

# Business Rhetoric

Ideology or Science?



# Act I

Víctoria



# Ask Mary Poppins...





# How...

...do you get people  
to part with their  
tuppence and invest?

Rhetoric: pervasive  
arguments and  
language to influence





# Why invest?

- ◆ A belief in “potential outcome.”
- ◆ personal ideal
- ◆ psychological motivator





# Reasoning

Ideology ————— Science

belief system (doxa)

knowledge (episteme)

subjective

objective

framework or perspective

empirical, systematic



# Authority

How much psychological power do authorities have in our rationalization process?

Who controls the information?



# History of Stock Market Analysis

- ◆ 17<sup>th</sup> century Dutch East India Company. Speculation
- ◆ 1900's Bachelier "Theory of Speculation."
- ◆ 1930's Graham and Dodd/ Keynes/ Value Investing
- ◆ 1950's How to minimize risk and maximize gain. Markowitz/ Portfolios
- ◆ 1960's shift from mathematics/statisticians to economics and finance specialists.
- ◆ 1970's Modern Finance Theory and the Beta. (risk as a mathematical equation)
- ◆ 1986 Fischer Black "Noise"



# Methodologies:

Stock Market Pricing / Shareholder Value

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Academics

Efficient Market Hypothesis  
Indexes

Fundamentalists

Graham & Dodd  
Value Investing

Technical/Charting

Market Trends  
In/Out Speculators



# Ideology Behind the Math:

Subjective Factors

Charting

Keynesian Convention

Beta

Efficient Market Hypothesis

Value Investment Strategy

Security Analysis

Capital Asset pricing model

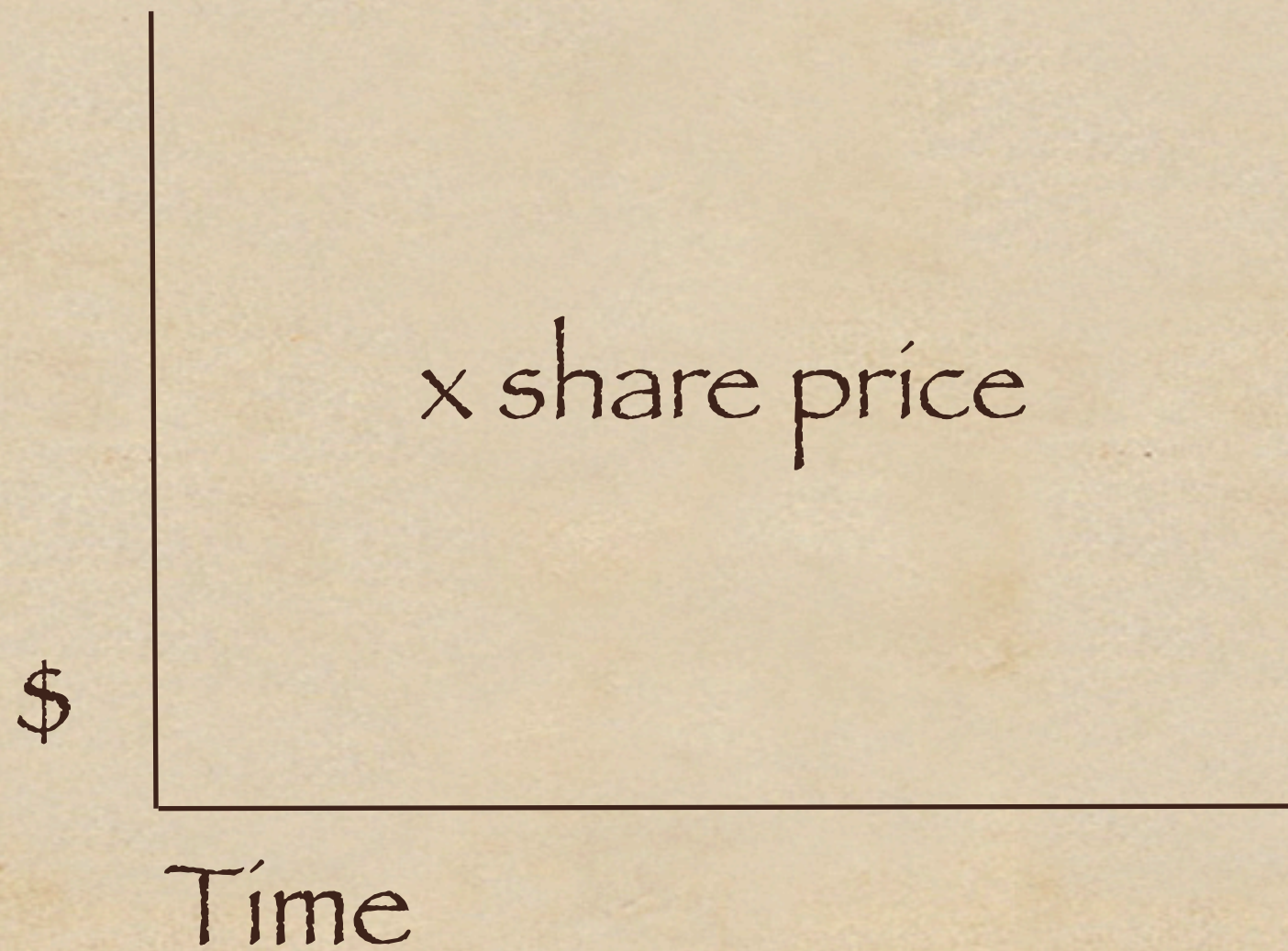
Performance Game

Fundamental Analysis

Technical Analysis



# Value $\neq$ Worth $\neq$ Price



- ◆ fundamental value
- ◆ psychological value
- ◆ economy
- ◆ intrinsic





Financial Reasoning  
Wall Street

Business Reasoning  
