

A. Coskun Samli

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# WHO STOLE OUR MARKET ECONOMY?

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*The Desperate Need For Socioeconomic Progress*



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A. Coskun Samli  
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*This book is dedicated to all who believe in a progressive  
market economy.*

## PREFACE

Even when I was a kid in a third-world country and I had not heard the word marketing, I was doing marketing in a limited market system in our family wholesaling business. My fascination with a market economy, still did not know the word, was totally insatiable. I kept on wondering how people can get more goods and services and improve their quality of life. I remember discussing with my father and uncles, who owned the business, why we should keep the profit margins low and sell more of everything. This appeared to be a good orientation. Surprisingly, they followed this idea. Once a year my father would come home with a big smile or frown on his face. Until that day they did not know if they made money or lost it. This went on until I went to the Istanbul Academy of Business Administration. Still, marketing was not an issue. Instead I studied accounting, business law, retail management, and banking over and beyond general macroeconomics. In the meantime, I was reading fascinating concepts of Fordism, Taylorism, and assembly lines and was becoming more and more interested in coming to study in the USA.

When I started my MBA program at the University of Detroit in 1954, I was thrilled with having the opportunity to do individual research and exchanging ideas with classmates who were middle managers in different businesses. It was the University of Detroit which gave me the first course in marketing. My fascination with the American market system kept on growing. When I finished my MBA, I did not think I had learned enough. I simply needed to get PhD. Michigan State University, with a wonderful marketing department, gave me that opportunity. I took as many courses I could take and did as much research as I could. Now, so many years, much

research and some 28 books that I have written, later, what I see is that our wonderful market system is being taken over by financiers. The progress, the improving quality of life, and the very essential equal opportunity are already gone. The middle class, which is the backbone of a progressive society, is melting away. This is where I am now. Personally, I have done everything an academic person would dream of. But it is not just me, the whole society must wake up and smell the sweet progress that can be created by a well-functioning market system. If I can be instrumental in helping such a dream to become a reality, I will be extremely happy.

I do not have any affiliation with some political groups. I do not believe in rigid and almost stale conservatism, I certainly believe in the tremendous capabilities of this society. I certainly would like to see it living up to its great potential. So here we are. The rest is totally UP TO YOU.

December 8, 2015  
Ponte Vedra, Florida

## ACKNOWLEDGMENTS

This is my 29th book and perhaps the last one. I have seen many elections and many ups and downs of our economy. But perhaps this is the most dangerous situation created by financiers and being reinforced by the most unexpected and dangerous national election. These are my thoughts, they did not just happen. Some 60 years of teaching, learning, researching, and consulting have brought me to the overall orientation of this book. I did not think I would respect these lines but this book is the result of my daily discussions and my nightly nightmares. I still have difficulty believing that a potentially very dynamic society will have itself trapped by the greed factor and is not able to save itself. I certainly have many ideas exchanged with many colleagues. But my friend, Dr. Ronald Adams, when he is available he has been a great inspiration. I have learned much from our many interactions. Dr. James Gray of Florida Atlantic University has been a good source for many ideas. A colleague in my department, Dr. Adel El-Ansary, also contributed much to my thinking. Dr. Bruce Kavan of the University of North Florida, when available, has shared profound thoughts. Dr. Ed Mazze, one of my oldest friends from the University of Rhode Island, has been, and is, my constant inspiration. Dr. Joe Sirgy of Virginia Tech has been, and is, a major source of information. I always benefit from our conversations. My daughter, Dr. Ayla Samli, has been assisting me all along; however, I am responsible for the contents of this book. My brother, Osman Samli, shared his ideas with me. He is a phone call away and usually gives me great advice.

Over the years, thousands of my students helped me formulate my thinking, and dozens of research assistants helped me with my research



and explorations. My current assistant, Sandy Paul, is and has been extremely valuable. Without her I could not finish this book. My department chair, Dr. Reham Eltantawy, and my dean, Dr. Mark Dawkins, were helpful by encouraging me to continue my research.

My most important critic, my wife, argued most of my ideas and made me think further. She also cooked great meals. My helper, Leanna Payne, typed the whole manuscript. She was able to read my writing, which I have difficulty in reading. Our departmental office manager, Carolyn Gavin, was always there to help. I am also grateful to my friend, Angela D'Andrea, for giving me two cups of coffee every day so that I could write this book and discuss with her. To these and many other people who are not named here, I am totally grateful. But I must state that I am totally responsible for the contents of this book. THANKS.

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## ABOUT THE AUTHOR

Dr. A. Coskun (Josh) Samli is research professor of marketing and international business at the University of North Florida.

Dr. Samli received his bachelor's degree from Istanbul Academy of Commercial Sciences (currently Marmara University), his MBA from the University of Detroit, and his PhD from Michigan State University. As a Ford Foundation Fellow, he has done postdoctoral work at UCLA, the University of Chicago, and as an International Business Program Fellow at New York University.

In 1974–1975, he was a Sears-AACSB Federal Faculty Fellow in the Office of Policy and Plans, US Maritime Administration. In 1983, Dr. Samli was invited to New Zealand as the Erskine Distinguished Visiting Scholar to lecture and undertake research at Canterbury University. In 1985, Dr. Samli was a Fulbright Distinguished Lecturer in Turkey. He was selected as the Beta Gamma Sigma, L. J. Buchan Distinguished Professor for the academic year 1986–1987 to work at North Carolina Agricultural and Technical University. He was given a research fellowship by the Center of Science Development, South Africa, February 1995. He was awarded a fellowship by the Finnish Academy of Sciences to teach a doctoral seminar in June 1999.

Dr. Samli is the author or coauthor of more than 250 scholarly articles, 28 books, and 30 monographs. Dr. Samli has been invited as a distinguished scholar to deliver papers in many parts of the world by many universities. He has lectured extensively in Europe, Eastern Europe, the Middle East, the Far East, Oceania, and many other parts of the world. He was very active in the Fulbright Commission. Dr. Samli is on the review

board of seven major journals. He was the first president and a research fellow of the International Society for Quality of Life Studies (ISQOLS).

Dr. Samli is a distinguished fellow in the Academy of Marketing Science and a past chairman of its board of governors. He has done some of the earlier studies on the poor, elderly, and price discrimination. Dr. Samli is a research fellow of International Society for Quality of Life Studies. He is cofounder and was the first president of this organization. His most recent books are *Entering and Succeeding in Third World Countries*, Thomson (2004); *Up Against the Retail Giants*, Thomson (2005); *Chaotic Markets*, Praeger (2007); *Globalization from the Bottom Up*, Springer (2008); and *International Entrepreneurship*, Springer (2009). Two earlier books—*Social Responsibility in Marketing* (1993) and *Empowering the American Consumer* (2001)—were considered among the most important academic books in the United States by *Choice Magazine* which is managed by librarians.

Dr. Samli has worked with hundreds of small- and medium-sized businesses as a consultant over a 50-year period and he has conducted many seminars before hundreds of business managers and graduate students in Turkey.

Dr. Samli has had more than 25,000 students from all over the world. Many of them are professors, successful businessmen, and statesmen. He reviews dissertations as an outside international expert. Dr. Samli was recipient of Harold Berkman Service to the Discipline Award given by the Academy of Marketing Science in 2008. During the summers of 2008 and 2009 he was the recipient of the Evren Professorship at Florida Atlantic University.

