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## Compass: Someone Hit the Reset Button - Please!

By Charlie Grantham

This column originally was going to be about political pundits (being close to the election and all). But, boy, you can't beat the news with trite humor. To borrow and paraphrase, the Stone Age didn't end because they ran out of stones; and modern capitalism isn't ending because we ran out of capital (see <http://ferrydust.com/words/890/stone-age-didnt-end-for-lack-of-stone> for the source of that little piece of wisdom). Wanna buy a reverse credit default swap cheap?

You can't make this stuff up (though some are trying mighty hard). We could do the typical Gordon Gecko thing and blame all this on everyday human greed. No doubt that has a lot to do with it, but we think there is something far more basic going on. And it is going to get a *whole lot worse* for Bob and Betty Six Pack (and quite possibly for all of us).

The bottom line is this: the social institutions that were conceived and built to support industrial capitalism are broken. They are largely dysfunctional in today's knowledge-based economy. It's interesting that the first cracks in the system came in the financial sector—but not actually. The energy sector and its supporting international geopolitical system has also been under major strain for a decade at least.

Good God, the Brits started this mess way back in the 1920's by trying to secure petrol supplies in the Middle East. Same old, same old today. You really have to wonder about the cranial capacity of our leaders. And if you really want to hear the real deal on this little ol' sidebar, check out [Ghost Wars](#) by Steve Coll—but I do digress (link is to book description on Amazon.com – we have no financial interest).

Anyway, back at here the ranch it's hard to spell all this out in some straight-line logical fashion. It's much more systemic than we're used to, and everything seems to connect to everything else. Einstein said it best: "We can't solve problems by using the same kind of thinking we used when we created them." For 250 years humans in the developed world have been constructing society to support an industrial mode of production. Schools, governments, military machines, health care systems, even cities and transportation—all are based on maximizing efficiency. The gods we worship are Bigger, Better, Faster, and above all **Predictability**.

Well, it's come unwound, and those rules don't work anymore. It's unraveling. We fear that the U.S. economy will head straight for a recession, and our next President will be handed a fine kettle of fish. Expect to see some de-coupling of the North American economy from the rest of the planet in the near term. The U.S. brand is total crapola

right now. And it's starting to cost too much to move stuff from there to here (and vice-versa).

So, what's next? Here's our humble take.

Commercial real estate loses 30+% of its book value. Retail will be off at least 20%. The sleeper issue is public sector collapse. Most governments today have an over-reliance on consumption-based taxes—like the sales tax. There will be major declines in business levels and therefore tax receipts (we are already seeing 15+% in the Southwest). In addition, major retirements (those pesky Boomers) will stretch the medical and financial systems to the breaking point and beyond.

And then underfunded pension plans will gasp for breath and the cycle will head even further downward. (See [“Sinkhole! How public pension promises are draining state and city budgets,”](#) *Business Week*, June 13, 2005, for the gory details. Interesting that the article is over three years old, yet the problem is just as real today as it was then).

Okay, what does this portend for the future of work? Is there a pony in here somewhere? We think there is. But only if you can switch to some very non-conventional thinking as Einstein suggested. First, history isn't a predictor of the future in this age of discontinuity. Investments will thrive best in areas that promote the development of new wealth (and new *kinds* of wealth) in the economy. Energy, education, and health care come immediately to mind.

Realignments of the political landscape will undoubtedly follow. The free market (can you say “Lehman Brothers”?) versus government intervention debate (can you say “regulation”?) has little meaning. Well-articulated principles that point to **service beyond individual gain** will take precedence. A second principle: **consume less than you produce**. Invest the difference in the greater good. Time, money, whatever.

If you want to really have an impact, live out these principles in your own life and focus your business (or livelihood) efforts on helping others – and companies – embody these same principles. Social responsibility is the new compass.

The events of the past few weeks are not without precedent. And they really should not come as a surprise. Our colleagues William Strauss and Neil Howe laid this scenario out way back in 1997 with the publication of [The Fourth Turning](#). Well, it's turned. We quote the authors: “The Fourth Turning is a crisis, a decisive era of secular upheaval, when the values regime propels the replacement of the old civic order with a new one.”

What does the new order look like? Hard to say, except that we have a collective responsibility to create it. In particular, the United States will be the crucible of this creation. This is the country where the dam finally broke, and this is where the new order will be given birth – right here, right now!

When you read this column there will be less than 30 days before decisions are made in the voting booth. Please remember these thoughts before you vote.

Please [send your comments directly to us](#), or post a comment on the blog version of this article. We look forward to learning from you.

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