

Evolved Capitalism:

Exploring an evolved capitalist paradigm that empowers individuals by promoting justice and peace while maximizing profits

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Introduction

As our bus enters Managua's city dump, Tito, the driver, asks us to put down the windows, remain silent, and reflect on what we see. If the rampant poverty that we had already observed through the Nicaraguan city had not been enough, now smoke and flies invade our vehicle, mountains of garbage block our view and barefoot, half naked kids surround us. No sign of hope seems to be present behind these walls. The streets we had previously qualified as unlivable now become a paradise to which we want to return; but the driver keeps going. The silence is broken by tears and I wonder if I will have the strength to work in such conditions; whether I will be able to come back here and try to make a difference in a place that seems to be beyond good; a place that literally looks like Hell.¹

Key Biscayne Presbyterian Church, Nicaragua Mission '08

An Introduction to Capitalism; Justice and Peace Studies; and the Purpose of Writing a Thesis

In the outskirts of Managua, Nicaragua's Capital, between 1,500 and 2,000 people live, work, and depend on garbage. The city's municipal dump is home to the Chureca community, a community of Nicaraguan families that, after fleeing the extreme poverty that almost killed them in the agricultural countryside, came together in this garbage dump, where they use garbage to survive. Although words can not convey the feelings I had when I visited La Chureca in August 2008, I do find it possible, and a responsibility, to transmit some of the ideas on capitalism, peace, and justice that such experience inspired me to explore and which I expand on this thesis.

¹ Personal reflection by the author on visit to La Chureca, Nicaragua as part of a mission trip in 2008. When in the Bible Jesus refers to hell, he uses the word Gehenna, the name given to the burning city dump outside of Jerusalem.

The research and analysis presented are born from a motivation to bring justice and peace to the people of La Chureca, and are rooted in the works of prominent scholars in the fields of economics, business psychology, development, and justice and peace studies.

The purpose of this thesis is to provide a business-oriented, capitalistic approach to solving poverty. Such approach consists of an evolved capitalism², a form of capitalism that addresses the market failures of our present system and, in doing so, eliminates the exploitation and extreme poverty conditions that such market failures create.

The idea that an evolved profit-seeking capitalism can be the greatest tool against poverty and violence derives from the understanding that the capitalism we experience today is one-dimensional and, consequently, fails to capitalize on the more human components of our society, those concerned with compassion, justice, and peace. The concept of an evolved capitalism “is not about new management tricks or gimmicks or superficial techniques that can be used to manipulate human beings more efficiently. Rather, it is a clear confrontation of one basic set of orthodox values by another newer system of values that claims to be both more efficient and more true. It draws on some of the truly revolutionary consequences of the discovery that human nature has been sold short.”³

Evolved capitalism is here presented in the context of the classical theories of scholars such as Karl Marx, Adam Smith, and Abraham Maslow, as well an analysis of more modern theories regarding social entrepreneurship, corporate responsibility, and business stewardship ethics.

² The concept of an evolved capitalism is the thesis of this paper and is a new concept that is born from this investigation. Its roots and nature are explored in detail in this thesis.

³ Maslow, Abraham H. *Maslow on Management*. New York, NY: John Wiley & Sons, Inc. , 1998. p xv.

Muhammad Yunus is a significant source of inspiration for this work because he was the first voice I heard allude to the discovery of a more complete capitalism, a capitalism that is an avenue for social, political, and sustainable development around the world⁴; however, since this paper looks to contribute and trace a progress of thought within the field, rather than re-state the already stated, this work looks at Mr. Yunus's work with a critical eye and analyzes it in relation to the work of others, in a quest for something new.

This quest is not intended for a passive reader, but one looking to engage in active conversation, reflection, analysis, and application of principles. The reader is asked to set aside stereotypes that are often associated with the poor, and encouraged to redefine the poor in terms of their potential for development.

Unlike many works that look at poverty and violence in terms of causal relationships, this research approaches the prevalence of poverty as violent in and of itself. Paulo Freire's logic indicates that "any situation in which A objectively exploits B or hinders his pursuit of self affirmation as a responsible person is one of oppression; such situation itself constitutes violence."⁵ Accordingly, the existence of poverty, which is here argued to result from our present un-evolved capitalist system, is violent in essence and needs to be addressed. This thesis is critical of our current capitalism, and maintains that an evolved capitalism is the only path to eradicate extreme poverty and bring development to the least developed parts of the world.

Looking at the need to work through rather than around the capitalist system, and seeing a necessity to integrate the theories of Adam Smith and Karl Marx rather than condemning them

⁴ Yunus, Muhammad. *Creating a World Without Poverty*. 1st ed. New York, NY: Public Affairs, 2007.

⁵ Freire, Paulo. *Pedagogy of the Oppressed*. New York, NY: Continuum, 2006. p73

as complete opposites, this investigation defends that a social/ non-violent revolution towards evolved capitalism is being born, and that its success, is our best hope to eradicate poverty.

Methodology

As active participants in today's economy, it is difficult to approach this paper without any pre-conceived bias; however, I base this discussion on the belief that "to explain to the masses their own action is to clarify and illuminate that action."⁶ With that in mind, I begin this exploration as a way to clarify and illuminate, for myself, how capitalism and poverty relate, both in theory and practice, and how the actions of consumers and producers both affect and are affected by such relation.

This work consists of two parts: (1) an analysis of capitalist theory and introduction to the idea of an evolved capitalism and (2) the creation of a business plan in accordance to the principles of evolved capitalism, a plan built to empower the Chureca community through capitalist profit maximization rather than charitable donations.

As a whole, this paper provides the theory necessary to understand how evolved capitalism can be a tool of peace and provides a business model that shows how such theory takes form in practice.

This paper explores capitalist theory, traditional views of the poor, traditional forms of charity, and business planning from a Justice and Peace perspective. Its focus on the people of Nicaragua and the experiences of the writer as well as personal connection with the project, provide a narrative voice that leads the audience through the complex analysis of capitalist economic theory. Furthermore, Nicaragua provides the stage for accurate identification of some general concepts explored.

⁶ Freire, Paulo. *Pedagogy of the Opressed*. New York, NY: Continuum, 2006. P53

More specifically, this research is organized in the following manner:

Part I: Understanding Capitalism as a tool of Justice and Peace

A close look at the classic praises and criticisms of capitalist theory allows us to explore some of the tensions between profits, exploitation, poverty, charity, and dependency. The limitations of our current capitalist system are acknowledged, while its positive aspects are also highlighted and used as the basis for the need of a social, non-violent, and consumer driven revolution towards evolved capitalism.

Part II: Evolved Capitalism in Practice

The second part of this research elaborates on the practical applications of evolved capitalism and the drafting of business plans that are consistent with such theory. A personal account of my experience dealing with the creation of a business plan that uses capitalism as a tool of justice and peace in La Chureca invites the reader to reflect on his own potential as an entrepreneur within an evolved capitalist framework. A complete yet organic plan for the creation of a business that helps the people of Nicaragua is included with the goals of (1) serving as an example for the drafting of other business plans and (2) introducing the audience to the business idea that drives my writing and will soon be implemented in practice.

Finally, a concluding section to the research provides reflections on the importance and process of writing a justice and peace studies thesis; a research summary highlighting the most important aspects of this analysis; and looks into what comes next, and how the reader can personally engage in working for justice and peace through the promotion of evolved capitalism.

Terminology

The analysis and exploration that we begin here requires a form of dialogue that “is the encounter in which the united reflection and action of the dialoguers are addressed to the world which is to be transformed and humanized by it.”⁷ This piece of writing aims to be transformative and change producing itself, just as much as it encourages the reader to become an agent of transformation and change. To facilitate such goal, it is necessary to have a shared a set of concepts which will make our conversation more comprehensive and fluent, increasing its transformational power.

Charity is a term that is broadly used in the field of development and poverty alleviation; however, to properly follow the analysis presented in this work, it is necessary to dissect such large concept into two more particular ones: “*false generosity*” and “*charitable investment*.” False generosity is the “give a man a fish” approach to charity and identifies those charitable actions that help satisfy basic needs but fail to empower the community in a way that it may sometime become independent from such generosity.