In 2010, he was awarded the first James M. Parrish Faculty Award at the University of North Florida.

## Introduction

Sir Winston Churchill is known to have said something like democracy is not perfect but is the best political option we have. According to this author, the market system is not necessarily perfect but is by far the best system we have. This thinking and related economic activity, however, are being not only abused but also are being eliminated. The market system, unfortunately, is very vulnerable. It can go communistic, fascistic, extremely socialistic, and the like. It can be abused by greedy but powerful groups of people. Our market system can easily be stripped of all of its power and the opportunities. The society and critical decision makers must understand the promises of the market system and make sure that those promises would become a sustainable reality. Maintaining the market system functional so that it can fulfill its promises is not as a political position but a national goal which is totally necessary for our country.

If a society is fully functioning and making progress in terms of providing its members higher living standards and better quality of life, it must be that it has a fully functioning market system which would distribute and deliver the fruits of the economic activity to the whole society efficiently, without discrimination and favoritism. [Exhibit 1-1](#) illustrates this most important societal activity. If this societal activity is not working well or if it is not working at all, then dramatic social activities may ensue, including business failures, rigid and unrealistic laws, widespread unemployment, and even class warfare. Thus it becomes obvious that the functioning of the market system is carefully supported. This means the system must

function without political, social, or economic activity bias or discrimination. And, above all, it should not be stolen by some power group.

### Exhibit 1-1 The general economic picture of the society



If Adam Smith, perhaps the original initiator of conceptualizing the market system, were to be alive, he would be totally horrified. But wait, if Karl Marx, the originator of communism, was alive, he also would be totally shocked. Neither one of these two gentlemen would have foreseen how the market system has become a financial playground catering almost totally to 1 percent of the total population. The gap between the 1 percenters and the rest of the society in our society at this point in time is tremendously great and growing nonstop. Oligopolists are controlling the economy. They are not competitive in the way the market system should be. They are immediate profit and market share gaining oriented rather than benefiting the consumer well-being. Thus, our market system is not delivering what it originally promised. In one of my earlier books I described how the American market economy is becoming a finance economy (Samli 2013). In that book I pointed out that all the promised benefits of the market economy are disappearing as I described this situation as the most dangerous American journey. In the book I also tried to answer a major question raised by Robert B. Reich (2010). He asked, “What and whom is an economy for?” I responded, saying that it is for only a privileged few. Although, in general, economic conditions of our society have improved significantly, the market system simply did not come back to its original realities. It is discriminating in favor of the billionaires and some financiers. Hence, we have a tremendous gap between 1 percenters and the rest of the society. Education is discouragingly costly, medical care is still very expensive, cost of living is very high, almost half of the society is around or below the poverty line. The political

arm of the society is totally dysfunctional and there does not seem to be any relief in sight. Things are still not very good even though the national employment figures are impressive. We still have a divided society with very few unbelievably rich people and a large group of the population which is simply working hard to make ends meet. Unfortunately the second group does not have equal opportunity as the first group has. The society has become so that if you have money you can get a better education, better health care, better legal services, and the like.

It appears that all the fine promises of a market economy are being absorbed by the financial manipulations. Billionaires and financiers are getting all the benefits. Promises such as equal opportunity, having well paying jobs, good quality of products and services being available at good and reasonable prices, creation of a good quality of life for all, and the like are not there. Overall, a progressive society is simply not there anymore. Stagnation is a good description of what is happening.

Just how did our progressive society become rather stagnant? How can our society be progressive once again and have the following reversed?

- One can get a better facility at the prison by paying extra.
- Having access to the carpool lane during rush hour as a solo driver by paying fees.
- Having an Indian mother to carry pregnancy by paying.
- One can immigrate to the USA by paying certain sums of money.
- One can shoot an endangered species by paying extra.
- Calling your doctor on the phone can cost a lot of money that one pays.
- By paying some fees, a factory can emit carbon into the air.
- One can have admission of one's children to a progressive university by paying certain fees (Sandel [2012](#)).

I certainly can go on nonstop for a long while. Our market economy has lost its human values in favor of financial gains. This is hardly the way our well-functioning market system is expected, or is desired, to go.

Just what went wrong? Better yet, just what is going wrong?

In my earlier book (Samli [2013](#)), I pointed out that, among other factors, there are five deadly social activities that are creating a tremendous pressure on our market system and making it more of a financial system which is tremendously dangerous for the future of our society. These five deadly social activities which are discussed in this current book in some detail are



deregulation, merger mania, outsourcing, tax cuts, and privatization. These are the results of age-old dogmas and greed factors which have taken over our market system. But it must be questioned how we can create a futuristic progressive society based on meaningless old dogmas and totally outdated structures which brought us to this point of “pay off or else,” market situation.

I believe our well-functioning and well-meaning market economy is being stolen by a greedy 1 percent of the population. Instead of working for the betterment of the whole society, we all are working for 1 percenters. The more income and economic power these people receive, the greedier they get. Unless it is reversed, this pattern continues nonstop.

It must be reiterated emphatically that the market system, if left alone, favors the financial forces in the hands of a few. If this situation continues, then only a few well-heeled billionaires will be in charge of our country and certainly they are not quite ready to manage a progressive society. They would like for things not to change, this is what they advocate conservatism. If this becomes a reality, it will be the same thing as if an evil king or a mean-spirited emperor was running our country. This situation, in such cases, will get worse and the American society will lose its stability. Some years ago we were warned about the possibility that American capitalism might implode (Thurow 1999). Economic conditions in terms of billionaires controlling the economy and dramatic income discrepancy between 1 percenters and the 99 percenters did not even exist then.

It must be realized that the five deadly activities and negative orientation of financiers and billionaires are causing potential disaster. This must be reversed before it is too late.

It is important to understand just where the market system fits into the social makeup of the society. [Exhibit 1-1](#) presents a general picture. Understanding this general picture is important for consumers and business leaders, but it is totally essential for the political leaders who are running the country.

As displayed in the exhibit, on one end of the spectrum there is economic and productive activity, say from mining to manufacturing. Without such activity there will not be a society. On the other end of the spectrum is the whole society comprised of a variety of people with needs. Those needs must be satisfied with production. What is not quite understood here is that these two extremes are connected by the market system. If that market system does not function well, the whole society becomes endangered with anything such as class warfare or various types of extreme discrimination that is not tolerable. But even more importantly, the society does not make progress.

In my earlier work (Samli 2013), I maintained that our market economy is becoming a finance economy very little, if any, changed since then.

Considering the disastrous conditions imposed on our society by the great recession of 2007, in the production area our society has done quite well, but the market system has hardly changed. It is still the financiers' and billionaires' playground. They are benefiting the most from the overall economic activity and are calling the shots in terms of CONSERVING that system which is regressive. But unchecked the whole system might implode. This is a very critical danger for our society. This book deals with what can be done to reverse this situation.

In my earlier work I discussed empowering the market system by using innovation and entrepreneurship (Samli 2016). But this empowerment requires at least a normally running market system which simply does not exist at this point in time.

In this book I am discussing how we could combat the regressive conservatism, which does not want a change. But we must recreate a progressive market system which is way overdue. Our market system has been stolen by financiers and billionaires. Something needs to be done.

