negro universities:—Fisk, whose foundation was ever broad; Howard, at the heart of the Nation; Atlanta at Atlanta, whose ideal of scholarship has been held above the temptation of numbers. Why not here and perhaps elsewhere, plant deeply and for all time centres of learning and living, colleges that yearly would send*



*into the life of the South a few white men and a few black men of broad culture, catholic tolerance and trained ability, joining their hands to other hands and giving to this squabble of the Races a decent and dignified peace?*

*Patience, Humility, Manners and Taste, common schools and kindergartens, industrial and technical schools, literature and tolerance,—all these spring from knowledge and culture, the children of the university. So must men and nations build, not otherwise, not upside down.*

*And the final product of our training must be neither a psychologist nor a brickmason, but a man. And to make men, we must have ideals, broad, pure and inspiring ends of living,—not sordid money-getting, not apples of gold. The worker must work for the glory of his handiwork, not simply for pay; the thinker must think for truth, not for fame. And all this is gained only by human strife and longing; by ceaseless training and education; by founding Right on righteousness and Truth on the unhampered search for Truth.*

*The function of the Negro college, then, is clear: it must maintain the standards of popular education, it must seek the social regeneration of the Negro and it must help in the solution of problems of race contact and cooperation. And finally, beyond all this, it must develop men. Above our modern socialism and out of the worship of the mass, must persist and evolve that higher individualism which the centres of culture protect; there must come a loftier respect for the sovereign human soul that seeks to know itself and the world about it; that seeks a freedom for expansion and self-development; that will love and hate and labor in its own way, untrammelled alike by old and new. Such souls aforetime have inspired and guided worlds and if we be not wholly bewitched by our Rhinegold, they shall again.*

*It is, then, the strife of all honorable men of the twentieth century to see that in the future competition of races the survival of the fittest shall mean the triumph of the good, the beautiful and the true; that we may be able to preserve for future civilization all that is really fine and noble and strong and not continue to put a premium on greed and impudence and cruelty. To bring this hope to fruition, we are compelled daily to turn more and more to a conscientious study of the phenomena of race-contact,—to a study frank and fair and not falsified and colored by our wishes or our fears*

*When, now, the real Negro criminal appeared, and instead of petty stealing and vagrancy we began to have highway robbery, burglary, murder and rape, there was a curious effect on both sides of the color-line: the Negroes refused to believe the evidence of white witnesses or the fairness of white juries, so that the greatest deterrent to crime, the public opinion of one's own social caste, was lost and the criminal was looked upon as crucified rather than hanged. On the other hand, the whites, used to being careless as to the guilt or innocence of accused Negroes, were swept in moments of passion beyond law, reason and decency. Such a situation is bound to increase crime and has increased it. To natural viciousness and vagrancy are being daily added motives of revolt and revenge which stir up all the latent savagery of both races and make peaceful attention to economic development often impossible.*

*But the chief problem in any community cursed with crime is not the punishment of the criminals, but the preventing of the young from being trained to crime.*

The emphasis on enhancing the effectiveness of social and human capitals adopted by Delany and Du Bois is currently advocated by such important and indefatigable thinkers and commentators as Thomas Sowell, Robert Woodson, Jason Riley, Shelby Steele, Glenn Loury, John McWhorter and my colleague of long standing, Peter Bell. The determining importance to African Americans of both social and human capitals is affirmed by Dr. Joy Degruy in her book, *Post Traumatic Slave Syndrome*.

### **Improving Social and Human Capitals for Today's African Americans**

An intentional effort to improve social and human capitals in any society must begin with a thorough and reality-based analysis of how such capitals come to be and how they can be augmented in quality and quantity.

Perhaps the first and most fundamental observation is that such capitals cannot be gifted or transferred from one to another, as money can easily pass from hand to hand and still preserve its value. For example, knowledge cannot jump from one mind to another. It is transferred by a learning process controlled by the mind of the transferee. Likewise, my experience is of no use to you unless you somehow extract it from me and incorporate it into your memory and thinking.

