

1. How to ‘fix’ the bad capitalism: an analytical framework for purposeful action

Bjørn T. Asheim

INTRODUCTION

How and why is a chapter with this broad and provocative title relevant in a book on responsible business schools? To be responsible is, to me, to act to change society in a direction that points to increased sustainability for people, society and environment. Today the UN SDGs are often the point of reference for goals pointing towards such responsibility. However, just to refer to and agree with these goals does not represent increased responsibility. For people, organisations and society to be responsible, they will have to act to try to achieve and realise these goals; that is, responsibility is first attained when acting, contributing to and trying to make the necessary changes in organisations and society that increase the possibilities of achieving the SDGs.

The success of actions is, however, not only dependent on the good will, initiative and knowledge of individual and collective actors, but also on the broader societal structures that individuals and organisations are embedded in. Societal structures are socially developed and can be changed by collective actions, but at any point in time they are pre-given to individuals in a society. Societal structures can enable and constrain changes in society. If such structures constrain the achievement of societal goals, the structures must be changed to achieve the goals. Such changes can be achieved through individual and collective actions. However, to undertake such necessary changes, an understanding of how and why the structures constrain the achievement of democratic agreed goals is required.

This chapter argues that the way our capitalist system has developed since the 1980s and its function (or dysfunction) today represents a main structural barrier and constraint for people, organisations and society wishing to behave in a responsible way and to realise important future development goals, and must, consequently, be changed. The key to contribute to solve these

challenges and create a more stable system lies in ‘fixing’ the bad capitalism that today represents some of the basic causes behind the big global societal problems and challenges. And to change the system, one must understand why the capitalist world today has a dysfunctional capitalism that endangers people, society’s democratic institutions and our natural environment.

In this picture, business schools as higher education institutions (HEIs) have an important part to play. In a knowledge-based society, education is a key resource in qualifying to positions with power and influence. Business schools train leaders and managers, especially for the private business sector, and the education and training that students at business schools get will have significant consequences for their decisions and actions in their future careers, often with large impacts on employees, local communities, the larger society and the environment. Leaders in the private sector have a direct influence on the behaviour of the firm or organisation they work in, often in leading positions, through corporate governance, but also, to a varying degree depending on the size and importance of the firm or organisation, an indirect influence on societal decisions in parliament and other democratic decision-making institutions through their organised interest groups, and more informally through their lobbying activity.

However, at business schools, students graduate with a limited background knowledge of how society works and of the place and role of firms and economy in a broader societal context: ‘... in 95% of these [UK and EU] business schools, 95% of the time, future citizens of our warming planet are being taught about digital marketing, data analytics, capital markets, brand strategy, strategic HRM and innovation with no reference to political economy or the planetary boundaries of global capitalism’ (Parker, 2021, p. 6). This obviously represents a limitation of business leaders’ capability to engage in taking the necessary responsible decisions that can lead towards contributing to achieving the SDGs. Thus, for business schools to become responsible by educating leaders and managers that can act in a responsible way, where individual actions can work towards the common good as laid down in the SDGs, the syllabus must be changed to include some broader social science topics to give the students and future leaders the necessary background knowledge and insight in how our societies function, and the underlying causes of the large societal problems that we to an increasing degree observe. Especially ‘in business schools ... [it] is important to create knowledge and management tools that address or deal with social and environmental challenges’ (Giuliani, 2018, p. 1581).

THE PROBLEM LANDSCAPE

Disruptive innovations and environmental crisis have created massive sustainability (economic, social and environmental) challenges resulting in an unstable global system with high levels of social and regional inequality, serious natural hazards and extreme weather conditions. In combination with slow economic growth or stagnation, with no or low productivity growth and low or no increase in value output per worker, this has resulted in high unemployment and stagnating living standards in many Western countries. Adding to this is an increasingly unequal distribution of low economic growth socially and regionally, resulting in rising inequalities in all OECD countries and growing disparities in income and wealth, most notably in the US. The median chief executive of a large US company received 254 times as much as the median employee in compensation in 2018 (with about one in ten earning more than 1000 times as much). The multiple 40 years ago was under 30. In 2020 the richest one per cent owned 44 per cent of the world's wealth¹.

The Gini coefficient after tax and transfers in 2017 was 0.394 higher in the US than anywhere in Western Europe according to the Organization for Economic Co-operation and Development (OECD)². The only Western European country that approaches US inequality is the UK (and with less social mobility (unusually for Europe) than the US). In the Nordic countries, the inequalities in Sweden the last 20-25 years have grown more than in other Scandinavian countries due to a greater impact of neo-liberalist policies during the conservative-led government of 2006-14, reducing taxes (which has led to a growth in top incomes) and social security benefits. For the first time since the Second World War, the economic outlook for the many of steady rises in living standards, implying that successive generations could expect to be better off and more prosperous than the previous, has reversed. This has been replaced by stagnant medium incomes, rising job insecurity and widening income inequalities. As Giuliani puts it: '... contemporary global capitalism has left us with severe grand challenges for the future including rising inequalities, global warming, modern slavery, child labor and several other human rights struggles' (Giuliani, 2018, p. 1577).

This has resulted in a more uneven geographical distribution of growth and jobs between relatively prospering larger urban areas (the centre), which have benefited from globalisation and being centres of research and development (R&D) and innovation, and declining smaller towns and rural areas (the periphery), 'the places that don't matter', according to Rodriguez-Pose (2018).

This picture of the development of economic welfare corresponds to the political/electoral landscape: In larger urban areas there was a majority for Remain and Clinton, while the core voter for Brexit and Trump, as well as

populist parties in general, is found in the peripheral areas (which has led to the ‘revenge of places that don’t matter’ [Rodriguez-Pose, 2018]). The exception to this picture is a large share of populist votes also to be found in depressed, previously well-off single-industry towns, where the leading industries, often to be found in natural resource-based industries (e.g., coal mines and steel works), have collapsed due to increased global competition from cheaper producers and reduced demand due to environmental considerations. However, there is also a historical and cultural dimension to this beyond the economics, demonstrated by the fact that the people that voted for Trump were not the lowest-earning share of the population: The relative strength of traditionalists/nationalists, manifested in anti-migration attitudes (xenophobia) and, especially in the US, in white-supremacist views, versus ‘enlightenment’/civilisational influence. Add to this that the educational level on average is higher in urban areas than in rural, and one gets a good picture of what explains the current political climate.

THE CAUSES OF THE PROBLEMS: SOME ATTEMPTS AT EXPLANATIONS

Marx argued that there are two tendencies inherent in the capitalist mode of production, the civilisational (dynamic/progressive forces) and the repressive (pervasive) tendencies. Innovation potentially represents such civilisational tendencies, which should be actively promoted, directed and governed, while the repressive tendencies (creation of monopolies, grave exploitation of workers, pollution of nature) should be regulated and controlled.