## CONCLUSIONS

American economy is going in a very questionable direction, not in terms of economic productivity but in how the fruits of the economic activity are distributed. Here there is a real problem which is creating unacceptable economic inequality, creating poverty, and eliminating the middle class. We must get our market economy to become totally functional and progressive again. We must stop the further development of any unfair finance economy.

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## What About a Market System?

It is important to understand the concept we are talking about. First of all, clichés such as free markets, free enterprise, and the like have been around for a long time and usually are quite misused. These are important concepts. They must be well understood because, in a major way, our economic system is based on these, but not in a consistent and well-understood manner. These concepts are not only quite misunderstood but are also misused, and this is one of the most critical problems our society is facing.

### THE MAGIC OF THE MARKET SYSTEM

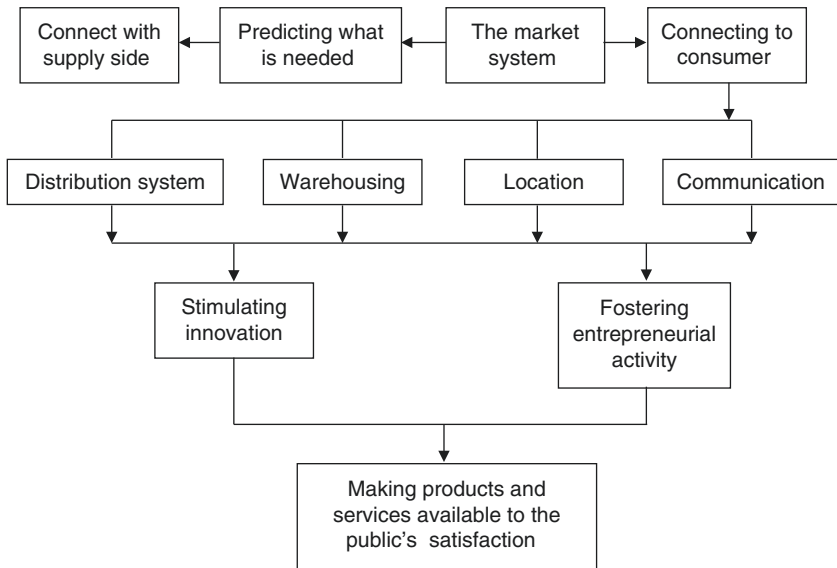
Ours is considered a market economy because the market system worked well to bring supply of products and services to the consumers in the society. But this is changing.

Just what is a market? A market is a situation or a place where consumers pay for goods and services. It is a mechanism creating exchange between production and consumption. Consumers are buying products and, in exchange, paying for them. Markets are local, regional, national, and international. In order to survive and prosper, individual businesses practice marketing. Marketing practices are different in these different markets. Without these marketing functions, supply and demand will not be able to match. Without this match, the society will not have the ability to satisfy the society's economic well-being. Unfortunately, many businesses do not know how to perform effective marketing and eventually are discarded by the market system. This is a major way businesses fail

which is a very costly proposition both to the individual businesses, their owners, their dependents, and the like, but also very costly to the society as a whole. Even if they do not fail, if businesses are not performing their marketing functions well, the society stops being progressive.

This very involved and challenging picture has been somewhat simplified as presented in [Exhibit 2-1](#).

**Exhibit 2-1**  
**The workings of the market system**



The market system has significant influence on the side that is mining, farming, and manufacturing by providing information as to what to produce, market conditions, and also indicating what the trends are in terms of market demands and consumption patterns. On the other end of the spectrum the market system makes the goods and services that are produced available and accessible to the users and consumers in the society.

In facilitating and, at times, helping the supply side, the market system utilizes sophisticated market research. In facilitating the needs of consumers, the market system has powerful extensions. As indicated in [Exhibit 2-1](#), it first of all has a transportation or logistics arm which delivers goods. Second, it has a warehousing system which makes products available when they are needed. Third, the market system reaches out to consumers through retailing which is located strategically to create consumer convenience. Fourth, the market system communicates with consumers and consumers-to-be, with users and users-to-be (Kotler and Keller [2013](#)).

This brief description of the market system does not imply that it is perfect and, if left alone, will work flawlessly. In fact, this system is very vulnerable and must be aided to function well. In my most recent book (Samli [2016](#)), I pointed out that the market system should be empowered by innovation and by entrepreneurship. In fact, the recent vulnerability displayed by the market system by allowing it to be taken over and to be ruled by financiers and 1 percenters has created a deficiency in the innovational capabilities of our society and decreased functionality of entrepreneurs (Samli [2013](#)).

## THE KEY FEATURES OF A MARKET SYSTEM

[Exhibit 2-2](#) illustrates some of the major features of a market economy. All of these features do not appear or are not detected up front as a market economy continues functioning. But these and many other features of the market economy make a major contribution to the well-being of the society and it must be empowered to do well.

### **Exhibit 2-2**

#### **The key features of a market system**

- Informing consumers to make better decisions
- Supporting entrepreneurship which creates and maintains a middle class
- Better and more efficient utilization of national resources
- Creating a near full employment and utilizing national human resources
- Stimulating innovative activity

In a well-functioning market economy, consumers are well informed. They are not misguided by propaganda or negative or misleading information. In such a system, consumers are well informed about alternative features of the products they are considering buying. They know what services are good for them. Thus, consumers can make better decisions to satisfy their needs.

In a market system there will be, there must be, many medium and small businesses all competing to cater to the consumers. In most of these cases, owner-managers manage the enterprise. Most of these owner-managers are entrepreneurs who are primarily middle class citizens. Thus, by having many small- and medium-sized entrepreneurial businesses, the society maintains a progressive middle class which is essential for a progressive society. This is because the middle class creates jobs, starts businesses, and competes to satisfy consumers. None of these features, despite all of the propaganda, are possessed by the 1 percenters or the industrial giants (Samli 2014).

More entrepreneurial entities, almost by definition, create more jobs which means better utilization of the country's human resources, as well as utilizing the country's other resources including highways, power supplies, warehouses, even educational facilities. If there are many small- and medium-sized entrepreneurial entities, the country's economy may achieve full employment which is not likely to happen with the activities of industrial giants. When there is an indication of a recession, financial giants lay off thousands of workers. They try to develop high-tech products which would replace labor. But high-tech products which do not buy other products do not necessarily contribute to the economic growth. Financial giants also force reductions in labor pay and retirement funds if and when there is a recession. But small- and medium-sized businesses need people to function. They are not quite trigger happy enough to lay off their employees or exploit them by reducing their salaries.

As the employment picture would be better by having small- and medium-sized entrepreneurial entities, the distribution of national income also would become more equitable. Successful entrepreneurs make enough money to be in the middle class. This means that by getting away from 1 percenters and industrial giants, the society automatically approaches normalcy. If the small- and medium-sized entrepreneurial businesses are supported, the gap between 1 percenters and the rest of the society will become narrower which means more equitable distribution of GDP.

More equitable income distribution creates a better quality of life for the 99 percenters without hurting the 1 percenters. Better quality of life

for all is the key consideration of a progressive society, which is partially based on an equitable distribution of GDP.

Almost by definition, when there are many small and medium entrepreneurial companies competing, there will be more competition leading to developing more progressive innovations (Samli 2016). Despite all positive features, the market system is very vulnerable to many activities which would limit or weaken competition and undermine the positive contributions that the system can make.