Even financial capital, when gifted, may not be used wisely or effectively. Instances of inheritances wasted by recipient children and grandchildren are legion. An old saying was “from shirtsleeves to shirtsleeves in three generations.” Vietnamese say that if the children do better than their parents, that family is specially blessed.

The effectiveness of financial transfers depends on how the funds are put to use. Two different students may each get the same subsidy to pay for their education, but how much and what kind of human capital they will acquire from those separate opportunities will depend on their character and mindfulness. The opportunities as experienced by each of them are not really fungible as the personal character – the human and social capitals – of each recipient of the subsidy is not identical or equivalent in effect to the personal character possessed by the other.

In public schools world-wide, where the education is free, some students do better than others and so qualify themselves for different employment opportunities and life outcomes.



In particular, merely transferring money from one to another does nothing in and of itself to enhance that recipient's ability to overcome any pre-existing cognitive bias or cognitive disruption. Bad habits just don't fade away after money is received.

That which is not earned by an investment of one's own human or social capitals is just a rent transfer. Transfers of rents, made in recognition of some superficial criteria disconnected from one's soul, introduce moral hazard into the lives of the recipients. No demand is made that they be prudent, caring, diligent or show other admirable character traits. Risky, self-seeking, narcissistic behaviors face no countervailing power within the person's moral sensibility where conditions of moral hazard prevail.

The most reliable course of conduct leading to the acquisition of all forms of capital is work. But not work as drudgery, as an oppressive imposition under the supervision of a stern and unfriendly taskmaster. The work which most directly leads to asset accumulation is more akin to a vocation, a calling with a vision of



future happiness and meaning, a conviction that whatever one does is added to the credit ledger where one's gains and losses are accounted for in the long run. Having a vocation presumes that one is accumulating credits and not debits in a transcendent personal balance sheet of purpose and meaning. The ideal was well put by Jesus with his question: "For what profit is it to a man if he gains the whole world and loses his own soul?"

Thus, accumulation of social and human capitals results from a work ethic, not from the indulgence of strangers. In *Streetcar Named Desire*, the author's line which revealed the character of Blanche Dubois, the lady who had no significant capital assets to her name, simply has her say about how she has chosen to live her life: "I have always depended on the kindness of strangers."

Such welcomed rent transfers, without more, confirmed in Blanche an awareness of her dependency, her marginality, her victimhood and her lack of agency. These "kindnesses" perpetuated her tragic self-image and most likely fed cognitive disruptions, preventing her from enjoying constructive relationships with others who would mean well towards her and might even care deeply about her. So, as a result of her dependency, her human capital was compromised and she could not accumulate robust social capital.

It was as if her human and social capital assets were offset by serious liabilities in her self-system. Her net asset position left her very vulnerable to life's vicissitudes.

The mindfulness that leads us to human and social capital accumulation is a strong call to self-direction, where the meaning of vocation is internalized in the self-system and is rigorously associated with a robust orientation to the future. Such self-direction spontaneously produces a willing diligence, an appetite for risk associated with probable reward, a common sense for the realities of one's

surroundings, gratitude and the confidence to overcome setbacks, large and small.

Such mindfulness vis-à-vis the accumulation of social and human capitals can be analogized to a financial investment in equity stock: you pay now in some psycho-social currency, internal or inter-personal, for future earning of social and human capitals. Those intangible capitals, in turn, can be used immediately upon possession to create wealth. Such wealth, when in hand, can then pay for more investments in one's human capital, such as greater mastery of cultural competencies and for enhanced social capital in building mutually nourishing relationships with significant others such as friends, mentors, supervisors, co-workers and financial investors.

Time Magazine, in its May 24/May 31 issue on "equity," included 40 recommendations to improve the life circumstances of African Americans. Most proposals contemplated rent-transfers such as for universal healthcare; universal pre-K education; an increase in food vouchers; higher minimum wages; universal housing vouchers; debt free college education; paid family leave; more funding for public schools in low-income communities; and more public funding on housing for the homeless and for arts education.

