



# **'On Our Way to a World Larger Than Ourselves'**

*On the Relation Between Economic Development  
and Good Governance in a Sustainable Society*

*Philip E. Wagner*

***“The economy is important,  
but there are more important  
issues than the economy.”***

**'On Our Way to a World  
Larger Than Ourselves'**

*On the Relation Between Economic Development  
and Good Governance in a Sustainable Society*

**Inaugural professorial lecture**

Delivered in abbreviated form at his inaugural speech as  
Professor of Global Economy & Governance at  
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## Introduction

Dear Rector Magnificus, esteemed ladies and gentlemen.

I gladly accept the request of the Inter-Continental University of the Caribbean (ICUC) to assume the office of Professor of Global Economy and Governance by delivering this inaugural address. As Professor I am what is generally referred to as a 'lateral entry teacher'. I therefore stand before the challenge of transforming a professional career of almost thirty years in the mainstream, but sometimes also in remote corners of society, into a useful vision in the professional field of 'global economy and governance'. I will hereby lead you from the academic foundations of chair (part 1), through a vision of the role of a contemporary university inside the community (part 2), to the upward spiral created when economy and governance meet up to form a contribution to a sustainable society (part 3).

My aim is to illustrate that economic development and good governance are connected, and cannot, and should not be separated. We will then, at the end of this address, be able to critically evaluate the accuracy of the statement made by Bertolt Brecht 'Erst kommt das Fressen, dan kommt die Moral'.<sup>1</sup>

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<sup>1</sup> From the opera "Dreigroschen" by Bertolt Brecht (1928).

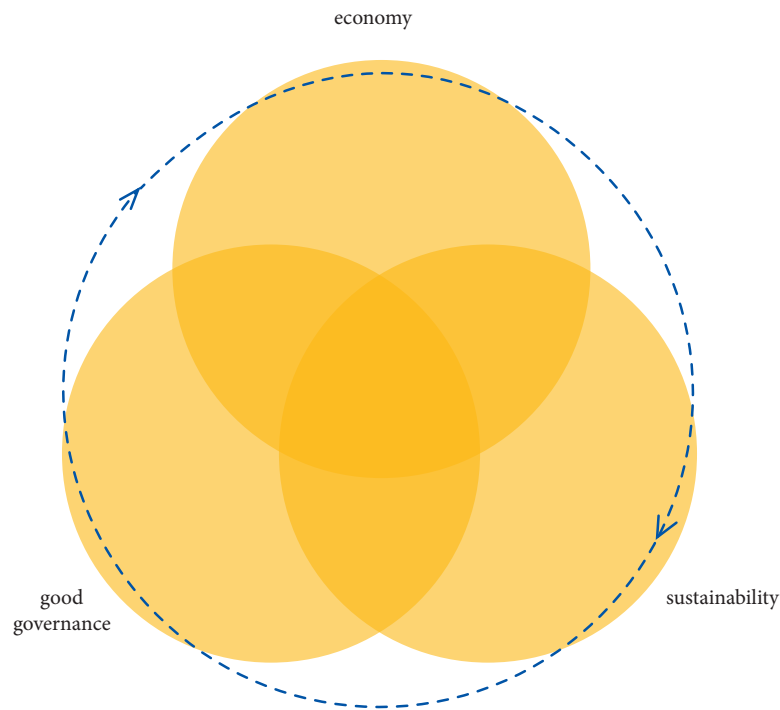
“ *Education is the  
most powerful weapon  
which you can use to  
change te world.* ”



A close-up photograph of a plant stem, likely a corn cob, showing green and yellow leaves. The leaves exhibit signs of damage or disease, with brown spots and streaks visible. The image is split horizontally, with the top half showing a close-up of the leaves and the bottom half showing a close-up of the stem and leaves.

## **I. Economy, good governance and sustainability**

# I. Economy, good governance and sustainability



## Inspiration

I am highly interested in the ways in which human talent can develop into entrepreneurship and the positive influence that entrepreneurship can have on a community. In different areas of society (for example politics and education) the emphasis is strongly put nowadays on the importance of talent development and the promotion of excellence.<sup>2</sup> Since the economic stagnation in the 80's, society has been convinced of the fact that entrepreneurship is a necessary motor, essential for economic development. After all, the total macro-economic value summed up to form our GDP (Gross Domestic Product) has to first be micro-economically created. Recently - though not for the first time in history - the discussion is being carried about the supposed positive and negative influences of entrepreneurship on our society. This discussion is usually carried out under the denominator 'corporate social responsibility'

(CSR). In this discussion the focus is on how the dimensions such as efficiency (what will it yield), equity (how are the pro's and con's divided), legitimacy (are the core activities and effects of such an enterprise acceptable to indirectly concerned parties), sustainability (for how long can we keep it up), and purpose (do the activities and results fit our intrinsic motivation) are and should be related to each other. An appealing attempt at coming to an integral approach to the term 'social responsibility' is found in the book titled 'The Three Dimensions of Value Creation', by Bellens et al.<sup>3</sup>

This discussion about social conscience reverberates in notions and opinions currently lumped together under the term 'governance'. An interesting area of tension is that whereas modern economics has for decades given the impression of being a value free science, it is clear right from the beginning that issues concerning governance cannot be

<sup>2</sup> Birte Schohaus and Marijke de Vries, *De wereld aan je voeten – en andere illusies uit het leven van twintigers* (Amsterdam: Uitgeverij Bert Bakker, 2013).

<sup>3</sup> Roel Bellens, Jan de Jonge and Henk M. Hazelhoff, *De drie dimensies van waardecreatie: In search of true excellence* (Antwerpen: Strategus, 2003), 73.

qualified without having an appreciative perspective. Moreover, it is interesting to see that the interpretation of the term governance as it is used currently in society, seems to be mostly driven by a desire for moral restraints (rules against excesses) than a desire for ethical development (creating a perspective

on meaningful relations). Precisely the interpretation of the term governance, from a perspective of ethical development, would lead to a more sustainable society, thanks to a better implementation of the available human and natural resources (the production factors labour, capital and land).

This address therefore departs from the following core questions:

- ♦ *What role do 'ethics' (in the sense of self-monitoring/management) and 'morals' (in the sense of imposed behaviour codes) play in the transformation of / from 'governance' to 'good governance'?*
- ♦ *How can economic development and good governance reinforce each other as disciplines that connect the streets (the material reality), the university (knowledge-based reality) and values as self-worth, self-regulation and respect (the immaterial reality) to each other to be of value for a more sustainable society?*
- ♦ *What can ICUC contribute to Curacao and the rest of the Caribbean in the development of knowledge useful in entrepreneurship, good governance and the development of a sustainable society?*
- ♦ *What will be its contribution from the chair of Global Economy and Governance?*

I will expound on the relation between economic development and good governance from the following four developments in society:

- a.** attention for the 'ecosystem' surrounding entrepreneurship
- b.** the multiple meanings and applications of the term governance
- c.** operating strategically in the network economy
- d.** from a perfect market function to a modern institutional economy

#### ***a. Attention for the 'ecosystem' surrounding entrepreneurship***

Talent is an innate capacity to develop competences. Whether this development does actually occur depends on a number of factors: individual factors like motivation, but also factors related to the environment like the presence of resources and role models. Entrepreneurship is the creation of future value. The entrepreneur accomplishes this by generating ideas, defining opportunities, making pro-active use of resources and thereby creating a value proposition. Entrepreneurship is a competence whose complexity is underrated in society's mind. The frustration of an unhappy childhood,

dismissal outside the employment contract in later years, or an idea for a brilliant new product alone are not sufficient bases to arrive at successful entrepreneurship. Bird describes entrepreneurial competency as a combination of general and specific knowledge, motivation, character traits, self-image, social roles and skills.<sup>4</sup> Entrepreneurship is a competence that should be learnt at a young age because character formation and social learning play a major role during its development.