To be able to do this, there has to be an institutional framework present for governance of the economic system by the nation state as well as by corporations. Such a framework was generally in place in the majority of Western European countries until the 1980s, when the Western world experienced a trinity of interrelated changes that undermined this governing framework: neo-liberalism, deregulation and liberalisation, and globalisation. Neo-liberalism implies a political ideology of minimising the state and maximising the market. Deregulation and liberalisation mean to let the market work as ‘frictionlessly’ as possible (*laissez-faire*), and globalisation represents a transfer of power from countries to large, transnational corporations (TNCs, not to be confused with MNCs, or multinational corporations). Combined with deregulation and liberalisation, TNCs become increasingly powerful and difficult to control by nation states, which gives TNCs ample opportunities for manipulating and exploiting the differing tax regimes, labour regulations and social legislations between countries.

As a consequence of these changes, the perspectives of the liberal market economies have gained terrain at the expense of the coordinated market

economies. This trend is exemplified by short-termism, share buyback and tax evasion, as a result of an increased focus on maximising shareholder value and financialisation. This has happened at the cost of the broader societal perspectives of stakeholders' interests of coordinated market economies including investing profits in R&D and innovation to secure future growth. We shall now look at these causes in more detail.

NEO-LIBERALISM, DEREGULATION AND LIBERALISATION

Neo-liberalism saw a resurgence in the 1980s during the regimes of Reagan and Thatcher. Originally a 19th-century idea associated with laissez-faire economic liberalism and free market capitalism, it argued for a reduction in government spending, minimising the role of the state, in order to increase the role of the private sector and the market in the economy and society ('famous' as an illustration are the words of President Reagan: 'The nine most terrifying words in the English language are: "I'm from the government, and I'm here to help"'). In the most primitive, contemporary Republican Party's interpretation, it is argued that the state always represents problems and never solutions, thus, it seems rational to make the state as small as possible by reducing the state/public sector's share of the total income of a society, for example, through massive tax reductions to the super rich, as is the case in the US. The solutions are to be found in the family and community (civil society). The words of previous UK prime ministers Cameron and Thatcher, respectively: the community-based civil society, which Cameron called the 'big society', should take over as problem solver (an ideologically based background for the drastic reduction of social security during the regime of Cameron); and 'there is no such thing as "society"' is characteristic. In addition, anti-immigration sentiment and, especially in the US, religion were used as ideological 'compensation'. However, the family and community, as well as cultural conservatism and nationalism, are neither the reason behind and nor can they solve complicated and comprehensive structural problems caused by globalisation and technological change. These market-based ideas and the policies they inspired contributed to a paradigm shift away from the post-war Keynesian consensus which lasted from 1945 to 1980.

Neo-liberalist policy manifested itself most explicitly in the UK and the US, i.e., in liberal market economies (Hall & Soskice, 2001). However, most OECD economies were to varying degrees influenced by it, but in general, coordinated market economies to a lesser extent. The policy meant 'liberating' the repressive tendencies of capitalism by 'freeing' capital of regulations such as environmental protection and labour laws through deregulation (which notably is another of the 'achievements' of Trump in addition to tax cuts),

and at the same time weakening countervailing powers such as represented by trade unions, resulting in less bargaining power in wage negotiations leading to a reduced share of total value production allocated to workers as well as worsened working conditions.

This resulted in less powers of the state to tax corporations (especially TNCs), which, together with the massive tax cuts also for private citizens such as in the US, led to reduced public spending to fund and promote the civilisational tendencies of capitalism, ranging from building and maintaining infrastructure to investing in public health care, education, production, and R&D and innovation. The public universities in the US have been exposed to reduced funding since the 1980s, and in general, public organisations in the US have systematically received reduced funding. In the period 2008–17 funding of state universities and colleges was reduced by 60 per cent, and in the same period tuition fees increased by 30 per cent³. This has led to an increased inequality in access to college education, which is one of the most important determinants of future income inequalities, as a college education today is the necessary minimum entry requirement to jobs that may give high enough income for staying in or entering the middle class. Until the beginning of the 1970s a high school education was enough to get a well-paid job in the manufacturing industries. According to Bartscher et al. (2020), ‘the real income of non-college households stagnated, while the real income of college households has risen by around 50 percent’ in the US since the 1970s. The difference is even larger with respect to wealth accumulation, as ‘non-college households were trading water in terms of wealth’, while ‘college households have increased their net worth by a factor of three’.

As the US economist John Komlos argues: ‘Reagan put the economy on a trajectory that ultimately led to the triumph of Trumpianism and an economy in malaise’ (Komlos, 2018). One example of this is the downsizing of the Federal Aviation Administration (FAA) which, among other things, resulted in the FAA outsourcing the final certification of Boeing 737-800 MAX aircraft to Boeing itself, as the FAA neither had the competence nor the capacity to do it, with devastating effect in the loss of human lives. This downsizing of the public sector, following the principles of New Public Management, which was the concrete neo-liberalist footprint in the public sector, typically implies loss of capabilities and the technocratic competence in the public sector to be able to manage complex projects, as illustrated by the Boeing 737 MAX case, and also even to competently manage the process of outsourcing projects to the private sector, which explains why such outsourcing often leads to costly and sub-optimal solutions.

The results of this systematic downsizing have been dramatically exposed during the COVID-19 crisis by the inability of the US’s underfunded and ill-prepared public health system to cope with the coronavirus pandemic.

The public health system in the US gets only 2.5 per cent of the total gigantic health care budget⁴. The US is the only advanced country that does not have a national health system, and its highly privatised, business-oriented and financialised health care sector has by far the highest costs (more than the double of most European countries) and some of the worst health outcomes⁵. Much the same is the case in Britain due to cuts in their National Health System during the period with Conservative governments. Also in Sweden, which as a coordinated market economy has been far less exposed to neo-liberalist policies, the much higher number of elderly people who died in retirement homes compared to other Nordic countries might be explained by the public sector outsourcing to a higher degree the running of retirement homes to private companies, often large international ones such as ISS, or private investment funds. Especially the latter types of firms are heavily focused on maximising shareholders' values, which are achieved by maximum borrowing to pay higher dividends to boost share prices, another manifestation of financialisation. This leaves less money to give decent pay to qualified personnel, to maintain and invest in better equipment and to stockpile the necessary material and equipment for emergencies. Thus, neo-liberalist policies can cost lives.