Only a few recommendations realistically sought to improve social or human capitals: universal pre-K education; neighborhood peacemakers; police focus on reducing crime; better police/community relations; and "allyship" inside extended families to raise children who know how to get along with others and, to some extent, universal healthcare.

### **The Public and Private Social Justice Dimensions of Enhancing Social and Human Capitals**

All forms of capital – the three cultural, humanized forms of capital (financial, social and human), as well as the capital resources provided by nature itself – contribute simultaneously to the creation of both public and private goods. In other words, capital can at the same time benefit private individuals and the common good.

This dual nature of capital implies that the acquisition costs of securing capital can be legitimately paid for by both private owners and by the public at large or other community funding sources on the ethical principle that there is no free

lunch – those who stand to benefit should pay for the enjoyment of what they will gain.

Capital assets are quasi-private assets which can be owned by individuals, but at the same time, benefit society. Or we could say that some capital assets are quasi-public assets in that they benefit society, but can be appropriated by individuals for their private benefit, as well. Quasi-private and quasi-public assets are like a joint venture in which returns are shared. The venture unites the self-interest of the individual with that of the public.

Consider two forms of human capital – education and health. Individuals benefit from both and can own both independently of others. Their education – for better or worse – becomes a part of their persona, their self-system, their capability, their agency prowess. Yet, simultaneously, the fruits of their education can be enjoyed by the community. Well-educated people contribute more value to the quality of life of their communities and, to the contrary, poorly educated people detract from the quality of life in those same communities. Their lower quality of human capital can easily be a public “bad.”

The same with health. As individuals, we own the benefits of our health. Good health extends the date of our mortality to the out years. Good health gives us more energy and capability and our communities benefit at the same time from lower health care costs and more personal contributions over a longer life span. Healthy individuals are a public good.

Thus, there is an interdependence implicit in capital – what an individual achieves or does not achieve in the acquisition of capital has positive or negative consequences for the wealth and well-being of society and reciprocally, what a society supports in culture, institutions and politics has positive or negative consequences for the ability of individuals to acquire capital in that setting.

This interdependence of economic growth with social and human capitals was rather taken for granted by Adam Smith as he sought to explain the nature and causes of the wealth of nations in 1776. His choice of a factory making straight pins with its specialization of function and division of labor as providing the remarkable innovation making possible dramatic increases in wealth creation actually illuminated the role of social and human capitals in delivering systemic results. Organizing the production process and having the individual workers collaborate as a team for a collective, social accomplishment demanded not just

financial acumen and ready money, but social and human capitals of some sophistication.

Recent studies have come to the same conclusion: social and human capitals are fundamental for achievement of national wealth creation (some relevant books include David Landes' *The Wealth and Poverty of Nations*, *Why Nations Fail* by Daron Acemoglu and James Robinson and *The Real Wealth of Nations* by Riane Eisler).

Thus, the most efficacious process for the accumulation of capital by individuals – including African Americans today – and by society always is reciprocal investment in public-private “joint” ventures. These partnerships, so to speak, make use of capital assets for both private benefit and public good. Society invests in institutions and norms which facilitate accumulation of capitals and individuals invest in mindfulness and a work ethic which generate both tangible and intangible capital assets.



Both society and individuals are well advised to invest first in the intangible capitals of social trust and mutual reliance on one another and human mindfulness.

The precise formula for wealth creation is a bilateral contract: society pays for enabling an individual to accumulate capital and protects the capital so created from loss and spoliation, while the individual so supported reciprocally contracts to work diligently and in good faith on accumulating personal capital assets. Social support for individual acquisition of capital can be provided by the state, not-profits and charities and subsidies from private firms. The contract requires performance for subsidies, with performance measured by agreed upon metrics.

A loose way of talking about such contracts for the acquisition of capitals was employed by President Bill Clinton when he described funding government social



programs as “investment” and now by President Joe Biden when he describes subsidies for human capital acquisition as “infrastructure.”