More than all sorts of honours programmes on academic level, I would like to emphasize the importance of good primary education, which gives all children the possibility to develop their talents in a broad sense. It is hereby absolutely not implied that all elements of the entrepreneurial competence<sup>5</sup> can be simply 'taught' through the classical education model. Precisely by –whether or not by chance–

<sup>4</sup> Barbara Bird, "Toward a Theory of Entrepreneurial Competency," *Advances in Entrepreneurship, Firm Emergence and Growth* 2 (January 1995): 51-72.

<sup>5</sup> Ibid., 56.

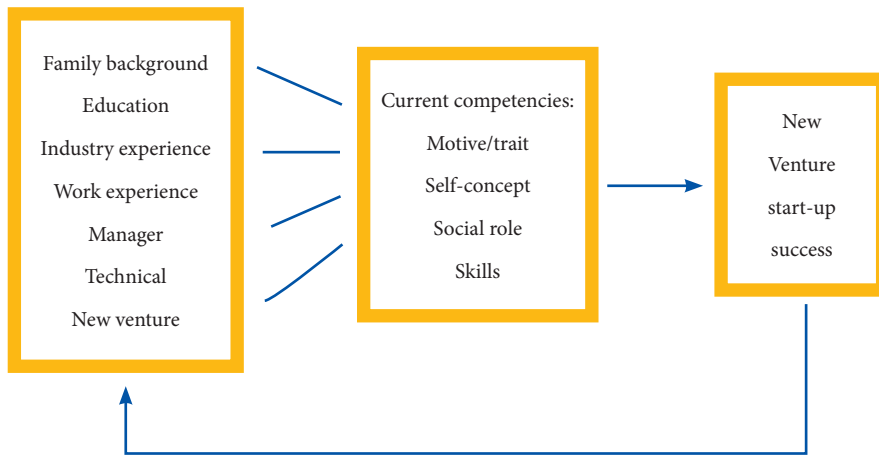


Fig. A Model of Competency Development

acquired experiences and staged active learning situations, (future) entrepreneurs are incited to learn, resulting in an increase of existing entrepreneurial competences in society. Important, because the presence of sufficient entrepreneurial competences is of great social interest to a market economy.

If entrepreneurial competence is a measure for the trade quality between entrepreneurs, then the presence of fitting entrepreneurial competences is an important measure for the

successful start and continuing development of new enterprises. Entrepreneurial competences therefore, are a so-called 'venture resource'.<sup>6</sup>

By referring to entrepreneurial competences as a 'venture resource', a connection is made between competences on an individual level and competences on an organizational level. This was aptly described in 1991 by C.K. Prahalad and Gary

<sup>6</sup> Ibid., 68.

Hamel in their pioneering article 'The core competence of the Corporation'.<sup>7</sup> This connection is of great importance for companies that have the ambition of growing and developing past the boundaries of sole proprietorship (the so-called freelancer). The creation of 'a world larger than ourselves' in this manner is essential for the vitality of the economy, the development opportunities of suppliers and future employment. The fact that the entrepreneur's individual competence merges with the competences on an organizational level enables the company to engage in trade with resource holders and other stakeholders that focus on sustainable development.

In this way an enterprise is created and further developed where besides the short term value creation, the created synergy of competences creates a broader social value (also referred to as Corporate Social Responsibility). Value creation is then focussed on the creation of social benefit, value

<sup>7</sup> Coimbatore K. Prahalad and Gary Hamel. "The core competence of the corporation" *Harvard Business Review* (May-June 1990): 79-91.

for employees, suppliers and stakeholders.

The creation of managerial conditions that enable sustainable collaboration between stakeholders in organizational context and the regulation of relations with interested third parties, is nowadays referred to as 'good governance'.

### **b. Multiple applications of the term governance**

The term governance gives meaning to the way in which management and supervision is organized and functions both inside a company, and in relation to third parties. Both organization and functioning of governance is relevant for the way in which entrepreneurship is embedded in society. Governance is linked with decisions that determine the expectations of parties involved, grant authority, or verify performance. The term governance can be given meaning from various perspectives: the governance in relation to individuals or groups of individuals (for example professional governance and consumer governance); the governance of organizations (for example family governance and corporate governance), and the governance of

the government and legally regulated organisations (government).

As indicated earlier, the organization and functioning of governance is always linked with a moral perspective. The moral appeal of governance therefore consists of, for the sake of those involved in administrative relations, making sure that a pattern of 'good' is ensured, while the unwanted pattern of 'evil' is avoided.

The relationship between economy and governance lies in the creation of management conditions that enable an organization, from a private perspective, to come into existence, to be developed and make itself useful to society (referred to earlier as ethical development). From a public perspective, a government has at its disposal a series of positions and arguments that, in extreme cases, can exercise authority over those partaking in the administrative proceedings of the organization, or conduct of individuals (for example accountants), to guarantee 'good' and avoid 'evil' (referred to earlier as moral restraint).

The current attention for the term

governance is self-explanatory. Because of the development of our society, there has been an increase in interdependent relationships, and sometimes their vulnerability, between different entities. On the one hand our mental world model has expanded, but certainly when incidents occur or something goes wrong, the perception of our dependency and vulnerability increases. There is for instance the recent discussion in politics and public opinion regarding the relation between privacy and the prospects of 'big data'. Good governance (ethics and morality are in line) can protect relations in such a field of tension and offer the assurance to the weaker one in that relationship that 'evil' will be avoided.

Because of globalization, an increasing degree of interference arises between governance models that each have their roots in different parts of the world. The following can be differentiated:

- ♦ The Anglo-Saxon model, characterized as a 'conflict model: facts and opinions are made explicit.
- ♦ The Rhineland model, characterized as the consensus model: common values are accentuated.
- ♦ The Asian model, characterized as the familiar model: the collective consciousness/self-awareness is displayed

These three models are by no means an exhaustive account. Every culture defines its own ideas and opinions on association and contact, from Africa to South America to Russia. The book titled "The Century of Asia" by Singaporean Kishore Mahbubani illustrates this aptly, and recently shook the self-satisfied western management mentality to its foundations.<sup>8</sup> How future governance will be given form and content in different parts of the world is not only an economic but also an anthropological issue. The fact remains that we live in a world where 'diversity in governance' is prevalent.

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<sup>8</sup> Kishore Mahbubani, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East* (New York: PublicAffairs, 2008).



### **c. Operating strategically in the network economy**

Developments in ecology, demographics and technology have been, throughout the centuries, at the core of fundamental changes in society.

Fracture areas <sup>9</sup> are manifestations of fundamental changes that are taking place. Newspapers and periodicals

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<sup>9</sup> Gareth Morgan, *Riding the Waves of Change: Developing Managerial Competencies for a Turbulent World* (San Francisco: Jossey Bass, 1988), 16-26.

are constantly publishing about trends, but fracture areas (borders) are more important. Borders mark the start of new strategic space. Entrepreneurship is needed to fill up this space, through the process of innovation and business development, with new value propositions which can be a source of further development of prosperity and welfare.

Prosperity and welfare on a social level can only be the result of value creating concepts that surpass the individual: enterprises. From an economic point of view it seems a bit stilted to make a distinction between so-called commercial and social enterprises. The first category is, in terms of value creation, not more, or less responsible than the second. The term responsibility is realized in the way in which events happen and how justice is done to the interests of all the concerned stakeholders.