Another outcome of Reagan's policies in the 1980s, pointed out by Lazonick (2016), was to allow chief executive officers (CEOs) to be partly paid in share options, which collapsed the division of labour between the CEOs as value creators and the Board as value extractor. This significantly increased the short-termism of the system and is the main reason behind the skyrocketing CEO salaries. Today this has resulted in share buybacks to boost share values in a short-term perspective to satisfy shareholders, instead of investing profit in R&D and innovation to secure future growth and job creation. A striking illustration of this is that most of the enormous tax cuts that American companies received from the Trump tax reductions was used for share buybacks, and almost nothing was invested in securing future growth and job creation for the companies, as was presented as the rational justification of the policy⁶. Characteristically, investments in R&D as a percentage of revenue have declined since the 1980s, in part because the share price usually suffers when companies announce this kind of investments, and 'the bonus culture motivates management to use corporate profits to raise share prices, rather than invest'⁷.

Under these circumstances, the argument of Milton Friedman from 1970 that the mission of firms is to maximise shareholders' value (MSV) while the state should take care of potential negative externalities (the market failure argument), did not hold anymore (if it ever has). According to Lazonick (2016), the MSV ideology builds on two misconceptions: (i) that of all participants in the corporate enterprise, only shareholders bear risks and thus have a claim on the corporation's profit, ignoring the claims that workers and households have as taxpayers, and (ii) that private shareholders are the only economic actors

who make productive investment and do it in the most efficient way, which in general is not the case. Today, hedge funds are often the most active shareholders, and they seek to extract as much value as possible from the corporations by pressuring CEOs and their boards to downsize and buy back shares to increase the share price (Lazonick, 2016). Practising the MSV ideology in the context of neo-liberalism has made the outcome more extreme both with respect to the behaviour of firms, which often practice an ‘insane push for profitability at all costs ... [where] investment of corporate profits in people and research has fallen through the floor’⁸, and the capacity of states which, due to firms’ behaviour (tax evasion), deregulation and globalisation, have neither the means nor the tools to deal efficiently with negative externalities, which also have become wicked problems, as is the case with many of today’s grand societal challenges. Thus, Friedman’s doctrine ‘sits uneasy with current concerns with ... climate change, wage stagnation, inequality and diversity. ... In anglophone economies, the commitment to a short-term, narrowly financial definition of shareholder value has helped undermine corporate resilience by encouraging excessive dividends and share buybacks that weaken balance sheets’⁹.

Neo-liberalist policies introduced in the 1980s also opened up the media sector to private capital, with the result we see today with the Murdoch-owned Fox News station in the US and Sky in Australia, as well as Murdoch-owned newspapers such as *The Sun* in the UK. These news channels have been instrumental in promoting fake, ‘beyond the facts’ news, where political ideology and goals and not any ideals of factual correctness, knowledge and objectivity decide on what is presented. The consequences of this have been devastating for liberal democratic ideals and the public discourse.

This is yet another example of capital’s inherent tendency of a systematic and continuous dominance of all aspects of society, what Marx called ‘the subsumption problematic’, exemplified by exchange values’ subsumption of use values (‘all that is solid melts into air’); what Habermas called ‘the system’s colonisation of the lifeworld’. In this context, very few reflected on the difference between tangible and intangible assets. Tangible products such as cars can more easily be regulated through setting standards (even if there are always attempts at cheating, e.g., VW’s and diesel cars’ CO₂ emissions), but what are the criteria for a high-quality intangible product (or service) such as news? This has been ‘reduced’ to popularity polls, and to attain high scores, the news has to entertain. The results have been very short news pieces, person-oriented news and social pornography, strongly supported by the rapid rise of social media, with some very few exception such as the BBC, and SVT 1 (which is a very interesting case, as it is not allowed to have commercial advertisements and participate in popularity polls) for TV news, and *Financial Times* and *The New York Times* for newspapers, which still allow for background information and critical reporting. Gone is the old-fashioned goal

of broadcasters having an educational role in societies as well as providing objective information and knowledge as a public platform for evidence and fact-based public discourse. Not to wonder that a TV reality star became the President of the US on a populist policy platform. What is in the process of being completed is capital's subsumption of people's consciousness, with the end result of people not being able to be alienated, which is a basic condition of being human, leading to losing their ability of critical reflection.

The economic consequences of neo-liberalism were further deepened by the austerity economic policy that the EU pursued after the financial crisis and the euro emergency, which induced economic recession in many countries, especially in Southern Europe. 'Austerity' is a political-economic term referring to policies that aim to reduce government budget deficits mainly through spending cuts. The budgetary discipline of austerity was promoted by Germany, which strongly benefited from the introduction of the euro, in contrast to the weaker economies in Southern Europe. This policy led to increased unemployment and reduced consumption. Especially Southern Europe (the so-called PIGS countries, Portugal, Italy, Greece and Spain) suffered tremendous economic difficulties with very high (especially youth) unemployment. These countries had still not recovered their economies back to pre-2008 levels when the COVID-19 crisis broke out, which will dramatically widen the inequality gap between north and south in Europe, as well as within these countries. In the UK, the austerity economic policy (the reduction of government budgets) went hand in hand with the neo-liberal policy that was followed, which partly explains the outcome of the Brexit referendum.

GLOBALISATION

More and more globalisation has been highlighted as the cause of all societal problems ranging from low-paid workers losing their jobs to the increased popularity of populist ideas. The COVID-19 crisis has additionally highlighted problematic aspects of globalisation, which probably will result in its being modified and reversed in the coming years. The core of the problem of globalisation lies in the dramatic transfer of power from nation states to headquarters and boardrooms of TNCs, which again is linked to the neo-liberalist agenda of limiting the role of the state, and the liberal market capitalist focus on shareholders' value. Modifying globalisation, and perhaps bringing the situation back to internationalisation and reversing TNCs to become MNCs again, is, thus, dependent on ending the dominance of neo-liberalist economic policies and recovering a stronger role for state and society in our capitalist societies, i.e., 'fixing' the bad capitalism. We shall return to this problematic in the last section but one of this chapter. However, first it is important to explain how to understand globalisation, which I shall now turn to.

