

In search of the market soul

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The Market Soul

This is a philosophical look at the perceived human challenge facing us in 'search of a market soul', due to the loss of civility and humanity under the current wave of the Neoliberal economic agenda. Whether markets ever possessed a soul or a force for good, (in the utilitarian sense), is not at issue. A wish is merely expressed to develop thinking and models that will ensure that the means of the market mechanism is not favoured and promoted in favour of the ends. The ends which is deemed to be the sense of localism and community that prevailed in earlier market structures, when face to face contact and sustainable relationships where the driving forces of the Market Soul.

The market:

A **market** is a mechanism which allows people to trade, normally governed by the theory of supply and demand, so allocating resources through a price mechanism and bid and ask matching so that those willing to pay a price for something meet those willing to sell for it.¹

The irony:

People are what drive the existence of the market. Yet, under the current neo-liberal economic agenda, the very essence of the market, namely the people that live and breath the market are being ignored.

The assertion:

The expansion of the Neoliberal philosophy over the last two decades with its economic empowerment and the view, influence and dominance of 'the market' in our everyday lives, is leading to a loss of humanity and civility in economic life. The problem is that 'the market' does not possess a 'Soul'.

So the question then becomes: "Where is the market soul?" Has it ever possessed a soul?

This paper will explore the brief philosophy of the Neoliberal economic expansion and, what in my view is, the loss of civility and community as part of the search for the lost market soul. Mechanisms for aiding decision making will then be discussed, in order to highlight the difficulties business decision makers face in trying to capture the essence of the market soul; that being human nature and behaviour.

Neo-Liberalism and the market

Neoliberalist philosophy can briefly be summarised as follows:

Neoliberalism is the “desire to intensify and expand the market, by increasing the number, frequency, repeatability, and formalisation of transactions.”²

The ultimate goal of neoliberalism is a universe where every action of every being is supposed to be a market transaction, conducted in competition with every other being and influencing every other transaction, with transactions occurring in an infinitely short time, and repeated at an infinitely fast rate.

A general characteristic of neoliberalism is the desire to intensify and expand the market, by increasing the number, frequency, repeatability, and formalisation of transactions.²

Whether you see politics as dominant or subservient to economics; the fact remains that the capitalist free-market ideal, is most probably here to stay for a very long time to come.

And the market did not just appear overnight. The market has evolved over millennia of human existence.

Humans created the market, yet we do not fully understand its intricacies and complexities, its mechanisms and its growth and future development. The crucial ingredient of the market is human entrepreneurial spirit. We can mechanise the market, hope for the invisible hand to guide us through it, govern it, and speculate over it, loath it or accept it. The only thing that we should never do is banish the ‘Market Soul’.

Over the last few centuries, governments had predominant control over markets. Governments were the gatekeepers of the Market Soul. But,

through the expansion of neoliberal ideals, corporations and the forces of globalisation are wrenching control away from governments. The 'Market Soul' is in danger of slowly draining empty the 'ocean of opportunity'.

We have to humanise the market and in doing so create the environment for the Market Soul to evolve.

Do not let the undemocratic forces of corporations collect and harness the powers being drained away so recklessly by greed, greed which demonises 'the market' in the eyes of human civil society.

Corporate Governance and citizenship

Will we ever, effectively and efficiently, be able to 'control', 'garner' and 'harness' the forces that drive the market and its people?

Wherein lies the power of the 'invisible hand'?³ Will Neoliberal ideals and policies drive the very existence of the forces and nature of good, out of the market place?

Even though we have gone through a crisis of confidence in Corporate Board Culture and leadership in recent years, it is imperative that we do not stifle Value Creating Activities and Innovation by implementing overly onerous compliance regimes on Corporate Boards.

Instead, we should develop and encourage systems and processes that help promote Civil Society Values and give individuals the confidence to explore new markets / technologies / opportunities by encouraging experimentation and boundary pushing, with self-regulation and checks. We should refrain from punishing small incremental failures in a move towards developing sustainability targets and behaviour.

Business must be allowed to grow and develop, yet realise that Sustainability, Creativity, Accountability and Civil Responsibility is the membrane we have to protect in order to ensure a future for the generations to follow. These measures, and others could combine to help foster and nurture the development of a business culture with ethical values thus resulting in the 'Market Soul'.

Risk must be rewarded; but Greed is not the Prize.

How we temper the Market and encourage it to move towards the ethical and morally accepted level of rewarding the risk takers (entrepreneurs) and other participants, is the quest we should set out on. The 'Invisible Hand' definitely requires guidance in this ambitious quest.^a

Thoughts on Value

Value is a relational thing, a cultural force, a subjective perception created out of a necessity to comply with the Neoliberal economic ideals of growth and the dominance of the market.