Main Street



“ In obscure objects very far removed from our eyes, it may happen that even in the divine writings we read things that can be interpreted in different ways by different people, all consistent with the faith we have; in such a case, let us not rush into any one of these interpretations with such precipitous commitment that we are ruined if it is rightly undermined by more diligent and truthful investigations; such recklessness would mean that we were struggling for our opinions and not for those of Scripture, and that we wanted to make scriptural opinion conform to ours, when we ought to want to make ours conform to that of Scripture.”

Galileo



# Act II

Davey



# Question

Business Rhetoric: Ideology or Science?

# Answer

Yes



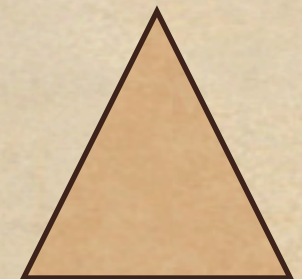
# Underlying critique

## **free enterprise = free society**

“Economic Freedom is an essential requisite for political freedom.” ~ Milton & Rose Friedman

“Is there a greater tragedy imaginable than that, ... we should in fact unwittingly produce the very opposite of what we have been striving for?” ~ Friedrich A. Hayek

Motivated by fear of “command structures”





# Freedom is hard to define

- ◆ Connected to political/social structure
  - ◆ Friedman argues we must avoid command structures (the state)
- ◆ Connected to how we think
  - ◆ we believe Descartes changed the way we think about ourselves



# Questions...



- ◆ Where do “command structures” come from?
  - ◆ Friedman ignores our innate urge to collect in groups. We are social beings:
    - ◆ **egalitarian**: social, communal, oral
    - ◆ **hierarchical**: structured, controlled, linear
- ◆ When are we Free?





# What of "Individualism?"

- ◆ If you want to be a true individualist, live alone on an island
- ◆ Or head for the desert





