Why nuance is the key to better decision-making

Because it’s never all black and white, here are some economic insights to help navigate the gray areas.



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We live in a business environment that rewards quick responses and simple narratives. But major strategic challenges aren’t black and white — and solving them demands navigating the gray areas.

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In a context of increasing polarization and urgency, *Gray Matters*, a book based on the podcast by IESE professor Javier Diaz-Gimenez, Miguel Ors and Pedro Artiles, urges us to embrace nuance. And we all — executives, entrepreneurs and business leaders — could do with nuance and grounding our decision-making in solid economic theory.

The rise of protectionism

In the 1980s, faced with Japanese competition, the U.S. auto industry was in deep crisis. But instead of shutting down, it adapted: Honda opened plants in Ohio, and local manufacturers improved their processes. The result? Better and cheaper cars.

Today, in response to more efficient Chinese electric vehicle manufacturers, the U.S. and Europe are raising tariff barriers. These moves are justified on environmental, geopolitical or security grounds, but often stem more from fear than from strategy. Wouldn't it be more rational to leverage the freed-up resources from this new Chinese supply to accelerate the energy transition and expand local charging infrastructure?

Protectionism may seem politically attractive, but it ultimately stifles development and well-being. The solution is not to build walls but to design bridges that help us adapt to a constantly evolving world.

We're shifting from a liberal order — where "prohibiting was prohibited" — to one where regulations multiply and space for innovation shrinks. Against this trend, it's worth recalling that the theory of comparative advantage remains valid: while it's true that international competition creates local losers, most citizens and consumers benefit from it.

Empirical evidence shows that dismantling globalization in favor of self-sufficiency would be a mistake. The opposite is needed: We should foster interdependence and encourage innovation through the incentives created by competitive markets.

Why growth is like mushroom farming

We must remember that growth isn't a linear process that can be planned. Growth doesn't behave like yeast; it's more like mushrooms: it appears when the right conditions exist. The most innovative organizations and countries are not those that regulate every step but those that create the right conditions for unexpected developments. They lower barriers, encourage experimentation and tolerate failure. And when something works, they try to scale

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it.

How do we create value?

We all have the same basic resource: time. Twenty-four hours a day or realistically 14. The question is not how much time you have but how you turn that time into something others are willing to pay for — into *value.*

This is where productivity comes in. In the global market, the difference between a minimum-wage salary and one three times higher is not usually effort or even talent but the value that the work creates. If we want to raise the standard of living for our organizations and countries, it's not about working more but about working better. That requires quality education, useful technology, organizational structures that let talent thrive and environments that don't punish mistakes but learn from them.

Decent wages come about not by decree but by design, through the creation of high value-added jobs, which in turn depend on each person's, company's or country's ability to turn time into value.

Though time is the most democratic resource, ways of assigning it are highly unequal. Not everyone has the same opportunity to transform time into value. That's why talking about incentives isn't trivial. People respond to signals: If a society rewards safety over creativity, if starting a business is bogged down by bureaucracy or suspicion, if the best option for talented people is to take civil service exams, then we shouldn't be surprised when talent is wasted and potential buried.

This isn't just a personal problem; it's a collective inefficiency. A country's economic growth or a company's competitiveness largely depends on where and how talent is allocated and how much value it creates.

Leading for the long term

Far from being an ideological abstraction, the market is a decentralized mechanism that, when functioning properly, allocates scarce resources in the most efficient way. Prices convey information, aggregate dispersed signals and coordinate millions of decisions without a central planner. In well-structured markets, no one can raise prices without losing customers or waste resources without going bankrupt.

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However, markets won't tell us what the optimal level of inequality is in society. That's a democratic decision. Philosopher John Rawls offered a helpful thought experiment: How would we want society to be organized if we could design it from behind a "veil of ignorance" and didn't know which position we would hold in it?

Wealth doesn't fall from the sky and nor does it redistribute itself. It's generated where the incentives exist to turn our time into value, and it's distributed where institutions allow it without stifling innovation.

The tension between efficiency and equity defines many of today's challenges. For example, if we're serious about decarbonization, developed countries will have to accept lower standards of living, at least in the short term. There will be resistance to this, but prosperous societies should be able to design mechanisms to support the most vulnerable. Doing nothing isn't an option: a five- or six-degree rise in temperature over pre-industrial levels could make civilization as we know it impossible.

We also stand on the brink of a new productivity revolution, where wealth may be created not by human labor but by algorithms and robots. The key question is no longer technological but political: How will we distribute the value created by machines and AI? Will we share it or concentrate it? Use it to fund more inclusive societies or to widen inequality?

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