The process of market is everything. The greater the frequency, volume and velocity of market transactions in every perceivable human endeavour; the more success the neoliberal philosophy will have in dehumanising those very transactions the market depend upon. The spirit of the deal will be cast aside and the greater the pressure becomes to destroy the ***Market Soul***.

A definition of value could be:

1. an amount expressed in money or another medium of exchange that is thought to be a fair exchange for something
2. the adequate or satisfactory return on or recompense for something

^a I offer no answers as yet, but would like to encourage debate on this issue

3. the worth, importance, or usefulness of something to somebody
4. a numerical quantity assigned to a mathematical symbol⁴

Value creation is really at the crux of the matter. These are the business and economic activities and processes that squarely need to focus on *innovation and creativity*, but not at the expense of any individual, group, society, community or nation.

Our past is riddled with failure of action, process, civility and humanity. We have divorced our emotions from the consequence of our actions and encounters.

An *ethical dilemma* is a situation that often involves an apparent conflict between moral imperatives, in which to obey one would result in transgressing another.⁵ A *Moral hazard* is a situation where; in economic terms, the risk that one party to a contract can change their behaviour to the detriment of the other party once the contract has been concluded. The principle-agency relationship of organizational control is such a relationship where the moral hazard often comes to prominence.⁶

Ultimately, the survival of community and the personal relationships, dynamics and interactions in that community, is the life-blood of the Market Soul.

However, we must bring the value debate front and centre in addressing the structural and culturally biased societal true costs of the *factors of production*.⁷

Factors of Production

Trade, via the market mechanisms currently in existence, can only be truly free and fair if the producers of goods and services pay the correct and true cost for the extraction of the factors of production they utilise.⁸

Governments levy taxes in order to partly take care of the inefficiencies and inequalities of the misallocation of the costs inherent in “free will” entrepreneurial capitalism.

Globalisation (through the mechanisms of the Neoliberal agenda) removes localism from the vocabulary as the radar screen’s focus changes to the bigger picture. This focus change is what is destroying the “Market Soul”, because it is only through people, close to the ground, that wholesale market abuses can be minimised.

The greatest market abuse of all must surely be the concentration of economic power in too few players’ hands.

The current state of the Neoliberal philosophy has not come up with a sufficiently reliable market mechanism to ensure that this market abuse of the concentration of power does not occur – hence the need for Competition and Monopolies Commissions.

Global corporate players are not necessarily democratic institutions, but we must encourage more Republican ideals of ‘government for the people, by the people’ to foster and grow in corporations, in order to ensure that power is equitably dispersed.

This paper is not against globalisation per se. We should merely change the slogan too: “Localised Globalisation”. (*see the concluding remarks for a linkage to this theme*)

Of human behaviour

Arguing that changing human behaviour is the only guiding principle in addressing the good governance debate, is actually partly missing the point.

The fact of the matter is that we do not have effective, fair and true factor costing and pricing mechanisms, that would help us understand the true impact and cost of our economic activities on communities, societies and the environment.

Yes, concentrating on human ethical behaviour is all true and well, but if the system does not bestow the right tools on individuals to help in their judgement processes, in establishing the true consequences of our actions, on the broader environment; then it is wrong for knee-jerk, panic, fear laden legislation and control mechanisms to bridge the gap in our understanding.

Not equipping our leaders, with the right decision making tools, and yet sending them out into the great value creation yonder, is a step too far. We are continuously setting ourselves up for failure, then recrimination sets in, and ultimately we start the process all over again, not taking enough time to address the real issues at hand.

So, the understanding must be fostered that the true crime is not what some individual mis-deviants get up to, but the fact that we had sent them out there in the first place, ill equipped, untrained and under developed, and then we expect them to understand the actual impact and force of their decision making abilities?

Focusing on narrowly defined accounting conventions and rules of defining and measuring costs is not going to solve the governance problem. When faced with moral hazards, expecting managers to know which choices are right or wrong, with the simplistic set of tools we give them to work with, is utterly wrong and indefensible.

No matter how uptight we become on imposing the right 'control culture' or control mechanisms in organizations, will only lead to individuals, driven by creative forces, to look for innovative ways to bridge the obstacles of conduct in striving for better organizational performance. And profit for the owners.

The lack of development in the accounting world, in order to help address and partake in this debate is testament to the problem. There is no coordinated effort to address the process failures. Whether in law or in spirit, fingers of blame get pointed, rather than encouraging progression, consultation and development.

Lets us steer this debate away from the control stage, and rather focus on the enterprise side of the coin. Lets make a fresh start and develop the tools, processes and measures necessary to guide managers in making resources allocation decisions. The kinds of decisions that take a holistic approach to understanding the impact of production factor resource allocations. The kinds of decisions that truly get to the roots of factor cost allocations and their impact on community and societal norms and values.