# Perpetual Tension between Freedom & Control

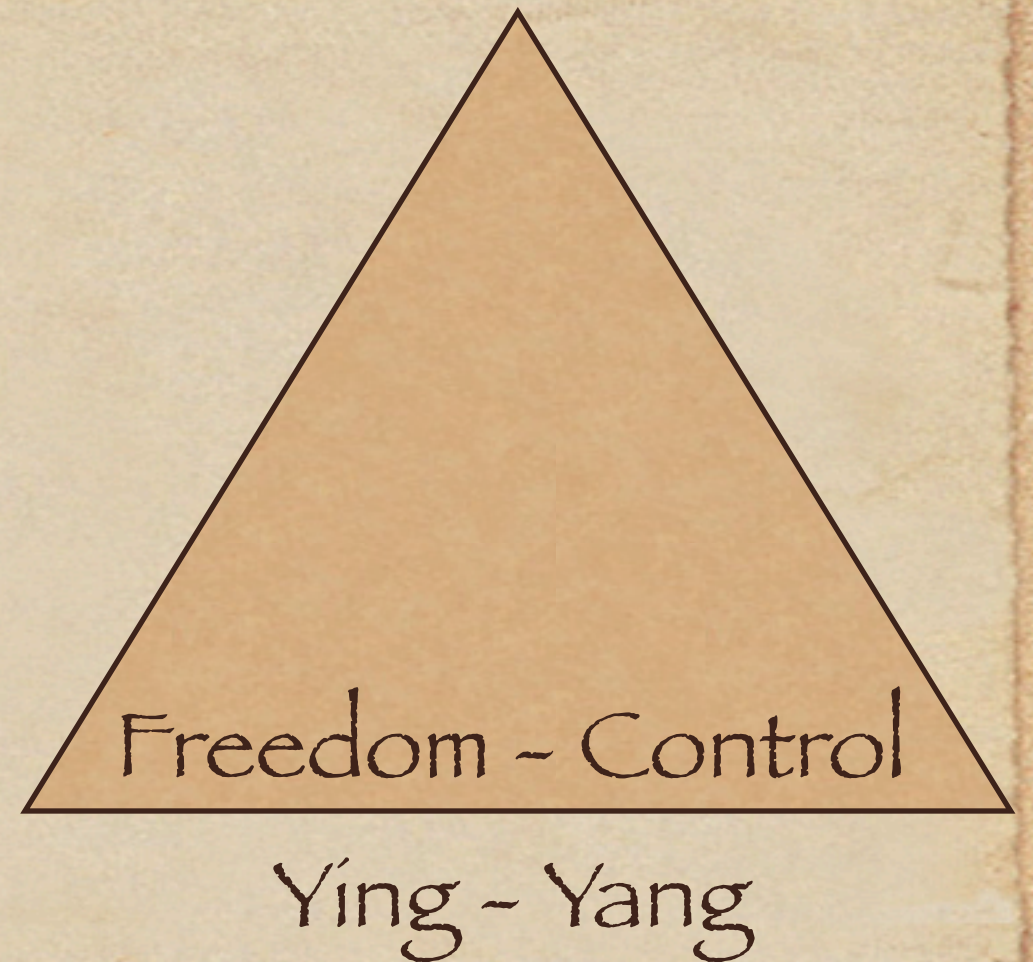
- ◆ Freedom is an abstraction, an appealing idea, a rhetorical tool to sell a belief system, an ideology!
- ◆ We think we are better than our past, than other political systems. In many ways we are...
- ◆ Yet, no matter what philosophy, religion or science underpins our Western society, in one way or another we always seem to collect in groups and often revert to a hierarchical structure like...



...this

Although we have reacted **to**  
this structure

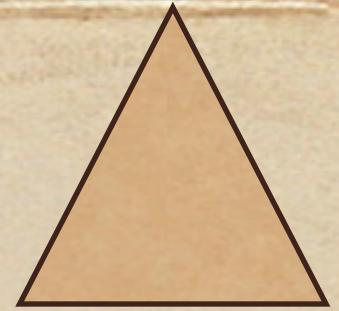
Sometimes we respond **with** it  
to get things done



Friedman's notion hovers too high above the ground  
to consider this aspect of human nature. But I will...



# Egalitarians

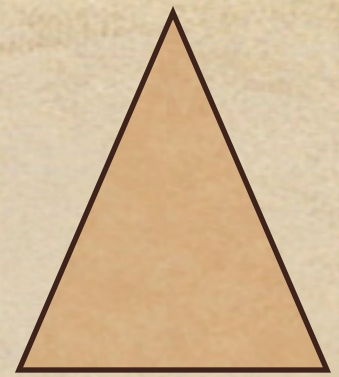


- ◆ Gnostic Christians were squeezed out by Orthodox Christian command hierarchy
- ◆ Medieval Cathars brutally wiped out by Roman Catholic church in Southern France





# Scholastic / Medieval Feudal system



- ◆ Peasants were faithful servants
- ◆ According to medieval law, peasants did not even belong to themselves
- ◆ A command structure





# Enter Descartes

- ◆ wanted people to think differently about themselves - develop an independent identity from the hierarchy: the individual
- ◆ break away from the static structure that depended on passive servitude
- ◆ introduced atomization through the rationalist idea that universe is made of various bodies moving in a mechanical relationship: **scientific basis for freedom!**



# As a result....

- ◆ Descarte broke down the command structure in two ways
  - ◆ Individuals (atoms) believe they can move around within society as they choose
  - ◆ With scientific inquiry, technology and associated advances anything is possible
  - ◆ Root of Friedman's notion of Economic Freedom: let the rational atoms figure it out



