"Freed from the constraints of national borders and the meddling of government regulators, proponents of the Old Paradigm believe the invisible hand of the unfettered market will magically turn a natural human tendency toward individualistic competition and excess into limitless prosperity for all." (Korten 2013:3)

Introduction

American business cannot be understood unless one understands the various historical contexts in which it grew. This paper will examine these contexts and then move on to explore a possible paradigm shift which seems to be taking place in American business and also business education. Specifically we want to investigate whether or not there has been a paradigm shift away from the exploitive nature of business based on the capitalist ideal of profit maximization. There is much talk of the need for a commitment to social contract goals, but the question is, has there been a real shift to a paradigm based on some version of a notion of social contract? This would represent a shift from the way of the individual plunderer, separate from nature and from society to a new stance which appreciates the underlying unity of all things in nature. It would be a shift away from a vision of traditional capitalism and business which is based on extraction, exploitation and usurpation of wealth, to a human ecological vision of sharing and community and real wealth creation.

The stock market crash of 1929 and the ensuing decade Great Depression was the first seismic shock to the ideological praxis of unfettered capitalism. This resulted, not in the replacement of capitalism with another regime, as in Russia in 1917, but rather a liberal reform movement which championed the rights of workers and organized labor. In the 1970's this system, based on the Keynesian welfare state and Fordist style of business management and production, lost momentum and virtually died out, replaced by Reaganomics, supply-side economic theory (Milton Friedman) and neoliberalism (the belief in unfettered free market capitalism).

The result was renewed GDP growth, but at the expense of the middle-class and poor. (Lind 2012:378) The 1999 protests at the WTO Ministerial conference in Seattle raised public awareness for the first time of the dangers of unbridled capitalism/globalization. Public policy and business education gave cursory recognition of the problems of unfair trade and wealth usurpation, but it was, as they say, business as usual; an uninhibited to free trade agreements which benefited western multinational corporations, lip-service to issues of climate change, and no policy changes to deal with global inequality.

The fruits of this neoliberal ideology and policy (deregulation, privatization) precipitated the economic crisis of 2008. There can hardly be any debate about this; the deregulation of banks,
lack of government oversight by the SEC and other watchdog agencies led directly to the crisis. Also, a lack of ethical commitment on the part of bankers was instrumental, however, it is realistic to believe that if you give investors latitude to engage in high risk deals and create a situation where transparency is not a requirement or even a priority, then people will do what they can to make a fast buck. Perhaps bankers are no different than the rest of us in this (they are just more skilled at it). That is why we need government oversight and regulations. Even in the most ethical of societies there are people who will find whatever loopholes or avenues to financial gain are available. While excessive greed is not necessarily a given of human nature, when it occurs, no one should be surprised. It occurred within the halls of the major investment banks and other financial institutions prior to 2008, when bankers engaged in high risk transactions, concealing the risks to those who stood to lose (their clients) while lining their own pockets with excessive bonuses and compensation packages.

The economic crisis of 2008 highlighted the dangers of unfettered capitalism, and, more specifically, free market (neoliberal) ideology. The crisis was severe enough to result in some serious soul searching within business schools and the halls of public policy. It should be noted though that there was no serious reappraisal of capitalism, nor calls to return to a 1930's New Deal liberalism. Rather, the new ethos which came into play, and is still in play today, is the notion that the corporation must become a good corporate citizen, and that the captains of industry should become the new leaders in the movement to a more sustainable economy and society. This is a benign form of capitalism which in no way results in a greater appreciate of labor, as was the case during the New Deal. (Stone 2013:39)

Capitalism in the past has generally taken an antagonistic position to labor and social and environmental reform except in the cases where it could help the bottom line. Now, however, virtually everyone in business talks about the vital importance of “corporate social responsibility,” and sustainable development. Is this a cause for celebration? Such programs have been roundly criticized both within business and without. For one thing, it can be one more excuse for government regulatory inaction; since companies now practice CSR, what is the need for governmental legislation? Furthermore, CSR goals are quickly sacrificed when it might result in loss of profits. It is clear that CSR does not, in any way, represent a paradigm shift in business away from capitalist goals of accumulation towards social contract goals. Wal-Mart, one of the largest corporations in the world, now makes sustainability a centerpiece of its operating strategy, yet admittedly they do so because it is good for the bottom line. One assumes that if it were seriously detrimental to the bottom line, they would relinquish such policies in a heartbeat.

