EAMR

EUROPEAN ACCOUNTING AND MANAGEMENT REVIEW

VOLUME 8, ISSUE 2, ARTICLE 3, 43-67, MAY 2022

Inequality, Economism and Bad Management

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Received March 9, 2022; accepted May 30, 2022.

ABSTRACT

The past decades have shown an increase in inequality, measured in economic terms, that affects society, creating unfair increasing differences between the welfare of the richest and the poorest, and being even worse with respect to middle classes and people with a stable job. We show how the economies of the Western World have evolved since World War II, first with an unprecedented improvement of the economic conditions for everybody in the developed economies and later, since the middle 70's, with a shift towards inequality that followed a change of both the economic and the management theories (often called neoliberalism) and their application into real-world's economies and management practices. We next go to the existing academic literature in management and justice to discuss in more depth the current problems, to show how bad management has been at the same time the cause and the consequence of such problems; and, finally, we put forward some proposals in terms of management and justice that we believe should be incorporated in companies and organizations to help solving the problems and generate improvements for the actual unrest and the existing divided society.

KEYWORDS

Inequality, Happiness, Fairness And Justice, Management Techniques, Neoliberalism, Crisis.

1. Introduction

The past few decades have seen a substantial increase in inequality, measured in economic terms (Milanovic, 2016; Piketty, 2013, 2015; Stiglitz, 2012). Neoliberal policies promised faster economic growth, and benefits for everyone, including the poorest. However, workers would have to accept lower wages, and all citizens would have to accept cutbacks in important government programs at the beginning. The elites claimed that their promises were based on scientific economic models, but according to Stiglitz (2019), after 40 years of neoliberalism, "the numbers are in: growth has slowed, and the fruits of that growth went overwhelmingly to a very few at the top. As wages stagnated and the stock market soared, income and wealth flowed up, rather than trickling down". The GDP of most countries has increased regularly on the average and except for some years (2008, 2010 and 2020) for obvious reasons.

Inequality is a serious problem and is one of the roots of the social unrest and protests. It may become even worse, because together with economic inequality we have seen some bad management we have seen some bad management practices developing that ignore these problems and seriously contribute to them. Such bad management practices have generalized since the 80's of the last Century and have created a bad climate within many firms and organizations in general, that often result in demotivation on the part of the employees, and serious health problems like depression, addictions and even premature death or suicide. Billionaires that dominate the world coexist with people that have a job in a very precarious situation, and many people that are unemployed. Our purpose in this paper is to examine this problem, putting together the social and political context in which this is happening with the economic theories and management practices that have at the same time helped to create and been a consequence of such situation.

We will proceed as follows. First, we will examine how the economies of the Western World have evolved since World War II, stressing the political, cultural and social factors that have influenced that evolution and how, in parallel, the conventional wisdom has changed both in economic theory and in management. Some of the management theories and the way they have been applied into practice have generated the social conflicts that exist or have existed. We will show how the "progressive" spirit of the post-war decades shifted in the opposite "conservative" direction in the 80's and how now this may begin to change. We then go to the academic literature to (briefly) consider Pfeffer's approach, and to discuss in more depth the philosophical analysis of Sandel based on the concept of justice. Finally, we put forward some proposals of what we could all do if we want to solve the problems of social unrest and of a divided society.

2. Socio-Political Unrest, Economics and Management

The 21st Century has shown a clear increase in protests and demonstrations. In the last two years affected by the Covid-19 pandemic, but the social unrest took place before that because of the Great Recession that started in 2008.