The interpretation of newly created strategic space proves to not be so easy. Creative and conceptual thinking and taking entrepreneurial action accordingly, can only be done by a handful of people. And this is even more difficult to accomplish for

groups of people than for individuals. Developing a 'Resource based' strategy proves to be a difficult undertaking. An explanation for the fact that organizations have difficulty creating strategies that distinguish them from each other is found in social psychology. We know from social psychology that people innately like to identify with each other, but at the same time they want to outdo each other. This is a good basis for competition, but for the realization of new strategic space. Good entrepreneurs have in character terms an 'internal locus of control' and are capable, from thereon, to think independently, to put these thoughts into actions, and ultimately create value in the new strategic space.

Important 'value drivers' in economic development are the benefits flowing from continually developing specialization. This can be seen in various sectors of society: agriculture, business, customer-related services, and health care. Originally it mainly concerned specialization, later on this lead to a division between design- and executive branches, through outsourcing and offshoring.

In terms of governance, there was in

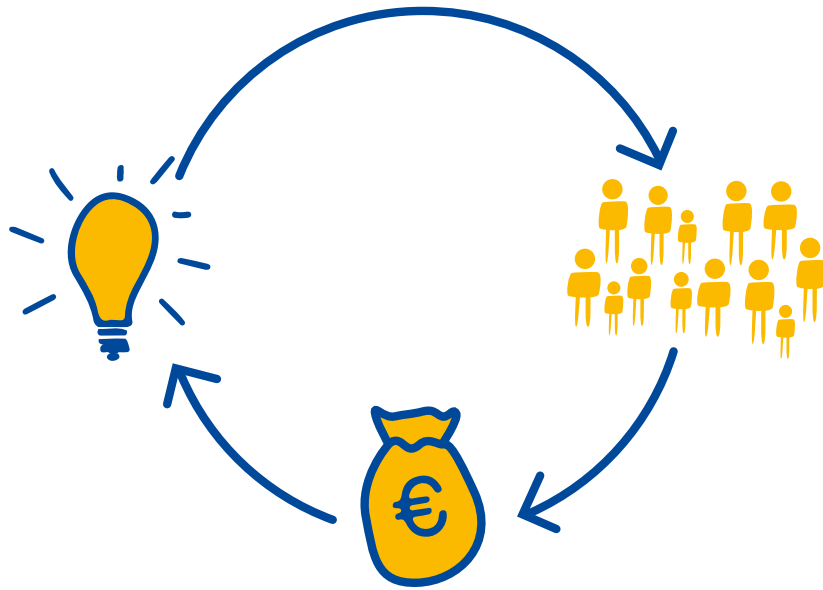


Fig. Crowdfunding

many companies already a specialization of the manager position by differentiating it from the other elements of the entrepreneurial role. Consequently, the investor position is more frequently separated from the entrepreneurial role (financing via private equity, the stock market and crowd funding) and there is also open source knowledge exchange in research and development and co-creation in the supply chain. In short, the modern entrepreneur is a super specialist who runs a business strategically and builds a network (large or small) around his or her

own core competence.

The advantage of this strategy is that the entrepreneur no longer has to do everything him- or herself, but can operate as part of a competence framework<sup>10</sup> that is broader than the 'individual' enterprise. To be able to operate in this manner an entrepreneur has to have a sharp self-image and be able to work well with others, even if they are of a different mind-

<sup>10</sup> Gary. P. Hamel and Coimbatore K. Prahalad. *Competing for the future* (Boston: Harvard Business School Press, 1996), Chapter 14

set.<sup>11</sup> The modern organization can be understood as a system of relations and their resulting contracts.<sup>12</sup> This contract environment is – a part of – the governance which the modern entrepreneur will be in working with when operating strategically in the network economy. Inside these contracts, economic, legal, and conduct aspects are of importance. The fields of economy, law and behavioural sciences together form the interdisciplinary knowledge base for the governance domain. To be able to put this knowledge base to good use toward good governance this new strategic environment has to be carefully thought through.

This means reconsidering the terms ethics and morals, and their underlying connection within the framework of developing governance models for a more sustainable society. More

<sup>11</sup> Geert Hofstede and Gert Jan Hofstede. *Allemaal andersdenkenden: Omgaan met cultuurverschillen* (Amsterdam: Contact, 2007)

<sup>12</sup> Oliver E. Williamson, "The Theory of the Firm as Governance Structure: From Choice to Contract," *The Journal of Economic Perspective* 16, no. 3 (Summer 2002): 171- 195.

sustainable in terms of being focused on avoiding waste, promoting circulation, and recycling. Such application of the term sustainability not only relates to material things, but also immaterial things like for instance management of labour within organizations.

#### **d. From 'perfect' market forces to a modern institutional economy**

One of the areas in which economic science and the rest of society seem to not understand each other is the phenomenon of market forces. The perfect market force situation in economic science is an ideal type, meaning in theory a pure situation, that helps to work out or analyse argumentations concerning the economic process, but which does not occur in practice or real life. In practice, markets do not operate flawlessly and the perfect operation of a market can even be considered a purely accidental situation. The danger is that society has the tendency, from the ideological desire to have a market economy that is as free as possible -characteristic of the time spirit of the 80s- to create an entire social infrastructure based on chance.



Fig. Market forces

The disadvantages of that have been proven true from 2008 up to the present: consider the start of the chain reaction of crises in various social sectors after the initial crisis in the financial world (bankruptcy investment bank Lehman Brothers). Market forces operate better in practice in connection with some form of market organization. This insight was illustrated back in 1937 in a convincingly by Ronald Coase in his book 'The Theory of the Firm'.<sup>13</sup> The terms 'market', 'organisation' and 'institution' are worked out as three constructs that are complementary. A sustainable form of economic development and good governance requires the combined, balanced input of these three constructs. The 'Theory of the Firm' lays the theoretical foundation for the inseparable connection of the terms economy and governance.

<sup>13</sup> Ronald H. Coase, "The Theory of the Firm." *Economica* 4, no. 16 (November 1937): 386 -405.

In practice however, we are, as mentioned earlier, distracted on various fronts by the ideological desire for a market resulting from the 'new government' thinking. This results in various irrationalities. Because of an exaggerated belief in the perfection of efficient markets, where the behaviour of individual participants with rational expectations of the future are explained in sound mathematical formulas, has given rise to the misconception that we could implement economic knowledge as a purely amoral instrument.

Market forces can be used far better in combination with stable (task-) organizations and institutions. That is also the best starting point for a more sustainable society in the global economy.

Access to production resources and development prosperity (democratizing commerce) is for many countries in the world a precondition in the

development of the democratic process.<sup>14</sup> Democracy is much more than a direct or representative democracy; it is a mental state that fits in with the recognition and realization of the right to participation.

A fitting form of social organization is the model of 'communicative self-steering' described by Anton Cornelis in his masterpiece 'The Logic of Feeling'.<sup>15</sup>

## The economic value of trust and the role of 'good governance'

Social sciences are primarily a descriptive science with the occasion-

<sup>14</sup> Coimbatore K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits; Enabling Dignity and Choice Through Markets* (Philadelphia: Wharton School Publishing, 2006), 110-112

<sup>15</sup> Arnold Cornelis, *Logica van het gevoel: Filosofie van stabiliteitslagen van de cultuur als nesteling der emoties* (Amsterdam: Stichting Essence, 1998), 537 - 659..

al desire and pretension of being a science of design. The usefulness of the academic knowledge generated by social sciences therefore comes into play. If the fields of economy and governance are to be considered a descriptive science, modesty is due. Monetary economists at the end of the first decade of this century underwent a proof in modesty.<sup>16</sup> But as for the 'drivers' behind human behaviour, (which are) (sometimes) displayed by actors in the governance process, and which thoroughly shake up the governance framework, the leadership gurus are all mostly still in the dark.<sup>17</sup>

If the field of economy and governance is considered a design science, then modesty is also due. To a large extent we cannot control human behaviour, seeing as our design instruments can never be more virtuous than the moral with which they are put in (to)

<sup>16</sup> Krugman, Paul R. "How did economists get it so wrong?" *New York Times* (September 2009): 6-9.