This paper implicitly and at times explicitly asserts that we live at the edge of history—that is, a time of critical change. Industrial civilization is running headlong to the precipice, and unless there is a reversal in course (a paradigm change), the crisis may overwhelm the apparatus of economy and government. Various social and economic and environmental crises signal that unless certain critical choices made, which includes the relinquishment of capitalist goals of accumulation (the belief that more stuff will make us happier), then the forces of history and nature will call an end to the great project of modern industrial capitalism. In addition to extreme global inequality, which results in political upheavals (Brzezinski 2012:49) there is an impending global environmental
crisis. This has forced business leaders as well as policy makers to rethink the value of an adversarial relationship with environmentalists, and the usual reactive position to regulatory compliance, to a new position or stance in which business leaders work hand-in-hand with activists. Although this is not yet ubiquitous, the trends are promising. Though for most companies, the bottom line (shareholder profit maximization) is a priority above all others.

Social Contract

In the late 17th and early 18th centuries, philosophers of the English and French Enlightenment put forth the idea of social contract. The idea was simply that it was more profitable for everyone's general happiness if one acted as if everyone were bound together by a social contract to preserve and protect each other's rights. These Enlightenment philosophers perceived the dangers of a propertied class of people pursuing pure profit. This philosophy is the precursor to modern liberalism wherein the government is seen as a benevolent force tying people together, protecting the general welfare. The U.S. Declaration of Independence and the system of government established by the U.S. Constitution is an expression of Enlightenment philosophy.

However, in the late 18th century, the Scottish economist and moral philosopher Adam Smith proposed a unique justification for capitalism—rather than being a form of wealth usurpation, pursuing one's individual profit was a way to generate wealth for the whole of society. The idea behind this theory (classical economics) was that everyone in society was a rational economic animal and this rationality would result in the general happiness of mankind. This philosophy is part of the ideology of conservatism in America, which sees government as a malevolent force inhibiting or constraining man's creative ability to make money by forcing him to devote resources to the general welfare of others. America has always had and continues to manifest today a basic contradiction between liberal ideas of the Enlightenment and the conservative ideals of free market capitalism. There is a constant tension, sometimes creative, sometimes destructive, between forces which assert the primacy of free market fundamentalism and those that assert the primacy of the social contract.

Industrial Corporate Capitalism

Beginning after the Civil War and especially from the 1880's, America entered the industrial era which can be called the beginning of real corporate capitalism. Even though the corporation goes back to 1600, and European colonialism was based, in large part, on stock holding companies, the modern limited liability industrial corporation is the product of the late 19th century in America. Through new technology and the use of new energy sources based on fossil fuels (oil, and coal), industrial production could attain new levels of extraction and exploitation of both labor and materiel never before seen in the history of mankind. Monopoly capitalism and the limited liability corporation transformed America into the richest nation on earth, a status which it still maintains today. The corporation became the multinational corporation in the 20th century and sociologically speaking, became and still is the dominant institution of our time. Adam Smith's
notions of free market capitalism codified a radical separation of individuals- which translated into
the rugged individualism which is part of the fabric of American culture, an even further, justified
the economic ideology which supported modern American corporate capitalism.

In America, business education started with what is now the most prestigious school (or one of the most prestigious schools) in the world: the Wharton School of business in 1881 at the University of Pennsylvania. It was explicitly founded in order to address the needs of the American industrial revolution—the need for highly qualified business people to manage large corporations in this new economy based on mass production and economies of scale. (Amdam 2010:581) Business schools continued to develop throughout the 20th century with a strong emphasis on scientific principles of management to achieve ever greater levels of industrial efficiency. The emphasis on business education was explicitly profit maximization. One went to school to learn how to build or grow a company so that it could make the largest possible profits for its shareholders in the shortest possible time. Social or environmental effects were regarded as externalities not relevant to the curriculum of business education. Moral concerns were reduced to market concerns; what was good for GM was good for the country. The core functional skills were mainly in the area of finance, accounting, supply-chain management, marketing, micro and macro economics. The emphasis was on developing the quantitative skills in these areas, using management models which could be applied in real life situations. The case study method was the general method of choice in business schools.

America in the 20th century became the most industrialized nation with the highest GDP led by multinational corporations. This ideology of free market monopoly corporate capitalism was challenged first during the progressive era at the turn of the century which saw the emergence of the first anti-trust legislation and the first food and safety regulations. The second and biggest challenge to ascendant corporate capitalism was the result of the stock market crash in October of 1929, followed by a decade long Great Depression. This resulted in the rise of a vital and vibrant trade union movement and the liberal economic policies under Roosevelt—the rise of the welfare state based on Keynesian economic theory. However, this resulted in an antagonistic relationship between the owners of production and workers- a radical separation between the captains of industry and everyone else.