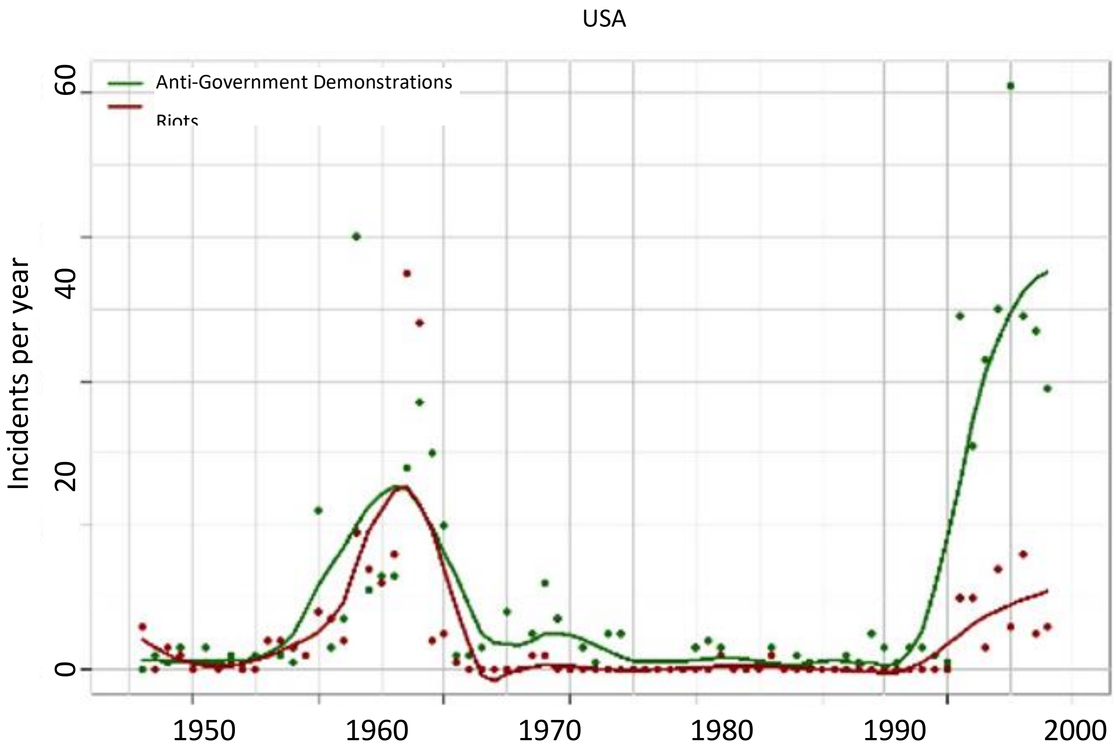

Figure 1. Anti-Government Demonstrations and Riots in the US (1950-2020). Source: Turchin & Korotayev, 2020.

The past decade, then, has seen a dramatic increase in socio-political instability in the U.S. and Western Europe (UK, France, Italy, Spain…), that started well before the pandemic, but after the 2008 crisis (De Franco, 2020). In fact, the forecasted movements in 2010 for the past decade in terms of demonstrations and riots have actually taken place, as we can see in Figure 1. The arguments of Turchin and Korotayev for both the good prediction and the actual realization of the prediction have to do with the "Public Stress Indicator", based on "immiseration, intra elite competition, and state (in)capacity", which is highly correlated with socio-political instability.

In his book *Economism*, James Kwak (2017) asks in his Foreword:

> *Why are we so angry? Prospective international trade agreements attract widespread objections, attempts to balance budgets draw thousands into the streets, and people are outraged about issues such as pollution, corruption, and the power of big banks. Protest votes of all kinds are growing in number, and frustration with our economic system seems to be spreading across much of the world. Yet according to basic economics, we—citizens of the world—have never had it so good.*

He attributes it to *economism*, which he defines as "invocation of basic economics lessons to explain all social phenomena" resting "on the premise that people, companies, and markets behave according to the abstract, two-dimensional illustrations of an Economics 101 textbook, even though the assumptions behind those diagrams virtually never hold true in the real world". (Kwak, 2017). What he has in mind, though, is mainly what has been done in the marketplace (i.e., lowering minimum wages, lowering taxes, the "invisible hand" that makes markets unbeatable, and so on).

Many economists have been worrying about inequality, possibly as both a factor of socio-political instability, and because of ethical reasons related with social justice. Stiglitz (2012) was seriously concerned with the consequences of inequality, (Atkinson, 2014) asks (and attempts to answer) "what can be done" and (Krugman, September 7, 2020) worries about this becoming worse after the pandemic. Piketty (2013, 2015) and Milanovic (2016) are the standard references for the current state on inequality from the point of view of accumulation and analysis of data.

Piketty's recipe for solving the problem of inequality is essentially taxation. Specifically, a worldwide tax on wealth. This has been widely criticized. The Economist, in May 2014, said that "*Le capital* contains some marvelous scholarship, but as a guide to action, is deeply flawed".

Atkinson went much further: minimum wage and a suggested maximum at a multiple of the minimum, "participation income" paid to all those deemed to be contributing to society (through work in the market or public service), guaranteed employment, in the public sector, if necessary, more welfare state, and many other measures (up to 15).

Economists, including the ones we just cited, do not pay too much attention to what happens inside the firms, which is logical if we think that what they intend to propose are the measures that can be taken legally, and for the economy as a whole, but they miss what happens inside the firm. Unhappiness seems to be increasing, and not only because of economic reasons (wages), but in addition to many other factors. Among them, bad management.

Pfeffer (2018) has found many reasons why employees may be angry in terms of the number of deaths that could be avoided. Deaths due to lack of insurance by firms (as many as 45,000 per year in the US); cardiovascular diseases due to doing highly demanding work combined with having low control over that work; connections between overwork and increased injury; unhealthy weight gain, increased smoking and alcohol abuse, drug abuse, and poorer health in general.

Obviously, if this happens, we are missing something. From a social point of view, we possibly should be interested in is something as broad as "happiness" and not only in GDP or other purely monetary variables. An early death in exchange for the salary, as Pfeffer's title suggests, cannot be a good thing neither for the individuals person nor for society.

If we look at that from this point of view, management is what is missing; or, in other words, bad management is an important reason for all the circumstances described in the previous paragraph. Sometimes it is because of the personality of some managers (mainly top managers) as can be seen in Sutton (2007) and James (2012); sometimes because of the meaninglessness of some jobs (Graeber, 2018).

Lately, Layard (2006) has been studying happiness in depth and has concluded that one important factor for unhappiness is the comparison of one's income with other people's, together with changing tastes and adaptation: when the income of an individual grows, the idea of what income is "sufficient" for the others grows as well. Inequality plays a crucial role in unhappiness and, therefore, in social unrest.

As mentioned, most of all this has to do with bad management. First, because there is a well-known relationship between happiness and productivity and, therefore, the economic results of the firm (Jundt & Hinsz, 2001; Oswald, Proto, & Sgroi, 2015; Patterson, Warr, & West, 2004; Zelenski, Murphy, & Jenkins, 2008). And second, and perhaps more important, because no matter how good the economic results are, they cannot justify unfortunate circumstances like premature deaths. The objective of a firm should go well beyond those economic results.

As we will see below, the kind of management that has created this type of situation has also been reflected this century in a significant number of popular movies.