### HOW VULNERABLE IS THE MARKET SYSTEM?

Many attempt to create negative propaganda initiated by the financiers and 1 percenters who would not like radical changes in the system; the market system is being stolen by the financialization. The market economy must be directed, checked, and empowered so that the whole society would benefit from the functioning of the market system (Samli 2016). But the opposite is happening.

Exhibit 2-3 presents five different vulnerability points of our market system which need to be understood and stopped so that we, the American society, can enjoy the performance of our market system as it performed before it was stolen away from us. These vulnerability points are briefly discussed below. But, one thing must be made clear, all five of these activities are benefiting 1 percenters and creating financialization in our market economy.

#### Exhibit 2-3

##### **The vulnerability of the market system**

- Five deadly social activities
- Top-down management practices
- Too big to failers domination
- Poor income distribution
- Unchecked greed factor

### FIVE DEADLY SOCIAL ACTIVITIES

I touched upon these in my previous book (Samli 2016), but they need to be revisited since they are not being stopped or reversed. In fact, they are not even being considered as problems at this point in time. However, if

these five deadly social activities are not stopped and reversed, our market economy does not have a chance to get back and function the way it promised for the betterment of the whole society.

Without any prioritization or specific ordering, these five deadly social activities are discussed below. Perhaps the most unfortunate aspect of these activities is that through many years of propaganda by those who do not want any changes because they are doing very well, these deadly social functions are accepted as necessary functions of a democratic society by almost a majority. These five deadly social functions are deregulation, merger mania, outsourcing, tax cuts, and privatization.

### DEREGULATION

Deregulation considerations started basically during the Carter era. President Carter thought simplification of legal requirements would truly help small businesses. He was very wrong. If there are no laws and regulations, the law of the jungle takes over. This means not only the survival of the fittest but primarily the survival of the fattest. The fat, that is, 1 percenters and financiers, made its greed to become a very strong power to cut costs and make quick financial gains. The cost cutting has had two focal concentrations. First, cut labor costs which meant making labor work more for less money. The second part of this orientation has been innovating high-tech solutions whereby the machines will replace people. After all, machines don't ask for raises, they don't retire, they do not eat or sleep, etc. This orientation, along with other factors, created a number of recessions which actually helped the 1 percenters. They get concessions from unions for lower pay and eliminated some retirement programs. These harmed the progress of the society while they benefited tremendously (Samli 2013).

### MERGER MANIA

Extended deregulation practices gave way to very questionable mergers and acquisitions. Antitrust laws are being ignored and industries started becoming oligopolistic (Samli 2013). People with little understanding of how our market economy works kept on saying, well it is a free enterprise system. Of course, very few raised the question, free for whom? As a result, the merger of, say, number one and number two companies in an industry is allowed to take place which is extremely harmful to the well-being of a progressive society (Samli 2014). Furthermore, financiers



bought out up and coming entrepreneurial companies and eliminated growing competition.

### OUTSOURCING

Almost as a continuation of deregulation and merger mania, during the past three decades or so, international trade took a harmful turn on the American economy. Our indebtedness to China, Japan, Mexico, and other countries increased tremendously. The greed factor leading to cost cutting activity allowed many 1 percenters and financiers to go to cheap labor countries for production. Millions of good paying jobs disappeared as thousands of American factories closed down and millions of the members of the middle class became poor. This created a tremendous shrinkage in the American middle class.

### TAX CUTS

One of the American political parties has done very little about the progressive development of our society and concentrated almost strictly on tax cuts. It became a historical negative situation when the USA was involved in two wars and was giving major tax cuts to 1 percenters. This situation created a big budget deficit and previously accumulated budget surplus disappeared. The results of this extremely poor situation were the great recession and total economic stagnation in 2007.

### PRIVATIZATION

Part of the nonstop propaganda activity is that private people and private companies can do things much better than the government. In fact, the propaganda goes further maintaining that government cannot do anything right. Certainly this orientation is extremely beneficial to 1 percenters. Without government's interference, they could go on exploiting the society for personal gains. In order to prove their point, the advocates of privatization have been blocking anything that our government is undertaking to create a progressive economy. The privatization has been tremendously harmful for our education system. The education of American society is moving away from being a right for all to being a privilege for the wealthy. These points and many others are discussed in detail throughout this book.

## TOP-DOWN MANAGEMENT

As a result of accumulation of financial power, supply chains and retail giants with many retailing units emerged. These organizations are run with top-down management styles which are dominated primarily by quick and large financial gains. This provides significant rigidity for individual retailers who are innovative entrepreneurs. They cannot practice that which will create more optimal conditions for each retail unit. This general situation basically blocks off progressive innovative behavior and disrupts national economic growth. Bottom up management activity, under these circumstances, becomes impossible.

## TOO BIG TO FAILERS

Unfortunately some of the industrial and financial giants during the great recession almost came to the brink of failure. They were rescued by the government as being too big to fail. The thinking was if they failed that would cause more difficulty for the economy than saving them. However, as these too big to failers survived, they have continued their quite negative activities in the market system. For instance, banks today are bigger than they were in 2007 and they appear to be functioning in their questionable manner as they did then.

## POOR INCOME DISTRIBUTION

The market system functions by financial pressures. Without even considering tax cuts, deregulation, and merger mania, if, for other reasons, the society has an uneven and lopsided income distribution, then the market system reacts accordingly. For instance, if the society needs more food but marketing pink blankets for pets is very profitable, the market system will concentrate on pink blankets. This is most likely hazardous for the society, but financiers win.

## THE GREED FACTOR

Although this is an all-encompassing factor, it is necessary to mention it here. In many ways it is greed that causes all of the other negative factors. This is a very powerful orientation. It must be well understood and

carefully dealt with. Almost all billionaires are suffering from what this author calls the greed factor.

It must be reiterated that these negative forces are slowly but surely taking our market system away and replacing it with a very unkind, ungentle, and very regressive market system (Samli 2014).

### WHAT MAY BE IN STORE?

Just what happens if the market system totally disappears? This is a very dangerous scenario. Without the market system the economy will be completely split between a very few, extremely rich, and a big majority of very poor people. The USA is a young country and has not seen such a situation prevailing, but this is how class wars begin. A disastrous gap between the rich and the poor has been the major cause of revolutions, including the French revolution, the Russian revolution, the Chinese revolution, the Cuban revolution, and others.

### CONSIDERING THE QUALITY OF LIFE

The business sector survives if it is providing services and quality of life to the population. The business sector achieves these goals by using the market system. The market system delivers the services and quality of life. If the market system is being taken over by financiers who are strictly after immediate financial gains rather than serving the society, the conditions become much worse. This is a very dangerous pattern. If the business sector does not relate to the consumer needs for improvement of their quality of life, the society has no place to go but backward.

All of these five deadly activities are benefiting billionaires by creation financialization of our market system. Perhaps it is necessary to explore what financialization is and what is causing it. [Exhibit 2-4](#) presents some of the key points which are helping our market economy to become a finance economy. I have dealt with this critical and dangerous change in one of my earlier books; however, the special points presented in [Exhibit 2-4](#) are extremely critical. Without being dealt with, the five deadly social activities cannot be stopped or reversed.

**Exhibit 2-4****Financialization of our market economy**

- Misunderstanding of the market economy
- Background of CEOs
  - Mostly finance
  - Engineering
  - Lack of marketing understanding
- The psychological background of CEOs
  - Need for accomplishment
  - Need for control
  - Need for quick results
- Not trusting the economic sustainability

The first item in [Exhibit 2-4](#) is perhaps the most critical in the process of our market economy becoming a finance economy (Samli 2013).