By the end of WWII the process was complete– the total hegemony of U.S. multinationals controlling the global economy. In the 1950’s, elite business schools produced the captains of industry. The capitalists, in a sense, won out in the 1980’s after the collapse of the Keynesian welfare state (1970’s); neoliberal ideology supported a new global economic system and greed was seen as good- GDP growth and trickle-down economics.

The golden years of business began to fall apart with a number of historical challenges. In the 1960’s we see the beginnings of an environmental movement and the rise of a feminist consciousness (Rachel Carson’s book Silent Spring and Betty Freidan’s book The Feminine Mystique). Also, Ralph Nader and his book Unsafe at Any Speed, helped raise consumer awareness as a challenge to corporate industrial power.

Still environmental thinking or thinking about the possible feminization of business were not part of business education. Nor was consumer safety taught as a moral imperative. Rather, the
thrust of business education was profit maximization for shareholders. Companies' attitudes about harms caused to consumers or workers or environmental harm was framed in terms of compliance to regulations or civil law suits, rather than any sense of social contract.

In the 1970's, the whole U.S. economy was fundamentally shaken by two oil shocks and a decade of stagflation, which represented the end of the hegemony of the American industrial state. It is sometimes referred to as the end of the Keynesian welfare state and the end of Fordism. It saw the rise of Japan as the new number one economic player, as the US economy slid into the red to become the biggest debtor nation in the world, and Japan the biggest creditor nation.

Even though trade friction increased, and Japan bashing became normal, in the business world and business education, Japan became the new model. Business schools sought to discern some oriental secret to management which was helping the Japanese to dominate the global marketplace. In a short time, of course, this infatuation with the Japanese way of doing business would recede, as people realized that the Japanese system was full of incredible inefficiencies in management and governance, and that Japanese economic dominance was in part due to a level of exploitation of workers which would be unacceptable in the West (over-time without pay, no contract, no real bargaining power, punishment for going against the majority, and of course, the wholesale exploitation of women).

Nevertheless, American business was shaken to the core as companies like Xerox, IBM, Ford, and Motorola were losing market share to companies like Toyota, Canon and Panasonic. The old vertically integrated model of the industrial corporation was called into question, as was the Keynesian welfare state. Business schools tried to play catch up, rather than create new paradigms or theoretical frameworks.

The response in the 1980's to deindustrialization, off-shoring and outsourcing was a retreat back into an earlier pre-Keynesian economic philosophy called supply-side economics, Reaganomics, or neo-liberalism. This was a reaffirmation of Adam Smith free market economic principles expressed in the famous film Wall St., “greed is good.” Thus the moral position of the business world and business education became an explicit rejection of the social contract. In other words, individual's seeking to maximize their own profits, or corporations seeking to maximize their own shareholder's profits would result in greater GDP growth and trickle-down economics, wherein all boats would rise in the tide of prosperity. “.....according to Old Paradigm logic, economic growth will generate the financial assets necessary to correct for related social and environmental harms.” (Korton 3:2013)

While business schools in American did not in any significant way depart from this dominant free market ideology, into the 21st century, two events in particular resulted in tectonic shifts challenging not only the dominant free market ideology but also the fundamental principles of business education in America. The first event was the collapse of the energy giant Enron in 2001 resulting in a flood of new reform and great introspection on the nature of American capitalism even among business people. The second event which still reverberates today was the collapse of credit markets in 2008. Not only the fall of Lehman brothers but the financial
institutions worldwide left citizens with a deep suspicion about the merits of unfettered capitalism.

Challenges to U.S. Corporate Hegemony

In 1990, the streets of Seattle turned into a battleground when trade unions, environmental activists and other anti-globalization activists converged to protest the WTO Ministerial Conference. The world was shocked to see a major city turned into a battleground and for the first time Americans became aware of the rationale of anti-globalization. This, it can be argued this was the beginning of the end of the hegemony of neoliberal ideology. Coming at the end of the Clinton administration, which was sympathetic on many levels to the demands of the anti-globalization activists, policy makers would begin to seriously rethink neoliberal type policies. Though the belief in the value of free trade agreements was not in question, there was a sense that a comprehensive reevaluation of neoliberal policies was necessary. Fair trade and sustainability became the new buzz words.