There are surely many reasons for the current situation, but we must seethem in the context of the social and economic circumstances and the dominant culture at a given moment. Therefore, we turn now to a review of such circumstances conditioning the current situation.

3. Management and Economics Since World War II

World War II changed the world in many important ways. Democracies had won the war, and when it was finished, reconstruction had to be a high priority, mainly in Europe, where many countries, mainly the big ones like the UK, France, West Germany and Italy were devastated and needed a great effort to be rebuilt. The US provided aid in the form of what was called "The Marshall Plan", which had reconstruction as its main objective, together with modernizing European industry to improve productivity. In addition, it may be considered to have encouraged the creation of the European Common Market, since it required dropping many regulations and commercial barriers, and encouraged the adoption of modern business procedures, which had been one of the reasons of the US economic success.

Before the war, the world (mainly the developed world) had been through the Great Depression. Keynesian policies did a lot for the economic recovery and Keynesianism became *the* generally accepted economic theory: government spending would create income for people and then with that income people would increase their demand for products, thus creating the possibioity of more jobs and increasing the GDP. The war required all economies to do precisely that (to increase Government spending), and soon it became obvious (mainly in the US) that if the economy was in better shape after adopting this policy, the spending necessary for the war confirmed it further. However, there were some fears that after the war the economy would fall into depression again, and the application of the Keynesian policies of strong government spending not only prevented that, but it was the beginning of the possibly best two or three decades in history from an economic point of view.

Those decades were called "The Golden Age of Capitalism". In the four years that the Marshal Plan lasted, all Western European countries (except West Germany) reached the economic levels of the year previous to the war, and West Germany (by far, the most devastated country in Europe) did it shortly thereafter, in what was called "the German miracle".

However, while the USSR was among the winners too, it was not a democracy. Its economic system was a communist system, of centralized planning and public ownership, and thus the enemy of capitalism. Other countries that might have been democracies were engulfed by the Soviet Union in the "Eastern Bloc" of communist countries (Poland, East Germany, Czechoslovakia, Romania, Albania, Bulgaria, Yugoslavia); and what was called "the Cold War" begun almost immediately. Stalin rejected American aid offered in the context of the Marshall Plan, and prevented some of the communist countries (Poland, Hungary) from receiving it as well. Stalin and the Communist Party of the Soviet Union wanted to expand communism to other countries in the West (in fact, to the whole world), and their arguments were based on equality and effectiveness of the communist regimes. So, for the Western countries (the US and Western Europe) in order to avoid this from happening they had to convince their people that capitalism worked quite well, trying at least to reduce inequality or not to let it grow, together with worker satisfaction and some degree of a welfare state (different for every country) second only to reconstruction and economic progress.

As mentioned above, the Marshall Plan encouraged the adoption of modern management methods that were so successful in the US in the first part of the 20th Century, including the humanistic view of management that had been developed by Follet, Mayo, Roethlisbeger, Barnard and many others. The Hawthorne Experiments that took place in the Western Electric plant of AT&T were a landmark of this research.

These modern methods were an important factor in the American growth and economic power, and so Europe wanted to achieve the same level of prosperity. Jean Jacques Servan-Schreiber, an influential French writer, argued in a book that soon became a best-seller (Servan-Schreiber, 1968) that the United States and Europe were waging a silent economic war in which Europe seemed a little bit outdated, in terms of both modern management methods, and technological equipment and research capacity. In his opinion, then, Europe should unite or at least coordinate its efforts, and import the management methods that had been developed in the United States. Since the last 50's, some business schools that followed the American model were created in Europe, and thus the American methods and humanistic spirit were imported. Business Schools were about business, of course, and this included making profits and increasing the value of the firm, but in a way that considered the interests of all stakeholders (even though at that time that word had not been coined yet), mainly the employees. The fear of a possible communist revolution (as the ones that took place at the end of the war in the neighboring countries of the Soviet Union) was an important part of the adoption of this approach: in countries like Italy and France, the

Communist Party obtained an important size of the vote. Capitalism had to be careful not to transmit the image that it was good only for the capital.

So, from a macro point of view, full employment was a priority, government spending was used whenever it was necessary to promote it, and negotiations with organized labor led to a welfare state with strong social security and a reasonable salary level.

In fact, in the 50's, partly as a result of the Cold War, and of concern about the Soviet successes in the scientific and technological fields, that had produced an atomic bomb much earlier than was expected by American officials, AT&T went back to promoting the teaching of the humanities to its executives. The idea was to promote the humanities, because "liberal education was an education for free men, competent to fit them for freedom", while vocational education was more "suited to slaves and industrial serfs" (Bowles, 1998; Rosanas and Velilla, 2003). A former chairman of Inland Steel Company agreed, hoping that liberal arts would prove to be "the Achilles heel of the Communist dynasty". John Markle II, vice-president of the Pennsylvania Bell, argued that business needed the liberal arts because of "overspecialization and the need for operating in a different kind of world" (Bowles, 1998).

Management, then, both in theory and in practice, developed along parallel lines to the economic developments and economic theory. This meant, both in Western Europe and in the US, a management style, both in theory and in practice, that was trying to take into account the interests of everybody, preserving employment and having a reasonable sharing of the value added.

