

The Economy Is Alive

Looking at the economy and how it operates can give you insight into a model of reality that helps to make business decisions that keep you alive and evolving instead of dying off and becoming extinct.

Many people think of the economy as a mechanical instrument that you can control and operate with the twist of a knob or a pull of a lever. This seems to come from the Newtonian perspective that the universe is predictable, stationary, and perfectly knowable with its mathematical formulas. This [Newtonian](#) approach was given life by economists of its time.

Interestingly, the players in an economy follow more of a biological approach than a mechanical one, where things change, it is a living organism, history matters, and no eloquent equations predict the future. When have you seen more than a handful of lucky economists predict what was going to happen next?

In the earlier part of the 90's, my former partner in my investment firm had a PhD in biology. He looked at the world as an interconnected group of living organisms, more like a biological complex ecosystem. We invested in companies that were connecting the world at the time because, from this perspective, more connections create more intelligence, ideals and stability. History had shown that more connectivity led to more value creation opportunities, like when shipping, the telegraph, the railroads and the phone connected people. We ended up with the #1 growth and income fund in the country by using this model.

Our thinking was supported by the book [Bionomics](#), which discusses in detail how the economy is a living, self organized, evolving ecosystem, just like any biological system. The author, [Michael Rothschild](#), says in the book that

instead of a zero sum process, the economy is “A positive sum process, where the whole is worth more than the sum of its parts – a phenomenon where value is created by the cooperation of diverse economic specialists”.

Thinking about the economy biologically is important because, as in life, your surroundings are filled with cooperators, competitors, and innovators. They will change your world unless you continue to evolve and stay up with the hungry opportunists that will find their niche, which could make yours extinct.