To revisit the definition of value (creation) we need to add the following:

the accepted principles or standards of an individual or a group

1. to estimate or determine the value of something

2. to rate something according to its perceived worth, importance, or usefulness
3. to regard somebody or something as important or useful⁹

It is within this extended definition of value where our examination and focus should lie, for the future direction and development of the governance debate.

Through a holistic, integrated, process driven model of dialogue and development effort, the chasm between stoic accounting costs and value added economic costs and benefits should be bridged.

We should hail and encourage developments that closer knit together the fabric of measurement and reporting of value creation activities in corporate, as well as societal life in general. We need to give real life and meaning to the facts and figures that corporations, governments, the media and other entities spew forth, in an every increasing avalanche of information dissemination activity.

Lets us hail the coming of the stakeholder and stewardship eras, as part of our economic development lifecycle.

Ethical Decision making

When it comes to ethical decision making in business life, and we delve a little deeper into the subject, what becomes very apparent is the subjective nature of the ethical issues involved.

Taking 'consequentialism'¹⁰ as a guiding principle, we soon come to realise the multi-dimensional levels and complexity that the subject of ethical behaviours and norms, take on as part of the Corporate Governance debate.

Consequentialism is the process of making decisions based on 'winners' and losers' in any given situation, rather than the moral 'right' or 'wrong' issues of a situation.

If a consequential approach to ethical decision-making processes is adopted as a guiding principle, then it is essential to have the skills and talent to decipher information, which leads to decision making sets, and the value judgements and perceptions we bring to this debate.

We mostly take decisions based on evidence and facts presented to us. However, should these facts and evidence we evaluate as part of the decision-making process, be invalid and wrong, what consequences does our decisions have on the value, reputation, future cash-flows, longevity and sustainability of the organisation?

Should decisions be based on limited experience or on more general guiding principles?

Basing ethical decision making on our current awareness of circumstances and our limited knowledge of the holistic picture, highlights the difficulty we face in coming to sound ethical decisions.

Mostly full factual disclosure is not available at the point in time when a decision needs to be taken. In such circumstances we often resort to a combination of experience and judgement, in order to get to the decision point. This might include an intuition or instinct, as well as 'hard facts' and the evidence presented to us at that particular moment in time.

How should decision makers behave?

Should we take the relativism approach on this question? The answer will depend entirely on the business context we find ourselves in. If the general guiding principles of the organisation are such that it is already well ingrained

in the fabric of the organisation, we have little choice, but to follow the approach 'when in Rome, do as the Romans'. The question then becomes more:

Who should decision makers be responsible to?

Here the rise of stakeholder theory can either help or hinder decision making mechanisms, depending on who you listen to, or choose to follow. An organisation's stakeholders can be defined "as all those who have a stake in its performance, be they internal or external."¹⁰

How stakeholder theory helps, is if we take a consequentialist view of the world. Stakeholder theory helps us to determine and frame some of the parameters of the winners and losers for corporate decisions and actions. Even if we cannot actively contribute to minimising the potential negative impacts of any one or series of decisions and actions; the process of at least including a thought of the consequences our judgements might have on stakeholders inside and outside the organisation, should help us learn in both an experiential and theoretical framework. Therefore, by identifying those groups who might be influenced by corporate decisions, either beneficially or adversely, it is hoped that the essence of the market soul will get its true voice and expression. One thing that remains certain though, does not matter which model we apply, decision making that is both popular, and achieves impeccable balance between the benefits and the adverse implications for all stakeholders concerned; is not an easy feat in itself.

Some Ethical Decision making models

"Right" or "Wrong" decisions, taking an extreme view of the issue or situation at hand, can be classified as a relativist (or deontological approach) to decision making. Deontology can be defined as "the ethical theory that the rightness of an action consists in its conformity to duty, regardless of the

consequences that may result from it.” Deontological ethics is thus opposed to any form of utilitarianism or pragmatism.”¹¹

Within this definition lies the clue that it is an opposing theory or view of consequentialism.

Immanuel Kant’s ‘categorical imperative’ helps to draw attention to the issue of relativism: ‘categorical’ meaning that it applies to all situations and ‘imperative’ because it must always be complied with. Hence, we would hopefully be guided into a situation where we took a decision, because it was the right thing to do and we preferred the set out outcomes dependant on that decision. The categorical imperative would require us to act in such a manner, as if our actions were to become a universal law which would always be followed, no matter what the contextual surroundings and factors. People should never be exploited for personal advantage, therefore not being treated at merely a means, but we should also be aware of the ends of our actions¹⁰

And herein lies the dangers of the relativist view. It seems to be a theory at the extremes of two opposing views of the world. As we all know, this is rarely possible, and therefore we need to look for a solution that takes a continuum of factors and situations into account.

The other alternative theory is consequentialism, which was briefly alluded to in the previous section. This is a teleological approach to defining decision-making alternatives. The following discussion will focus more on the conceptual models that might have practical benefits to assist managers in creating an environment for sustainable corporate ethical behaviour.