A shortcoming, in my view, of using the conceits of “investment” and “infrastructure” is the failure to include in such rhetoric or the programs proposed by Presidents Clinton and Biden requirements for reciprocal commitments from the individuals who will benefit from the government subsidies. President Clinton’s reform of welfare transfer payments did, however, take a reciprocal contractual form where recipients had obligations to put their human capital to work in institutional settings.

Republicans in U.S. politics and culture do not yet have a nomenclature for this interdependency of public and private goods. They traditionally have bifurcated capital formation into independent, stand-alone, one purely private and the other purely public, realms of expenditure and benefit.

Thus, in American public policy debate, say, on promoting economic growth through transportation, we have the current argument between our two political parties over who should pay for roads and bridges – tolls to be paid by the individuals who will personally own the usage benefits (Republicans) or taxes to be paid by the general public, which will benefit indirectly over time with the enhance economic activity that comes with private use of the roads and bridges (Democrats).

### **Application of the Strategy**

Increasing the access of individual African Americans to capital – social, human and financial – needs to start with their acquisition of social and human capitals. These capitals are provided by norm-maintenance social institutions – primarily the family, schools, civil society organizations, churches and community networks of friends, mentors and employers.

Those social arrangements which inhibit the acquisition of good human capital and threaten the lifestyles which contribute to the common good, (truancy, gangs, drug dealing, criminality, etc.) must not be funded by individuals or society and must be permanently reformed or else marginalized to the maximum feasible extent. Such social arrangements provide neither private nor public goods. It is more accurate to say that they provide private and public “bads.”

Study of successful accumulation of social and human capital teaches 1) that existing social capital assets are the starting points for creating more social capital and 2) that those already possessed of good human capital are the most effective tutors in encouraging others to similarly attend to their own mindfulness practices.



In African American communities, existing stocks of excellent social and human capital can be found in the black churches, in graduates of the Historically Black Colleges and Universities, in the various fraternities and sororities and in the Links organization of women. These social capital resources should be invited to apply for grants to fund programs of education and inclusion in social and human capital development.

In particular, given the long-standing failure of public schools to provide young African Americans with appropriate stocks of human capital and appropriate social aptitudes for employment, black churches should supplement those inadequate educational efforts with church-provided, after-school and weekend study halls, tutorials and academic mentors.

With respect to family provision of high-quality social and human capitals, families can contract with churches, non-profits or local governments in recreational programs, public libraries and police-sponsored after school activities for payment of fees for the participation of their children in work that enhances human and social capitals. Parents could be paired with mentors to improve their own human capital skill sets and so gain enhanced capacity to expose their children daily to home-based examples of best practices. Private foundations can easily provide grants for such organized engagement with parents and their children.

To facilitate the acquisition of financial capital, smartphone App access to investment accounts for those without banking privileges, internships or subsidized employment opportunities can be provided by the private sector.



Local communities, neighborhoods in collaboration with local governments, businesses, chambers of commerce, foundations, churches and non-profits would form coordination networks of opportunity providers for inner-city African American residents. Participating individuals would be given evaluations of their progress in the acquisition of capital assets.

Program plans with specific activities and key performance outcome indicators should be adopted for specific community networks, neighborhoods and collaborations.

## **Conclusion:**

With regard for all persons, their principled claim to individual justice is not to be treated as a means to some end, but as a most worthy end in and of themselves, as an individual spark of the divine. As one song in the American Civil Rights Movement had it: “This little light of mine, I’m gonna let it shine.”

But without agency, without the capacity to direct their lives for the best, individuals are reduced to being only means. Denied access to human and social capitals, they are maintained as dependent supplicants, seeking the kindnesses of strangers or as victims subject to the meanness of the self-righteous and the oppressive.

A person’s claim to justice is honored by providing respectful opportunities beginning in their youth, for welcomed participation in human and social capital formation.



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