First, it is important not to confuse globalisation with international trade (or internationalisation). People who argue that globalisation has been around since the great discoveries in the 15th century are doing precisely that. While international trade is just trade between countries and has existed for several hundred years, and internationalisation refers to increased bilateral cooperation between countries, globalisation is a relatively new phenomenon from the beginning of the 1970s due to enabling factors such as technological developments in production, communication, coordination and transportation, and promoted by economic-political developments in leading countries (neo-liberalism) and international organisations such as the International Monetary Fund (IMF) and the World Trade Organisation (WTO) (from 1995), which has implied a change in the organisational and institutional structure of the global economy resulting in a growth in international economic integration through trade and foreign direct investment (FDI) from high income countries¹⁰. This has represented a change of focus for national economies from production and industrial policy to free trade and market exchange (Chang & Andreoni, 2020; Wade, 2017). Globalisation refers to the global externalisation of the internal technical division of labour inside a factory, based on functions (tasks), what Marx called ‘die manufakturrellen Arbeitsteilung’, which led to global production networks and global value chains, of which the first example was Ford’s global car concept in the 1970s. According to Peter Dicken, ‘Globalisation processes of economic activity is more contemporary and qualitatively different’ (from internationalisation), as it implies ‘both extensive geographical spread and a high degree of functional integration’, while internationalisation processes represent ‘simple geographical spread of economic activities across national boundaries with low levels of functional integration’, and as such internationalisation is not a new phenomenon (Dicken, 2015, pp. 6–7). Globalisation is a more advanced and complex form of internationalisation due to the high degree of functional integration between internationally dispersed economic activities. This functional integration is organised and orchestrated by TNCs to constitute corporate production systems, in many ways (Rikap, 2021).

International trade, as part of internationalisation, builds on a societal division of labour (the ‘gesellschaftlichen arbeitsteilung’), not to be confused with ‘social’ in English, which native English speakers often do (as English more or less uses one word, ‘social’ for the two German words ‘gesellschaftlicher’ and ‘soziale’). Societal division of labour refers to countries and regions specialising in the production of different types of products for the market (agriculture in one region, steel making in a second, and car production in a third), which they, based on internal, domestic resource endowments, can do relatively more efficiently than other countries, which in international trade theory was called ‘comparative advantage’.

Instead of trade between countries, globalisation represents trade within the global production networks (GPNs) and global value chains (GVCs) of TNCs, and mostly not in final products for the market as in international trade, but in parts of products going into the final products, which is one reason for the reduced relevance of 'comparative advantage', which has been replaced by 'competitive (absolute) advantage' in the global competition between firms, regions and nations. By this change in trade patterns, globalisation has transferred power and control from countries to the large TNCs which control the global production networks and value chains. Combined with deregulation and liberalisation, TNCs become increasingly powerful and difficult for nation states to control, which gives TNCs ample opportunities of manipulating and exploiting different tax regimes, labour and environmental regulations and social legislations in countries, whose industries are part of GPNs and GVCs. According to Giuliani, '... the current grand challenges are related in a non-trivial way to companies' wrongful business conduct, especially that of large multinational corporations which have grown to rival governments in size and have proven to be powerful agents capable of shaping the global governance agenda' (Giuliani, 2018, p. 1577). A driving force for these large transnational corporations, which mostly are US-based and regulated by a liberal market economy, is, according to such economies' mantra of maximising shareholders' value as well as profit maximisation, cost reduction, and this has been the determining principle when organising global production networks and supply chains based on the just-in-time principle. 'In the past two decades, the US economy has been bullied into following a path of offshoring, driven by an ideology celebrating short-term financial gains above everything else.'¹¹ Additional conditionalities such as supply security and resilience, working conditions, and environmental regulations, which could have been achieved more easily by having shorter multi-local supply chains and bringing them closer to home by regionalisation of production networks and supply chains, have never been taken into consideration. Such alternative organisation of production networks and supply chains would also have been more resilient to natural catastrophes such as tsunamis and earthquakes (as in Japan in 2011) and to coronavirus, as well as political and social unrest (e.g., labour conflicts) in countries. *Financial Times* reports that companies could shift a quarter of their global product sourcing to new countries in the next five years, and in sectors such as pharmaceutical and apparel production up to more than half, to become more self-reliant, with a heavy toll on profits¹².

Furthermore, as Lazonick & Mazzucato (2013) have argued, private corporations gain advantages from policies (industrial, research and innovation, educational) in individual countries, while it becomes increasingly difficult for nation states to gain any payback on these huge public investments that have been the foundation for many of the breakthrough innovations which

have made firms in Silicon Valley very large and rich, such as the internet and GPS, and to share the social costs of TNCs' operations. This means that corporations' gains are privatised, and societal costs are socialised and become the responsibility of the public sector (the market failure argument). This gap is further enlarged by TNCs' systematic attempts at tax evasion in developed countries by placing units in offshore tax heavens. Thus, there are large challenges to find ways to control and regulate TNCs, where supranational organisations such as the EU are better positioned to do that than individual countries, but basically it is difficult to achieve this before neo-liberal economic policies and politics are replaced and corporate governance changed. In this context, it is interesting to note that Japan, South Korea and Taiwan did not become developed, high-income countries due to globalisation, but rather through national control of international trade and industrial policy, based on a combination of import substitution (the infant industry argument) and export orientation, as well as an expansive educational policy, which specifically prioritised the education of engineers (and STEM educations in general), from the 1980s. It was the same policy one hundred years earlier, with the support of trade unions and social democratic parties, securing improved living standards for workers from increased productivity and economic growth due to technological development, that put the Nordic countries on a positive development trajectory, compared to, for example, the Iberian Peninsula and the Balkan countries (Senghaas, 1985; Berend & Ranki, 1982). We shall develop this argument further in a later section.

INNOVATION

Innovation has traditionally represented the most important source of increased labour productivity and value creation per worker. Schumpeter argued that innovation was the source of economic and social change. Without such innovation, resulting from the activities of entrepreneurial individuals and large firms, society would be stagnant. Capitalism is fuelled by innovation, it must grow to survive, and innovation is the engine that drives this growth.

But this appears not to be the case anymore. We seem to be in a paradoxical situation, where there is an affluence of innovations (look to Silicon Valley), but these innovations do not in the same way as before result in increasing labour productivity and value creation. Even *Financial Times* has asked the question why innovation does not deliver in the same way it did before, based on the evidence of stagnating productivity growth and value output per worker in the last years, even in the US. The US has more and more become a platform-based economy, which might, according to Krugman, be an explanation of why 'the years that followed the 2008 crisis ... coincided with a period of technological disappointment. ... we were doing some flashy stuff

pushing information around, but not making much progress in the material world, which is still where we mainly live'¹³. Krugman points out that 'labour productivity ... has risen only about half as fast since 2007 as it did in the generation after World War II'¹⁴.