4. The Changes of the 80's

Unfortunately, this state of affairs did not last forever. The crises of the 70's (the Vietnam War in the late 60's and early 70's, together with the 1973 oil crisis, the Iran revolution, etc.) resulted in "stagflation" i.e., stagnation and inflation at the same time. Increasing government spending, then, resulted in more inflation without growth and with high levels of unemployment, so that the conventional economic measures were not solving the problem. Then, the "classically" liberal economists, mainly associated with the University of Chicago. Friedman, Stigler and Hayek may have been the standard-bearers, although Hayek represented a different view, more traditional perhaps, of the classical liberalism, which included socio-political factors besides the purely economic ones. In any case, they strongly argued that Keynesianism was the cause of all economic evils and that policymakers had to change their frame of mind.

The academic discussion was interesting, but what was successful electorally were simplified versions of the classical liberalism. Rightly or wrongly, this came to be called "neoliberalism", which in politics can be personalized in Margaret Thatcher and Ronald Reagan. As Walter Heller argued in 1975, "much of what the public perceives as a clash of economic concepts and findings is in fact a clash of ideology and values". Specifically, most of the discussions of economic policy, labeled "monetarism" versus "Keynesianism" have to do with ideology and values:

> *whoever opens the package labeled "monetarist" typically finds not just money supply in full flower, but a dedication to minimum government intervention, small budgets, reliance on rules rather than authority, and price stability. Contrasting correlations appear in the Keynesian package (...) The associational chains are not linked together by any inexorable logic—in part, they seem to be an accident of birth as in the case of the Chicago twins of monetarism and laissez-faire rules. A belief in the supremacy of monetary over fiscal tools could quite logically go hand-in hand with avid interventionism (Heller, 1975).*

Thatcher, Reagan, and, later, other Western political leaders, embraced a version of neoliberalism that recently has been characterized by Stiglitz, in a newspaper article (2019) in four types of actions or policies: lower taxes on the rich, deregulation of labor and product markets, financialization, and globalization. According to Stiglitz, this experiment has been a spectacular failure. "Growth is lower than it was in the quarter-century after the Second World War, and most of it has accrued to the very top of the income scale. After decades of stagnant or even falling incomes for those below them, neoliberalism must be pronounced dead and buried."

In different words, Marglin and Schor (1992) state:

> *For some twenty years after the World War II, Keynesian economic policies in countries of the capitalist West were successful in generating rapid growth with high employment. This "golden age of capitalism" did not survive the economic traumas of the 1970's; nor has the more recent emphasis on monetarist policies and supply-side performance succeeded in regenerating comparable growth rates.*

Unfortunately, this wave of neoliberalism reached the inside part of the firm, in the form of shareholder value maximization. Milton Friedman's wrote a famous article claiming that the social responsibility of a firm was to maximize its profits (Friedman, 1970). This had been easily dismissed earlier by accounting academicians (Anthony, 1960): maximizing accounting profits in the short run is -trivially- not a good thing (neither for the firm nor for society) and maximizing profits in the long run may be a good thing, but there is no rule that you can follow to achieve it. But in the 80's, the same idea was reformulated in terms of shareholder value, purportedly incorporating the assessment of uncertainties through the market value, which is an aggregate of the (different) beliefs of investors.

Unfortunately, as Senge has argued, in practice this goes back to the previous argument by Anthony:

> *…firm value maximization will almost become, by default, short-term profit maximization. The reason is that the complex feedback dynamics that bedevil our simplistic causal theories take time to play out. (…) For example, a manager does not require a complex theory to determine that cutting head count can boost short-term profits. Only in the longer run do the negative effects on morale, risk-taking, and innovativeness, and the unintended loss of key people, affect new products and new revenue generation (Senge, 2000, p. 65-66).*

The "Chicago Twins", then, became the "Chicago Triplets" with the addition of shareholder value maximization as the overall objective for business firms, and, unfortunately, this idea became predominant in the world of business. Many firms included it as their overall objective and published it in their Mission Statement or anywhere else in their Annual Reports.

Value maximization came together with strong incentive systems, essentially based on quantitative variables, intended to make sure that CEO's and the top management team are motivated to increase shareholder value, and from them, downwards, to try to meet the financial variables that may be considered desirable by the shareholders. "Balanced Scorecards" and KPI's were the tools to achieve such an objective.

Essentially, all this compared with the previous situation, led to three consequences. First, a financialization of the economy, and of the management of the firms: everything would have to be sacrificed to shareholder value. Second, a mechanistic view of the management of the firm, in terms of having to satisfy a set of quantitative indices and almost nothing else, thereby forgetting important qualitative variables, like the organization climate, the development of the employees' capacities and attitudes and the informal control systems that are the lubricant of the management system. And third, the change of labor relations that started with their deregulation and implied much less implication of those employees. The fall of the Berlin Wall and of the Soviet Union, making communism disappear from the European Map greatly decreased the danger of communism, and, therefore, the neoliberal policies were reinforced by this fact.

5. The 21st Century

The 21st Century began with a booming economy. Not without some scandals, though, like ENRON, Tyco, or Worldcom, but until the crisis of 2008 we had "more of the same", i.e., financialization, laissez-faire (including downsizings and low salaries), delocalization, and so on.

The Great Recession of 2008 put into perspective the problems of this economic and managerial context. As we mentioned before, this has been reflected in several well-known movies: We will just name and briefly comment a few of them:

- "The Company Men" (John Wells, 2010), about outplacement and management
- "Margin Call" (Chandor, 2011) about financial markets
- "Sorry we missed you" (Ken Loach, 2019), talking about the balanced score card and statistics
- "American Factory" (Oscar, 2020) about deteriorating conditions of work for many employees
- "The Social Dilemma" (Documentary, Jeff Orlowski, 2020), about how to reach customers in social networks

The John Wells' film, "The Company Men" is about successive layoffs and is based on the case of the corporation Global Transportation Systems, or GTX, that is downsized in the middle of the recession. Many employees are fired, including Bobby Walker (Ben Affleck). Walker is a white-collar, corporate ladder-climbing employee with a six-figure salary, a wife, and a teenage son and younger daughter. Walker gets outplacement services from GTX but, without success, gradually loses luxuries and is forced to take a manual labor job working for his blue-collar brother-in-law.