American Business Education in the 21st Century

Today business education is a crossroads with criticisms coming from within and without. Professor of management Henry Mintzberg has criticized business education has having an unhealthy attachment to scientific methods and models. (Bennis 2005) Rather, instead of seeing business as an academic discipline like chemistry or geology, it should be seen more like a profession like medicine or law. This criticism holds some merit; the limitations of purely scientific quantitative methods and models for the real world of daily business has rightly been criticized. However, medicine and law are also research disciplines, so it’s hard to see agree entirely with this analysis. Business people with MBA are often well aware of the limits of quantitative methods in daily practice and this does not constitute any radical critique of business education. Clearly such methods are necessary in business and economics, and the case method used in business schools has always tried to apply theoretical knowledge to concrete practices. Courses in government and business in business curriculums teach students how to deal with regulatory compliance. Yet now there is a new emphasis, beyond mere compliance to leadership goals which include a sense of social contract.

Our larger critique, and one which is now general to business education reform, is that in the past there was scant attention paid to leadership as opposed to functional skills; in other words, management in its broadest sense over purely business administration. The Yale School of Management in recent years has shifted its curriculum to emphasize the importance of such skills and other schools around the world have followed suit. This has meant “...giving equal weight to instrumental and humanistic aims, rather than casting either as means for the other’s ends. Making the case for authenticity, service, equality, concern for the planet just as fervently as the case for shareholder value maximization. Balancing instruction and assisted reflection, on oneself and on the cultures we live in. Brokering new connections. Stimulating imagination.” (Bennis 2:2005) All of this sounds like a fundamental paradigm shift in education principles. To what degree has
this been realized? There is no empirical data so support a conclusion on this but some historical
trends can be noticed. Unfortunately, America at this juncture seems to be lagging behind Europe
in such broad redefinition of business education. European business schools are fundamentally
gearing themselves for the needs of global business education which includes a deep commitment
to sustainability goals and concerns about social and economic equality.

A New Paradigm?

“The converging crises of our time all arise from a common root that we might call Separation.
... Separation is not an ultimate reality, but a human projection, and ideology, a story.” (Eisenstein
1:2011)

We have identified that the dominant paradigm of American business has achieved great
success in usurping wealth, enriching a tiny minority of businessmen at the expense of the social and
economic system. Investment banks and other financial institutions, rather than producing wealth
in any meaningful way, securitized assets to inflate their value to effortlessly create wealth. (Korten
2013:2). “The monetization and commodification of relationships, competition for individual financial
advantage, and abandonment of attachments to place are celebrated as contributions to increased
economic efficiency and accelerated development progress as defined by growth in GDP.” (3)

What might constitute the New Paradigm? This would necessarily involve a new way of
viewing one’s self and one’s relationship to the social and natural world such that life becomes
sustainable and fulfilling not just for a few, but across the board. In such a view, the starting point
seems to be to conceive and experience nature as fundamentally sacred. (Korten 4; Eisenstein
2011:passim) This is not 19th century romanticism but rather a pragmatic realization of the truth of
unity over separation which would result when we deconstruct the false ideology which separates
man from nature and people from each other. Thus it goes even beyond 18th century liberal
Enlightenment philosophies.

Marx highlighted the main features or contradictions of the capitalism as being alienation
and exploitation. We can add to this the fact that industrial capitalism is based on extractive
technologies. Therefore a paradigm shift must address these contradictions. This paper proposes
the following conceptualization as a paradigm shift:

Instead of Exploitation (of labor)~~~ Appreciation (no longer seeing labor as deficit or debit on the
bottom line)
Instead of Extraction~~~~ sustainable development
Instead of Alienation~~~~ radical nonduality.

This last point requires some explanation. Alienation seems to be the condition of modern
man, as reported in literature and social science. This alienation may be traced back to the
Enlightenment and the scientific revolution of the 18th century which saw man as radically
separate, and the individual separate from the social commons, from nature, and even alienated from himself. Indeed Newtonian classical physics is based on a mechanical conception of nature with humans as separate machines within it. Descartes also envisioned man as defined by his thoughts, separate from nature (I think therefore I am).

A paradigm shift would be aligned with both post-modern philosophies and with modern quantum physics. PoMo sees humans as the creation of public sets of discourses, empty of any individual self (as does Buddhist philosophy), and quantum physics posits a cosmology in which everything is radically interconnected in a unified field. There is no “me” separate from “you,” no nature separate from man. Therefore, from this vantage point, it would make no sense for an industrialist to pollute a river in some far off country because, in this view, there are no far off countries. It would be more like pooping in one’s own kitchen. Everything is radically non-separate in this view, and, at the risk of straying into dangerous mystical territory, the notion of a fixed space-time continuum breaks down. Every action thus carries with it a moral imperative in that it affects everything else in the space-time matrix.

