

Discussion on *Systems of Survival: A Dialogue on the Moral Foundations of Commerce and Politics* by Jane Jacobs

Venue: Asper School of Business, University of Manitoba, Winnipeg

Date: Dec 14th 3:00pm to 4:30pm

Reg (Litz) called the meeting to order and the discussion began with Paul (Earl) highlighting that Jane Jacobs helped him better understand the Western Canadian grain industry. In his words, “the penny dropped” after using Jacob’s ideas. Although not an academic, Jane Jacobs is known as an activist and intellectual who spent the bulk of her career focusing on urban issues, perhaps giving her a unique perspective in writing about the values of commerce and politics. Paul summarized the major concepts of *Systems of Survival* by Jane Jacobs.

Summary of Jane Jacob’s main thoughts:

- Interestingly, of all the species on earth, humans are the only species that trade. Jacobs argued that we have two ways of getting what we need, which result in two sets of occupations.
 - o The first way of getting what we need is through trade, and it is related to commercial set of occupations.
 - o The second way of getting what we need is to extract it from or produce by working with the nature. Jacobs calls occupations related to this way of getting what we need ‘Guardian occupations’. Fundamentally, Jacobs is talking about government but not solely about government.
 - o Jacobs invites you to try a thought experiment and think about two primitive tribes.
 - One lives by the sea and has an excess of seashells. The other tribe has an excess of corn.
 - The primitive traders have to decide how many seashells to trade for corn, and essentially develop a primitive pricing arrangement.
 - Each tribe also needs a warrior class just in case the neighbouring tribe takes what you’ve got instead of trading for it.
 - o It is out of these two primitive groups: traders (who espouse a commercial syndrome) and warriors (that espouse a guardian syndrome) that different patterns of behaviour emerge.
- Jacobs then argues that each set of occupations has developed its own cluster of moral principles or ethics she calls a “moral syndrome”. These syndromes operate around a number of values, as shown below. Although these lists don’t look like values, they make a lot more sense when they are placed in a specific context. Jacobs warns that society must have both of these sets of values or else they will be unhealthy. If you are a commercial entity and you develop guardian values you are

operating under the wrong set of values. Similarly, a government who holds commercial values operates under the wrong set of values.

Moral Precepts	
Guardian Syndrome	Commerce Syndrome
<ul style="list-style-type: none"> • Shun trading • Exert prowess • Be obedient and disciplined • Adhere to tradition • Respect hierarchy • Be loyal • Take vengeance • Deceive for the sake of the task • Make rich use of leisure • Be ostentatious • Dispense largesse • Be exclusive • Show fortitude • Be fatalistic • Treasure honor 	<ul style="list-style-type: none"> • Shun force • Compete • Be efficient • Be open to inventiveness and novelty • Use initiative and enterprise • Come to voluntary agreements • Respect contracts • Dissent for the sake of the task • Be industrious • Be thrifty • Invest for productive purposes • Collaborate easily with strangers and aliens • Promote comfort and convenience • Be optimistic • Be honest

Illustration from the Western Canadian Grain Industry

- Paul then shared the events occurred in 1931 in the Western Canadian Grain Industry to illustrate when institutions operate under the wrong set of values.
 - o In the 1920's three cooperatives were formed on the prairies: the Manitoba wheat pool, the Saskatchewan wheat pool, and the Alberta wheat pool.
 - o The three pools were quite successful and they captured 50% of the market, but they went bankrupt in 1929. The conventional wisdom was that they went bankrupt due to the depression, but Paul believes this is only partly true. One of the reasons they declared bankruptcy was because they didn't hedge their grains with the Winnipeg Grain Exchange.
 - o James Murray wrote a letter to the Winnipeg Free Press explaining how the pools were "architects of [their] own disaster". He believed that the government should not give these organizations loans as they were massively over-invested. Murray also believed that they've been cheating their members by under weighing and under grading their wheat and accused them of not telling their members.
 - o The wheat pools turned to the province and asked for an inquiry. Inquiry was conducted by Williams, a Winnipeg lawyer, who came to the conclusion that all Murray's claims were true.