This is further reinforced by a general low investment in R&D, innovation and production due to various short-term financialisation strategies to maximise shareholder value. Since the global financial crisis, UK productivity has been virtually stagnant, and represented the biggest deterioration among the G7 leading high-income countries. The only G7 economy with lower productivity growth was Italy¹⁵. But:

proximate explanations are easy to find: UK's average annual gross fixed investment was the lowest in the G7 between 2010 and 2018, ... and the only G7 country with a lower average investment in research and development was again Italy. Since new technology is embodied in new machinery, such low investment almost guarantees low productivity growth.¹⁶

Another perspective on this problematic is the (mis)understanding that innovation only happens when carrying out R&D activity at universities, research institutes and companies' R&D departments (the S(cience), T(echnology), I(nnovation) mode of innovation). However, in many industries, especially the engineering industry based on synthetic knowledge (Asheim, 2007), experience-based learning in production, the D(oin), U(sing), I(nteracting) mode of innovation, is in fact more important (Jensen et al., 2007). Engineering industries with batch production, e.g. the building of large offshore oil drilling platforms, operate with a distinction between *technological* development, where companies in collaboration with universities develop platform technologies as the basis for *application* development, which is incremental innovations through user–producer relationships with demanding customers and suppliers in connection with the actual production, and executed by in-house experience-based competence of a highly qualified workforce (Asheim & Perilli, 2012). Thus, in many industries, learning in 'production is at the very core of the innovation process' (Chang & Andreoni, 2020, p. 331) and represents 'the ultimate driver of industrial dynamics, especially innovation dynamics' (Chang & Andreoni, 2020, p. 330). What is highlighted here is the difference between software-based innovations and hardware or deeptech ones, where engineering and manufacturing is part of the innovation process.

This implies that the failure to recognise that a loss of production through de-industrialisation, as a result of a transition to a platform economy as well as from outsourcing, has consequences for firms' innovation activities, and thus also for value creation and labour productivity. Such de-linking of 'production and innovation dynamics from each other – as if an economy does not need to

produce to be innovative' (Chang & Andreoni, 2020, p. 330) needs to be corrected by corporate governance reforms moving away from maximising shareholders' value through various forms of financialisation and reprioritising productive investments (Chang & Andreoni, 2020). However, as Chang and Andreoni (2020) maintain, for such corporate governance reforms to work, they must be aligned with regulations of the domestic financial market as well as with the global financial system (Chang & Andreoni, 2020, pp. 342–43).

There might be some further explanations for the low productivity growth. As most of these innovations are within IT, and more and more are software-based innovations where only some are applied in physical production and manufacturing where innovations traditionally were applied and resulted in higher productivity and value creation, we simply cannot measure productivity in services in the same way as in manufacturing, i.e., we have a reliability problem of inadequate measurement. We might even not know what we should measure, what we should be looking for (i.e., a validity problem), or the problem could be that internet-based innovations applied in services or to produce more efficient services simply do not improve productivity and value creation, but result in the opposite, using more time because of a larger range of options. Or there might simply be a time-lag period before investments in IT become manifest in increased productivity. The latter is known as the 'productivity paradox' which became evident in the 1970s and 1980s and has been especially significant from the middle of the 2000s (van Ark, 2006), where increased investments in IT did not result in increased productivity and profitability, but in fact in reduced profitability, i.e., the investments came with a double cost. Later studies have showed that, after a while, companies that had invested heavily in IT started eventually to see results in increased productivity and profitability, and van Ark (2006) consequently makes a distinction between an installation and a deployment phase of digital technology. Very often the reason behind this was not a simple time lag, but that investments in IT had to be accompanied by organisational innovations, changing the number and use of workers in administration and production, i.e., in a rationalisation of work, which is not unlike what always took place in production with the introduction of new technology.

However, while IT technology traditionally has been applied in industry and business-related services (e.g., knowledge-intensive business services, or KIBS), the contemporary software-based innovations are heavily directed towards ordinary people and consumers. In a platform-based economy, such as that of the US, where internet-based services, represented by the big five – Apple, Amazon, Google, Microsoft, and Facebook – has become the dominant players in the economy, many of the problems referred to previously become more obvious. Thus, the impact on productivity might be dependent on the type of hardware or software equipment that a country produces, where direct

and indirect productivity gains of semiconductor production in Taiwan and South-Korea vs consumer-oriented digital innovations in Silicon Valley might be significantly different.

Very illustrating of the dominance of the platform economy in the US is that the rallying stock markets, apparently uncoupled from the real economy, are mainly due to the growth of the shares of these five companies. If this was controlled for, the stock markets would look much more like the general picture of the economy effected by the coronavirus crisis. Continental Europe, on the other hand, is still mainly a manufacturing-based economy, with 80 per cent of export incomes derived from manufacturing goods, and 80 per cent of R&D investment going to manufacturing industry. It is generally believed that IT-based innovations in manufacturing industry, such as represented by Industry 4.0 – which by the way, was a German ‘innovation’, in the form of robotisation and automatisisation in the car industry – replacing a considerable number of manual workers, would result in a significant increase in labour productivity. To some extent, this was also the case, but it does not seem to have generally impacted the wider economy. One explanation of why this did not happen may be that the cheap euro made Germany complacent and did not force it to focus on productivity growth as the international competitiveness (due to the cheap euro) was already very strong.

Another way of approaching the discussion of why the impact of innovation in the economy is different and/or less than before, is to use Schumpeter’s two ‘agents’ generating innovation and economic growth as a point of departure. In the work of Schumpeter, a distinction is made between the entrepreneur, which is referred to as Schumpeter Mark I, and the big corporations, which is called Mark II. With Mark I innovators, innovation and technological changes for a nation come from the efforts of entrepreneurs, or the ‘wild (or animal) spirit’ of entrepreneurs, while for Mark II innovators the agents that drive innovation and the economy are large corporations which have the capital to invest in R&D, generating new products and services to deliver them cheaper to customers, and thus raising their standards of living.

However, today’s digital entrepreneurs create disruptive innovations, which often only make themselves richer and not their host societies. They are often also very short term in their planning horizon, striving to maximise the capitalisation of their efforts by selling their innovations to large companies in a five years’ perspective. This behaviour and ambitions are in stark contrast to the traditional Schumpeterian entrepreneur that often had a 20- to 30-year perspective and aimed more to build a strong and expanding firm with lasting impact on society (the hidden champions; Bessant, 2019), rather than the highest short-term profit, and in addition had a strong focus on production. Take Airbnb as an example of the disruptive entrepreneurs which, without a huge expansion in tourism, eat into the market of regular hospitality services, such

as hotels, and even if hotel jobs are mostly low-skilled jobs and salaries are not very high, hotels and the formal hospitality sector create employment, and they pay taxes, as do the hotel employees. Owners of Airbnb hardly pay any taxes and do not employ any workers, and, in addition, they squeeze tenants out from flats in the central parts of many cities.