# How our perceived freedom is breaking down today...

1. Ownership structure

2. The way we are encouraged to think

- ◆ These trends contradict Friedman's "idea" of economic and personal freedom.
- ◆ There are always "hands" organizing the economy
- ◆ Because Friedman's theory ignores human nature we are now undergoing a re-feudalization of the Western World:  
Corporate Feudalism



# Ownership Structure

Total Assets of Top 100 Transnational Corporations

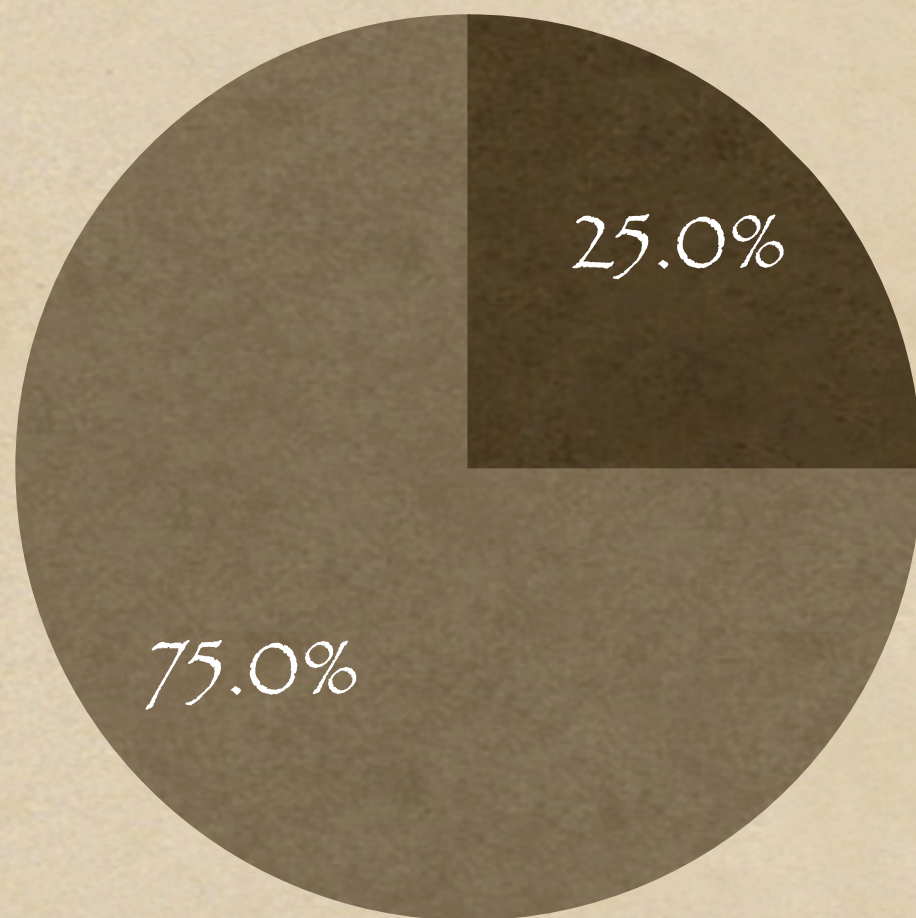
■ Trillions U.S.