Charitable investment⁸ is the “teach a man how to fish” approach. It is concerned with investing in the creation of programs that provide sustainable benefits and are self sustainable themselves. Social businesses are a particular form of charitable investment on which we will be focusing and which serve as inspiration for the project proposed in the second part of this work. This form of investment could be also described as “true charity” because the donor “by the trust in the people,” engages in their struggle, by empowering them, rather than through “a thousand

⁷ Freire, Paulo. *Pedagogy of the Opressed*. New York, NY: Continuum, 2006. P53

⁸ Charitable investment is a term used in the literature but is nowhere precisely defined as in this paper; based and similar to Freire’s “true charity” concept.

actions in their favor without trust.”⁹

We will also define and distinguish here two other concepts which will facilitate the discussion: “*private profit*” and “*social profit*.” Social profits are reinvested in the society (either in the same project or other projects) while private profits are split amongst original investors. Social gains, which are different from social profits, refer to social benefits (better communication/ increased school attendance) which are not explicitly economic, these remain excluded from the concept of social profit.

Lastly, I would like to clarify that *capitalism* is not always concerned with industrialization. Small projects that allow people to develop practices to improve their agriculture and sell it in the market, programs that encourage people to handcraft products that can be sold for profit or any other such kind of initiative fit within capitalism; remembering this will be essential to understanding of this study.

⁹ Freire p45

Part I: Discovering Capitalism as a Tool of Justice and Peace

As I look back on my experience in Nicaragua, it is difficult not to think about the people of La Chureca as prisoners. There seems to be no seed of hope; no sign marking the possibility of them ever living beyond the city dump's walls. Their freedom is restricted by a lack of opportunity, education, and markets for them to engage in. There has to be something wrong with a system that forces men to live in such conditions. Many blame capitalism.¹⁰

Maria Sevilla, February '10

Maslow's Hierarchy of needs in a justice and peace studies context

Understanding what motivates humans to act is essential to understanding their actions; what motivates humans to engage in trade? To exploit others? To give to charity?

In 1943 in A Theory of Human Motivation¹¹, Abraham Maslow suggested that human action is motivated by efforts to satisfy human needs. Human needs, he argued, are divided into needs that are essential for survival and those which are not essential for survival; accordingly, some human needs take priority over others. In what is today known as the hierarchy of needs theory, Maslow organized human needs in five different groups. The prioritizing of such needs is best explained through the use of a pyramid diagram (Appendix A). At the bottom of the pyramid, Maslow places physiological needs, those concerned with human survival (water, food, etc.). Immediately above those, we find security needs (physical safety, economic safety, etc). As we continue to go up the pyramid, he distinguishes social needs (acceptance, belonging), esteem needs (recognition, prestige, status), and finally, at the top of the pyramid, self-

¹⁰ Personal reflection

¹¹ Maslow, Abraham H. A Theory of Human Motivation. Originally Published in *Psychological Review*, 50, 370-396.

actualization needs (opportunities for innovation and creativity, personal satisfaction, etc.). His theory maintains that only after the physiological needs have been satisfied do safety needs become a motivator for action, and subsequently up the pyramid.

For this investigation, the most important aspect of Maslow's theory is that it identifies the multi-dimensional nature of human beings and recognizes their material as well as non-material needs. From a broader justice and peace studies perspective, however, Maslow's hierarchy of needs takes an important role in defining human rights. Injustice and violence limit an individual's ability to satisfy their needs at different levels of the hierarchy. Increasingly, through the work of organizations such as the United Nations and human rights advocates, there has been an international acknowledgement that all individuals should be guaranteed opportunity to pursue the satisfaction of their needs; however, in practice, this is not always the case. People who live in extreme poverty, like the people of La Chureca city dump, live in a constant struggle to satisfy even the more basic of their needs and sometimes, even the opportunity for survival is denied.

To fully understand the research that follows, it is essential to understand not only Maslow's hierarchy of needs, but also McGregor's theories on the nature of human beings¹². McGregor distinguishes two theories about the nature of individuals: Theory X and Theory Y¹³. In its simplest form, theory X relies on the assumption that the average human being has an inherent dislike of work, wishes to avoid responsibility, and has little ambition. Theory Y, on the other hand, assumes that the human "expenditure of physical and mental effort in work is as

¹² McGregor, Eugene B. *Strategic Management of Human Knowledge, Skills, and Abilities*. 1st ed. San Francisco, CA: Jossey-Bass Inc., 1991. Print.

¹³ McGregor p43

natural as rest or play,”¹⁴ that personal satisfaction, rather than coercion, is a driving force of human motivation, and that the modern human being understands and seeks responsibility.

This basic distinction becomes very important in analyzing the different ways in which people see the poor. On the one hand, defenders of Theory X argue that what keeps poor people living in poverty is their own laziness; on the other hand, Theory Y advocates argue that poor people have been denied the opportunity to manifest their potential and, consequently, they are victims of a system that keeps them in poverty, in spite of their motivation for success.

Muhammad Yunus elaborates on the assumptions of McGregor’s Theory Y through his bonsai tree analogy¹⁵. He maintains that you could go to a forest and pick out the most perfect seed for a tree; however, if you bring that perfect seed and grow it under certain specific conditions with plenty of human intervention, the seed with the potential for being a tall and strong tree will be limited to being a tiny bonsai tree. He argues that the same is for human beings; it is the lack of opportunity that keeps some of the people with the most potential living in poverty.

No definite conclusion has been reached by scholars regarding McGregor’s theories; some continue to argue that Theory X is true, others, such as Muhammad Yunus, fervently support Theory Y. This question, however, is not one that will be discussed in this study. In accordance to the Universal Declaration of Human Rights¹⁶, Maslow’s theories¹⁷, and the work

¹⁴ McGregor 65

¹⁵ Yunus, Muhammad. *Creating a World Without Poverty*. 1st ed. New York, NY: Public Affairs, 2007. p54

¹⁶ Adopted by the General Assembly of the United Nations on December 10, 1948.

<<<http://www.un.org/en/documents/udhr/>>> Accessed: 18 February 2010

¹⁷ Maslow, Abraham H. *Maslow on Management*. New York, NY: John Wiley & Sons, Inc. , 1998.

of many other scholars¹⁸, this research assumes the veracity of Theory Y and builds its theory based on such assumptions.

Before delving into the discussion about capitalism, it is important to highlight some premises on which this analysis depends:

- human beings are multi-faceted beings with both material and non-material needs;
- for the average human being work is as natural as play or rest;
- human beings will work not only for economic rewards or under coercion but also for self-actualization purposes;
- extreme poverty is a condition in which the average human being does not choose to live, but rather one into which he or she is forced when denied the opportunity to fully use their potential to become an active participant in the capitalist market.

¹⁸ E.g. Yunus; refer back to bonsai tree analogy in previous page.

Karl Marx, Adam Smith, and present day Capitalism

In *The Capitalist Manifesto*, Andrew Bernstein, characterizes capitalism as “the system of individual rights, a system that has brought increased freedom to men all over the world;”¹⁹ yet, both practical experience and empirical data often seem to reveal quite the opposite. Many of today’s large corporations and powerful leaders have built their fortunes through the exploitation of workers and environmental resources. Such abuses are not new. Over 150 years ago, Karl Marx was already able to identify some of the cruelties resulting from “consciousless free trade.”²⁰ “Society as a whole is tending to split into two great hostile encampments, into two great classes directly and mutually opposed;”²¹ Marx identified such groups as (1) the bourgeoisie and (2) the proletariat. I contend that in today’s society those groups consist of (1) those who are active market participants and benefit from today’s capitalist system, , and (2) those who suffer the consequences of being excluded from such system and are left as spectators rather than active participants in the markets.

Much of Marx’s discontent and concern regarding capitalist theory is well founded, and many of the assertions he shares in the *Manifesto of the Communist Party*²² hold truth; however, Marx failed to see how many of the characteristics of capitalism which he condemned as evil, also had a potential to be used for the promotion of peace and justice, rather than exploitation.

¹⁹ Bernstein, Andrew. *The Capitalist Manifesto*. Lanham, MD: University Press of America, Inc., 2005.

²⁰ Mark , Kowling. *The Communist Manifesto: New Interpretations*. New York, NY: New York University Press, 1998.p16

²¹ Mark 16

²² *The Manifest of the Communist Party* by Karl Marx. Translated by Terrel Carver and included in Mark’s *The Communist Manifesto: New Interpretations* cited above.

