

Making Capitalism More Creative

By Bill Gates

Capitalism has improved the lives of billions of people — something that's easy to forget at a time of great economic uncertainty. But it has left out billions more. They have great needs, but they can't express those needs in ways that matter to markets. So they are stuck in poverty, suffer from preventable diseases and never have a chance to make the most of their lives. Governments and nonprofit groups have an irreplaceable role in helping them, but it will take too long if they try to do it alone. It is mainly corporations that have the skills to make technological innovations work for the poor. To make the most of those skills, we need a more creative capitalism: an attempt to stretch the reach of market forces so that more companies can benefit from doing work that makes more people better off. We need new ways to bring far more people into the system — capitalism — that has done so much good in the world.

There's much still to be done, but the good news is that creative capitalism is already with us. Some corporations have identified brand-new markets among the poor for life-changing technologies like cell phones. Others — sometimes with a nudge from activists — have seen how they can do good and do well at the same time. To take a real-world example, a few years ago I was sitting in a bar with Bono, and frankly, I thought he was a little nuts. It was late, we'd had a few drinks, and Bono was all fired up over a scheme to get companies to help tackle [global poverty](#) and [disease](#). He kept dialing the private numbers of top executives and thrusting his cell phone at me to hear their sleepy yet enthusiastic replies. As crazy as it seemed that night, Bono's persistence soon gave birth to the [\(RED\)](#) campaign. Today companies like Gap, Hallmark and Dell sell (RED)-branded products and donate a portion of their profits to fight AIDS. (Microsoft recently signed up too.) It's a great thing: the companies make a difference while adding to their bottom line, consumers get to show their support for a good cause, and — most important — lives are saved. In the past year and a half, (RED) has generated \$100 million for the Global Fund to Fight AIDS, Tuberculosis and Malaria, helping put nearly 80,000 people in poor countries on lifesaving drugs and helping more than 1.6 million get tested for HIV. That's creative capitalism at work.

Creative capitalism isn't some big new economic theory. And it isn't a knock on capitalism itself. It is a way to answer a vital question: How can we most effectively spread the benefits of capitalism and the huge improvements in quality of life it can provide to people who have been left out?

The World Is Getting Better

It might seem strange to talk about creative capitalism when we're paying more than \$4 for a gallon of gas and people are having trouble paying their mortgages. There's no doubt that today's economic troubles are real; people feel them deeply, and they deserve immediate attention. Creative capitalism isn't an answer to the relatively short-term ups and downs of the economic cycle. It's a response to the longer-term fact that too many people are missing out on a historic, century-long improvement in the quality of life. In many nations, life expectancy has grown dramatically in the past 100 years. More people vote in elections, express their views and enjoy economic freedom than ever before. Even with all the problems we face today, we are at a high point of human well-being. The world is getting a lot better.

The problem is, it's not getting better fast enough, and it's not getting better for everyone. One billion people live on less than a dollar a day. They don't have enough [nutritious food](#), clean water or electricity. The amazing innovations that have made many lives so much better — like [vaccines](#) and microchips — have largely passed them by. This is where governments and nonprofits come in. As I see it, there are two great forces of human nature: self-interest and caring for others. Capitalism harnesses self-interest in a helpful and sustainable way but only on behalf of those who can pay. Government aid and philanthropy channel our caring for those who can't pay. And the world will make lasting progress on the big inequities that remain — problems like AIDS, poverty and education — only if governments and nonprofits do their part by giving more aid and more effective aid. But the improvements will happen faster and last longer if we can channel market forces, including innovation that's tailored to the needs of the poorest, to complement what governments and nonprofits do. We need a system that draws in innovators and businesses in a far better way than we do today.

Naturally, if companies are going to get more involved, they need to earn some kind of return. This is the heart of creative capitalism. It's not just about doing more corporate philanthropy or asking companies to be more

virtuous. It's about giving them a real incentive to apply their expertise in new ways, making it possible to earn a return while serving the people who have been left out. This can happen in two ways: companies can find these opportunities on their own, or governments and nonprofits can help create such opportunities where they presently don't exist.

Creating New Incentives

Even so, no matter how hard businesses look or how creatively they think, there are some problems in the world that aren't amenable to solution by existing market incentives. Malaria is a great example: the people who most need new drugs or a vaccine are the least able to pay, so the drugs and vaccines never get made. In these cases, governments and nonprofits can create the incentives. This is the second way in which creative capitalism can take wing. Incentives can be as straightforward as giving public praise to the companies that are doing work that serves the poor. This summer, a Dutch nonprofit called the Access to Medicine Foundation started publishing a report card that shows which pharmaceutical companies are doing the most to make sure that medicines are made for — and reach — people in developing countries. When I talk to executives from pharmaceutical companies, they tell me that they want to do more for neglected diseases — but they at least need to get credit for it. This report card does exactly that.