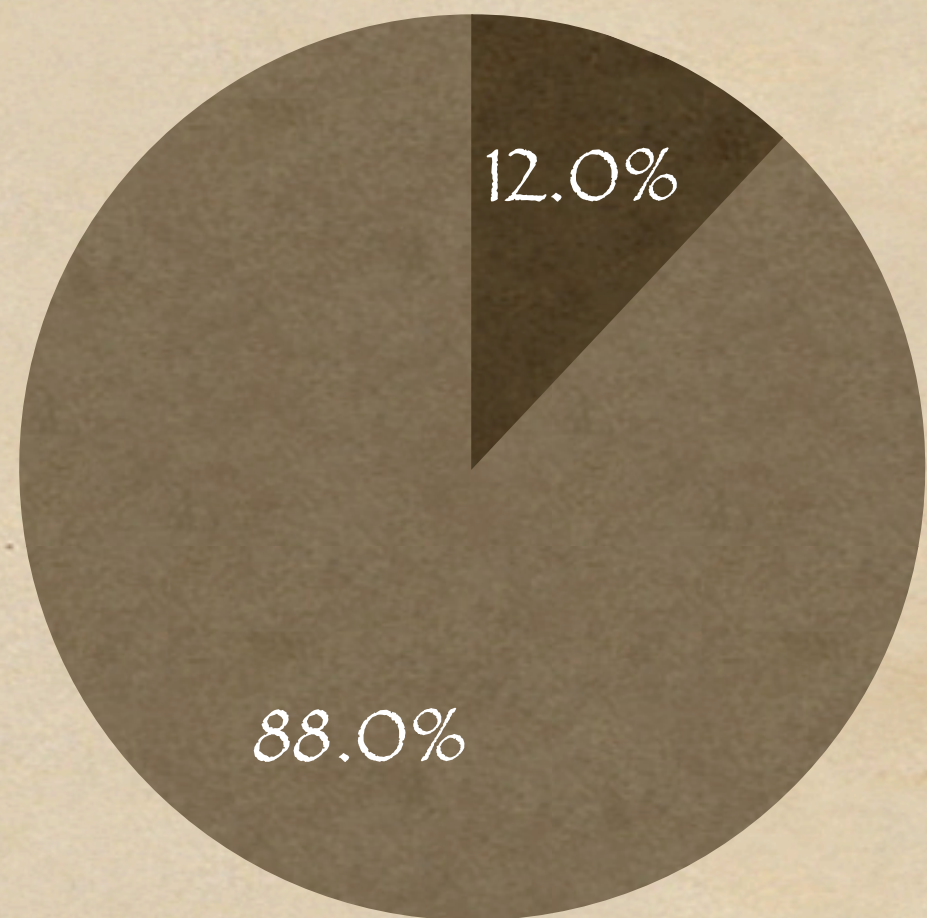
Source: Transnational Corporations in World Development (UN)