<sup>17</sup> Ginneken, Jaap van. *Verleidingen aan de top: De psychologie van de macht* (Amsterdam: Business Contact, 2013).

practice.<sup>18</sup> The moral development of participants inside the governance process should then be at least of equal pace to the development of the set of instruments at their disposal, and that (preferably) restrain their actions.

The fact that this is not a recent struggle in history is shown in the speech of a distant forefather:

“  
*No idea more preposterous has  
crept into human life than that  
which has separated honesty  
from purpose*”

*Casper Barlaeus, Mercator Sapiens.  
1632, The Wise Merchant*

In his book ‘Trust’ Francis Fukuyama introduces the term ‘social capital’.<sup>19</sup> The essence of the argument in this book is that trust represents social capital. In turn, social capital is the

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18 Robert A. Hinde, *Why Good is Good: the Sources of Morality* (London: Routledge, 2002).

19 Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity* (New York: Simon & Shuster, 1995).

value driver for the development of economic capital. This mechanism is explained as follows: in economics, the expected return on investment (ROI) is the basis for the pro-active investment in resources. Regardless of which model is used, investing is only worthwhile if the ROI exceeds the cost of the investment. This expectancy value is negatively influenced if there is uncertainty regarding the morality or expected moral behaviour of the parties involved.

Because investors re-adjust the ROI downward on the bases of a calculation of the moral risks in the behaviour of those involved, certain investment plans will no longer be profitable. They would have been if the moral risks of ‘bad behaviour’ would have been calculated less highly. In the same manner, the perception of bad moral conduct because of for instance corruption or ‘moral hazard’ hinders the development of the economy. The value of ‘good governance’ lies precisely in the fact that it attempts to promote good moral conduct, restrain bad moral conduct and attempts to create the trust under the participants in the economic process that is at the bases of the willingness to invest.

The question of whether or not the many investments that organizations, and governments make in ‘good governance’ serve any purpose, can be brought back to a question force of the descriptive- and design approach in social sciences. We established earlier that modesty is befitting in that. If scientific research has not been able to prove a link between investment and strategic management and the entrepreneurial achievements following from it, why would that pretention be present when it concerns something of the abstraction level of the relationship between investment in good governance and the stimulation of economic development?<sup>20</sup>

If causality cannot be proved, the only remaining factor is trust. The trust factor exists merely by the grace of incomplete transparency. Efforts in good governance lead to, because of the trust they create, to the construct of social and economic capital.

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20 Egbert Piëst, “Zoeken, wegen en kiezen: relaties tussen planning, strategie en ondernemingsprestaties” (PhD diss., University of Groningen, May 10, 1990), 204-207.



## Curacao & her prospects

Curacao was created from the eruption of a volcano. Not as a result of division of one of the larger continents but a regular 'stand-alone'. Curacao is an island where, on a relatively small area, many ethnic groups, races and nationalities live together peaceably. The population of Curacao has grown by 10.000 in the last three years, almost 7%. The percentage of people born outside Curacao as part of the total population has increased up to 25 percent. The four main languages spoken here are: Papiamentu (78,4%), Dutch (9,5%), Spanish (6,1%) and English (3,5%).<sup>21</sup> Curacao, the land where everyone is a foreigner, or consequently just the opposite. I no longer feel like a foreigner here, Curacao has become part of me. Diversity is part of the genetic makeup of Curacao. Diversity and respect (from the Latin word 'respicere': having consideration for, leaving intact). One cannot go without the other. Diversity and respect as the bases for the development of a

<sup>21</sup> Census, 2012.

community. Curacao could very well become a world showcase, but before that, the necessary needs to be done in terms of reconsider the meaning of the terms ethics, moral and trust in the strategic space that evolved after the emancipation of Curacao in 2010.

Over the past fifteen years the annual average economic growth in Curacao barely amounted to 0,2 % per year.<sup>22</sup> On the basis of the Economic Outlook 2013 of the International Monetary Fund (IMF) can be concluded that the economy of Curacao is not in line with the Caribbean region or the developments in South and Middle America.

For 2013-2014 the IMF expects an average increase of 2 to 3 percent for the entire Caribbean region, 4 percent for Middle America and 3 to 4 percent for South America. According to figures from the Central Bank of Curacao and Sint Maarten (CBCS) the economy of Curacao shrunk in 2013 by 0.5 percent, but for 2014 a growth of 0.5 percent is expected by the same authorities. Related to this moderate economic

<sup>22</sup> Caribisch Netwerk, 28 augustus 2013.



performance is the high rate of unemployment (at least 13 percent of the working population), and the much higher rate of youth unemployment (at least 37 percent of the working population).<sup>23</sup> In addition to that, of the 150.000 inhabitants, 25.000 of them live in poverty and the gap between rich and poor is getting wider. The competitive position of Curacao is weak and the reorganization of government finances has had a negative effect on domestic demand.

Necessary right now is the recovery of the economic growth. A very positive factor is that the government finances (national budget and national debt) of Curacao are properly in order.<sup>24</sup> This in contrast to most countries in the Caribbean region, that are groaning under excessive government spending and deficits. The fact that the government finances in Curacao are in proper balance, prevents the (reduction of) debt crisis from 'swallowing up' the investment capacity and the purchasing power out of the economy,

<sup>23</sup> CBS Curacao, 2013.

<sup>24</sup> Caribisch Netwerk.

thereby hindering economic growth. Trust in the economy of Curacao is thereby not such as to cause large investors to want to invest large sums of money in Curacao. Statistics of the stagnating economy in Curacao are in sharp contrast to the potential of investment projects waiting to start up or which are already running on the island. A recent inventory by the Ministry of Economic Development (MEO) shows that, up to 2016, the government and the private sector have ongoing investment projects worth over a billion dollars, with potential profits far exceeding the three billion. According to the Vereniging Bedrijfsverenigingen Curacao (business owner's association) however, most of these projects lie idle, are getting off to a slow start, or no start at all, because of a lack of transparency by the government, social responsibility and proper management.<sup>25</sup> This more than clearly illustrates the importance of good governance as a basis to generate the trust needed to jump start the investment motor.

<sup>25</sup> Age Bakker, voorzitter College Financieel Toezicht op het congres 'Duurzaam zaken doen tussen het Caribisch Koninkrijk en Nederland,' november 2013.

## What needs to happen now?

Recovery of trust in the economy is a complex process in which a number of measures, if applied simultaneously, could be helpful:

### *a. Reinforcing the market sector by deregulation and decreasing the role of the government*

It promotes the dynamics in the economy, giving private parties more opportunities to develop, and increases their investment- and competitive capacity. At the same time a powerful impulse is necessary to improve the quality of the government apparatus so she can successfully continue to perform her core tasks, -governing, guaranteeing and providing public services-. The positive connotation is that minimizing the government be a good foundation for creating a better government.<sup>26</sup>

<sup>26</sup> Hood, Christopher C. "A Public Management for All Seasons?" Public Administration 69, no. 1 (March 1991): 3-19.

### **b. Introducing an equitable system of taxation with a broad basis**

I make an appeal for the introduction of a higher tax free bracket in wage tax so the majority of the labour force will no longer pay income tax, and the employer will not pay the employer's part of the wage tax and social benefits. Because the cost price of labour decreases and the competitive position improves, a huge employment motor starts up, the desire and necessity for moonlighting is eliminated, hereby increasing labour participation. All of this could be financed by increasing sales taxes (VAT), which is now 9%. VAT, as an indirect tax, has the positive influence of widening the tax base (the actual number of people in the community who pay taxes). Seeing as this tax is paid by all consumers of goods and services in the according category, it is highly suitable for an 'open economy' like Curacao, which has many high end services (trade, financial services, tourism) that highly increase economic value differently than labour.