Publicity is very valuable, but sometimes it's still not enough to persuade companies to get involved. Even the best p.r. may not pay the bill for 10 years of research into a new drug. That's why it's so important for governments to create more financial incentives. Under a U.S. law enacted last year, for example, any drug company that develops a new treatment for a neglected disease like malaria can get a priority review from the Food and Drug Administration (FDA) for another product it has made. If you develop a new drug for malaria, your profitable cholesterol drug could go on the market as much as a year earlier. Such a priority review could be worth hundreds of millions of dollars. It's a fantastic way for governments to go beyond the aid they already give and channel market forces so they improve even more lives.

Of course, governments in developing countries have to do a lot to foster capitalism themselves. They must pass laws and make regulations that let markets flourish, bringing the benefits of economic growth to more people. In fact, that's another argument I've heard against creative capitalism: "We don't need to make capitalism more creative. We just need governments to stop interfering with it." There is something to this. Many countries could spark more business investment — both within their borders and from the outside — if they did more to guarantee property rights, cut red tape and so on. But these changes come slowly. In the meantime, we can't wait. As a businessman, I've seen that companies can tap new markets right now, even if conditions aren't ideal. And as a philanthropist, I've found that our caring for others compels us to help people right now. The longer we wait, the more people suffer needlessly.

The Next Step

In June, I moved out of my day-to-day role at Microsoft to spend more time on the work of the Bill & Melinda Gates Foundation. I'll be talking with political leaders about how their governments can increase aid for the poor, make it more effective and bring in new partners through creative capitalism. I'll also talk with CEOs about what their companies can do. One idea is to dedicate a percentage of their top innovators' time to issues that affect the people who have been left behind. This kind of contribution takes the brainpower that makes life better for the richest and dedicates some of it to improving the lives of everyone else. Some pharmaceutical companies, like Merck and GlaxoSmithKline, are already doing this. The Japanese company Sumitomo Chemical shared some of its technology with a Tanzanian textile company, helping it produce millions of bed nets, which are crucial tools in the fight to eradicate malaria. Other companies are doing the same in food, cell phones and banking.

In other words, creative capitalism is already under way. But we can do much more. Governments can create more incentives like the FDA voucher. We can expand the report-card idea beyond the pharmaceutical industry and make sure the rankings get publicity so companies get credit for doing good work. Consumers can reward companies that do their part by buying their products. Employees can ask how their employers are contributing. If more companies follow the lead of the most creative organizations in their industry, they will make a huge impact on some of the world's worst problems.

More than 30 years ago, Paul Allen and I started Microsoft because we wanted to be part of a movement to put a computer on every desk and in every home. Ten years ago, Melinda and I started our foundation because we want to be part of a different movement — this time, to help create a world where no one has to live on a dollar a day or die from a disease we know how to prevent. Creative capitalism can help make it happen. I hope more people will join the cause.

The Gospel of Wealth - Summary

Andrew Carnegie did not believe that men of great wealth were robber barons, but trustees whose duty it was to devote their talents to the common good. This, he wrote, is "the true Gospel concerning Wealth, obedience to which is destined some day to solve the problem of the Rich and the Poor, and to bring 'Peace on earth, among men of Good-Will.'"

Drawing on the doctrine of St. Paul, that the rich had to be stewards of wealth, defenders of the Gospel of Wealth, like the Episcopal Bishop of Massachusetts, argued that it was God's will that some men attained great wealth, and "in the long run, it is only to the man of morality that wealth comes." He concluded: "Material prosperity is helping to make the national character sweeter, more joyous, more unselfish, more Christ like."

In an 1889 essay, steel magnate Carnegie told his fellow business leaders, "The man who dies thus rich dies disgraced." Carnegie believed that the wealthy should repay their debt to society. True to his beliefs, by his death in 1919 he had divested himself of more than 95 percent of his fortune. He built a library building for any town that would provide a site, stock the building with books, and guarantee maintenance expenses. He provided pensions for professors at universities that agreed to meet strict academic standards. In addition to funding music halls, outdoor swimming pools, and church organs, he also set up endowments to promote teaching and world peace.

Gospel of Wealth - Document

The problem of our age is the administration of wealth, so that the ties of brotherhood may still bind together the rich and poor in harmonious relationship. The conditions of human life have not only been changed, but revolutionized, within the past few hundred years. In former days there was little difference between the dwelling, dress, food, and environment of the chief and those of his retainers. . . . The contrast between the palace of the millionaire and the cottage of the laborer with us today measures the change which has come with civilization.