# Corporate Tax as a Percentage of Total Federal Revenue in Canada



1955

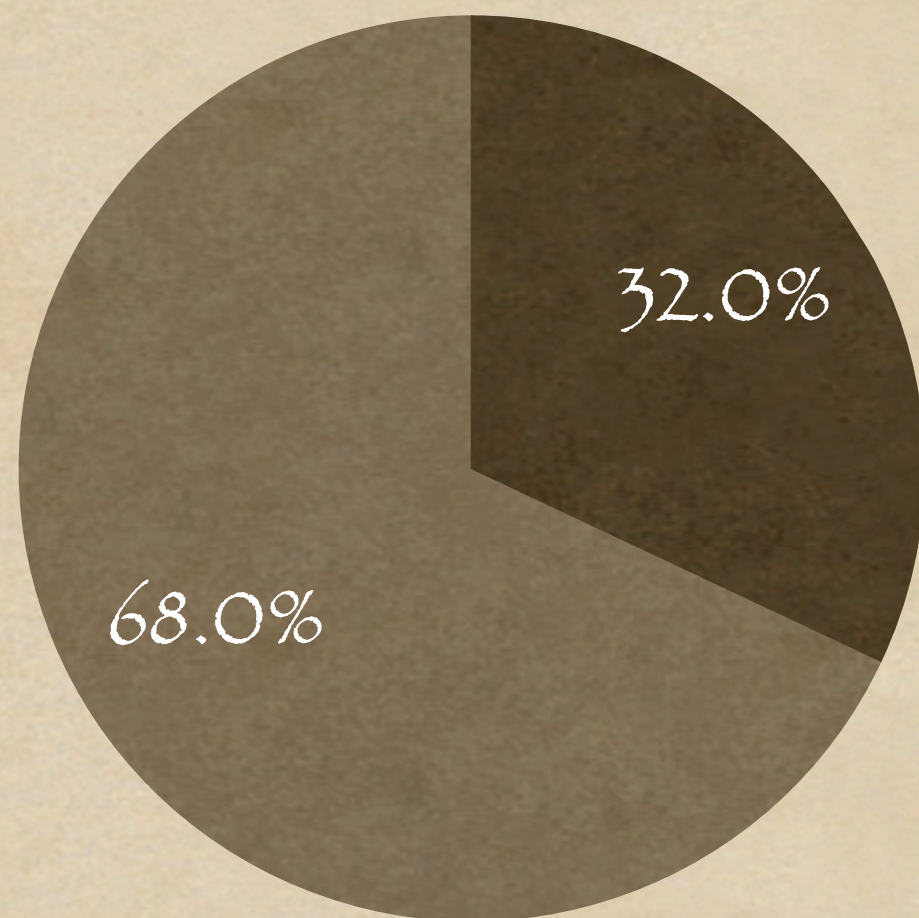


1998

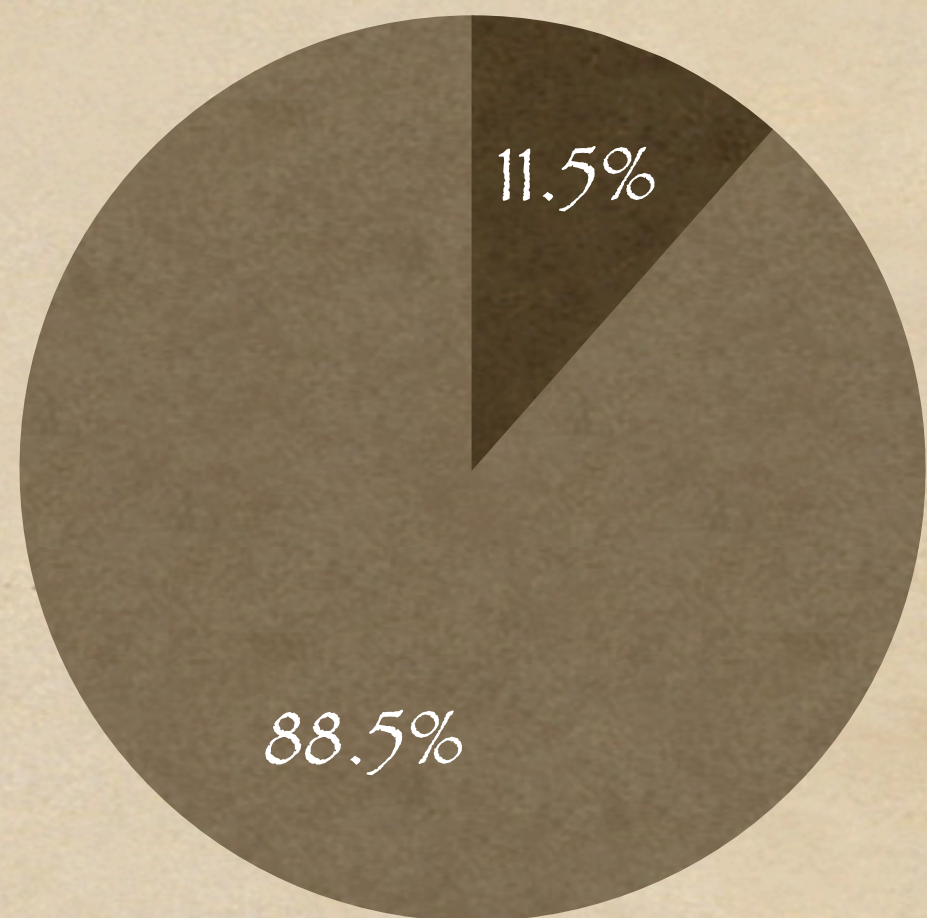
Source: Department of Finance, Canadian Economic Observer and Statistics Canada



# Corporate Tax as a Percentage of Total Federal Revenue in the U.S.



1952



1998

Source: No Logo, Naomi Klein



# Direct Employment in Top 100 Transnational Corporations, 1980 and 1995





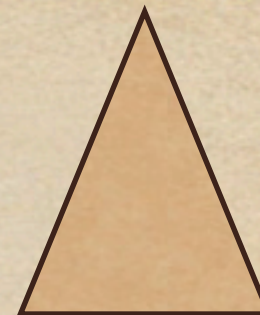
# Average Number of People Employed Daily through U.S. Temp Agencies, 1970 and 1998