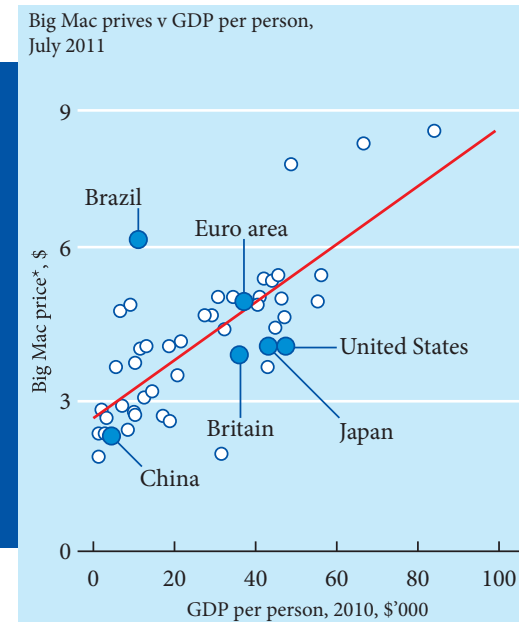
### **c. Promoting access to the economy by decreasing the cost rate**

If there is one factor that is under-rated in the social debate about the economy it is the influence of the cost level in a country's economic and often also social independence of its people. The in macro- economic statistics frequently used term GDP per capita does not give a full indication for it.

A funny additional concept to illustrate this often used term is the so called Big Mac-Index.<sup>27</sup>

This Big Mac-Index indicates the factual purchasing power in a particular country by recalculating the price of the mega burger in that particular country back to US dollars using the current exchange rates. (Fig: Big Mac prices versus GDP pp July 2011). This table makes the prices of this 'calorie monster' comparable between different countries and indicates the actual value in purchasing power of the currency in that country (given the income is totally spent on

<sup>27</sup> The Big Mac-index invented by Pam Woodall, an editor from The Economist. The Big Mac-Index exists since 1986 and is published twice a year.



\*At market exchange rate July 25th



Fig. Big Mac Index.

Sources: McDonald's; IMF; The Economist

hamburgers, which I would advise no one). This figure clearly shows the correlation between the price of the Big Mac and the GDP per capita is an indication for the measure of affluence in a country. The figure also shows what links up perfectly with my own 'street experience': although Europe seems 'richer' than China, the factual affluence of Europe is lower than in China based on this index. The price difference between the Big Macs in both countries is larger

than the GDP difference per capita. The factual prosperity is higher in America than in Europe, considering that not only is the GDP higher, but the cost level is lower. In Brazil on the other hand, not only is the GDP a bit higher than in China, lower than in Europe and America, but the cost level much higher. Interesting of course is the question of where Curacao would rank in this table: a Big Mac costs \$ 3.49 according to recent empirical research. The GDP

per capita for Curacao is \$10.850 (2011). This means that an inhabitant of Curacao has to relatively have more to spend on his or her Big Mac than the average European, but relatively a lot less than the average Brazilian. These types of tables do not only place the price craze of 2013 in Brazil in a proper perspective, but they are also an indicator of the minimum income someone has to be able to generate to be economically independent, either through a job or independent enterprise. The conclusion of this Big Mac analysis is that it would be good for the cost level of Curacao to decrease a bit more. Fiscal measures mentioned earlier could help to lower this cost level.

#### ***d. The stimulation of entrepreneurship***

Entrepreneurship is, after education, the second emancipation motor. A low cost level stimulates, besides a number of other conditions, the possibility of entrepreneurship for others. The cost mechanism of enterprises even works in two ways: at a high cost level a starting entrepreneur should be able to create more value to be able to survive economically. This rules out people

with a lesser capacity to create value because of a lower education or training level. These people remain by the side lines and or end up in marginality. In addition, an entrepreneur would, in case of a high cost level, be faced with higher (wage) costs which would slow down the growth of his enterprise and thereby the economy's. This is precisely the reason why the American economy shows much better growth statistics than the European economy. As shown in the figure, the cost level of the American economy is substantially lower, combined with an elastic availability of migrant labour on all levels. It is important therefore for Curacao to stimulate both the start and the development of entrepreneurships. It is a vital source of employment and economic independence. A number of pre-conditions are important for a good entrepreneurial climate. They proceed from the measures mentioned earlier: a trustworthy government administration, good public facilities, administrative costs and a low cost level, partly made possible by a system of indirect taxes. Even more important are the competences of the entrepreneur himself. The people of

Curacao are anarchists,<sup>28</sup> they do not willingly comply with instructions of others, and that core attitude makes them potentially great entrepreneurs. But as I mentioned earlier, entrepreneurship is a complex competence. Developing this competence requires a lot from the individual and the infrastructure of the community. The university can offer an important contribution in this area.

#### ***e. Promoting a 'blue economy'***

A sustainable economy is not a liability but an 'asset'. A 'green economy' that is carried by a circular economy in the local community is referred to as a 'blue economy'. In such a 'blue economy' the total re-use and recycling of resources is stimulated. Through various forms of local entrepreneurship 'underutilisation of resources' is prevented so a more ecologically conscious life style becomes available for more people. It is no wonder that this metaphor fits Curacao so perfectly: the sea is blue and the

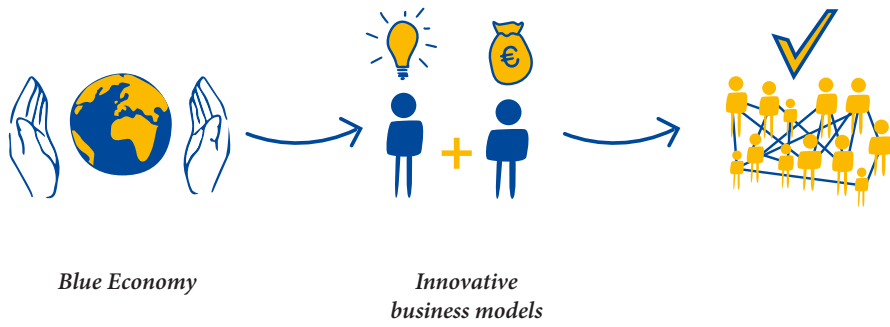
sky is blue. Further development of water tourism is an important economic facet for Curacao. Development of 'eco-tourism' in a broad sense is far better used in a country that pays integral attention to sustainability. That would include local energy solutions (sun and wind are plentiful), turning waste into reusable raw materials, the stimulation of entrepreneurship and a broad rate of employment by applying the measures a-d.

*Fig. Blue Economy on page 34.*

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<sup>28</sup> Boeli H. A. van Leeuwen, *Geniale anarchie* (Amsterdam: In de Knipscheer, 1990), 70.

*Fig. Blue Economy*





## II. A Contemporary University



## II. A Contemporary University



### Thought leadership

A university is primarily a scholae, a community of students. The core task of the university is to impart knowledge and understanding to the students regarding the complex realities around them. But it is also an inherent part of human beings to want to use knowledge to influence this reality in any possible form. Knowledge gives power, but power can also be abused. Reflection on ethic judgements should precede the exercise of influence.<sup>29</sup> Knowledge bearers, like academics and the academic institutions where they are educated, are therefore held to high standards in terms of independence and a critical thinking capability. Proceeding from these values, The Inter-Continental University of the Caribbean is a crown on the young democracy of the independent island of Curacao. As a young country Curacao finds itself in more than one aspect in a 'challenging situation'. The contribution that a university can offer to a society in this condition

lies in the actualization of these values. In addition to the capacity to provide academic teaching and carry out scientific research, a measure of leadership quality is also necessary. 'Thought leadership if you will. I hope as social science Professor to offer a contribution to this ideal and am inspired by 'Socrates comes to Market' (Kessels). In it the academic occupation and society stand close together. This is why it is good that we are situated here at the Brionplein in Otrabanda. It is of course for good reason. Academic values like independence and a capacity for critical thinking can only flourish in a democratic constitutional state with the trias politica as its organizational principle. This is something that should be worked on every day and the university should play an important part in this process. I am optimistic about the chances of success of this mission: the university, one of the toughest institutions of western civilization, can take a couple of blows<sup>30</sup>.