However, as emphasised above, an economy needs production of tangibles to thrive (think of all the structures and facilities that need to be manufactured to green the economy) and, thus, we also need the traditional entrepreneur in hardware/deeptech that has a long-term perspective on entrepreneurship. The major problem for such entrepreneurs is the lack of long-term and patient capital as the global picture of a successful entrepreneur is dominated by the Silicon Valley model, which operates with an exit strategy after five years. In most countries, between 70 and 80 per cent of all public and venture capital funding for entrepreneurs is tailored to software-based entrepreneurship and the platform economy. This is a large problem in countries where the economies are dominated by hardware/deeptech industries, as is the case in the Nordic countries and in Continental Europe, in contrast to the US.

Big corporations (especially in the US) in general, and TNCs specifically, are today more and more focused on tax evasion, share buyback and other short-term financial activities, instead of investing their profits in R&D and innovation to secure future growth. Even pharmaceutical companies, which traditionally invested heavily in R&D, are now seeking mergers not based on improving their R&D capacity and increasing the number of new drugs in the pipeline, but to be able to relocate their headquarters to countries with a lower corporate tax rate to pay less taxes and, thus, are becoming ‘focused on financial engineering more than real engineering’ (Wade, 2017, p. 877). The combination of less public money spent on R&D, and private companies being relatively more dependent on public sector investment in basic research due to their own downsizing of R&D, has implied that the underlying rate of innovations has slowed down, breakthrough innovations appear with longer intervals, resulting in lower productivity and value creation, and lower aggregate economic growth. The lack of own funding of R&D and a higher dependency on public money has been clearly illustrated in the hunt for a coronavirus vaccine, where companies have been fuelled by a heavy load of public money, which the governments have been able to mobilise in this extraordinary global crisis, that has had devastating impacts on humans and the economies. More generally, these examples clearly demonstrate the need for innovation to be governed, directed and regulated, which is easier to accomplish in coordinated market economies than in liberal ones, due to stronger institutions more fit for purpose for ‘responsible innovation’, and higher-quality governments.

WHAT CAN BE DONE TO 'FIX' THE BAD CAPITALISM?

In many ways neo-liberalism fed the coronavirus by its systematic downsizing, defunding, and weakening of the state, public organisations and societal institutions, resulting in an impoverished democratic state. Neo-liberalism has been shown, in the US but also to a certain degree in the UK, to provide a weak foundation for fighting COVID-19. When the state is most needed to mobilise resources, coordinate actions and provide national leadership, it has been a far cry from being up to the task. After years of defunding and downsizing of public organisations generally, and in public health specifically, preparations for a pandemic were sidetracked, staffing in hospitals and care units insufficient, and stocks of protection and medical equipment lacking. As a result, the public health system was rapidly overburdened. Based on the neo-liberalist ideology that the state is always the problem and never the solution, and that it, consequently, should be as small as possible to avoid doing too much harm, the neo-liberal state had neither the willingness nor the capacity to mobilise, coordinate and provide leadership, which was left to the market or to local levels of governance such as states and mayors in the US. The results of this policy have clearly been demonstrated in the US with 4 per cent of the world population and around one fifth of total deaths¹⁷.

The main difference between liberal and coordinated market economies, which is important for the arguments of this chapter, lies in the way of operation and roles of governance and institutions. Coordinated market economies are characterised by a form of 'institutional complementarity', where the economy and society are regulated by a network of strong institutions that provide the framework for good government and governance. Institutional complementarity is partly based on formal institutions that regulate the way the financial sector, labour market, education and training operate, and partly on informal institutions such as trust and social capital, which makes these complementarities integral to the working of the system. This results in the population having a high level of trust in government and public institutions, a low level of corruption, and the presence of a high degree of not only bonding but more importantly bridging social capital, that provides the glue between citizens. This is necessary for having a civil society with social cohesion, which can be collectively mobilised to solve grand challenges such as a pandemic, as well as a strong democratic and solidary state with legitimacy among its citizens.

In liberal market economies, institutional complementarities are more of a formal and constitutional character, not always written out explicitly in laws

and regulations, and not building on trust and social capital, but to a large extent on previous governance practice.

In the coordinated market economies, institutional complementarities represent ‘checks and balances’ of the system that help to mediate the civilisational and repressive tendencies of capitalism due to the characteristics of the various institutions which produce long-term stability rather than short-term volatility (Hall & Soskice, 2001):

- *Financial regulation*: Long-term patient capital and debt financing vs. short-term financial markets and equity financing
- *Corporate governance*: Stakeholder value vs. shareholder value
- *Innovation outcomes*: Generally higher level of innovation across sectors and industries and a tendency of higher dependence on incremental (DUI mode) than on radical (STI mode) innovations
- *Capital–labour relations*: Coordinated bargaining, strong trade unions and statutory worker representations vs. decentralised bargaining, weaker trade unions and contentious workplace relations
- *Training and employment*: Vocational training, apprenticeship, long tenure, low turnover of jobs and low interfirm labour mobility vs. basic education and firm-specific training, short tenure, high turnover of jobs and high interfirm labour mobility

Thus, in coordinated market economies it is the state with the market that works, and not market against the state as the neo-liberalists believe (Iversen & Soskice, 2019). The state is seen as central in an advanced economy as government needs to ensure that:

- Companies are subject to competition.
- Workers are co-operative.
- The population is adequately educated and trained.
- Research that drives technological advance and innovation is funded.
- Infrastructure on which the economy depends is built and maintained.
- A fair distribution of value creation exists to secure social and regional equality.

In the Nordic welfare states, education and health are seen as investments producing a well-educated and healthy, and, thus, productive workforce. To sustain a universal welfare state, a country needs a highly productive and competitive economy, with a high level of value creation, a high educational level, and a high share of participation of the workforce in the labour market, which was instrumental in bringing women onto the labour market. This has been central in the ideology of social democracy and trade unions in the Nordic and continental coordinated market economies. A well-educated workforce is

of strategic importance for firms', regions', and countries' absorptive capacity. Trade unions have been eagerly campaigning for an improved educational level of the population. The advanced production technology and technological development in Norway, in spite of relatively low R&D investments (around 2 per cent of GDP), is partly caused by the high level of absorptive capacity due to one of the highest levels of tertiary education in Europe (Fagerberg et al., 2009).