Karl Marx and Adam Smith both shared one common belief, the belief that the bourgeoisie, or businessman, will act selfishly, only motivated by economic self interest²³. They both identified a one-dimensional capitalist system, where profits were the only dictating principle. However, human beings are multi-dimensional beings and while economic rewards are an important motivator for human action, it is mistaken to assert that they are the only one.

Marx's one-dimensional conception of the capitalist man is what blinds him from some of the advantages of capitalism and leads him to, for example, become hyper critical of globalization. "The intellectual creations of individual nations become common currency. National partiality and narrowness become more and more impossible, and from the many national and local literatures a world literature arises."²⁴ In a world where money is the only motivator for action, globalization would be very dangerous; even in our multi-dimensional humanity we have seen some groups become oppressed; their local cultures overtaken by the cultures of more developed nations that came in with the sole purpose of economic profit. It would be unrealistic, however, to deny that given the multi-faceted nature of individuals, which leads them to pursue not only profits but also to do good, the merging of markets and cultures has also had very positive effects. The sharing of technological advances in the fields of health and agriculture, for example, has played an important role in empowering communities around the world.

Today's capitalism has both very positive and very negative aspects. Ideally, we seek to enjoy the benefits of capitalism without having to endure the exploitation and abuses that are often associated with it. Is this possible?

²³ See *The Manifest of the Communist Party* by Karl Marx and *The Wealth of Nations* by Adam Smith.

²⁴ Mark , Kowling. *The Communist Manifesto: New Interpretations*. New York, NY: New York University Press, 1998.p17

In order to determine whether it is possible to have a capitalist system that seeks to maximize profits while remaining free of abuses and exploitation, it is necessary to identify what elements within capitalism are responsible for such evils. Market failure is the one feature responsible for the exploitation and extreme poverty that we see today. Market failures occurs when there is an inefficient allocation of goods and services in a market; a phenomenon that usually occurs when individuals' pursuit of short term self-interest leads to results that are not efficient in the market. A classic example of market failure relates the producer's failure to calculate the cost of the environmental impact of production into their products. The cheap prices of products whose production is highly damaging for the environment misrepresent the real cost of the product and yields in an inefficient allocation of goods.

In *The Wealth of Nations*, Adam Smith emphasizes the importance of “wages [that] properly express the value of labor.”²⁵ A close reading of Adam Smith might lead us to think that his philosophy is actually more closely aligned with today's fair trade initiatives than with the mainstream market system. Smith says that the possibility of selling the surplus of his production, receiving a fair compensation for his labor is what “encourages everyman to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genius he may possess for that particular species of system.”²⁶ (12) In our modern capitalism, where the real value of labor is only rarely reflected in the price of products, the possibilities for individuals to engage in this kind of market participation are very limited. An abusive system has developed, one that gave birth to sweat shops, abused worker rights, and which left many out of capitalism completely.

²⁵ Smith, Adam. *Selections from the Wealth of Nations*. 1st ed. New York, NY: Meredith Corporation, 1957. p32

²⁶ Smith 12

The market failure of modern day capitalism lies on the system's failure to capture the multi-faceted nature of human beings, and set prices accordingly.

Capitalism, in its simplest form, is built on the assumption that an exchange will benefit all the parties engaged in such exchange. The theories on forces of supply and demand, competition, and increased dialogue between distant parties are often seen as negative aspects of the system; yet, they are the most basic advantages that capitalism offers. "Competition among makers of personal computers, for example, has caused the price of PCs to fall dramatically even as their speed, power, and other features have improved."²⁷

Having acknowledged both the merits and shortcomings of capitalism, it is important to establish that capitalism does not create oppressed people, "people create oppressed" people.²⁸ Because freedom and individual rights are necessary for trade to occur, capitalist theory is rooted in such principles more than any other economic model; it is the misconception that one person's success can only happen at the expense of someone else that has led capitalism to take an exploitative form. This research does not deny that the extreme poverty that we see today is largely caused by our current capitalist system; rather, this research proposes that the eradication of extreme poverty depends on fixing the market failures of our current system; calling for an evolved capitalism, instead of a reinvention of the economic system as a whole.

²⁷ Yunus, Muhammad. *Creating a World Without Poverty*. 1st ed. New York, NY: Public Affairs, 2007. p27

²⁸ Freire, Paulo. *Pedagogy of the Oppressed*. New York, NY: Continuum, 2000. p43

The Need for a Non-Violent Social Movement towards Evolved Capitalism

“To be a capitalist is not just to have a purely personal position in the process of production but a social one;”that is exactly the understanding on which evolved capitalism is built²⁹. Evolved capitalism rests on the belief that doing good is both the socially sound and profitable thing to do. It is based on minimizing the waste of human resources and fostering the expansion of markets to include the poor people as both consumers and producers. In advocating for an evolved capitalim this research maintains that a social movement has been brewing, one in which consumers are increasingly using their power to guide markets away from exploitation. This paper, in promoting evolved capitalism, calls for a social- non-violent revolution against abusive capitalism; we are calling for a new form of capitalism in which markets bring peace and justice to all.

²⁹ Mark , Kowling. *The Communist Manifesto: New Interpretations*. New York, NY: New York University Press, 1998. *The Manifesto of the Communist Party* by Karl Marx: p24

False Generosity Models and Corporate Social Responsibility: Eradicating Poverty by Working around today's Capitalist System

The idea of an evolved capitalism results from an identified need to stop trying to work around capitalism in order to eradicate poverty and, rather, trying to develop a form of capitalism that ends exploitation, yet maintains the benefits of expanding markets and maximizing profits. Evolved capitalism builds on the combined study of traditional charity models and corporate social responsibility (CRS) detailed below as well as on the theories of social businesses and business stewardship ethics outlined in the next section.

In 2003, Open Hearts Ministries, with the economic support of its affiliated ministries in the United States, decided to launch a project to build three houses that would be given free of charge for three families in La Chureca to move out of the garbage dump. Upon completion, the three families moved to their new homes. Away from their community, alienated from life outside the dump, and stressed over their new lifestyles, it took less than one year for all three families to abandon their new houses and return to their cardboard huts in the dump³⁰. This is the most extreme of many cases in which people see a possibility to leave the La Chureca but soon return, discouraged by the difficulty of life outside of the dump. For many people, life in La Chureca is relatively easy. Water and electricity can be accessed for free through illicit connections; trucks of clothes donated from abroad are regularly delivered to them; and a sense of community is developed among the people of La Chureca. “Fear of freedom, of which its possessor is not necessarily aware, makes him see ghosts.”³¹ When faced with the world on their own, removed from their community and regarded as garbage by the ranks of people they are

³⁰ Story narrated by Meliza Buzbee: Open Hearts Ministries Coordinator. Contac info. Available online at Open Hearts Ministries official website << www.ohearts.org>>

³¹ Freire, Paulo. *Pedagogy of the Opressed*. New York, NY: Continuum, 2006. p36

trying to join, returning to the familiar is a natural response. “The oppressed... are inhibited from waging the struggle for freedom so long as they feel incapable of running the risks it requires.”³²

In this way, charity can create dependence. The trucks of clothes and goods which are meant to help these people actually perpetuate their dependence and provide no incentive for them to fight the fears that the struggle for freedom brings with it. Furthermore, “charity relies on a steady stream of donations (...). When these funds fall short, the good works stop.”³³

Corporate social responsibility (CRS), though different from the traditional donation model introduced in the narration above, is also an approach that attempts to provide relief by working around rather than through the capitalist system. Because it is in essence foreign to the capitalist mentality, the good intentions that have carried this idea through the past years have not been enough to win over the business sector.³⁴ “Corporate managers are responsible to those who own the business they run (...) those owners have only one objective: *to see the monetary value of their investment grow.*”³⁵

Muhamad Yunus, the first scholar to bring the idea that change can be made through capitalism to the frontlines of the modern battle against poverty, addresses some of the problems with CSR. He cites CSR advocates who talk about a “Triple bottom line: financial, social, and environmental benefits;” in practice, however, “only one bottom line calls the shots: financial benefits.”³⁶

³² Freire 47

³³ Yunus, Muhammad. *Creating a World Without Poverty*. 1st ed. New York, NY: Public Affairs, 2007. p10

³⁴ Yankelovich, Daniel. *Profit with Honor*. 1st ed. Harrisburg, VA: R.R.Donnellely, 2006. p67

³⁵ Yunus, Muhammad. *Creating a World Without Poverty*. 1st ed. New York, NY: Public Affairs, 2007. p7

³⁶ Yunus 7

Ministry driven charity programs like those run by Open Hearts are not the only ones that fall under the false generosity classification. Many of the programs from the United Nations Millennium Development goals campaign and significant sums of dollars from agencies for international development³⁷ that go into feeding the poor and dressing the poor, as well as efforts by CSR advocates, serve as evidence that there is, both at an intellectual and practical level, there is a human motivation to eradicate poverty.