CFO Gene McClary challenges GTX's CEO strategy of employee cutbacks and questions the ethics of spending money to build new corporate headquarters while laying off employees. The CEO, his long-time friend, asserts that the deep cuts are necessary to increase profits, to increase the stock price and discourage a rumored hostile takeover of the company.

Later, it is determined that an additional round of layoffs is necessary. Woodward, a senior manager who, over the course of 30 years, had risen from the factory floor to the corporate offices (a decidedly rare accomplishment), is also fired. When McClary demands that senior HR manager Sally Wilcox, who is also his mistress, rehires him immediately, she tells him that McClary too, is being fired. Woodward's life quickly falls apart as employer after employer tell him he is either too old to start a new career, or too old to do jobs that those half his age find difficult. Desperate he commits suicide in his garage by carbon monoxide poisoning.

Despite McClary's anger, he has become even wealthier but he feels guilty about his company ruining so many lives and, instead, would rather put people to work. Feeling the need for a change, he leaves his wife and starts his own business. Walker is the first person he hires. Walker arrives at the bare offices to help start a new business composed of many former GTX employees.

This case illustrates two points often made by Pfeffer. One, that downsizing seldom leads to a solution to the problem, but much more likely to another downsizing, and there is ample evidence on that subject (e.g., Pfeffer and Sutton, 2006). Second, of course, that this type of actions often leads to depression, suicides, addictions, and low morale.

"Margin Call" is probably the best-known film about this type of bitter business situations. The main characters in the play are employees of a powerful international investment bank. Part of the staff has been laid off, and an investment banker just being fired has suddenly discovered that the assets of the company were overvalued and were, in fact, almost worthless. It is a story related with the 2008 world crisis connected to the bankruptcy of Lehman Brothers. The characters show that the combination of lack of honesty, specially from the top but also with the participation in all levels of the organization and technical complexity extremely difficult to understand may easily lead to a complete disaster.

The film "The Wolf of Wall Street", by Martin Scorsese presents the life of a famous broker, Jordan Belfort, who was breaking the law in as many instances as he can. The movie is possibly an excess caricature of a real-world executive, but this may be part of the movie appeal. It tries to explain the life and excesses of this millionaire self-made man that started selling ice-cream at the age of sixteen eventually ended up being part of this American dream of becoming millionaire with hundreds of millions of dollars, until going to court for fraud about how these millions had been generated. In the end, he committed fraud in many instances, as with money laundering, financial crimes, manipulation of markets, amongst others. Apart from all financial crimes, his life was similar to that of a rock star, full of excesses related to sex and drugs. The story was a reflection about how the type of life that is admired and aspired by many, in the end does not contain any long-term success in terms of own happiness and creating a common good for many. Models of success sometimes defeat oneself but also defeat all the rest, as create paths of nonsensical results, that go against the society that has uplift them.

"Sorry, we missed you!" puts into perspective the situation of today's many people that will not find a job, except if it is something extremely demanding, actually inhuman. Ricky, the main character, is offered to become a self-employed deliverer. In order to accept that, he has to sell the family car, which his wife was using to be able to do her job of home care nurse, but he has no alternative, so he accepts. This wrecks his family life and he must do incredible efforts to meet the stats, as his tough boss says. Ricky is robbed and brutally assaulted while making his deliveries. While Ricky is in the waiting room at hospital, his boss phones him and explains that he is facing fines of over £1,000 as his scanner was destroyed during the robbery. The film ends as Ricky drives off to work, still greatly injured and in tears as his family beg him to not leave.

"Self-employed" deliverers have been a rather common phenomenon lately. They get some income determined by the only customer they have (in conditions of monopsony, therefore) and run the risk of not being hired by the monopsonist… for nothing! The monopsonist, thus, shakes off a big part of his risks at no cost.

"American Factory" is in fact a documentary, promoted by the Obamas. It shows how a GM factory was closed down at some point in time, and, later, a Chinese firm bought it to restart manufacturing of car glasses there. It hired many of the unemployed (because of the shutdown of the plant) people in the area, but at a salary that is less than half what they were making, and with working conditions that are much worse. Workers, besides, are sent to China to "learn" the efficient methods, which consist mainly in having much tougher conditions: no vacations, only one day a week free (if any!) lower salaries, strong discipline, and so on.

Finally, "The Social Dilemma" is another documentary about the web and how the social networks are often a trap to get information about yourself without yourself being aware of that. So, beware! If some web product is free, it is often that the product is you!

Overall, all these movies can be said to show the consequences of Stiglitz's four policies of neoliberalism.

6. The Academic Literature

All these types of situations are closely related with the study presented at the Stanford conference "Great Place to Work" (2017), by Pfeffer, based on his book "Dying for a Paycheck". He analyzes the US approach to worker rights in relation with the EU approach in terms of worker rights and compares both frameworks estimating the costs savings in healthcare for US if it incorporated the EU rights, the amount being US$ 42B.