The Inter-Continental University of the Caribbean is recognized by the

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<sup>29</sup> Alexander H. G. Rinnooy Kan, "Opnieuw beginnen" (Inaugural Lecture, University of Amsterdam, March 8, 2013), 14

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<sup>30</sup> Ibid., 5.

government and entirely privately funded. Private funding, independent of the government, is an excellent base to achieve quality; this is proved by various education and research institutes in a number of places around the world (Harvard, Princeton, Oxford, Cambridge). Private funding stimulates the university to continually focus on her relevance to her stakeholders. That relevance lies in the way in which she is able to transform her academic values (independence and critical capacity) into education, research and other social contributions. A well-functioning university governance should guarantee diversity, that sees to it that the interests of only one stakeholder never gains the upper hand in such a way as to put the independence of the university at issue. Let it be clear that I, as Professor with governance as part of my teaching commitment, feel exceptionally co-responsible for the proper functioning of this young university.

The Intern-Continental University of the Caribbean (ICUC) has as its mission to offer the working professional a part time academic education. In this ICUC has an international

scope and can create socially relevant knowledge by connecting academic practices from the European and American continent with each other via Curacao. This objective indicates both its scope and potential. The demand for accessible, good quality education is increasing around the world. In the Caribbean, Venezuela and also Colombia the population is growing, as is the economy. This by no means implies that there are no problems in these regions. But the 'fundamentals' which determine the importance of higher education in the work field of the ICUC are present.

## Academic entrepreneurship

ICUC stands, as a social entrepreneurship, before the challenge of an 'academic entrepreneurship'. An important basis for every entrepreneurship is finding a 'competential framework'. A competential framework is understood as the organization of sources of future

value creation. A number of components of this framework are already present: a good running education portfolio, English and Spanish as home language, diverse Curacao with its good infrastructure as home base. The challenge is of course what can be added to it from the point of view of academic entrepreneurship. From my perspective three things are worth mentioning about this:

### *a. Further development towards becoming a player who impacts this region of the world*

This perspective is imaginable in the near future if the ICUC is able

to into respond to the need for executive education for the particular segment of professionals in this area. All around the world executive education is a 'niche' that can only be served successfully by organisations specialized in that area. The ICUC already possesses this specialization and has also managed to build a good reputation in it. The geographical location of Curacao described earlier, at the centre of Europe, North America and South America is a strong point of departure if she combines this position with the further development of her network education partners in these continents. ICUC can then offer 'blended



Fig. Caribbean

learning' for professionals in the Caribbean, Colombia and Venezuela. It will be a quest to find fitting value propositions and business models to competitively serve the new forms of diversity in age and origin that will be displayed in this area. Because of the regional variety of her teaching portfolio, the ICUC is able to offer her professional target group exactly that which fits with the diversity of their work context/content.

### **b. Forming a research agenda for the Caribbean**

A research agenda that takes the above mentioned geographical position and the education concept of 'blended learning' as its point of departure and supports it with knowledge development, can give importance to the ICUC as a relevant research institution. This research agenda can then initiate comparative studies for theories and practices

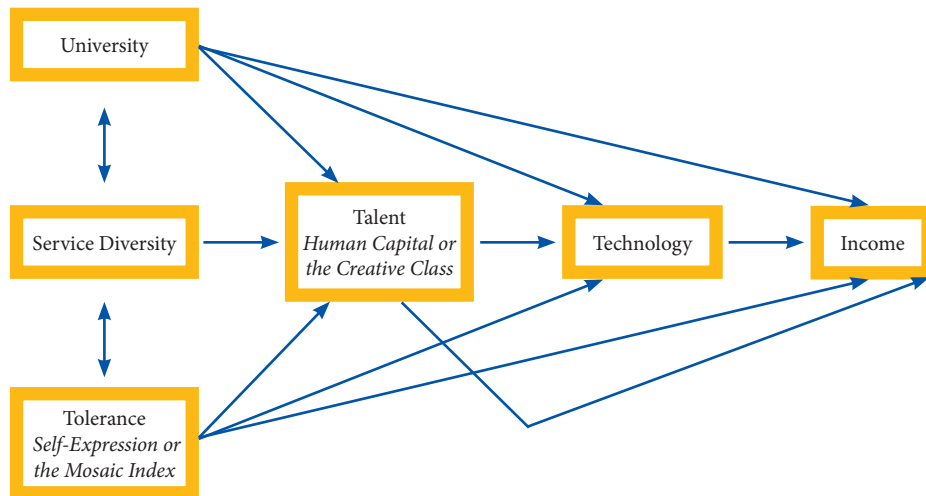


Fig. The economic ecosystem

useful to the Caribbean region, proceeding from the European, North American and South American continents. It concerns particularly diversity in governance models in these different continents. It should be obvious, considering the current interest in the 'world economic forum' of South America and the increasingly varied economic developments between North America and Europe, that this is relevant issue.

### **c. Offering a contribution to the 'ecosystem' of entrepreneurship**

Sometimes universities can be junctions (or hotbeds) for social innovation in a cultural, economic and/or political sense. Historical examples are: Sorbonne in Paris (cultural), Stanford University in Silicon Valley (economic) and Amsterdam University (politics). These universities have as common feature that they are found on a location that seems to act as a magnetic force on young people who have or want to pursue a good education. This magnetic force is not only limited to these universities, but is a worldwide phenomenon. For a country like Australia, for example, higher education has become

an important activity (as part of the GNP) which attracts international students. It should be mentioned that of the renowned Academic Ranking of World Universities (also called the Shanghai Index) the top 20 is American, with the exception of two British universities (Oxford and Cambridge). These twenty universities are much more than institutes for education and research; they form the core of clusters that add much value to society.

The concept of a 'cluster' is described by Michael Porter in his book titled "The Competitive Advantage of Nations".<sup>31</sup> In it the term cluster mainly refers to synergy benefits between related companies, which can also include universities. The most prominent example of such a cluster is the previously mentioned Silicon Valley. The combination of academic knowledge development, entrepreneurial competence and private equity created there is a formidable motor, a source of inspiration for many (potential) knowledge enclaves

<sup>31</sup> Michael E. Porter. *The Competitive Advantage of Nations* (New York: Free Press, 1998).

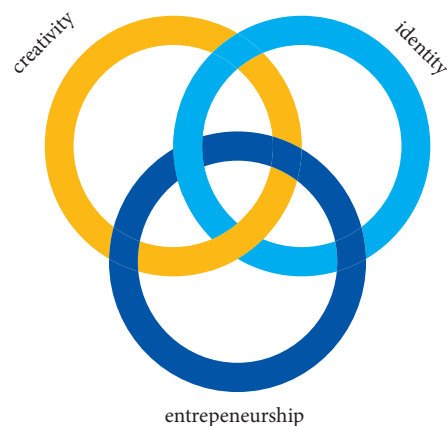


Fig. The modern economy

in the world. It has frequently been the underlying value driver of breakthrough technologies. The success of clusters like Silicon Valley is characterized by a combination of competences that merge into a unique environment that is at the basis of social innovations. Since Michael Porter pointed to the term cluster in 1991, the economy has further globalized and an important, internet-based information- knowledge- and service- economy has been created. Clusters have developed into globally connected open platforms. Innovations created on these platforms often have an 'open source' nature.