Organizations that work around capitalism have often been major drivers in the fight against poverty; however, “if this approach were effective, the problems of the world would have been solved long ago.”³⁸ Why haven’t they? The problem is that, as exemplified above, many of those efforts try to work around rather than through a capitalistic framework. Instead of empowering individuals and opening opportunities for them to become active participants in the market, these well-intentioned models keep the poor in their role as spectators, consistently dependent on charity. In order to truly eradicate poverty, this needs to change.

³⁷ Agencies of international development utilize funds from governments, non-profit organizations, and private donors

³⁸ Yunus, Muhammad. *Creating a World Without Poverty*. 1st ed. New York, NY: Public Affairs, 2007. p8

Social Businesses and Business Stewardship Ethics: Eradicating Poverty by Working *through* today's Capitalist System

Is it possible to reconcile financial goals with the goal of eradicating poverty? It is. The business sector, with its draw on leadership, organization, and wealth, is the one with the most power to fight poverty. “From a practical point of view, the probabilities of achieving meaningful reform in the business sector are far higher than in the sprawling and amorphous civil society sector.”³⁹ “Business [,however,] cannot be mandated to fix problems; it needs an incentive to do so.”⁴⁰ (Yunus 7)

Yunus presents the concept of social businesses as a way to work through capitalist ideology in order to solve social needs⁴¹. Social businesses, as he outlines them, are businesses whose driving-goal is not financial; they are concerned with providing a social service, rather than maximizing profit. Social businesses work within the capitalist framework because their operational model is the same as that of a profit driven businesses; the difference is in their mission and distribution of profit. “People will invest in a social business for the same kind of personal satisfaction that they can get from philanthropy;”⁴² not for personal gain, but the satisfaction of seeing a needed service be delivered to those in need.

This model is more sustainable than the traditional charity model because social businesses, to be considered social businesses, need to fully recover their costs of operation and, possibly, create profits. Furthermore, social businesses look to include the people they serve in the market by providing jobs for them and addressing their potential as consumers, rather than

³⁹ Yankelovich, Daniel. *Profit with Honor*. 1st ed. Harrisburg, VA: R.R.Donnellely, 2006. p105

⁴⁰ Yunus, Muhammad. *Creating a World Without Poverty*. 1st ed. New York, NY: Public Affairs, 2007. p7

⁴¹ Yunus, Muhammad. *Creating a World Without Poverty*. 1st ed. New York, NY: Public Affairs, 2007.

⁴² Yunus 25

passive recipients of false generosity. The profits produced by social businesses, however, do not yield returns to the investors; they merely restore the investors' initial investment. After being repaid, the investors remain owners of the business but do not receive dividends from the profits; all profits become social profits, as defined in the terminology section.

The concept of social businesses provides an innovative way of looking at capitalism, and its design sparked a renewed interest in looking at how capitalist frameworks can be used for social progress; however, as any pioneer idea, the concept of social businesses has some shortcomings. Yunus is vocal about the fact that traditional charity efforts are drastically subject to economic crises which often prevent people from engaging in philanthropic ventures.⁴³ Even though social businesses do, in theory, allow for investors to restore their capital, the timeframe in which this might happen is not predictable, and could be very slow. Also, the fact that investors' only hope would be to recover the same amount of money (no dividends), raises the question whether social business investment could suffer some of the same challenges that other charity efforts do.

Business Stewardship Ethics (BSE) is a force that reconciles CSR, social businesses, and the realities of business investors' motivation.⁴⁴ CSR and social businesses both rely on the assumption that "doing good" is not profitable; this is a basic misunderstanding which has dominated our capitalist system for a long time. BSE builds on the innovative assumption "doing good" is actually good for business and, by doing this, allows us to reconcile the social objectives of CSR and social businesses with the efficiency and motivation of profit-driven investment. (Appendix B)

⁴³ See page 19, footnote 33

⁴⁴ Yankelovich, Daniel. *Profit with Honor*. 1st ed. Harrisburg, VA: R.R.Donnelley, 2006. p90

In *Profit with Honor*⁴⁵, Yankelovich presents the concept of BSE which encourages a company to act in a socially responsible way not out of conviction or to avoid social/governmental pressure, but out of the “understanding of its own enlightened self-interest;”“its attitude towards profits.”⁴⁶ He argues and provides sufficient evidence to show that “how well a company conceives and executes stewardship ethics (...) has a direct bearing on its long term profitability.”⁴⁷ A company that treats its employees respectfully and gives them a voice within the corporation will see greater profits than one that does not.”⁴⁸

This is consistent with Maslow and McGregor’s theories on employee management; “it is well to treat working people as if they were high-type Theory Y human beings (...) because this is the path to success of any kind whatsoever, including financial success.”⁴⁹

In a unique approach, stewardship ethics recognizes the existence of higher expectations that people have for large businesses. There is a general consumer conscience, especially developed during the last decades, that with greater profits comes greater responsibility. “It is the violation of such unwritten rules of higher expectation that make companies look so bad”⁵⁰ and causes them to lose profitability.

Examples in support of his theory are easy to identify. At Georgetown University, for example, there is a culture of social responsibility and higher expectation which has effects in shaping the market and business practices of big corporations. In 2009, when Russell Athletic, a major producer of athletic gear for universities that has been accused of violating workers’ rights

⁴⁵ Yankelovich, Daniel. *Profit with Honor*. 1st ed. Harrisburg, VA: R.R.Donnelley, 2006.

⁴⁶ Yankelovich 93

⁴⁷ Yankelovich 97

⁴⁸ Yankelovich 111

⁴⁹ Maslow, Abraham H. *Maslow on Management*. New York, NY: John Wiley & Sons, Inc. , 1998. p51

⁵⁰ Yankelovich 98

in Honduras, students stood up to make sure that their University would cease to support such abusive behavior. The *Solidarity* student club worked with different chapters of Students *United against Sweatshops* and, as a result, Georgetown University agreed to student demands not to renew the contract with Russel Athletic. Other universities followed such behavior, setting now a higher bar for university clothing manufacturing companies.⁵¹

All of the examples of social businesses described in *Creating a World without Poverty*⁵² seem to fit within the BSE framework. Yunus establishes that the only obstacle in the face of making hybrid models of social and profit driven businesses is that “in the real world it will be very difficult to operate businesses with the two conflicting goals of profit maximization and social benefits;” however, BSE provides evidence indicating that these two goals might not be as conflicting as they might appear.⁵³

Furthermore, all evidence leads to believe that social investors will be more likely to invest in companies that (1) will allow them to restore their initial investment rapidly, (2) will be successful in achieving social change and (3) will do so while allowing them to earn some dividends from the company’s success. The social business concept is where the roots for this BSE lie; in turn, BSE provides the ground for developing evolved capitalism.

⁵¹ [GU to Drop Russell for Labor Violations](http://georgetownvoice.com/2009/02/05/gu-to-drop-russell-for-labor-violations/) by Juliana Brint. *The Voice*. February 5, 2009. <<http://georgetownvoice.com/2009/02/05/gu-to-drop-russell-for-labor-violations/>> Accessed: April 24, 2010.

⁵² Yunus, Muhammad. *Creating a World Without Poverty*. 1st ed. New York, NY: Public Affairs, 2007.

⁵³ Yunus 33

Evolved Capitalism: A New Approach to Perceiving and Eradicating Poverty

Evolved capitalism works under the assumptions and strategy of business stewardship ethics; however, it is not exactly the same. Evolved capitalism is a movement that not only invites those interested in maximizing profits but also those who want to eradicate poverty and solve other social ills. Evolved capitalism is concerned, therefore, with the replacement of current capitalist practices with BSE practices, but also with the expansion of markets in order to include those who are currently left as spectators of the global capitalist market. Evolved capitalism looks at the expansion of the market because it believes that doing so will both increase profits and empower people to overcome extreme poverty by becoming active market participants.