### MISUNDERSTANDING OF THE MARKET ECONOMY

After some 250 years, it is disappointing that the market economy, which brought us out to the point where we are, is not clearly understood. Many people believe in the propaganda that free enterprise and free markets brought us to where we currently are. The propaganda is partially, but only partially, correct. As mentioned in many parts of this book, without proper regulations, 1 percenters are taking advantage of the rest of the society. Is this really a free market system or a free economy? It is simply a ploy pressing for deregulation and creating conditions for 1 percenters to take more advantage of the rest of the society. Free market or free enterprise system is truly free when everyone in a progressive society can enjoy all the advantages a progressive society will offer. In other words, equal OPPORTUNITY. This is the real freedom. But the effectiveness of the propaganda and behaviors of our industrial giants have been leading our society into “whatever you can get, get it as quickly as you can in any way you can” type of approach. The industrial giants and their CEOs are quite guilty about this movement, but it is almost totally here. The CEOs’ behavior and their use of power somewhat questionably is very influential in our market economy becoming a finance economy (Samli 2013).

## BACKGROUND OF MODERN CEOs

Unlike two or three decades ago, instead of marketing and sales, modern CEOs are coming to their current positions from engineering and finance backgrounds. While they are well trained in dealing with numbers and how to cut costs, they have much less training in marketing. Thus, in the current financialization of our economy, these CEOs are making enough difference to emphasize cutting costs and receiving fast cash benefits rather than improving their marketing performance which would benefit the whole society. This questionable behavior indicates an exercise of greed rather than social leadership.

This is perhaps partially dependent on, or caused by, these CEOs' psychological backgrounds. They typically have a strong need to achieve quickly. They believe in control. Furthermore, they take chances in order to functionalize the positions. They create ambiguity to achieve their goals (Myatt 2013).

One more feature may be added here. These CEOs don't believe in the sustainability of the current market. Therefore they are motivated to get as much financial benefit at any cost and as quickly as possible. Therefore they are contributing to the lack of sustainability of our current economy. They are accelerating the lack of sustainability of our economy.

Of course these features of behavior, almost by definition, opt for quick financial results rather than proper marketing behavior which would help all but would take time and marketing knowledge.

As mentioned in my earlier book, in addition to being dangerous by creating economic disparity between the rich and the poor, it is not sustainable. If the American economy moves in the direction of financialization, it will implode.

The continuing financialization of our system will accelerate the conditions listed in [Exhibit 2-3](#). These conditions are discussed in different sections of this book. They will contribute to the implosion of the American economy.

## CONCLUSIONS

Market economy is the best way, if not the only way, to bring gains of economic productivity to the consumers to create and improve quality of life. However, at this point of the twenty-first century, if left alone, the market system is extremely vulnerable. The vulnerability is caused by at least

five deadly social activities and top-down management. These are rather carefully explored in this book. Left alone the market system is being taken over by 1 percenters who are not even remotely interested in the well-being of consumers, but they have been successful enough to steal our market economy. One percenters have been creating a finance economy which is totally in favor of 1 percenters and is very discriminatory. The five deadly activities are enforcing the financialization process which is not sustainable. These social activities must not only stop but must be reversed.

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## What Is Happening to the US Economy?

Much of the twentieth century, the US economy has shown its progressive face which it was originally meant to be. By emphasizing entrepreneurship and labor union activities many American workers experienced a reasonable quality of life. In general, the market system was progressive and provided a reasonable quality of life for almost all. This progressive picture almost totally disappeared at the beginning of the twenty-first century. More specifically, the magic of the market economy has been stolen by GREED.

### THE DISAPPEARING MAGIC OF THE MARKET ECONOMY

Under normal functioning conditions our market economy, in some exaggerated way, performed magic. This magic started around World War II and continued perhaps until around the early 1980s. During that period American market economy bloomed. During that period competition and ambitious behavior of entrepreneurial businesses created an American economy which became number one in the world in industrial development, produced the most college graduates, became the most innovative nation, and experienced fastest economic growth. In pursuing ambitious growth and progress the government, basically the two parties, was not opposing each other and was not blocking progress.

In my earlier book I asked the question: “Mary, Mary, quite contrary, how does your economy grow” (Samli 2013). I raise the same question

before we discuss disappearing magic of our market economy. The response to that question more in today's terms is that: "Mary, sorry but your economy is barely moving in the positive direction. Your economy will grow if there is much more emphasis on innovation and in entrepreneurship" (Samli 2016). If the market is running in the way it should be, its magic will reflect itself by growing at a healthier rate which may be around 5 percent or more; people will have equal opportunities rather than 1 percenters having opportunities almost exclusively. People, all people, will have opportunity to learn new and better skills by entering free educational institutions, manufacturing will be booming again, wages and salaries will go up, labor will be appreciated, and, perhaps above all, human values will be way ahead of quick financial gains.

But, Mary, these things are not happening. I would like to remind you that without proper laws, with much emphasis on merger mania, practicing much offshoring, insisting taxes for the billionaires be cut, and trying to privatize major government functions simply will not ALLOW FOR YOUR ECONOMY TO GROW.

In short, Mary, your economy is not growing, the market system at this point in time is simply not allowed to deliver its promises of: progressive growth for all, optimal utilization of national resources, including human resources, creating innovation culture, and a strong entrepreneurial class and the like, your economy is simply *dormant*. Two separate, but extremely powerful, sets of activities or events in our society is creating the non-progressive activities: progress blockers and five deadly social activities. After having a brief review of progress blockers, which are discussed in my three books (Samli 2013, 2014, 2015), this book concentrates on primarily the five deadly social activities.

## EMERGENCE OF A FINANCE ECONOMY

As is mentioned in [Chapter 2](#), with all good intentions a forceful deregulation activity started a major movement in our society. It may not be obvious to many, but when there are not enough laws then the law of the jungle sets in that is survival of the fittest or, as this author coins it, survival of the fattest. The survival of the fittest or, as I call it, the survival of the fattest gives an unusual advantage to the rich. In other words, the law of the jungle reigns. As this started happening, our market economy started becoming a finance economy as partially described in the first chapter of this book. As financiers and billionaires gained more and more power, the



gap between 1 percenters and 99 percenters became questionably significant in a very negative sense. But other questionable patterns started forming as well (Samli 2013). Among these are economic stagnation and the tremendous gap between the rich and the poor. Wages and salaries are almost frozen, meaning that they are not increasing. People are working in multiple jobs and are not able to make ends meet.

### CRITICAL IMPLICATIONS

As our economy moved from being a market economy to becoming a finance economy, dramatic changes took place. Two of these are emphasized here. First, economic stagnation was triggered by financial manipulations. Among these manipulations was the housing bubble which created millions of homes to be repossessed and created millions of bankruptcies. Furthermore, as money accumulated in the hands of 1 percenters, 99 percenters did not have enough money to stimulate effective demand in the economy which created shrinkage in employment and the level of unemployment got higher and higher. This situation gave more power to 1 percenters. They gained more economic power and forced down most retirement benefits. Labor lost its negotiation powers as labor unions got weaker. This whole situation created the greatest recession this country has ever experienced.