Modern economics pertains to a combination of both material and immaterial assets: creativity, entrepreneurship and identification. Such an ecosystem is more easily inductively indicated than deductively described, let alone being designed from the drawing board. It is important however for the future of Curacao and the ICUC to pursue and make room for the creation of such a 'Caribbean Entrepreneurship and Innovation Plaza'. It would be naïve to assume that successful 'science

parks', such as were created around other universities, could simply be copied around ICUC. The absence of breakthrough technologies makes it clear that the value driver should be sought for in 'human capital'. The book 'The Rise of the creative class' (revisited)<sup>32</sup> lends a helping hand. In addition to that, from the angle of 'open source innovation', Curacao is not an island.

## Education and research

My ambition is, from the science fields of economy and business administration, combined with my experience as entrepreneur and my

<sup>32</sup> Richard L. Florida. *The Rise of the Creative Class* (Revised and updated, New York: Basic Books, 2012).

experience in governance, to be able to offer a contribution which could be characterized as innovation by creating 'neue Kombinationen': innovative education to executives, combined with support for their entrepreneurship in the 'Caribbean Entrepreneurship & Innovation Plaza'.<sup>33</sup> In addition (to that) a research assisted social contribution to 'diversity in governance' which enables individuals to operate strategically in the network economy and which also enables society to profit from it in terms of broad, sustainable development of welfare and prosperity. This interpretation of professorship is- to speak in Grinwis' terms - not a profession but a lifestyle.<sup>34</sup>

Considered from that perspective, I have never had a job in my life; I do however have some expertise and much more motivation.

The foundation for good education is respect. The one being taught should

<sup>33</sup> Schumpeter, J., *The Theory of Economic Development* (Cambridge: Harvard University Press, 1934).

<sup>34</sup> Piet Grinwis, "Onbevangen ontmoeten: adviseren bij besturen." (PhD diss., University of Groningen Groningen, 1990).



have it towards his or her teacher, for their capacity to provide the opportunity for growth. The teacher on the other hand should have at least the same respect for the one he is teaching, for their capacity to develop and go beyond their limits. Going beyond limits always requires respect. In that aspect, science, culture and sports are one and the same.

That respect gets an extra dimension if the professor is not from the research environment but is a lateral entry teacher. It is remarkable that

the word 'respect' is nowadays used in street language to mean 'give me my space' and 'get out of my way'. It is in fact strong people who, out of respect, are able to leave others intact in difficult and sometimes threatening situations. The core product of the School of Management & Leadership inside the ICUC is BBA-, MBA-, and DBA- education for executives, besides programs specifically offered to professionals inside the domains of HRM and ICT. Good programs are characterized by an academic approach whereby participants are assisted in the

proper use of scientific knowledge. They are stimulated toward critical, conceptual and generalized thinking. Proper use of scientific knowledge in practice almost always means adding something to that practice by the creation of new knowledge. Which is why academic business schools enrich executives with a 'research driven approach' so they can integrate this approach with the 'experience driven approach' they are usually already adept at.

Knowledge creation is for the most part a social process, something that occurs between people. The form in which training is offered can attest to that. A social process focussed on the development of talent, entrepreneurial competence and social conscience, to become a good professional, manager or administrator. Especially this macro-context is neglected in many MBAs, but it will receive my full attention.

A modern day professor is not omniscient, but merely formulates the right questions. I am not a research professor but a social science professor. The research I initiate therefore will depart from social

issues. It concerns two programs: New Business Lab (1) and Diversity in Governance (2).

### ***New Business Lab (1)***

The 'New Business Lab' programme is about setting up an 'incubator'. An incubator is a 'hatcher' where people with an idea for a new business can find an environment which promotes the accelerated chances for learning and thereby creates increased chances for success. This 'competential framework' consists of different carriers and forms of knowledge, practice experience, and funds. ICUC will be the initiator, expansion will follow with knowledge partners and companies that want to participate in business seeding. Within the framework of the 'New Business Lab' programme, among others from research questions, research will be carried out on (the chances for) successful entrepreneurship in the Caribbean and the conditions in which these chances can best be profited from by entrepreneurs. The goal is to initiate the creation of such a 'Caribbean Entrepreneurship and Innovation Plaza' from the ICUC as part of the 'academic entrepreneurship'.

## ***Diversity in Governance (2)***

The 'Diversity in Governance' programme is about searching for useful concepts and practices to, where necessary; further develop the governance of organizations in the Caribbean. Because of globalization there is increasingly more ambiguity in governance situations. Different governance models from different parts of the world (Anglo-Saxon, Rhineland, and Asian models respectively) can be used as comparative analysis frameworks for research in useful 'diversity in governance'. In the framework of this research program, 'Diversity in governance', research can be carried out in the 'fit for use' quality of different governance models for the Caribbean region.

Colleagues, what can I expect from you? Bicho, Paul, and Gilbert, you carry this unique one-tier board model that directs this young, fast growing university like a social enterprise. Management and entrepreneurship require a combination of detachment and engagement. I can merely add my expertise, and more importantly my drive, in the intention of collectively making a contribution to the 'competential framework' of this university.

I would like to address the people of Curacao: the role of a professor is modest, but the role of the university is critical for freedom of expression. That is of great importance to this young democracy. I will therefore be a champion for the flourishing and blooming of this university.

### III. Toward an upward spiral



### III *Toward an upward spiral*



Nieuwmarkt, Amsterdam, The Netherlands

### Caribbean governance

A little boy from the polder eventually ended up in the Caribbean.

In high school I wrote a piece that would nowadays be referred to as a final school project, on Che Guevara. I was fascinated by the fact that social structures which (have) existed in European history in consecutive order, were in existence simultaneously in the Caribbean and Latin America. Dictatorship, democracy, populism, communism, and capitalism appear in mixed form, in a unique cocktail named 'Caribbean Governance'. The recipe for this mixture is best described by Boeli van Leeuwen in his collection 'Brilliant Anarchy'.

My opinions on good governance were shaped during my eleven years at the Dutch Police Academy and the then Politiekorps Amsterdam. From the chief commissioner of police at the time, Eric Northolt I learnt that one could only bring about change in the police core by placing the best people at the basis, sending them out on the streets, and judging them based on their performance on the streets. Management follows what happens on the streets, it never leads or directs it. In that same framework

is the interesting statement made by former chief of police Joop van Riessen: Every relation between management and execution is based on pure coincidence.<sup>35</sup> The lesson in practice, that management could never be executed by people without 'value perspective',<sup>36</sup> was the case at the time for Nieuwmarktbuurt in Amsterdam. Junks, yuppies, entrepreneurs, tourists and local residents each were claiming their position for public space and were threatening (sometimes literally, sometimes figuratively) to finish each other off. Each one of them knew of a legal precedent on which to enforce their claim. That turns such a 'governance issue' into a 'wicked problem' and therefore not legally solvable.<sup>37</sup> The

<sup>35</sup> Joop van Riessen, *In naam der wet: Veertig jaar bij de Amsterdamse politie* (Amsterdam: Nieuw Amsterdam, 2007).

<sup>36</sup> David L. Cooperrider, F. Barrett, and S. Srivastva. "Social Construction and Appreciative Inquiry: A Journey in Organizational Theory." (157-200) In Dian M. Hoskin, H. P. Dachler, and K. J. Gergen (eds.) *Management and Organization: Relational Alternatives to Individualism* (Aldershot: Avebury Publishers, 1995).

<sup>37</sup> Horst W. J. Rittel and Melvin M. Webber "Dilemmas in a General Theory of Planning" *Policy Sciences* 4, no. 2 (June 1973): 155-169. Reprinted in Nigel Cross (eds.) *Developments in Design Methodology* (Chichester: J. Wiley



Brionplein, Willemstad, Curaçao

'street governance' is not about solvability but about liveable and workable solutions, and is therefore a field of relations. The word 'respect' is a key term in street language, which stands for meanings such as 'look up to' but also 'accept me the way I am'. Learning from my mentor-professor Maarten van Gils that 'table football is a beautiful sport, especially if you keep the table a bit at a slant' of course came naturally. Governance is a beautiful profession. But you cannot learn it only from a book, especially if it needs to be applicable in the Caribbean. I am therefore proud to have now become a professor via those same streets, and I therefore think it is significant that the ICUC is situated here, at the Brionplein, at the heart of Otrabanda, and not somewhere in an ivory tower of science.