Thus, education is seen as a collective, public, and not only as an individual, responsibility. In addition to viewing education as a productive force to increase absorptive capacity and productivity, it is considered the main factor in promoting social mobility, which is a highly ranked political priority, contributing to an egalitarian society. Consequently, education, including universities, is a free, public good with no tuition fees, in Norway to all citizens of the world, and in the EU to citizens of the EU. In the Nordic countries, and in many continental EU countries, public agencies fund fellowships and subsidise cheap loans for students independent of family and own income. This policy contrasts sharply with the views in Anglo-American societies such as the UK and the US. Social mobility in the UK is almost non-existent due to its rigid class structure, and the 'American Dream' is now just a distant dream, as it is based as a minimum on at least having a college education, which just a minority of lower-class citizens, e.g. from minority ethnic groups, acquire.

The COVID-19 pandemic has disclosed the lack of sustainability of the business model of Anglo-American universities in countries such as the US, the UK and Australia, with their heavy reliance on (i) marketisation, i.e., strong dependence on students' tuition fees, which has favoured recruiting overseas students, with a tendency of crowding out local students (e.g., in state universities in the US, where students from the state pay lower tuition fees); (ii) commodification, i.e., that education becomes a market good; (iii) commercialisation of research as a strategy of the entrepreneurial university; and (iv) financialisation, e.g., that universities become increasingly dependent on the private financial sector for investments in basic infrastructure such as buildings, research labs and lecture halls, and student accommodation. It is to be expected that many universities, especially those which are middle or lower ranked, will have increasing difficulties in surviving, with closures resulting as the outcome. The highest-ranked universities such as Oxford, Cambridge, Harvard, MIT and Stanford will survive, but they have a focus on quality and the few, and do not produce an education for the many. And the leading Australian university, the University of Melbourne (as well as other Australian universities), has seen its business model with a very high dependence on well-paying Chinese students, totally crumble. So again, the governance model of institutions in Anglo-American countries turns out to be unsustainable and not resilient.

With respect to health and welfare policies, as has been exposed during the COVID-19 crisis, the Nordic countries as well as other (continental) coordinated market economies typically have a well-developed system of unemployment benefits, which are long and generous. The same goes for maternity leaves. The labour markets are regulated to assure job security and safety as well as to hinder wage dumping using imported labour from less developed countries. Workers are also represented in firms' governing bodies. The countries have an organised public/private system of further education programmes for retraining and redeployment to secure upgrading of the workforce, partly so it is better prepared for new technological development and structural changes in the economy, and partly to provide new employment opportunities for workers that have lost their jobs due to globalisation and technological change, so that they do not end up with people and places that don't matter. These arrangements are settled through collective negotiations between the partners on the labour market, i.e., trade unions and industry confederations, often also with the government as a third partner, as is also done with centralised and coordinated wage setting. Hospitals are also a free public good in the Nordic countries, without the need to possess private health insurance. In Norway and Sweden, the pension system is public, paid for by the public sector and the employer. In this way, 'the welfare state is the most important social insurance for workers ... [that] reduces the incentive for workers to resist restructuring of the industries in which they work ... helping economies to achieve structural change while making the process more inclusive' (Chang & Andreoni, 2020, 338).

Essential services such as education and health care, but also provision of infrastructure for electricity, water, transport and internet can be referred to as the foundational economy. Such goods and services are the social and material infrastructure of civilised, everyday life because they provide daily essentials for all households. They are welfare-critical activities for all citizens in the sense that limited access has a significant effect on the welfare of households and the social economic opportunity of citizens (Arcidiacono et al., 2018). Privatisation and outsourcing of fundamental services, as practiced by liberal market economies underpinned by neo-liberal policies of financialisation, but also diffused to coordinated market economies, has been damaging, by the private sector engaging in price manipulation and market abuse as well as by diluting competence of the public sector. Thus, to secure sufficient investment in and supply of such basic services for all citizens should be the primary role of the public sector and the state, and if outsourced should be under strict control and regulation by the state, which is easier to accomplish in coordinated market economies. A 'lack of investment in the future is a fundamental threat to the very reproduction of society as well as the economy' (Chang & Andreoni, 2020, p. 341).

Above I have tried to illustrate differences in economic and social development between coordinated and liberal market economies. We have seen that coordinated market economies are not characterised by the same level of economic, social and regional inequalities as liberal market economies, even if there are general tendencies of increasing inequality. This implies that countervailing forces to the market such as efficient education, labour market and welfare policies are working, which compensate, upgrade and secure the population work, income and welfare at a 'decent' level. These policies do not seem to slow down innovation and economic growth, rather on the contrary, as is seen in many of the coordinated market economy welfare states, which are among the most innovative and fastest-growing economies worldwide (e.g., Sweden, Germany, Switzerland).

During the pandemic, citizens have been reminded that there is such a thing as a society, and the provisions of effective governments are instrumental in solving grand challenges, which should not be left to neo-liberalist policies of letting the market decide what to do, cutting taxes for the wealthy and rigging labour markets against the low paid, as is still the policy of the US Republican Party¹⁸. This might provide a background for a reframing and rethinking of the role of the state nationally and in the international economy, and underline the strength of the idea of state with the market, i.e., that it is, for example, possible to combine innovation policy for economic growth with educational and labour market policies to secure a general high educational level of the population as well as specifically to take care of labour and regions that have become victims of globalisation and technological change through publicly funded lifelong learning to retain and upgrade the affected labour force. In this way, the state ensures that people and places do not feel left behind, through innovative, inclusive and sustainable economic development. Additionally, EU and other supra-national units and agencies must aim at introducing stricter regulations on anti-social exploitation of globalisation by TNCs and the one per cent 'super rich' with respect to tax evasion, use of tax heavens, exploitation and dumping of labour, e.g., human rights regressions by TNCs using child and slave labour and causing irreversible damages to human health, and degradation of natural resources. The EU/US proposal of a minimum global corporate tax is a promising example of such a regulation.

Traditionally, neo-classical economists viewed regulation as a cost imposed on companies by the government, as the Republican Party in the US still strongly believes. However, this view has mostly changed. In the 1990s, Professor Michael Porter of Harvard University Business School, argued that government could sometimes push industries to pursue technological innovations that would contribute to solving societal problems, which they would otherwise not have considered, and which led to increased future competitiveness and profitability. Numerous studies have shown that regulation promotes,

rather than impedes, technological progress and innovation in, for example, the energy sector, electronics industry, and health care. In the US car industry there is also ample historical evidence that regulations have been a primary driver of innovation. In the 1970s new fuel standards made cars smaller, safer and more fuel-efficient, helping the car industry to become more globally competitive and catching up with European and Japanese imports. Today, Trump has done away with most of these regulations. In Europe regulations are still applied to stimulate the double goal of solving environmental problems and becoming more competitive and profitable, among other things by the legislative drive towards electric cars, which demonstrates how institutional complementarity secures long-term rationality.