Preventing the great recession from becoming a major economic depression was a major undertaking. The Obama government successfully counteracted the great recession. By helping the banking industry and auto industry millions of jobs were saved and our economy started its route to normalcy. But this lack of normalcy is not progressive enough, as discussed in many parts of this book.

Second, as mentioned earlier, moving in the direction of becoming a finance economy created a most alarming gap between 1 percenters and 99 percenters. While a very few billionaires and financiers became extremely rich, about half of our population reached the level of becoming poor or near to being poor. This gap is the most alarming and dangerous for the general health of our economy. Such a large gap between the rich and the poor does not exist in other industrialized countries.

While, for instance, around the 1980s the earning ratio of management and labor was around 20 to 1 in favor of management, that ratio became much over 300 in favor of management which is a shocking development. It is an indication of the power gained by management

through the finance economy. This gap, unfortunately, is still present at the writing of this book.

### INCREASED WORKING POOR

As the movement from a market economy to a finance economy became more pronounced, the working poor category in our society became larger. As mentioned earlier, people working multiple jobs but having difficulties in making ends meet became a common occurrence. Thus, although the unemployment picture has gotten better since the great recession of 2007, the levels of earnings for the labor have been stagnant.

### MORE POWER FOR 1 PERCENTERS

As salaries and wages remained somewhat frozen, the financial gains of 1 percenters has gone through the roof. As was mentioned in Samli (2016), this is a very dangerous pattern leading to social restlessness. Despite some great risks about the total lack of sustainability, and even class warfare, this pattern has been continuing.

### PROGRESSIVE BEHAVIOR IS LACKING

It is necessary to note that, in general, it has been accepted that the American business dynamism and entrepreneurship has been declining over recent decades (Edsall 2016). But societies that do not innovate, stagnate (Kao 2007). Hence the American society is not performing within its potential capabilities. In fact, according to some, innovation-driven revivals comparable to the post-World War II boom are basically nonexistent (Gordon 2016).

This lack of progressive behavior has been debated back and forth after the great recession (Edsall 2016). But the key point of our economy moving in the direction from being a market economy to becoming a finance economy is discussed carefully enough (Samli 2013). Those discussions have not created a counteraction to become progressive once again. The financiers and billionaires exercising their insatiable greed are keeping our economy down in favor of their own current conditions which are extremely lucrative. They do not wish to change these lucrative conditions.

## JUST WHAT IS BLOCKING ECONOMIC PROGRESS?

The dormant progressive economic conditions of our society are due to at least seven innovation blockers. These seven blockers are presented in [Exhibit 3-1](#). These have been discussed in different ways earlier but must be repeated here (Samli 2016). It must be recognized that each one of these blockers could make a book in itself. Here we are dealing with simple summaries.

### Exhibit 3-1 Innovation Blockers

<i>Causes</i>	<i>Impact</i>
Bureaucratic stagnation	Much tradition orientation and sustainability enhancement
Profitable picture of giants	Industrial and financial giants are doing very well
Inadequate education support	Not enough emphasis on critical thinking
Government's allocation of resources	Not enough funds allocated to research undertaking
Anti-entrepreneurial setting	Inadequate capable entrepreneurs
Too much emphasis on current financial activities	Not enough investment in the country's future
Increasing poverty	Limited financial resources are used for the poor

## BUREAUCRACIES

All organizations, businesses, and governments are run by active decision making groups which are called bureaucracies. These decision making critical organizations are essential for making things happen. While at the beginning they are quite effective, in time they become somewhat biased, opinionated, and stagnant. They become more interested in their own sustainability. Thus, they become against change and innovation. Currently most bureaucratic organizations in our society are influenced by the financiers and billionaires in favor of 1 percenters against the rest of the society.

## INDUSTRIAL GIANTS

Industrial giants which are directed and controlled by 1 percenters of our population are doing extremely well. In fact, economic downturns and recessions are helping them to cut down labor costs and retirement benefits (Samli 2013). These organizations do not need to be engaged in radical innovations which are needed for the society to make progress. Research activities leading to radical innovations are costly and risky. They are out of the industrial giants' comfort zone (Samli 2016). Most importantly, tax cuts and more income for them is not creating more jobs. As has been said many times, trickle down is not working.

## ROLE OF EDUCATION

American education system has been changing nonstop. However, the changes are not necessarily benefiting the whole society, but again, mainly financiers are being benefitted. The education system is being privatized, and instead of being the right of people, it is becoming a privilege of the wealthy (Samli 2016). Only those who are financially well-off are able to get better education. Thus, relatively mediocre education levels in many parts of the society are not quite helpful to create an innovation nation which is desperately needed.

## GOVERNMENT'S RESOURCES

As industrial giants are offshoring well-paying jobs and importing endless amounts of products, domestic income is not increasing fast enough for research and growth. Foreign indebtedness is increasing fast. With the opposition party blocking all the progressive attempts to finance growth is not happening. Government is not being effective. Thus, extra monetary resources that are needed for innovation are not quite present, and government's role in this area is very limited.

## ANTI-ENTREPRENEURIAL SETTING

Although much talk takes place in favor of small entrepreneurial entities, in reality small, innovative, and dynamic enterprises are being gobbled up by industrial giants. This process is creating a serious problem for the innovativeness of our society (Samli 2016; Kwoka 2015).

## TOO MUCH EMPHASIS ON PRESENT

With existing current economic problems and the gridlock existing in the US Congress, futuristic research and explorations are almost totally frozen. Futuristic innovation research, say, on renewable and environmentally friendly energy, environmental changes, and the like are almost totally frozen. A progressive society needs much more of these.

## INCREASING POVERTY

There is an indirect but very critical connection between socioeconomic needs of poverty and innovation. The increased levels of poverty in our society during the past decade or so have been taking away much needed financial resources that can be utilized for innovation-related critical research (Hall and Moroney 2012). As this orientation dealing with progress slows down, in general poverty increases in the society.

In a general sense, all of the innovation blockers are financially based and all of these blockers are either initiated or supported by the financiers and billionaires. The 1 percent group does not want a change. They are doing extremely well as opposed to 99 percenters who are not making much progress. In fact, they are losing ground, economically speaking, to 1 percenters and becoming poorer.

## WHAT ABOUT ENTREPRENEURSHIP?

Entrepreneurs, unlike their counterparts in the business and financial sectors who are benefiting from the current economic conditions, do not have a comfort zone. They are interested in taking risks and supporting innovation. It is a shock to realize that despite all the talk and idle promises, the entrepreneurial group in our society is not making progress (Samli 2016). In fact, the pace of business dynamism and entrepreneurship in the USA has declined over recent decades (Decker et al. 2016). This is due to financialization of our economy which has been shaping patterns of inequality, cultures, and social change, but not necessarily to the benefit of the society as a whole (Davis & Suintae 2015).

Entrepreneurs are proactive, risk-taking, and forward-looking elements in our, in fact all, societies. These critical thinking progressive

doers have certain specific characteristics that are presented in [Exhibit 3-2](#). As the exhibit indicates, entrepreneurs are not only thinkers but are also doers. They take risks and explore innovational unknowns. Since entrepreneurs primarily support and promote critical innovational activity, there is a very strong relationship between entrepreneurship and innovation. It has been about three decades since American innovational activity has become rather slow, and, during the same time, American entrepreneurship also declined (Lilien 2015). It is maintained here that without a powerful entrepreneurial effort being practiced, the innovational progress of our society is likely to be rather unimpressive.