## Going beyond borders

My opinions on economic development are fed by my 30 years of entrepreneurial experience. An entrepreneur contends on a daily

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& Sons, 1984).

bases against his or her own limits. Economic development can only occur if individual entrepreneurs create value by going beyond these boundaries. In doing so they turn their talent into entrepreneurial competence with which they invest in a world larger than themselves. Advancing globalization and shifts in the world economy place this process on an open platform. This economic development can only hold out if individual entrepreneurs give it interpretation in a sustainable way. Just like a top athlete, an entrepreneur does not become stronger by focussing on his opposer(s), but on developing his own strength. Good governance creates an environment where talent can develop into entrepreneurship, to from there, be able to offer a broad contribution to society. Good use of academic knowledge can help the development of principles of conduct – practices both in society and design- as well as in the deliberative stage. Good governance generates the trust from which entrepreneurs are able to invest in themselves, the network of enterprises and the social realm. Good governance is an expression of civilization and stands therefore for

an ethic framework, from there the standpoint of sustainable conduct becomes only natural. Because every civilization wants to sustain itself, history has taught us that much. I would like to conclude from the conviction that, on the road to a sustainable society, economic development and good governance are inseparably intertwined, cannot exist without each other and can only reinforce one another. Besides, only a social climate that creates safety and trust motivates people to look beyond borders, enter into relationships with others, and focus on a world that is bigger than them.

As for the statement made by Bertold Brecht (Erst kommt das Fressen, dan kommt die Moral), with which I started this inaugural speech: (I hope) this discourse teaches us that a good meal is at least a matter of interaction between material and immaterial values.

## Word of Gratitude

Albert Jan Postma, in July of 1986 we landed together at Hato, and it all began from there. Curacao was literally and figuratively too small for you, but in a sense I managed to stay.

Peter Verton, when you became dean of the Social Economic Faculty of the then University of the Netherlands Antilles in 1987, I temporarily filled in for you as lecturer of organizational psychology. Our evening discussions at the Spaanse Wateren are still in my memory up to this day. You introduced me to the field of institutional development. This broadened my outlook and taught me that in understanding and fighting great world cataclysms like refugee issues, human trafficking and famine, anthropological knowledge is just as important as economical knowledge, and that that these knowledge bases can maybe be differentiated in practice, but not separated. An interdisciplinary approach is essential to making progress towards relevant social knowledge development, to be able to face the challenges of today and tomorrow.

This brings me to the professional skills of the business administrator.

I would like to mention the following individuals from the science staff of the interfaculty of Business Administration of the Rijksuniversiteit Groningen from back then: Maarten van Gils, and his colleague professors Jacques Boersma, Jo van Engelen, Olaf Fisscher and Ton de Leeuw. At different times and from different points of view, I learnt from them and with them to be a business administrator. Because the basis for business action, interdisciplinary and implementation-oriented thinking, is learnt in actual practice. And one does not only learn from books, but from people.

From my too soon departed friend Ron van Zonneveld, from whom I learnt at least as much from, as from the rest of the academic community. And from Leo Witvliet, always present in the triad of my professional life: science, politics and entrepreneurship.

The colleagues at Wagner Group. On the principle of 'entrepreneurship in knowledge' we have succeeded at creating an organisation that

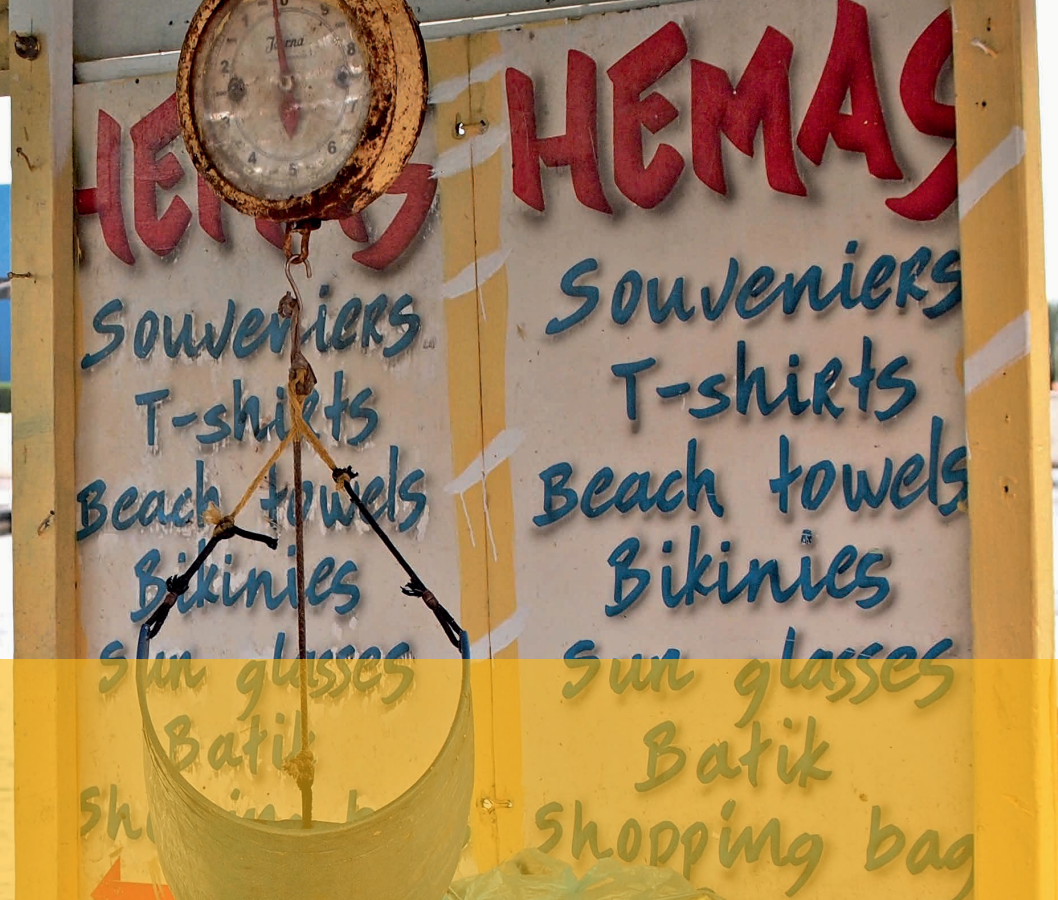
integrates academic knowledge with expertise and transforms it into a multi-coloured service. The basis for this is a complex competence that can be referred to as the Wagner Group DNA. I am proud of this accomplishment and look forward to many more beautiful recombinations from the Wagner Group team. This capacity to recombine is an essential driving force behind the advancement of the social sciences professor.

Gilbert Cijntje, good friend, a man of multiple lives, my coach on the way to professorship.

My parents, for having the wisdom to never encourage me in this direction. Our family. My son Bram, who came along with us when he was three months old. My daughter Josien took Curacao into her heart at fifteen. My wife Antje, in the twenty years we have been together, we have always done and decided on the important stuff together. But more importantly, we are on our way together.

I have spoken.

*Knowledge is never created by oneself. I thank Adri Broeke, Antje Diertens, Monique Krozendijk, Jolinda Louwerse, Steven Smit, Jan Vaessen, Lolle Wijnja and Leo Witvliet for their help and critical judgements in the realization of this inaugural address.*



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