# Solidifying the pyramid

Distribution of U.S. wealth as of 1998,

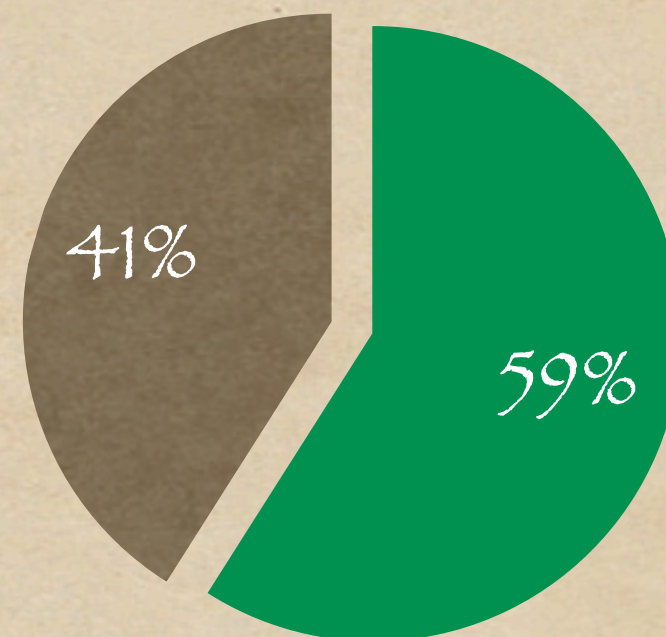
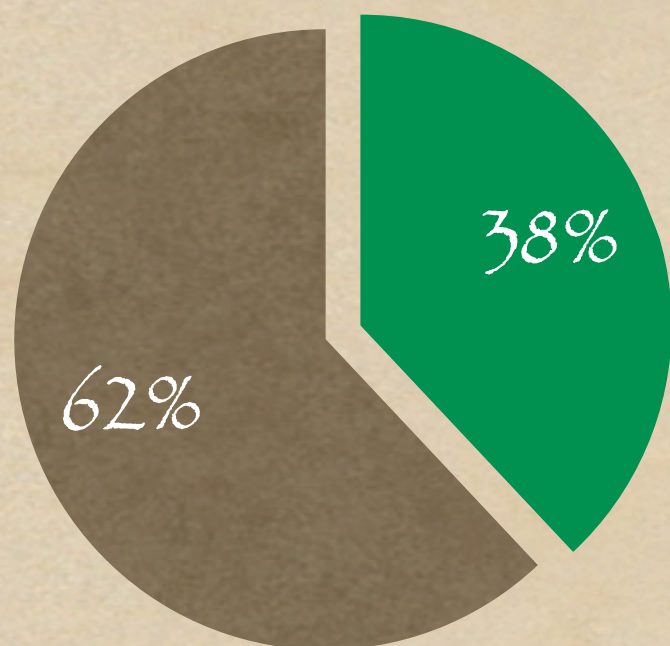


● Top 1%

● Bottom 99%

● Top 5%

● Bottom 95%



Between 1983 and 1998, households in the bottom 20 percent of the population saw their net worths decline from ~\$3,200 to ~\$8,900 in 1998 dollars

(Economic Policy Institute, The State of Working America 2002 - 03, p. 281)



# The Canadian Pyramid

Changes in median net worth, by net worth decile

	1984	1999	% Change
Bottom	-1,800	-5,700	.....
Second	700	100	-85.0
Third	6,700	5,900	-12.2
Ninth	222,900	299,400	34.3
Top	464,400	628,100	35.3

Sources: Assets and Debts Survey; Survey of Financial Security



# British Columbia (1999)

Family units

% of Family Units

% Personal Wealth

\$1, 000,000 plus	30%	81%
\$500,000 ~		
\$250,000 ~		
The Rest	70%	19%

- ◆ B.C. had the highest percentage of millionaires and the millionaires with the highest average net worth in Canada after nearly ten years of NDP rule!!!!

Sources: Statistics Canada, 1999 Survey of Financial Security.



# Influencing Thought

- ◆ “The Psychology of Advertising” by Walter Dill Scott, 1931
- ◆ “Every normal individual is subject to the influence of suggestion...and every thought of an action which enters our minds is likely to result in that action.”
- ◆ “The most perfect working of suggestion is to be seen under hypnosis and in crowds. In hypnosis the subject holds every idea presented as true, and every idea suggested is acted out with no hesitation whatever”



# “I think therefore I am.....what?”

- ◆ “We reason rarely, but act under suggestion constantly.”
- ◆ “Although we do obey **commands**, we are unwilling to admit it.”
- ◆ “It is very difficult for us to analyze our actions and to give the motives which have prompted us to do many of the things that we have done. We act from habit, imitation, insufficient reason, or because the idea of the action has been suggested.”