This change, however, is not to be deplored, but welcomed as highly beneficial. It is well, nay, essential for the progress of the race, that the houses of some should be homes for all that is highest and best in literature and the arts, and for all the refinements of civilization, rather than that none should be so. Much better this great irregularity than universal squalor. Without wealth there can be no Maecenas [*Note: a rich Roman patron of the arts*]. The "good old times" were not good old times. Neither master nor servant was as well situated then as to day. A relapse to old conditions would be disastrous to both-not the least so to him who serves-and would sweep away civilization with it...

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We start, then, with a condition of affairs under which the best interests of the race are promoted, but which inevitably gives wealth to the few. Thus far, accepting conditions as they exist, the situation can be surveyed and pronounced good. The question then arises-and, if the foregoing be correct, it is the only question with which we have to deal-What is the proper mode of administering wealth after the laws upon which civilization is founded have thrown it into the hands of the few? And it is of this great question that I believe I offer the true solution. It will be understood that fortunes are here spoken of, not moderate sums saved by many years of effort, the returns from which are required for the comfortable maintenance and education of families. This is not wealth, but only competence, which it should be the aim of all to acquire.

There are but three modes in which surplus wealth can be disposed of. It can be left to the families of the decedents; or it can be bequeathed for public purposes; or, finally, it can be administered during their lives by its possessors. Under the first and second modes most of the wealth of the world that has reached the few has hitherto been applied. Let us in turn consider each of these modes. The first is the most injudicious. In monarchical countries, the estates and the greatest portion of the wealth are left to the first son, that the vanity of the parent may be gratified by the thought that his name and title are to descend to succeeding generations unimpaired. The condition of this class in Europe today teaches the futility of such hopes or ambitions. The successors have become impoverished through their follies or from the fall in the value of land.... Why should men leave great fortunes to their children? If this is done from affection, is it not misguided affection? Observation teaches that, generally speaking, it is not well for the children that they should be so burdened. Neither is it well for the state. Beyond providing for the wife and daughters moderate sources of income, and

very moderate allowances indeed, if any, for the sons, men may well hesitate, for it is no longer questionable that great sums bequeathed oftener work more for the injury than for the good of the recipients. Wise men will soon conclude that, for the best interests of the members of their families and of the state, such bequests are an improper use of their means.

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As to the second mode, that of leaving wealth at death for public uses, it may be said that this is only a means for the disposal of wealth, provided a man is content to wait until he is dead before it becomes of much good in the world.... The cases are not few in which the real object sought by the testator is not attained, nor are they few in which his real wishes are thwarted....

The growing disposition to tax more and more heavily large estates left at death is a cheering indication of the growth of a salutary change in public opinion.... Of all forms of taxation, this seems the wisest. Men who continue hoarding great sums all their lives, the proper use of which for public ends would work good to the community, should be made to feel that the community, in the form of the state, cannot thus be deprived of its proper share. By taxing estates heavily at death, the state marks its condemnation of the selfish millionaire's unworthy life.

... This policy would work powerfully to induce the rich man to attend to the administration of wealth during his life, which is the end that society should always have in view, as being that by far most fruitful for the people....

There remains, then, only one mode of using great fortunes: but in this way we have the true antidote for the temporary unequal distribution of wealth, the reconciliation of the rich and the poor—a reign of harmony—another ideal, differing, indeed from that of the Communist in requiring only the further evolution of existing conditions, not the total overthrow of our civilization. It is founded upon the present most intense individualism, and the race is prepared to put it in practice by degrees whenever it pleases. Under its sway we shall have an ideal state, in which the surplus wealth of the few will become, in the best sense, the property of the many, because administered for the common good, and this wealth, passing through the hands of the few, can be made a much more potent force for the elevation of our race than if it had been distributed in small sums to the people themselves. Even the poorest can be made to see this, and to agree that great sums gathered by some of their fellowcitizens and spent for public purposes, from which the masses reap the principal benefit, are more valuable to them than if scattered among them through the course of many years in trifling amounts.

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This, then, is held to be the duty of the man of Wealth: First, to set an example of modest, unostentatious living, shunning display or extravagance; to provide moderately for the legitimate wants of those dependent upon him; and after doing so to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial result for the community—the man of wealth thus becoming the sole agent and trustee for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer—doing for them better than they would or could do for themselves.

Andrew Carnegie, "Wealth," *North American Review*, 148, no. 391 (June 1889): 653, 657-62.

Question:

- 1. Does the Gospel of Wealth support the "American Dream"? Explain.**
- 2. How does the Carnegie's beliefs compare to those of Bill Gates?**