This could be achieved by simply doing the following: providing job control, reducing work-family conflict, being fair to employees and providing social support at work. And more importantly avoiding lay-offs, as Pfeffer considers that layoffs “increase fear and stress, (and) do not lead to higher profits, productivity, stock price, innovation, or quality” (Pfeffer, 2018).

Closely related to that, we can find in the philosophy literature Michael Sandel’s “The Tyranny of Merit: What’s become of the Common Good”, in which he goes to one of the bases of neoliberalism, considering that the idea of merit is a new phenomenon mainly devoted to reinforcing the free-market approach. Even if merit in general can be praised as something good to encourage doing things better (and has to some extent been used for that purpose for a long time), there are flaws in its predominance, because to make the merit criteria for competition just it takes for granted that the initial starting conditions for everyone are similar enough. But this is not the case in many situations and reinforces the false idea that successful people often have of deserving their success in all instances, thus promoting what Sandel labels the “tyranny of merit”, where the logic behind is that the unsuccessful can be rightly blamed for not having enough merit or enough effort to achieve success.

Sandel argument emphasizes that not only conservatives, but perhaps even more the elites, put the equal opportunity paradigm and the reliance of the “rhetoric of rising” in the center, promising to citizens success if they work hard and play by the rules (Sandel, 2020, p. 67). Meritocracy is not that new, Sandel suggests it started around 1945, and in the end is more a rhetoric that has been created by the prosperous, to justify their wellbeing, which has created a condescending attitude toward the poorer or less successful citizens. This reasoning concludes that wealthy people have arrived at their results through effort and merit. But the people in the working class in many countries have become poorer in terms of wage gains and following other indicators as number of suicides, drug additions and alcoholism, as says Plattner (2021), when interpreting Sandel work. This impoverishing situation that creates dissatisfaction and populism is spread all over the globe, and it is not possible that the only reason is the loss of manufacturing jobs (look for instance countries as Peru or Philippines). Therefore, there must is a mix of economic, cultural and sociological factors that combine to generate it. Strong materialistic cultures, like the case of United States can be one of the strong motivators for the logic of merit. Alexis de Tocqueville’s judgment, as quoted by Sandel, reads “I know of no country … where the love of money has taken stronger hold on the affections of men, and where profounder contempt is expressed for the theory of the permanent equality of property." So perhaps this might explain the logic of merit creation in the United States.

As mentioned, from Sandel's perspective, a society that accepts merit as the logic of deserved achievement and progress generates condescending attitudes toward the less successful and an insufficient regard towards the common good of all members. This then generates a tyranny not about meritocracy but of merit, which is then linked to the results that when they are not good it is because they are not deserved. Then this means that people develop self-pride and consider their talent to be deserved to a great extent. In fact, some of these abilities may come without effort as someone is born with or without them without always being part of generating them in a first place. Sandel considers that the notion of superior ability or harder work deserves greater recompense is mistaken (Plattner, 2021). Sandel uses Rawls reasoning that "the character of someone depend to a great extend upon the fortunate family and social circumstances for which he can claim no credit" (Sandel, 2020, p. 130). Therefore "social and economic inequalities are to be arranged so that they are to the greatest benefit of the least advantaged" which means that as individuals do not deserve per se their natural talents, some of the benefits of using them should be collectivized and redistributed to improve the actual situation of the poorer to increase the common good. Then if merit cannot be used to create a just distribution of rewards as the sole criterion, it still remains unanswered "why there is an existing widely held conviction that what people earn should reflect what they deserve" (Sandel, 2020, p. 134). This view is strong not only in United States, in which people considers hard work the most important factor to prosper and go ahead in life. But not only the US have come to this prevalent criterion, it has spread around in many other countries that adopt it and become competitive market societies. So, the thought that money is deserved out of hard work has spread and prevails as the logic of incentives and rewards.

One of the limits of merit criteria of deserving what is earned out of the hard work is obvious in cases where competition is unfair. Which has to do with the Rawls point that not everyone is endowed with the same skills and origins.

Sandel arguments however not only state that the initial competition may be unfair, but consider that meritocracy's unfairness lies not only on this failure to level the playing field but in the standard of merit itself that promotes the culture of striving and sorting: even if we could achieve equal opportunity for all, allocating results based on talent and effort can be considered still unjust. Moreover, Sandel focuses more on the harmful psychological effects of this merit-based issue rather than on the injustice that it represents. Sandel states that "the more we think of ourselves as self-made and self-sufficient the harder is to learn gratitude and humility" (Sandel, 2020, p. 14), and this jointly comes with the ones that are not successful that they feel denigrated and this "erodes their social standing and esteem" (Sandel, 2020, p. 29). In the end this places cooperation out of the scheme because this is no incentive to help the ones with less success, apart from making them blame for it. This excess of blame on the part of the less successful people in the end promotes them to be angry and this is a field that easily allows populism to be generated and to grow. Of course, it is difficult for a society to avoid fierce competition for the top: human passions cannot be possibly eradicated, as they have been encouraged for so long.

Sandel is advancing a debate on inequality that is now in the center of many discussions as the model that started after the Cold War, when the free markets logic was the one purportedly believed to generate freedom and prosperity of individuals has been seen falling short of doing so. Justice of capitalism cannot be defended straight away as results prove it is not a reality. So, it seems that a new era starts in which many people are going to complain, and defenders of free market seem not to have enough reasons to persuade people that current capitalism is not unjust.