Walter Dill Scott



# Changing Consciousness

## Early 20th Century

- ◆ North American working classes were historically seen as infused with “self-sufficiency, communitarianism, localized popular culture, thrift and subjective social bonds” - Stuart Ewen
- ◆ Corporate industrialism’s goal: “the rule of economy over all personal relationships... control of commodities over the totality of life.” - Max Horkheimer
- ◆ The advance of corporate industrialism, like totalitarian Nazi Germany, required that “the objects of organization [be] ... disorganized as subjects” - Max Horkheimer
- ◆ Organizing Friedman’s atoms for a different kind of control!



# For example...

- ◆ When cola companies adopt schools and a student is suspended for wearing a Pepsi T-shirt on class picture day at a Coke school, what are children being taught of the value of the individual?



# For example...

“I wake up every morning, jump in the shower, look down at the symbol, and that pumps me up for the day. It’s to remind me every day what I have to do, which is, “Just Do It.” - Carmine Colettion

Has Nike replaced the Christian cross?



# Freedom to do what?

“If you give people a choice, there would be chaos.” - Mac McDonald, of McDonald’s hamburger fame

A global corporation “...sells the same things in the same way everywhere.... Ancient differences in national tastes or modes of doing business disappear” - Theodore Levitt, Harvard Business Professor



# J.R. Saul

“The undoubted sign of a society well under control or in decline is that language has ceased to be a means of communication and has become instead a shield for those who master it.”

Are we in decline? Can we tell? Can we admit it?

How do we stop the decline when we believe we are free?



# Participatory Economics

Michael Albert, Robin Hahnel

- ◆ “While...economic freedom is a crucial valuative criterion and inextricably linked with political and cultural freedom, we do not accept the equation of economic freedom with freedom of enterprise or that private enterprise is compatible with economic freedom.”
- ◆ Rather, “economic freedom is best defined as decision making input in proportion to the degree one is affected by the outcome of an economic choice”



# Act III

John



# THESIS

The Corpus of Business Rhetoric  
is Ideology



# Methodology

- ◆ Define Terms
- ◆ Examine an Ideology
- ◆ Compare to Business Rhetoric
- ◆ Summarize Similarities, Differences
- ◆ Question Future



# Definitions

“rhetoric”

“ideology”

“science”



# Mediaeval Religious

- ◆ Axioms Underly Beliefs
- ◆ No Lay Connection to God
- ◆ Complicated "Reasoning"
- ◆ Arcane Language
- ◆ Reward for Good Behaviour
- ◆ Perfect State free from Sin
- ◆ Can Buy Salvation

# Modern Economic

- Axioms Underly Beliefs
- No Lay Connection to Truth
- Complicated "Reasoning"
- Arcane Language
- Reward for Good Behaviour
- Perfect State free from Want
- Can Buy Security



# Examination of Religious Axioms

Humans are creatures of God

Their objective is to attain salvation

The rules are given by God

People know what's right or wrong

They have clear choices

Salvation depends on those choices

If they make bad choices it's their fault



# Examination of Business Axioms

Humans are economic animals

The objective is to maximize personal satisfaction

The rules are given by the market

People know what generates value

They have clear choices

Well-being depends on them

If they make bad choices it's their fault



Humans are

Creatures of God  
Economic animals

Their objective is to

Attain salvation  
Maximize personal satisfaction

The rules are given by

God  
The Market

People know what

's right and wrong  
Generates value

They have

Clear choices

Choices determine

Salvation  
Well-being

If choices → bad results, then

It's their fault



# Examples of “Science” in Religious and Business Rhetoric

- ◆ Religious

- Non-existence of vacuum
- Ptolemaic planetary system

- ◆ Business/Economics

- Theory of the firm
- Utility Maximization
- Financial Economics



# Outcome of Scholasticism

- ◆ Renaissance
- ◆ Reformation
- ◆ Enlightenment
- ➔ Rhetoric of Individual,  
Business and Economics



# ??Outcome of “Economicism”??

- ◆ Renaissance
- ◆ Reformation
- ◆ Enlightenment



# QUESTIONS ARISING

- ◆ Is it reasonable to expect in current times a “protesting” against and a “reformation” of the market ideology, in some ways parallel to the Protestant Reformation?
- ◆
- ◆ If so, what prevailing social ethic might result, and in what ways might the course of individual human lives be changed?



Who will nail the 95 theses to the doors of Harvard and Chicago?

- ◆ A Company?
- ◆ A Politician?
- ◆ An Academic?
- ◆ An “Alternate” economist?
- ◆ An Environmentalist?
- ◆ Citizens?



What Will They Say?