Evolved capitalism does not maintain that the extension of markets in order to include all individuals will guarantee that everyone profits in the same manner; it will not eliminate inequality. The extension of markets under BSE does however, promise, to eradicate *extreme* poverty.

While BSE is merely concerned with a particular company's performance, evolved capitalism is concerned with the wellbeing of the economic system as a whole. It does not maintain that benefits must come at the cost of others but, rather, that synergy in the market is important to guarantee maximized profits. Increasing the number of consumers and producers is seen as a business strategy that helps maximize profits, and, in accordance with BSE, treating those consumers and producers properly is also seen as a way to maximize profit.

The BSE component of evolved capitalism is what allows us to eliminate the abuses and exploitation that exists in our current system; the expansion of market is what allows for the maximized use of human potential that results in the eradication of poverty.

Until now, the extreme poverty was seen by individuals from a traditional charity model worldview; evolved capitalism invites us to perceive the poor in a different light

In *Elite Perceptions of Poverty and Inequality*⁵⁴, Reis and Moore took a pioneering role by engaging in the task of being the first ever to collect consistent, comparative information on how national elites perceive the character, causes, and remedies to poverty. Their data driven study, which analyses elite's perceptions of the poor in five different countries, provides fascinating insights into how perceptions of the poor vary from country to country. From this comparison, they draw some general perceptions that elites share about the poor. Their findings reflect the traditional ways in which people perceive poverty; here those will be contrasted with the evolved capitalism approach, in order to show how this new proposed paradigm is the one with the most potential to truly eradicate poverty.

Evolved Capitalism focuses on the Poor as a Market rather than a Threat

Traditional efforts to fight poverty often try to encourage aid on the threat that the poor could pose a danger (violence/spread of disease) to the rest of society. This threatening aspect is often present, even when not explicitly stated. In today's society, however, the extent to which such dangers constitute legitimate concerns for elites to be scared of is debatable. During Reis and Moore's study, no elites mentioned fear of diseases being transmitted from the poor. The reason

⁵⁴ Reis, Elisa P, and Mick Moore. *Elite Perceptions of Poverty and Inequality*. 1st ed. New York, NY: Zed Books, 2005.

is simple; they do not carry such fear. Elites have access to expensive private health care that makes such fear seem unrealistic.⁵⁵

Without a direct threat to the elite's integrity, it seems there would be few, if any, economic reasons to invest in the poor. Evolved capitalism, however, provides an economic incentive to eradicate poverty even in the absence of any threat.

Evolved capitalism sees the poor not as a threat but as a potential consumers and active participants in markets. "New business models- phone ladies in Bangladesh, prepaid cards as mechanism for promoting affordable consumption, and increasingly flexible regulatory environments for telecom services- are showing that the poor can be a market, one that propels the global growth," explains Dr. Prahalad in his foreword to *Business Solutions for the Global Poor*⁵⁶. The poor, if tapped as a market, could soon become part of the emerging consumers group of people who, "though considered poor by many, in fact have a considerable amount of money to spend on consumer products as a group."⁵⁷

Evolved Capitalism aims to Maximize the Productive Potential of the Poor

The study on elites' perception of the poor also revealed that there is "no strong perception on behalf of the fact that poverty allows some valuable human resources to go to waste."⁵⁸ An evolved capitalist approach distinguishes not only the consumer potential that goes to waste

⁵⁵ Reis, Elisa P, and Mick Moore. *Elite Perceptions of Poverty and Inequality*. 1st ed. New York, NY: Zed Books, 2005. Print. p18

⁵⁶ Rangan, V.Kasturi, Jonh A. Quelch, Gustavo Herrero, and Brooke Barton. *Business Solutions for the Global Poor*. San Francisco, CA: Wiley & Sons, Inc., 2007. p xi

⁵⁷ Rangan xv

⁵⁸ Reis, Elisa P, and Mick Moore. *Elite Perceptions of Poverty and Inequality*. 1st ed. New York, NY: Zed Books, 2005. Print. p19

when poverty prevails; but, also the productive potential that is wasted when poor people are not considered as possible creators of capital.

The poor are often looked at as incapable of producing anything worth selling in the market. This is highly untrue; the productive potential of the poor has been rediscovered in recent years. Oxfam's fair trade campaign⁵⁹ is a leading effort to rediscover the poor as producers and allowing them to join in the market and do business under an evolved capitalism framework (one that pays fair wages and treats employees in a respectful and empowering manner, consistent with BSE).

In the paper "Creating Strong Business by Developing and Leveraging the Productive Capacity of the Poor"⁶⁰ a basic outline for how and why to maximizing the productive potential of the poor is provided⁶¹:

- *The productive capacities of the poor are organized, developed, and leveraged as inputs to business.*
- *Such processes contribute to the creation of commercial values for business.*
- *This commercial values yields economic surplus; that is, the commercial value exceeds all costs involved in its creation and strengthens competitiveness or business growth.*
- *The poor are remunerated in a fair manner for the goods and services they provide.*

Education and Empowerment through Market Participation in Evolved Capitalism

⁵⁹ Information on Oxfam's Fair Trade Campaigning available online <<http://www.oxfam.org/en/campaigns/trade>> Accessed: April 2010

⁶⁰ Rangan, V.Kasturi, Jonh A. Quelch, Gustavo Herrero, and Brooke Barton. *Business Solutions for the Global Poor*. San Francisco, CA: Wiley & Sons, Inc., 2007. p 167

⁶¹ Rangan 168

“To the extent that [our] elites appeared to be in agreement over anything, it was that more education was the best way to reduce poverty.”⁶² Education is, indeed, a large component of any successful effort to overcome poverty and achieve development; however, there are many reasons why education is often difficult to achieve through the traditional methods of poverty alleviation. First, education is costly. For those living in extreme poverty, education comes with great losses in opportunity cost. In communities where people do not actively participate in the economic markets and are forced to engage in a daily search for food, having a child go to school implies that he cannot spend that time looking to satisfy the basic needs. An evolved capitalistic approach to education looks at the need for making education a market friendly option for those in extreme poverty. Education provided by such approach might be different from the traditional concept of formal education. The education proposed by the evolved capitalist approach is a profit making practical learning experience. It is built around the concept of vocational schooling and provides an opportunity to create profit while in school. Evolved capitalism proposes, for example, the creation of programs that teach social entrepreneurship to individuals, empowering them to enter the market and directly benefit from the fruits of their own labor, rather than depending on donor’s generosity.

This is the idea under which in 1987 Steve Mariotti created started a program to teach social entrepreneurship to kids in New York’s inner city. Today, his organization, Network for Teaching Entrepreneurship has programs in 21 states and 12 countries⁶³. It is this kind of education on which evolved capitalism places an emphasis; this is partly because following Maslow’s hierarchy of needs, evolved capitalism holds the belief that as people succeed in

⁶² Reis, Elisa P, and Mick Moore. *Elite Perceptions of Poverty and Inequality*. 1st ed. New York, NY: Zed Books, 2005. p19

⁶³ Information on The Network for Teaching Entrepreneurship available online <<http://www.nfte.com/whatwedo/>> Accessed: April 2010

satisfying their most basic needs through active market participation, their motivation to pursue a more traditional education will naturally flourish. Once poor people stop seeing education as an economic burden and begin to see it as a path to economic sustainability and self-actualization, they will begin to benefit from the education efforts in place and, accordingly, more fully explore their potential.

The Role of Consumers in a System of Evolved Capitalism

“In all cases, the state was seen as the primary agent responsible for reducing poverty. Only in Bangladesh were NGOs serious competitors in the minds of the participants.”⁶⁴ Under evolved capitalism, the state is not seen as the primary agent responsible for reducing poverty; because evolved capitalism does arise from within a business perspective, it places the responsibility to end poverty mostly on the consumers, who have the power to dictate production. The way in which evolved capitalism places the burden to end poverty on the consumer is through its belief that, in a system where everyone is an active participant in the market, fair and sound business practices will naturally result in the eradication of poverty. Consumer responsibility lies in utilizing its purchasing power in products that are produced in an ethically sound manner. Buying fair trade coffee, for example, constitutes a way in which the consumer can shape the market in order to allow for the eradication of poverty. If enough consumers purchase fair trade coffee, coffee producers that achieve their low prices through the exploitation of workers will soon find themselves without a consumer market. This is probably the one aspect in which evolved capitalism depends on the multi-faceted nature of individuals the most.