The power of top management in big companies has increased over the last years to a great extent. Companies have grown and business growing is considered as the main objective that has been widely embraced by companies and people of very different origins, beliefs, and political inclinations. In many industries the tendency has been to promote oligopolies and monopolies, the banking industry being a very good example of that. In Catalonia there were 17 banking entities, and most of them have been forced to be absorbed by other banks. In Spain, the banking sector in now dominated by an oligopoly of four entities: the middle-sized banking entities that flourished in the "Golden Era" have now all but disappeared.

The solution to this problem cannot be based on economic reasoning approaches, since that mainly happens because all the reasoning is based on looking too tight into the economic side of the motivations. We should go out of this type of reasoning to find potential solutions.

In a book of Leigh Branham, he has pointed out the seven hidden reasons employees leave companies, and the reason behind usually is not economic at all, but of other type (Branham, 2012. In general the reasons considered have to do with limited growth and advancement opportunities, promotions and departments not working together—which means unfair or inefficient internal promotions, so people do not hear about them for long time—, posts being tailored to one employee (which means favoritism), hiring from outside instead of having internal promotions, directly pointing at unfairness of favoritism, politics and favoritism, family and work, gender discrimination and insufficient training (not being able to take advantage of training opportunities).

This means that people are four times more likely to leave a job because they think something is bad for them within the firm than because they are tempted for an outside opportunity. Yet most managers blame employee turnover on the lure of other companies, even when the real factors are well within their control (Sturt, 2013).

To solve to a great extent these problems, all stakeholders should receive both in quantitative and qualitative terms something proportionate to their contributions. The logic behind this is not be based in purely economic terms or extrinsic materialistic motives but on humanistic arguments based on a wide conception of the motives human beings have and introducing the concept of justice in managing organizations.

Justice should be incorporated as the main criteria when managing relationships, information, distributions, and procedures in organizations. And this cannot be simply an economic based justice criterion as it is the case of considering the market price as the fairest one. When we talk about justice, we propose a comprehensive set of justice criteria that incorporate all the elements inherent to any kind of distributions, both, tangible (like salaries and bonuses), and intangible (like recognition). But also, apart from the distributions, the need for justice is also unavoidable in relationships, information, and procedures. That means that justice in managerial contexts incorporates all justice dimensions, in both, formal and informal management control systems. This relationship between management control systems and justice has been shown in the research of Cugueró-Escofet and Rosanas (2013), in a theoretical paper developing the direct implications of justice in creating greater goal congruence between parties and the organization (Cugueró-Escofet & Rosanas, 2013). In this research, maximum goal congruence results in organizations that implement management control systems with the requirements of both formal and informal justice. Meaning that, when justice is set up into the formal controls and also into the managerial controls exerted by managers, this increase the interest alignment between the participants and the organizations, which means people are willing to cooperate together to achieve organizational goals, as they also believe these goals are aligned to a great extent to their own goals.

Putting justice in the center has been shown to create sustainable human resource management (Cugueró-Escofet, Ficapal-Cusí, & Torrent-Sellens, 2019). In their paper, they put forward the idea that organizational justice is in the center of creating voluntary knowledge sharing that enhances sustainability over time. Once organizational justice is in place, people are more willing to share their knowledge, as they perceive they are treated fairly, so there is a long-term relationship in place that glues the organization and increases its chances of success. Also, organizational justice and trust have shown in some research to be close to each other in a close cause-effect loop (Cugueró-Escofet, Fitó Bertran, & Rosanas, 2019). In their research, the key to generating long-term organizations is achieving a minimum level of goal congruence, (i.e., the alignment of interest between the organization and people involved) generating at the same time perceptions of fairness. In this research trust is a consequence of informal justice, and together with formal and informal justice increase goal congruence and perceptions of fairness. Therefore, trust is both a consequence of justice and a generator of the overall perceptions of fairness.

But justice for what? Justice, as one of the main Aristotelian virtues (Aristotle, 2009), is seen as necessary to arrive to the final objective of human happiness. People are in the world to become happy, which is the general end of human beings, from Aristotle's point of view. But this objective is not achieved easily and at once, it is a state of completeness and fulfillment that requires to govern ourselves to build a virtuous character. So, in the end, virtues and their development are means to meet the final human end, which, as stated, is happiness. When companies are focused on relationships to guarantee coordination to achieve common goals, the virtue necessary to be incorporated is justice, and this virtue is to generate just processes and results for all involved aiming at making them happier over time.

Happiness itself has many benefits as by-products. At the end of the day, it is correlated with many organizational variables linked to productivity, as people that feel good tend to go for the extra mile, and in general are more productive (Oswald et al., 2015). This does not make happiness worth per se but there is empirical evidence showing that generating happiness among people ends with a win-win relationship between the organization and its employees. Caring about employee's happiness is then good for the organization, as people tend to work in a healthy long-term disposition that increase their productivity. Of course, it becomes necessary that companies concentrate on happiness as the objective, and even to some extent to forget about the physical or financial results, because this is the way of creating a long-lasting increase in results. Results come after focusing on the right objectives, rather than focusing on the results themselves. Even if research has attempted to measure happiness using proxies like family balance, supportive working environments and caring for people wellbeing, we understand that happiness is a concept that cannot really be measured as it corresponds to an internal state of fulfillment and positive evolution and matureness of character. But in the end these proxies have served to put happiness in the center of business and to create fair places to work as they generate happiness amongst employees.

Other studies focused on how organizational performance is positively related to creating a good company climate, which in the end is also a proxy for employee happiness. Company climate is a complex construct that involves aspects related to employee well-being, like concern for employee welfare, skill development, reflexivity, innovation and flexibility and performance feedback, and all of these are linked to productivity increment, among other variables (Patterson et al., 2004). Of course, proxies of happiness can be job satisfaction and organizational commitment, and these are also positively correlated with productivity in that study.