- The pools called a special meeting of their members and the pool members completely exonerated the pools.
- Paul then went on to explain that you can look at the charges that Murray laid as violations of principles of the commercial syndrome that the pool did not observe.
 - For example, the principle of being against competition fits well as the idea of a wheat pool or cooperative in that the entire purpose of a pool is to mitigate competition.
 - In fact, the pools displayed the guardian syndrome incredibly accurately as they did not invest for productive purposes and instead were over-investing to impress their members. They were not efficient. They were not thrifty. They were being ostentatious. They even deceived members – but they said we have a good reason to deceive our members and that is to continue our membership and in so doing also displayed their tendency to deceive for the sake of the task. It is plain to see that while they opted to look like a commercial entity they were in fact acting out of the guardian syndrome, and essentially were corrupt.

Other examples of commercial and guardian syndromes

- There are a few examples of where Jacobs illustrates this notion of systemic corruption
 - Investment banking and investment firms – their rationale is invest for productive purposes. Paul says that isn't how they invest anymore.
 - CEO salaries – which are a form of largesse. John Thain – who was the Merrill Lynch CEO renovated his office for 1.2 million dollars right after the 2008 recession after receiving a federal government bailout. That is not something you would do to be thrifty.

General discussion on Jane Jacob's commercial and guardian syndromes

- **Litz:** Do you think values could be nested within an organization? For example at Merrill Lynch traders act under commercial syndrome but maybe CEOs act under guardian syndrome.
 - **Earl:** We shouldn't talk in absolutes – the 'being efficient' principle for commercial values doesn't mean that guardians should be inefficient. It's just that it takes a second place to other values that they prioritize.
- **Harmatz:** In judging moral systems, a moral system can be justified from an instrumentalist perspective on how it delivers. When we account for the peculiarities of our financial leadership – they use the rhetoric of “we are guardians”. But they do not deliver what the guardian community would do. If I am communicating that I am a guardian and don't take on the duties – then I'm failing to 'deliver the goods'.
- **Dakshinamurti:** From an Eastern perspective, we bring in a whole lot of shades. While I can accept these [seemingly polar opposites of commercial and guardian

syndromes] as two ends of a continuum, I can't see why a so called guardian (defined as government) or a private enterprise can't hold guardian values. The values should be mixed up between each.

- **Earl:** It's a question of balance.
- **Harmatz:** Corporate social responsibility is similar to convincing organizations that have commercial values to be more 'guardian' in nature.
- **Bapuji:** Would organizations that have commercial values adopt guardian values after a certain time? It's not that they stifle competition when they are young – they do that when they are big. Seems to also peek its head in inequality.
 - **Earl:** These organizations become too big to fail. They act like a monopoly. They no longer have to care about balance sheets. And instead use governments.
 - **Hari:** Yes, this seems to occur at a particular point in the evolution of organizations.
 - **Litz:** You can even see it in the way they communicate. Bankers refer to banking as “doing God's work”, and are quick to state that banking “creates jobs”. The rhetoric of security is very similar to guardians.
 - **Harmatz:** In commercial banking, it really becomes clubs of merchants where they all put in capital, and then discount notes. In this sense, it's primarily a guardian club. When I looked at BMO's historical archives the bankers would have two sets of books and to keep financial riot from happening they would simply write off bad loans in good times.
 - **Rakesh Mittoo:** The guardian syndrome raises a question on whose interests are being guarded.
- **Dyck:** There are local institutions that actually look like commercial entities but operate as Guardians – take Manitoba Hydro for example.

Overall Summary of General Discussion

- Jacobs offers an interesting perspective on the management of economic activity in a society, using guardian and commercial syndromes. As Jacobs argued, sticking to one's own set of values seems to be good for survival, while adopting values of other syndrome seems to result in irresponsible behavior within and by corporations.

Participants

- Reg Litz – Coordinator of Asper Book Club Series
- Ganga Dakshinamurti
- Howard Harmatz
- Lukas Neville
- Rakesh Mittoo
- Bruno Dyck
- Paul Earl– Discussion Facilitator for *Systems of Survival*
- Hari Bapuji
- Stefan Paszlack