In this view we have come a long way from traditional corporate responsibility, or even traditional liberalism. In a world where business leaders see themselves and their companies as radically interconnected with life, the world, the cosmos, actions will naturally flow in beneficial ways. It is a correlative to this that where action flows out of a belief in a radical separate ego-self, bent upon its own self-aggrandizement and self-enhancement at the cost of others (traditional capitalism), the result with be not only personal crisis, but a global economic and environmental crisis.

**Conclusion**

In short, a new paradigm for business and business education would have a much more, deeper and expanded stance, in which life is seen from a nondual perspective. It would reflect the belief that government regulation with its negative sanctions is piecemeal and fragmentary. Civil action law suits against corporate malfeasance is another traditional way to keep business in line with the public good, yet it merely reiterates the old way of doing business....business as usual, so to speak. Though no one is ready to abandon either government regulations or the power of civil law to redress grievances, a new ideal can be expressed.

In a Harvard Business Review blog, a piece entitled, “Are Business Schools Clueless or Evil?” by Ganpiero Petriglieri, associate professor of organizational behavior at INSEAD, says that that business schools share responsibility for the lapses in judgment and unfettered self-interest that wreaked havoc on the global economy and sank people’s trust in corporations.” (Petriglieri 2012) He goes on to point out that there are two camps of critics- one are those who paint business schools as clueless, distracted by academic theories, and a second group whose criticism is more severe. They see business education as a force of evil, perpetuating an amoral view of the world, peddling theories that support selfish elitism; the only true moral value in the universe of business being the bottom line.

It’s clear that a new narrative is emerging in the business world, and especially in business
education. This can be seen in the language and ideals of the new CEO of Unilever, Paul Polman who said in an interview that businesses must not only act responsibly, but actually make real contributions to society, not as incidentals or PR or window dressing, but rather as an essential part of their overall business model.

Nevertheless, it’s interesting to note that Mr. Polman admitted that such an integrated business model is not the norm. “Nobody has ever really made that public commitment, and nobody has ever really achieved it. Otherwise, the world wouldn’t be facing these challenges.” (HBR Blog 2012)

The dominant paradigm in business and business education closes in on itself- “is incapable of self-correction.” (Korten 5) The implication is that what is needed is radical change- radical not in the political sense of the word but in the philosophical sense, meaning going to the root concepts with which we construct reality. A worldview based on a kind of social Darwinism of individuals in a dog-eat-dog world of economic and social competition, separate from each other and separate from nature, is not likely to heal the crisis any time soon.

Of course there are those who still believe that we don’t live in time of crisis and still believe that the traditional corporate agenda of profit-taking leading to wealth creation and GDP growth is still the way to go. Fortunately this old paradigm has few adherents in business education, and, as a result of profound economic crises and severe social dislocations and economic dystopia, most of the public and policy makers no longer believe it. Even the Tea Party movement in America which is against government as a form of wealth redistribution, don’t necessarily see unbridled wealth usurpation as the solution to social problems.

In conclusion, we are left with three perspectives. One is that it is simply not the function of business or business education to act as leaders in environmental stewardship or economic equality. This is the function of government or NGO’s or individuals acting on behalf of the public good. The role of business education is simply to provide the necessary vocational skills to function in a highly complex economic market place. This is not at all an irrational point of view but it simply is not the prevailing view held anymore in business education. To a greater or lesser degree, all business schools see their role as producing business leaders who have some sense of commitment to stakeholders as well as shareholders. The question then becomes, how serious or significant is this commitment to the public good, to the notion of social contract in a post-modern sense.

The post-modern sense of social contract would be one which transcends the dualistic ontology of western rationalism, humans against nature and human against human.

References


Abstract

American Business and Business Education in Context

Steven L. Rosen

Traditional business and traditional business education in American has been mainly based on classical economic theories of profit maximization, which is characterized by the accumulation of wealth and private property (assets). Negatively put, it is wealth acquisition and even wealth usurpation having priority over wealth creation. Though the high GDP growth of capitalist economies suggests that wealth creation spreads to all classes of society, the overall characters has tended to include exploitation, alienation and extractive technologies. However, what is being investigated here is the possibility that American business and American business education is being challenged on many fronts (environmental, economic, and social/political) and as a result, may be undergoing a paradigm shift, away from the classical stance of profit maximization to more social contractual goals.