In general, the happy-productive worker thesis has been studied in a paper published in 2008, and results conclude that both happiness at the trait level and at the state level are positively correlated with productivity. This means that in a trait level, happy people are more productive, and in a state level, people were more productive when they were happier (Zelenski et al., 2008). This study also links happiness with some of its strongest indicators, namely, job satisfaction, quality of work life, life satisfaction and positive affect.

However, and since a long-term measure of company success to be used instead of productivity is firm value, some studies focused on measuring how job satisfaction is correlated with firm value. These types of studies allow the incorporation of the costs of job satisfaction, as the measure of success is at the company level instead of being at the employee level, meaning that is a more comprehensive measure of organizational success (Edmans, 2012). So, it seems that for companies is good to promote job satisfaction as costs make it worthwhile at the company level, when firm value is measured and increases. The focus on sustainability, in the three dimensions, (economic, social and environmental) makes firm value a more suitable proxy to see that happiness is worth in the long-term.

7. Possible Lines of Solution to the Current Problems

We have attempted so far to show some of the reasons that make us angry, in response to the Kwak question quoted at the beginning of the paper. These reasons create a lot of unhappiness have important cultural roots that go well beyond the legal system. Thus, the economic solutions to the problem like those proposed by Atkinson, will not solve it in its entirety, because an important part of the problem is what happens within the firms, and the proposals of Atkinson, Piketty, and other economists do not get into there. We are dealing with very complex problems and a solution to them cannot be simple.

Nevertheless, we would like now to attempt to outline the major guidelines that a solution would have to have.

1. First, we must promote a cultural change. Neoliberalism is not simply an economic theory that is value-free. Instead, there are some important values at the root of its approach. Namely, the “laissez-faire” postulate is based on the tenet that self-interest is good and that by everyone promoting self-interest we could achieve a social optimum. This is simply false. *Enlighted* self-interest may achieve a social optimum, but short-term self-interest and enlightened self-interest may be completely different things: thinking about the long run in a way that does not harm unjustly other people and thinking of short-run self-interest without constraints may go in opposite directions or be (at best) orthogonal.
2. Second, it is a terrible mistake to think of management as a toolbox whose tools that can be readily applied without having to exert any judgement. On the contrary, practical wisdom, (phronēsis, in the original Greek word) is absolutely needed for any kind of complex decision (Cugueró-Escofet & Rosanas, 2020). Unfortunately, the last 40 years or so have gone in the opposite direction.
3. Justice must become an important criterion in any management decision. If a decision is perceived as being just by all people affected (employees and customers mainly, but including other stakeholders as well), it will create no anger or mental health problems; and at the same time, it will be “right”. In fact, in the

classical Greek philosophy, “dikaios”, (δίκαιος) meant at the same time “just” and “right”. A right decision is thus a just decision.

4. All problems have aspects that cannot be quantified, or they cannot even be clearly expressed in words. That is why the concepts of “informal organizations”, “informal control systems” or “informal justice” are important for decision-making in any organization. Informal justice is particularly important: any formal system that is just but is applied unjustly (with unjust informal justice) leads to an organization that may not have goal congruence between its members and the organization itself (Natàlia Cugueró-Escofet & Rosanas, 2013).
5. A particularly dangerous tool for modern management is the “Balanced Scorecard”, or any set of indicators (“KPI’s”, in the fashionable acronym often used) an even more if they have attached an incentive formula. An incentive on a KPI implicitly indicates that what is “right” is any action that increases the value of the KPI; and this is always false for any minimally complex problem. Then, the incentive formula pushes people in the direction of doing something explicit instead of doing what they think is right (Cugueró-Escofet & Rosanas, 2017; Rosanas & Velilla, 2005). If employees do what they think is right and are penalized because this does not increase their KPI, the employee is being treated unjustly. A KPI plus judgement may be better than nothing, but a KPI alone is typically worse than nothing.

8. Conclusion

The last 40 years have seen a transformation of the economy and of the management methods, in a direction of laissez-faire and self-interest that has created anger, distress and conflicts. The idea that the purpose of a corporation is to maximize the shareholder’s value was adopted as if it were the basic point of the management of the firm. In fact, it was wrong. Jack Welch, the great defender of shareholder value as CEO of General Electric, recognized in 2009 in the Financial Times that “this was a dumb idea”: shareholder value is a result, not an objective. So, things may be starting to change.

There are other symptoms of a change as well. The “Business Roundtable”, which brings together nearly 200 CEOs of major US companies, released two years ago an interesting paper on the purpose of companies (“The Purpose of a Corporation”, August 2019). The content of the document says virtually nothing new; what is new is that this “Roundtable” says it, because precisely, as they themselves acknowledge, they had always said the opposite. That is, they had said that companies existed primarily to serve their shareholders; and now they say they have a fundamental commitment to all their “stakeholders”.

Of course, these are only words, and the practice may be different. Surely, it will take time to change the culture of the elite governing the firms; but this may be a symptom of the beginning. To make it operational takes more than words. The “mission, vision and values” statements that many firms publish are often only purportedly beautiful words that have no effect on every day’s decisions. That is why it is important, we believe, that we analyze the different reasons that have led to the current situation, where there are serious conflicts in different countries and health problems that demand a solution. Also, we have provided the main direction of the change that is needed.

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