### Exhibit 3-2 Key Characteristics of Entrepreneurs

<i>Characteristics</i>	<i>Implications</i>
Well-developed egos	Emphasizing accomplishments
High level of energy	Ability to handle risky situations
Impatient to finish work	Performing quickly and efficiently
Contingency thinking	Thinking alternatives
Need to control business	Sharing own dreams with all workers
Above average intelligence	Knowing what to do well
Strong desire to succeed	Ambition to finish the work
Major risk taking	Considering risky projects manageable

*Source:* Adapted and revised from Samli 2009.

## CONCLUSIONS

The American economy is certainly not performing within its capabilities. The dynamic progressiveness of our economy has been slowly disappearing. The emerging finance economy which is basically replacing our traditional market economy is mostly responsible for this rather undesirable trend. Instead of the society making economic progress as a whole, only 1 percenters have been making incredible financial progress. This group of financiers and billionaires is not for any

economic change. They are doing extremely well. As a result, directly or indirectly, they are blocking innovational progress. The society, as a whole, experiencing progressive human values reaching out to the whole society are replaced by short-term financial gains which are primarily going to 1 percenters. Human values created by market economy are being replaced by greed for financial gains by a small group of billionaires. Thus the number of working poor is increasing, wages of the middle class are frozen, innovativeness of the country is deteriorating.

Perhaps the most important condition our economy is facing is being able, first, to make a distinction between two separate but very powerful forces blocking our economic growth: First, progress blockers which are briefly discussed in this chapter; and, second, five deadly social activities which are discussed in detail throughout this book. The critical issue here is to understand that progress blockers, even if stopped and reversed, will not be adequate since the five deadly social activities are still going on. The five deadly social activities are facilitating the financialization of our economy. Both groups of forces must be stopped and their negative impact must be reversed.

Special effort must be made to bridge the economic gap between the rich and the poor. It is totally necessary to eliminate the innovation blockers, or progress blockers, and the five deadly social activities. Much planning must take place to further cultivate entrepreneurship.

We must get our market economy back.

## APPENDIX

### *Bureaucratic Barriers to Economic Progress*

#### INTRODUCTION

Countries, organizations, and businesses are all managed by bureaucracies. In fact, there is no other way of managing societies and their components. Bureaucracy is a system of administration distinguished by its clear hierarchy of authority, rigid division of labor, written and inflexible rules, regulations, and impersonal relationships (Gajduschek 2003; Webber 2008; Johnson 2014; Notes 2013). No country or organization can

function without fully active bureaucracies, but in time these bureaucracies have a tendency to become less functional.

## BASIC FUNCTIONS OF BUREAUCRACIES

[Exhibit A-1](#) presents seven key functions of bureaucracies.

### **Exhibit A-1** **Basic functions of bureaucracies at their beginning**

<i>Functions</i>	<i>Implications</i>
• Strategic decision making	Quicker and better decision making
• Exercising authority	Establishing clear authority to accomplish the tasks
• Making it possible to get results	Careful organization of workers to fulfill its goals
• Centralization of decision making	Clear-cut instructions for workers for specified works
• Strong control mechanism	Establishing strong boundaries for decision making
• Well-defined specialization	Establishing the needed task identification
• Identifying best practices and using them	Operations are clearly identified at all levels of the bureaucratic process

Perhaps above all, bureaucracies are engaged in making strategic decisions to fulfill the goals of the organizations they represent. In doing so and in implementing their decisions, they exercise authority. Through decision-making and implementation, bureaucracies exercise authority. This is how they get the results that the organization – or the society – needs. Bureaucracies are centralized in both their decision-making and the implementation. In order to compete their major functions as planned, bureaucracies develop strong control mechanisms. These well-defined functions and control mechanisms then condition the defined specialization of the functionaries who are assigned to perform carefully identified functions by proper specialization. Finally, particularly at the beginning, bureaucracies would use, on the basis of their own knowledge and



experiences, best possible practices for their functional survival (Johnson 2014). These functions, and perhaps many others, are essential for an organization, government, or country to survive and make progress. These basic functions must continue. But, the bureaucracies which are performing these functions change over time. As these bureaucracies continue existing and functioning, they become dysfunctional in time.

## DYSFUNCTIONALITY OF BUREAUCRACIES

The potential for dysfunctionality of bureaucracies can be demonstrated in many different ways. [Exhibit A-2](#) illustrates four different and significant ways of bureaucracies which may lead to dysfunctionality.

### Exhibit A-2

#### Dysfunctionality of advanced bureaucracies

<i>Characteristics</i>	<i>Impact</i>
• Rigidity	Not being able to cope with unexpected new situations
• Being self-centered	Concerned more about its power and continuity than other things
• Dictatorial	Too much ordering rather than listening
• Blocking progress	Considering any unexpected development as a threat

Above all, bureaucracies are rigid. While this rigidity may be quite appropriate at the beginning, indicating focus and concentration, in time as things, conditions and needs change, they remain focused on the original ideas and procedures.

While bureaucracies emerge to help the organizations for which they work, in time they become self-centered. Their orientation becomes more inward and more focused on their own survival than helping the organization they work for.

In order to perform whatever they are supposed to perform at the beginning, they are dictatorial. While this is expected and functional at the beginning, as the conditions and needs change, they do not. As a result, they become dictatorial and perform in unnecessary or outdated activities.

As bureaucracies become older and more introverted, they do not like certain activities which may threaten their existence in the long run. Thus, they block many activities which may be progressive for the organization they work for.

As can be seen, the older and more well-established bureaucracies, in time, become self-centered and redundant. This situation causes serious problems for organizations that are supposed to serve. They simply become outdated, dysfunctional and extremely rigid. In other words, instead of being proactive and progressive forces, they become a burden to organizations for which they are working. This situation not only may create stagnation within the whole society but may also block economic progress. This can become extremely serious and damaging for some societies.

### BLOCKING ECONOMIC PROGRESS

Older and well-established bureaucracies can be enemies of economic progress. [Exhibit A-3](#) presents some aspects of this possibility.

#### **Exhibit A-3** **Blocking economic progress**

<i>Bureaucratic Behavior</i>	<i>Implications</i>
<ul style="list-style-type: none"> <li>• Too connected to existing technologies</li> </ul>	Does not consider supporting disruptive technologies
<ul style="list-style-type: none"> <li>• Does not tolerate competition</li> </ul>	Tries to stop potential new competition
<ul style="list-style-type: none"> <li>• Would ignore radical innovations</li> </ul>	Counteract development of radical innovation
<ul style="list-style-type: none"> <li>• Does not encourage exploration</li> </ul>	Stuck with doing things as they have been done in the past
<ul style="list-style-type: none"> <li>• Is motivated for its own well-being</li> </ul>	Much more interested in its continuity rather than contributing to the organization for which they work
<ul style="list-style-type: none"> <li>• Being connected to a political party</li> </ul>	Considers well-being of that part rather than national progress

First of all they are too tied to existing technologies. These technologies may have helped them to perform their functions at the beginning, but they

may have become rather old ways of performing certain much-needed activities. But bureaucracies may not consider new disruptive technologies which may make major contributions to the company and the society.

Not only would they not consider new and dynamic disruptive technologies, but they also look at them as potential new competition which, in their minds, must be stopped. Thus, they are typically anti-competition.