⁶⁴ Reis, Elisa P, and Mick Moore. *Elite Perceptions of Poverty and Inequality*. 1st ed. New York, NY: Zed Books, 2005. p20

During the transitional period between our current capitalist reality and that of a completely evolved capitalism, buying products that are priced in a way that accurately reflects their cost might seem against one's self interest. It is important, therefore, for consumers to remember that, what evolved capitalism suggests is that it is in everyone's long term interest to support business practices that allow for the expansion of markets under BSE and that there might be a value added to the purchase of a certain product over other, maybe that philanthropic satisfaction that Yunus talks about⁶⁵.

Furthermore, in his hierarchy of needs, Maslow highlights among human needs the need for recognition, to achieve certain status. Increasingly, buying products that are produced in an ethically sound manner has become a way to gain other people's respect. TOMS shoes⁶⁶, a shoe company established by Blake Micoskie in the early 2000s, for example, produces their shoes in an ethically sound manner and, furthermore, as part of their mission statement, the company aims to give away one pair of shoes for each one that it sells. This approach to business has not only resulted in thousands of poor people receiving free shoes, but has also proven to be a great marketing strategy for the company. There is a certain satisfaction and in some cases desire for social recognition that leads consumers to buy TOMS shoes rather than a cheaper but similar shoe.

The increasing popularity of fair trade products and of other ethically sounds businesses such as TOMS shoes is a good sign towards the eventual success of evolved capitalism.

Evolved Capitalism Fights Corruption and Fosters Stable Political Institutions

⁶⁵Refer to p21, footnote 43

⁶⁶ Information on TOMS Shoes available online < <http://www.toms.com/> > Accessed: April 2010

“Despite seeing the state as the agent with most responsibility in solving poverty, most elites remained highly skeptical about the actual possibility of the state successfully addressing the problem.”⁶⁷ Evolved capitalism maintains that democratic empowerment will come through economic empowerment. In extremely poor countries, the vast majority of the population is so busy trying to satisfy its physiological needs that it has no time to be politically active.

The empowerment of people through their participation in the market will have a direct effect on their expectations from the state. Furthermore, many corrupt governments benefit from exploitative business practices; business owners will bribe inspectors and politicians to ensure that their exploitative and abusive business practices will not be punished. Sometimes, governments have an interest in turning a blind eye to exploitative business practices.

In ILLICIT⁶⁸, Moises Naim looks at the lack of law enforcement that goes on in New York’s Chinatown. It is clear that the Chinatown market is mainly dependent on goods that have been illicitly traded or produced under exploitative practices; he also maintains that the law enforcement simply chooses to turn a blind eye and allow this market to continue existing. Again, we come to the issue of consumer responsibility in shaping a market that does not allow corrupt institutions.

The empowerment of people and enlightenment of consumers is an essential first step towards fighting corruption and fostering the demand for stable and ethically sound political institutions.

⁶⁷ Reis, Elisa P, and Mick Moore. *Elite Perceptions of Poverty and Inequality*. 1st ed. New York, NY: Zed Books, 2005. p19

⁶⁸ Naim, Moises. *ILLICIT: How Smugglers, Traffickers and Copycats are Hijacking the Global Economy*. New York, NY: Doubleday, Inc., 2005. p13

Evolved capitalism provides a different paradigm through which to perceive and eradicate poverty. Its success, however, is highly dependent on consumer power in order to shape those markets that will be ethically sound while maximizing profit. Evolved capitalism requires a social movement, one which is rooted in the ideas of traditional charity models, corporate social responsibility, social businesses models, and business stewardship ethics. It involves understanding the multi-faceted nature of human beings and the common economic and social incentive to expand markets and engage in ethically sound business practices.

PART II: Evolved Capitalism in Practice

The Importance of a Business Plan that Promotes Evolved Capitalism

In order to make evolved capitalism an effective means for change in practice, there is a need for businesses to draft business plans that are consistent with the theory that underlies such concept. “A complete business plan, demonstrates a commitment to accountability by including a rigorous measurement system for assessing and improving performance (...); it should be considered a living document, part of which you will revisit based on your experience during the implementation process.”⁶⁹ A business plan that is consistent with the theory of evolved capitalism will take into consideration the business stewardship ethics philosophy and will plan for the long term profit maximization that comes from socially sound practices rather than for the immediate profits that derive from exploitation.

The business plan presented here shapes together the concepts and concerns introduced in the first part of this research. The three goals of this section, are to (1) present a personal reflection on shaping an idea into a plan, (2) share a business plan that is being used to attract charitable investors to invest in a business to help Nicaragua, and (3) provide a simple and easy to follow initial template for people who want to build their own businesses within the framework of evolved capitalism.

Personal Reflection: Turning Ideas into Things

⁶⁹ Welk, Andrew, and Kelley Kreltz. *Business Planning for Enduring Social Impact*. Cambridge, MA: Root Cause, 2008. p5

“Nobody cares how much you know, until they know how much you care”

Theodore Roosevelt

This is an account of how a thought became an idea, an idea a project, and a project a formal business plan; it hopes to inspire others, to nurture their ideas, and anticipate some of the obstacles they might encounter.

It was a day in early fall 2008 when I stumbled upon a Poster sale that was taking place on campus. As I looked through the prints, it did not take long for me to find a couple I liked; however, I decided to hold off on the purchase until I had carefully examined all the wall decorations I had brought from home. That afternoon, I found myself pinning onto walls some of the art prints produced by children in a Nicaragua city dump school, where I had volunteered that summer. This was the first time that the idea of making prints available for purchase by Georgetown students popped into my mind. It seemed to be a good idea, but I left it at that.

Social justice and poverty alleviation had always been passions of mine, upon recommendation by a mentor, I read Muhammad Yunus’s *How to Create a World Without Poverty* . It was at this point that my idea began morphing into a project. I asked two of my professors for the opportunity to present to our class about the situation in La Chureca, Nicaragua; I collected the contact information of some interested students. That one thought, one idea, was slowly becoming a project, the project of doing something, while at Georgetown, in order to make this happen. I had a project, but I did not have a plan.

I saw my senior thesis as a way to further explore the capitalist approach to poverty alleviation that I had grown increasingly interested in during the past year. With many scholarly and other obligations, however, it seemed like the project would never be realized. I was excited at the beginning of the semester to enroll in my social entrepreneurship class, but had come to

terms with the fact that actually making the prints available for purchase by Georgetown students before my May graduation was not going to happen. Through my class, however, I met the right people. A student-led enterprise that helps students create their own sustainable business ventures shared my excitement about the project and had the expertise I lacked in the logistical aspect of affairs. We are now working as partners in this project and we have developed a business plan that will actually enable us to make this, and more, happen.

In *How to Change the World*, Bornstein talks about the restless: “people with new ideas to change the world who are relentless in the pursuit of their vision.”⁷⁰ I call you to be restless; I, looking back, see I have done this in three ways:

1. Align your interest and be honest to your passions

It was an unconscious strategy but, choosing those classes that aligned with my passion for social justice and poverty alleviation was what gave the tools and readings to shape my idea into a project.

2. Meet the right people and actively engage in thought and action over your idea

Even when I was not actively engaging in my project, and even at points when I doubted its realization, I was always thinking about how I would like this project to come into shape. Talking to people I met throughout the way allowed me to have a clear vision which became essential when, earlier this semester, I finally met the right people who would take on this project with me.

3. Have a plan and follow through

Hope is not a strategy; that is why you need a plan. I now have a plan, I need to follow through.

⁷⁰ Bornstein, David. *How to Change the World*. Oxford, UK: Oxford University Press, 2004. p1

I hope that now that you understand how much I care, you will enjoy reading my business plan, and it might inspire you to create your own.

Business Plan: An Organic Plan to Make Evolved Capitalism a Reality

This plan follows the format proposed in *How to Create a Business Plans for Endured Social Change*⁷¹. I highly recommend the consultation of such source to anyone intending to create their own business plan.

