

BANKRUPTCY IN BRIEF

Political and economic commentator Tom Friedman identified **generous bankruptcy laws** as an element that his mythical geo-architect would provide in a society designed to prosper in the global economy.

He would have designed a country with a system of bankruptcy laws and courts that actually encourages people who fail in a business venture so declare bankruptcy and then try again, perhaps fail again, declare bankruptcy again, and then try again, before succeeding and starting the next Amazon.com—without having to carry the stigma of their initial bankruptcies for the rest of their lives.

In Silicon Valley, says renowned venture capitalist John Doerr, “it is O.K. to fail and in fact it might even be important that you failed before on someone else’s money:’ In Silicon Valley, bankruptcy is viewed as a necessary and inevitable cost of innovation, and this attitude encourages people to take chances. If you can’t fail, you won’t start. Harry Saal, who founded one of the most successful software diagnostic systems in Silicon Valley. after being involved in several start-up ventures that went belly-up, once told me over coffee in Palo Alto: “The view here is that you are always better and wiser for having failed. Which is why when people here fail after having tried something, they often have an easier time raising money the next time around. People say, ‘Oh. he went bankrupt on that first venture? I bet he learned something from that, so I’ll bankroll him again.’

In Europe, bankruptcy carries a lifelong stigma. Whatever you do, do not declare bankruptcy in Germany: you, your children and your children’s children will all carry a lasting mark of Cain in the eyes of German society. If you must declare bankruptcy in Germany, you are better off leaving the country. (And you’ll be welcomed with open arms in Palo Alto.)

Thomas L. Friedman **The Lexus and the Olive Tree Understanding Globalization** Anchor Books 2000

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