However, in this period which requires transformative changes to solve grand societal challenges there is a need for a more proactive and strategic state with greater responsibilities for promoting innovation that goes beyond only fixing market and system failures to also co-create and shape markets that manifest a demand for sustainable products, services and ways of life, for example through public procurement of innovation. This means, according to Mazzucato (2021), that governments should be public, purpose-driven and use innovation and innovation policy to solve societal problems that matter to people and places – what is referred to as a challenge-oriented innovation policy. This requires a rethinking of the capabilities and role of government within the economy and society, for example reflecting back to how the welfare state was built and organised, as well as establishing a more ambitious public–private collaboration, where the state provides top-down directionality, e.g., as to which grand societal problems should be prioritised, and the private sector carries out bottom-up niche experimentation, as for example is institutionalised in the Entrepreneurial Discovery Process of the EU’s Smart Specialisation Strategy.

At the end of the day, it all comes down to good government and governance and strong institutions, which is a complex and long-term task to improve. New organisations are comparatively easy to establish, as are formal institutions, such as laws and regulations, that can be changed relatively quickly (the introduction of neo-liberal policies as one example), but informal institutions, such as trust and social capital, which represent the glue of the social order and good governance, are much harder and long-term to repair and strengthen. The guiding principle and long-term goal should be to obtain a balance between promoting the civilisational tendencies and controlling the repressive tendencies of the capitalist system through institutional complementarities. However, one action that also needs to be taken is to re-regulate media and broadcasting to get rid of big capital so as to recreate a public space for the open and free exchange of ideas and meanings, where facts and evidence once again matter.

The time frame to do this, and to save the ideas of enlightenment, is, however, not very long.

CONCLUSION: HOW CAN BUSINESS SCHOOLS BECOME MORE RESPONSIBLE?

The intention of this chapter was to bring forward the idea that responsibility is linked to the ability to act; without acting and doing the 'right' things, a person, institution, company and country cannot be responsible. And in order to act in an efficient way to achieve the goals, e.g. the UN SDGs, knowledge about society and the way it operates is a necessary precondition. That is why the subtitle of this chapter is 'an analytical framework for purposeful action'. This theoretically informed chapter intends to present a macro view of the underlying structures which make our capitalist societies work the way they do, which I argue is in a bad way, which must be 'fixed'. Some may disagree with everything or with part of my global view, but the majority probably would agree with me that the efficiency of our actions is at least in part determined by structural factors that lie outside and 'above' each and every one of us, factors that, I would argue, are socially produced and, thus, can be collectively changed. And in the last part of the sentence lies the key message, structures can collectively be changed for the better, and the point of acting responsibly is at the heart of this. As pointed out in the Introduction, business schools provide education to and train the managers and leaders of the private sector, which represents perhaps the most important structural power in our economic and political system, and which has a huge influence on the future development of the world. No major changes will take place nationally and internationally without the cooperation of the business world. And in order to realise the corporate world's global power and to see what needs to be done and how it can be achieved, by changing underlying structures, knowledge of how the system works, knowledge that business leaders should have acquired in their academic training at the business schools where most of them get their degrees, but which in most cases is not delivered, might avoid their good intentions to contribute to change being futile and, in the worst cases, just damaging. Many students know the problems, but 'they don't know what to do about it' (Parker, 2021, p. 7). Some well-known business schools, such as Wharton at the University of Pennsylvania and Georgetown University, have started realising this by offering joint degrees in management and political science, in the recognition of the strategic importance of business leaders knowing something about how the political system they operate in, and that decides on important economic and political policies and framework conditions, works. Better yet would be introducing broader introductory courses at masters levels in social science, covering political science, political economy, sociology and

economic geography, and even in the natural sciences (Edwards et al., 2021). ‘An increasing number of management scholars have raised warning flags in recent times and called for a stronger engagement of management scholarship with real problems, with grand challenges faced by our planet and the people living on it’ (Wettstein et al., 2018, p. 9). The outcome of this would surely be future managers and leaders of businesses better equipped to take responsible actions to contribute to solving grand societal challenges and problems, and to make companies deliver both purpose and profit by turning purpose into action. But a warning signal remains that if ‘the pitch is that reform might be needed to make capitalism work better and be kinder – corporate purpose and responsibility, diversity and sustainability – but real change is not on the curriculum’ (Parker, 2021, p. 6), will this be enough to solve the world’s grand societal challenges?

NOTES

1. <https://inequality.org/facts/global-inequality>
2. Simon Kuper, *Financial Times*, 1st/2nd July, 2017.
3. Eduardo Pedron, Miami Dade College, CNN, 28th July, 2020.
4. Article, *The Atlantic*, August 2020.
5. Paul Krugman, Opinion, *New York Times*, 18th August, 2020.
6. Paul Krugman, Opinion, *New York Times*, 25th August, 2020.
7. Martin Wolf, *Financial Times*, 6th March, 2021.
8. Tom Peters, Opinion: McKinsey’s work on opioid sales represents a new low. *Financial Times*, 15th February, 2021.
9. John Plender, *Financial Times*, 4th April, 2021.
10. Martin Wolf, *Financial Times*, 17th December, 2020.
11. Dan Breznits and David Adler, Opinion: Why Should China Make Everything? *New York Times*, 4th January, 2021.
12. Article, *Financial Times*, 8th August, 2020.
13. Paul Krugman, Opinion, *New York Times*, 31st December, 2020.
14. Paul Krugman, Opinion, *New York Times*, 25th May, 2021.
15. Martin Wolf, *Financial Times*, 21st February, 2021.
16. Martin Wolf, *Financial Times*, 21st February, 2021.
17. This description refers to the first phases of the pandemic. In the later phases the situation looks quite different, especially with respect to vaccine development, production and rollout, where especially the US and the UK have clearly outperformed the European coordinated market economies. The paradoxical reason behind this is that the new government in the US under Biden, as well as the Operation Warp Speed under Trump to research and develop vaccines, precisely used the state and government as problem solvers. In the UK the government learned from mistakes from the earlier phases of the pandemic, where tracing and tracking were outsourced to a private consultancy firm, and let the NHS be responsible for the rollout. In Europe the strength of the national welfare states, demonstrated under the first phases of the pandemic, was replaced by the EU which took responsibility for procuring and distributing the vaccine. However, the EU, in contrast to nation states, does not have the organisations and agencies

with the capacity and competence of handling such operations. This, together with EU's sometimes quite heavy bureaucracy, the federal structure of many European nation states (e.g. Germany and Spain, where regions often have their own rules and regulations) and Europe's lack of production capacity for the COVID vaccines, goes a long way to explain the catastrophic slow rollout of vaccines.

18. Phil Stephens, *Financial Times*, July, 2020.

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