Social Problem Defined

In the outskirts of Managua, Nicaragua's capital, a 64 hectare dump that was created by the government in 1975, serves as home to at least 1200 people, "people of the garbage." Finding accurate data on the numbers and people living there proves a difficult task, given that the conditions are so extreme that no consistent research can develop. It is not necessary, however, to have exact figures in order to determine that the conditions in which these people live- playing, growing up, and living in garbage- call for immediate action.

The Chureca city dump started serving as an economic resource of people in Nicaragua shortly after its opening in 1975. People would go to the dump and collect items for personal use or to be sold in the recycling market (glass, plastics, aluminum). There is no drastic growth in La Chureca community, however, until 1998. Hurricane Mitch hit Nicaragua in 1998 causing damage totaling U.S. \$1.5 billion the equivalent of 61% of Nicaragua's gross national product.⁷²

Nicaragua's agricultural community was severely affected and an increased exodus towards the cities followed the hurricane. Despite international efforts to control internal

⁷¹ Welk, Andrew, and Kelley Kreltz. *Business Planning for Enduring Social Impact*. Cambridge, MA: Root Cause, 2008.

⁷² Sustainable Development Versus Economic Growth: A Case Study on Natural Disaster in Nicaragua by Heather Lane. *The Journal of Environment & Development*.: 2000; 9; 175.< <http://jed.sagepub.com/cgi/reprint/9/2/175>> Accessed: 29 March 2010.

displacement and facilitate reconstruction, many people received no aid. La Chureca became home to many of the families who found that the old and inactive part of the dump could serve as grounding territory for houses made of disposed materials, while the active part could provide a somewhat sustainable source of income. Sorting through garbage is, unfortunately, a common form of economic activity in poor countries. Survival was the goal of these people and sorting through garbage the avenue to it.

The opportunity to sort through garbage and sell some of the disposed materials to recycling agencies would seem to provide a form of income that potentially could help this community be self-sustainable. Today, however, federal programs that encourage the sorting of disposed materials, have come at odds with the original form of economic activity developed in the dump.⁷³ German Salgado, who lives and works in La Chureca, was interviewed by Inter Press Service News Agency (IPS) in 2008, and explained that “over the past two years, the pickings have become more and more scarce, now we realize that the city government is removing the materials and selling them.”⁷⁴ Although many of the ‘churecos’ still engage in garbage sorting, such activity is no longer sufficient to ensure people will earn more than a dollar a day. "Workers here used to earn up to three dollars a day, but now on many days they don't even earn as much as a dollar for their work, because the garbage has already been picked over," Narváez told IPS.⁷⁵ <http://ipsnews.net/news.asp?idnews=41676>

Missionary and volunteer groups are significantly responsible for the existence of the Chureca Community. The people of La Chureca have been blessed and cursed to be the target of much of what has been defined as false generosity. They are recipients of funds and clothes

⁷³ Fighting Over Society's Scraps by Jose Adan Silva. *Inter Press Service News Agency*: 20 March 2008. < <http://ipsnews.net/news.asp?idnews=41676>> Accessed 5 April 2010.

⁷⁴ Fighting Over Society's Scraps

⁷⁵ Fighting Over Society's Scraps

from the United States that help cover their basic survival needs. There is, however, a need to help this community overcome poverty in a permanent way. They need to be, for once, allowed to be their own solution to their problems.

Mission

The mission of this project is to empower the people of La Chureca by making them aware of their gifts and abilities and how they can use such in order to create a sustainable source of income for their community. The mission of this project is not to pull some members of the Chureca community out of poverty, but rather to work with the community as a whole, fostering their potential to overcome poverty as a unit. Encouraging students to remain in school and engage in afterschool programs is the key to making them see the value of their abilities. Fostering the development of those gifts that can allow them to earn a living outside of La Chureca.

Operating Model

When planning a development project, recognizing the resources and efforts already present in a community is essential to (1) engaging community members and (2) drafting a project that will achieve most rapid results by maximizing the use of already existent elements.

Colegio Cristiano La Esperanza⁷⁶, a ministry of the Open Hearts foundation, started operating in La Chureca in March 2003. Since then, the school has provided a unique opportunity for the many children who live in La Chureca and would be deprived of an education

⁷⁶ Information on Colegio Cristiano La Esperanza available online < <http://sites.google.com/site/hopeinchureca/> > Accessed April 2010

without this project. Furthermore, the school provides students with a daily meal, and with afterschool recreational opportunities.

In 2007, Melissa Buzbee had a new vision for the school, implementing an afterschool art program that would provide a venue for interested children to explore art and have a creative outlet from the terrible conditions they live in. The program was initially to be funded through the donations that fund the school, but the opportunity to make the venture self sustainable arose soon as volunteers and visitors to La Chureca became increasingly interested in buying the art pieces that the students created.

This project consists of creating a partnership between the people of La Chureca (through Colegio La Esperanza) and the students at Georgetown University.

The Open Hearts Art Program currently has a variety of prints produced from students' original works which they have available for sale to volunteers and visitors to the dump. Under "Kids Painting Hope," the art program will mail us 100 prints, which will be made available for purchase to the Georgetown Community Members.

This approach relies on a capitalist framework that matches a certain product (the prints produced by kids from La Chureca) with a demand (the demand of Georgetown students for prints to decorate their walls; such demand is evidenced by the poster sales that take place on campus every semester). This project encourages students to satisfy their demand with a quality product while helping empower the people of La Chureca.

Because this project is the first to sell art produced by kids of developing countries to the Georgetown community, it is difficult to accurately predict the existence of a market. It is clear that the concept of buying art for a cause will not be appealing to every individual; some people

will still rather buy their \$10.00 Rocky poster. There, however, evidence of a Georgetown culture that is interested in social entrepreneurship, social justice, and eradicating poverty. Based on conversations with other campus groups, such as Students Stopping the Trafficking Of People (SSTOP) have seen this culture evidenced in their fair-trade chocolate sales in which people are made aware that the revenue from their purchase goes to the producers in developing countries. Furthermore, in this project we consider the existence of a Facebook group announcing the art sales and the number of people who have joined as an indicator for the existence of such culture and evidence of reasonable cause to anticipate the existence of a market for the prints.

Another concern of this venture is that while it might be easy to get the Georgetown community and other similar communities to make a one-time investment in an art print as the ones offered through our business, there is a risk that because there is no particular use for the product, other than decoration, the market might be exhausted in a rapid manner. There is now an idea of using the success of a print sale as an element to access grant funding that would allow us to print postcards, notebooks, and even calendars featuring the art work that is now only featured in the form of prints. Selling prints, has now shifted to be an initial market testing project in order to have the evidence and experience that will attract investors to lend their money to the production of products that feature the art produced and which will become the most profitable aspect of the business and will help ensure its sustainability.

Marketing

The marketing strategy of this project consists of: (1) advertising and raising awareness about the cause, (2) making the prints easily available for purchase by the Georgetown Campus

Community, and (3) setting a website through which people can learn more about our project and even make purchases online.

1. Advertising will take the following forms:

- Fliers around campus promoting both sales and awareness events
- Documentary video screening of life in La Chureca
- Art exhibit at the college coffee house

2. We will make the prints easily available for purchase by hosting art walk style tabling.

There will be three stations in our strategic tabling: a station providing information about life in La Chureca, a station showcasing the art prints, and a station where you can purchase your own print. Purchasing prints will be facilitated by the use of laptop computers in which the buyer will see their contribution directly donated to the Open Hearts Ministry website. To do this, buyers can choose to use their own credit card information, or give us cash for the purchase, in which case we will enter our personal credit card information and keep the cash as a repayment for our donation. This will help increase the transparency of our organization and allow for people to rest assured that 100% of their contribution has gone to the cause. We look forward to seeing how this idea continues to evolve and adapt as the project takes form.

We aim to come up with a simple, organized, and appealing method of tabling which could be used by different groups who might show an interest in holding a sale of our products in their own college campuses or communities.

3. The creation of a website that allows anyone in the United States to purchase a print and which allows college students and other interested groups to access information on how to host their own art walks for La Chureca and become increasingly involved with “Kids Painting Hope”

will be our most effective form of marketing because it is what will allow us to reach the community beyond Georgetown and, in the future, expand to different cities.