Consequentialism can be defined as “the belief that what ultimately matters in evaluating actions or policies of action are the consequences that result from choosing one action or policy rather than the alternative.”¹²

Consequentialism is teleological due to its goal-oriented nature. It focuses on the outcomes of actions, placing emphasis on the ends over that of the means. In other words it is concerned with final causes.

A variation on consequentialism is utilitarianism. Here, Jeremy Bentham utilised the 'sovereign masters' of pleasure and pain to construct a scale of values that would aid decisions that could offer the greatest balance of aggregate human pleasure as opposed to suffering and pain. A refinement by John Stuart Mill, arguing that the utility of pleasure should be replaced by one of happiness.

Further developments during the 20th Century by Karl Popper involved an alternative approach of negative utilitarianism which contends that the principle should be less to maximize pleasure than to minimise suffering, so that utilitarianism can be summarized as 'the greatest happiness for the greatest number' and negative utilitarianism by the phrase 'the least suffering for the fewest number'.¹⁰

Is there a linkage to performance?

In this section of the paper a linkage back to the earlier discussion on globalisation and the decision-making dynamics of community and localisation of these decisions and actions are made.

The caveat is also that it is very difficult to ever establish clear linkages of cause and effect relationships in business interactions. We do not have the benefit of the economist's "ceteris paribus" or all other things being equal option to exercise, in order to simplify the issues involved.

Localised Globalisation

We need to acknowledge that local community involvement is essential for growth and development objectives. Concentration of power leads to loss of focus; localisation of power and decision making leads to a temporary shift in power and focus. Empowering local communities to make decisions that affect and influence their local circumstances and lives are to be lauded within a new and diverse Network of Local Globalisation.

Touting ideals of empowerment to the workers and units of production closest to the point of extraction of those resources is ironic when, the still classical structure of corporations, the pyramid of power, concentrates power and local decision making authority at the top end of the organisation. The experiment in pluralism started by Jack Welch at GE¹³ must go beyond the centralised models of decision making still very pervasive in modern corporations. A local decision made by a committee of men (the Board) on the other side of the world, with many layers of 'noise' added between the local issue and the important decision does not stand globalisation in good stead.

Yes many can argue that the realms of strategy is different from the tactical and operational levels, and this is only so because of our reinforcement of the misconception that labour do not engage strategically.

Yet I implore us to give life force to the "Market Soul" that lives and breathes at the local community level / the civil society level. The Market Soul must surface and rise throughout the process of everyday economic activity.

A Free Market, without a Soul, the soul that human interaction gives it, is surely bent and skewed on a crusade of destruction of humane capitalism.

So how do we start the search for the Market Soul?

The map is not clearly defined, the road less travelled and treachery is assured along the way. However, this paper will hopefully contribute, so that we can ensure that we start out on the route to discover and develop new thinking and models to aid decision making in business life. We should ensure that we encourage human behaviour and attitudes that do not test the limits of legal structures, but rather ensure that we play the game within the spirit, rather the letter of the law.

Lets call for and foster community enforcement, rather than centralised convention based structures that try to create a 'one solution fits all' scenario that stifles creativity and innovation, that spans oceans and continents, with unforeseen damage to the entrepreneurial spirit. Let localism nurture a spirit of sustainability, accountability, creativity and civil responsibility. The triumph of localised globalisation over the undemocratic enforced globalisation, we are experiencing, as part of the neoliberal economic agenda, is part of the *soul* we are seeking to rediscover.

Lets give our [global] market back its soul.

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An apology to any author I have neglected to mention in my reference list above. It was not intentional, “I am merely a beginner, but one day I’ll be a winner...” and ensure that I keep a proper and a full reference list.

Footnote References:

¹ Definition on-line at www.wikipedia.com

² Definition from: Treanor, P. “Neoliberalism: origins, theory, definition”, on-line at <http://web.inter.nl.net/users/Paul.Treanor/neoliberalism.html/Neoliberalism%20origins,%20theory,%20definition.htm>

³ Adam Smith, “*The Wealth Of Nations*”, Penguin Books, 1999

⁴ Definition from: Encarta World English Disctionary

⁵ Definition on-line at www.wikipedia.com

⁶ Definition on-line at www.wikipedia.com

⁷ See economic texts on the four traditional factors of production, namely Capital, Labour, Land and Entrepreneurship.

⁸ Korten, D. "Economic Myths" taken from "When Corporations Rule the World", Kumarian Press and Berrett-Koehler Publishers, 1995

⁹ Encarta® World English Dictionary © 1999 Microsoft Corporation. All rights reserved.
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¹³ Kay, J. *The Truth About Markets – Why Some Nations Are Rich but Most Remain Poor*, Penguin Books, 2003