Creating a website, however, can be expensive. While there are servers that allow you to create websites free of charge, these do not provide the option of selling products online. We will initially launch a website under a free server and, therefore, will be unable to provide the online purchase feature; however, the existence of a website where people can access information about this project and about La Chureca will be an essential tool in our marketing strategy and market testing. We hope that within three months of launching the website we will have had enough response from the online community as to accurately predict how successful adding an online purchase feature would prove. In the long term, the website can also be a source of further market predictability as it could be used to inquire about buyer preferences which would allow us to produce products that have the most demand for. For example, would you prefer to buy a mug featuring the kid's artwork or calendar?

Financial Sustainability

This project is not intended to be one of “false generosity;” we will openly say and advertise the cause of empowering the people of La Chureca but this project hopes to refrain from using “pity” as much as possible. We acknowledge the existence of what Betty Plewes and Rieky Stuart call “pornography of the poor,”⁷⁷ referring to the use of images that portray the poor as hopeless and helpless in an attempt to encourage donors to sympathize with their cause. We join Plewes and Stuart in the belief that such portrayal contributes to the dehumanization of the people and contributes to the false perception of them as individuals lacking potential for

⁷⁷ Bell, Daniel A., and Jean-Marc Coicaud. *Ethics in Action*. New York, NY: Cambridge University Press, 2007. p23

production and self-sustainability. We commit to using images that portray progress and hope, rather than those which only encourage sentiments of pity. Ultimately, we want the client to buy our products because they like it and see a use for it, rather than because they feel bad for the child who created it.

Each print will be made available for purchase in an individual package and the print will have a photograph of the artist, as well as his/her name and age in the back. The cost of printing, packaging the picture, and putting a picture of the artist and brief storyline in the back results in a cost of \$1.25 a print; especially because of the small quantity ordered (if ordered in mass amounts production costs could be drastically reduced, but for this program that is impossible). The cost of shipping 100 prints from Managua to Washington DC is US\$20.00

On top of the production costs there are other costs which in our initial stages will be covered by volunteers (the people leading the project, art walks, etc). We hope the project to grow to a point where every person involved can receive payment for the time invested in the project but, for now, we will depend on volunteers.

The future incorporation of different products featuring the art will allow for the growth of our business and the attraction of investors as well as the possibility to retain and reinvest some of the profits directly in the business.

The prints will be sold for \$5.00. This figure comes from the fact that at poster sales in the beginning of the year, the cheapest prints are priced at \$7 and that college student are on a budget that I anticipate would make them skeptical about spending more than \$5 on anything. Selling prints at \$5 each would allow for US\$350.00 revenue after production costs.

The people of Nicaragua have agreed to share in our risk and show their interest in our project by affording the initial costs of sending the 100 prints. They understand that selling half of those would allow us to repay for such cost and even create a small surplus. They are confident that selling the prints on campus will be a huge success and a great source of income for their institution; this will be the first source of income they receive that is not in the form of a donation or grant.

Accountability

Open Hearts Ministries and Colegio La Esperanza understand that with this opportunity comes the responsibility of being accountable for how they invest the social profit. They shall provide a report to “Kids Painting Hope” showing, in detail, that the money has been invested to expand this same venture or to start a new similar one. It is expected that in the future, the revenue from this business will allow the school to begin a baking program which will enable the people of La Chureca to produce a product that they can successfully sell within Nicaragua.

It is important to establish that while in this initial art sale the money will be directly and fully donated to the Colegio La Esperanza, this is to change as the business grows. In the future the business hopes to be able to retain a portion of the revenues, in order to expand the business.

Looking into the Future

This business plan is intended to serve as a guide and “to do list” during the process of realizing the project on campus. The plan should serve as a model of the basic considerations any person trying to set up a social business, particularly students, should take into account. This is, by no means, to be considered an exhaustive of finished business plan model; we look at this plan as an organic guide that will grow and adapt as our project takes shape.

Conclusions

The Significance of Writing a Thesis in Justice and Peace Studies

The field of Justice and Peace Studies is a young one. While every aspect of human interaction has an effect on justice and peace relations, only rarely are issues examined through a justice and peace studies lens. This thesis, consequently, contributes to the scarce literature on justice and peace studies, by looking at poverty and economic systems through a justice and peace studies approach. We, therefore, look at poverty and market failure, not as a causes or results of violence but, rather, as violent in themselves. Seeking a new form of capitalism is necessary because our current capitalism is violent and deters from justice being realized.

As part of the writings in the field of Justice and Peace studies, this document hopes to be part of positive peace initiative that aims to end structural violence and acknowledge how our daily actions as active participants in market capitalism affect peace and justice.

The Process of Writing a Thesis on Justice and Peace Studies

A thesis aims to be an innovative document, a research that exposes something new:

“As for inventions, our tendency is to think that they result from a great flash of insight in which, in one instant, darkness becomes lights and ignorance becomes knowledge. This is the notion of the brand-new discovery which never existed before, and it is obviously wrong in most cases, since any invention, however novel, has its history. It should be seen anyway as the product of collaboration and decision of labor; that is invention may result from a sudden integration of previously known bits of knowledge not yet suitably patterned. The flash of discovery is most frequently the closure of a Gestalt rather than the creation of something out of nothing.”⁷⁸

This thesis hopes have integrated “previously known bits of knowledge” and, in doing so, have invented a notion of evolved capitalism. Even after completing the process of writing this thesis, it is difficult to establish whether the closure of a Gestalt has occurred. Rather, I look at this as a new “bit of knowledge” to be used by others in trying to achieving the closure that Maslow talks about.

This process has been one of analysis and discovery, through the exploration of classic and modern theories. The idea of an evolved capitalism, which is the main ‘discovery’ of this document, came to form only in the last weeks of this production; it is the result from weeks of writing and researching and, ultimately, what this document adds to the wealth of already existing literature.

While the process was at times tedious and seemingly impossible to complete, the final product would have been impossible without such moments. The intellectual and personal growth I have experience through the writing of this thesis has deepened my understanding of peace, justice, capitalism, research, and many other topics in ways I had never imagined.

⁷⁸ Maslow, Abraham H. *Maslow on Management*. New York, NY: John Wiley & Sons, Inc. 1998. p 231

Research Summary

This thesis does not pretend to propose a magic solution to extreme poverty or a new system to organize world markets, rather, this thesis aims to contribute to the ongoing conversation regarding the use of capitalism as a tool of Peace and Justice.

The research appeals to the basic theories of Marx and Smith, as well more contemporary pieces by Muhammad Yunus and Daniel Yankelovich; however, it is under no circumstances to be interpreted as a complete exploration of the literature on the issue. The research limits itself to highlighting those theories that are essential to understanding the possibility and potential in the idea of evolved capitalism. Books both in favor and against capitalist systems fill complete libraries and, while being able to review them all would be helpful in furthering the discussion that this paper encourages, this thesis focuses on establishing the most basic concepts necessary for discussion of this new “evolved capitalism.”

The research presented emphasizes that capitalism can be used in order to achieve peace and to free people from extreme poverty; however, doing so will demand taking a new approach to capitalism, one that recognizes the multi-dimensional nature of human beings and which allows for each and every one of such dimensions to be incorporated to the market system. It is a driving idea of this analyses that the people, through their roles as consumers and producers, have the ability to shape the market in a way that corrects market failure and promotes the ethical and sustainable market exchange capable of eradicating extreme poverty.

This thesis begins the conversation about evolved capitalism and invites others to join it, in the hopes that future years will see the eradication of such violence become a reality.

Appendix A



Maslow's Hierarchy of Needs is shown above. The pyramid illustrates the five levels of human needs. The most basic are physiological and safety/security, shown at the base of the pyramid. As one moves to higher levels of the pyramid, the needs become more complex.

Image is property of the University of Tasmania <<http://www.ruralhealth.utas.edu.au/comm-lead/leadership/maslow-diagram.htm>> Accessed 04/07/2010

Appendix B

CSR	Stewardship Ethics
Arises mainly from NGOs	Arises from within business
Social good has higher priority than profits	Profits are a necessary precondition
Attitudes towards profit are ambivalent	Profits regarded as both essential and ethically sound
Adds ethical burden to business goals	Reconciles caring and profitability
Assumes all good deeds are equally desirable	Assumes good deed must also advance the company's core mission
An "add-on"- easy to meet as a charitable gesture	Requires genuine Transformation

From Profit with Honor by Daniel Yankelovich, page 102

Appendix C



Painting by Elizabeth Rodriguez, student at Colegio La Esperanza

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