If there are new radical innovations, the well-established bureaucracies typically dismiss them. They do not support major innovations that, they think, will make them outdated or dysfunctional.

Since they are very closely tied to the well-defined, rigid, and not very flexible procedures, bureaucracies are not open to new orientations or new explorations which may contribute significantly to their organization's well-being.

Old and well-established bureaucracies become more interested in their own existence and sustainability rather than making major efforts to improve the organization they work for or the society within which they function.

Finally, at the national level, bureaucracies may be very well connected to a political party or a political position and might ignore national progressive decisions, which need to be emphasized (Clark et al. 2013).

## REMEDIAL ACTION

Just how do we keep bureaucracies progressive, dynamic, and innovative as they may have been at their beginning? In fact, how do we determine that bureaucracies, at least some of them, have become dysfunctional? This particular area must be explored very carefully before it is too late for any bureaucracy. Certainly no bureaucracy must be left alone to become harmful to the society. This particular area needs to be explored carefully so the remedial action could take place. This is particularly important in developing countries so that bureaucracies are not going to block their progress.

## CONCLUSIONS AND FUTURE RESEARCH

It is maintained here that bureaucracies are necessary for organizations or societies to function. But while bureaucracies are very functional, productive, and proficient at the beginning, they become old and dysfunctional in time. They become self-centered and dictatorial. They do not tolerate change and new innovations. This may be extremely serious, particularly in developing countries if they start disrupting progress.

Future research must explore when and how to determine the dysfunctionality of bureaucracies and how to remedy this situation.

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## Who Is the Culprit?

### THE GREED FACTOR

Although greed is considered to be a positive attribute contributing to the economy's economic progress (Rand 1957), I consider greed as a dangerous and extremely negative economic force. Insatiable appetite to get more of everything which greed represents is the key force behind every economic stagnation. In other words, greed controls the money which is causing the problems discussed in [Chapter 3](#). The greedy simply are not satisfied by the millions that they have made but are going to do anything – good or bad – to make more. Making money and gaining economic power, which are motivated by the greed factor, is almost like a competitive sport for the 1 percenters. They would do anything to get more money and economic power. Their perception of the economic world is that they think “either them or me.” In other words, they see the total economic activity as a zero-sum game. Meaning that they will advance only by taking money and economic power from others. This means the greed will step on people to get what they want. Although there are exceptions to this negative orientation, this interpretation of the greed factor is quite predominant and is distorting our national economic balance by creating the enormous gap between the rich and the poor in our society (Samli 2013).

In my earlier book (Samli 2013, p. 41), I referred to greed as the unfortunate financial disease. Unfortunately, despite the economic

statistics which are quite positive, there has been very little movement to curb greed and bring the national economy to an even keel. Which is meant in this case, improvement and growth of the middle class causes overall economic progress for the society. I refer to this situation as moving back to being ambitious and progressive.

As indicated earlier, capitalism goes in two opposite directions: having greed allowed and encouraged or having ambition and progressiveness encouraged. I believe that if there are no progressive administration and progressive laws encouraging progress for the whole society, the system goes in the direction of greed.

In my earlier book I called this situation (meaning greed) an unfortunate financial disease (Samli 2013). Despite some major economic progress in terms of creating more jobs, the disease is certainly continuing. It must be posited that, if left alone, capitalism can go in two different directions: First, ambition; and second, greed. While it was ambition that brought our society to its enviable position in economic performance, three decades ago greed took over and our society's progress almost came to a halt except for the financiers and billionaires, in short, 1 percenters, who gained tremendous economic power. During these three decades or so, while the American middle class started shrinking and earnings of working Americans stayed stagnant, some 40 people accumulated enough wealth to almost equal the total wealth of the rest of our whole economy. This, in a sense, meant that our market economy is being stolen by the 1 percent group of the society, and our market economy is being replaced by a finance economy. This situation is very dangerous and is not sustainable (Samli 2016).

The finance economy is very busily replacing the key element of our society which is ambition by greed. First of all it is critical to analyze the important features of the ambition factor.

## THE AMBITION FACTOR

Ambition is proactive, entrepreneurial, and progressive. A country, any country, must have a culture of ambition to move forward. Just what are the key features of ambitious people? This author believes that [Exhibit 4-1](#) addresses this question quite adequately. In [Exhibit 4-1](#) ambition is analyzed from the perspective of eight dimensions. The following discussion is based on these dimensions.

### Exhibit 4-1 Key features of ambition

Constructiveness	Working and collaborating with people. Creating opportunities for everyone.
Perception of the world	Much can be accomplished by cooperation and mutual progress.
Personality traits	Generous, knowledgeable, and opportunity sharing. Working with others. Allowing others to advance.
Time orientation	There is time for any kind of advancement and progress.
Civic mindedness	If the environment is improved, if the poor have more money, we will all be better off.
Selfishness element	There is enough talent for progress. If the society makes progress, we all make progress.
Accomplishment goals	If I can make a success of this undertaking, how can I benefit others as we benefit?
Attitude toward performance	Appreciating all the help received for this accomplishment.

## DIMENSIONS OF AMBITION

All ambitious people are hardworking collaborators with other people. They work with others to accomplish their plans.

Ambitious people see the world as an endless stream of opportunities. Working and collaborating with others they believe they could accomplish much.

Ambitious people are gregarious, knowledgeable, informative, and sharing opportunities with others.

Time is very important for the ambitious. Meeting deadlines and completing the task on hand in the most desirable way makes ambitious people major contributors to economic progress.

The ambitious think if the environment is improved, and if the poor have better opportunities, the society will be better off. Certainly, these will improve economic conditions for everyone. Thus, the ambitious are civic minded and do not block progress.

The ambitious are selfish, but this selfishness goes way beyond keeping other people from advancing. This type of selfishness becomes a reality

when the ambitious people do the job which needed to be done as well as it could be done. They are selfish in terms of accomplishing the tasks that need to be done.

The selfishness of ambitious people leads to the need for accomplishment. They question how their accomplishments can be shared with others.

Finally, ambitious people appreciate and acknowledge the help they receive from others. They understand that their accomplishments happened because of help they received from many people.

The features presented in [Exhibit 4-1](#) are all idealistic. Many ambitious people have most of these features to a certain extent. One of the key points about presenting the exhibit is that the features presented in it can be taught through the education system. This is the direction our education system must take. Ambitious people are not born, they are primarily made by the society. But at the present, our society is hardly considering having a progressive orientation which is managed by ambitious people.

## DIMENSIONS OF GREED

Democracy used to be one person, one vote. Today it appears that the American democracy is going in the direction of one dollar, one vote. This is due to moving in the direction from a market economy to a finance economy. The power behind this movement is the greed factor. The greedy 1 percenters are almost keeping our society hostage from making key economic progress. [Exhibit 3-23](#) presents some of the key features of the greedy people. The two exhibits, i.e., [4-1](#) and [4-2](#), have the same dimensions so that the ambitious and the greed can be compared by the same criteria.

### **Exhibit 4-2** **Key features of greed**

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Constructiveness	Get them before they get you. Step on as many as you can.
Perception of the world	Get as much as you can at any cost. You cannot change the world. Exploit it.
Personality traits	Mean, money grubbing. I got mine, you do whatever you do as long as you do not disrupt.

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*(continued)*



(continued)

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Time orientation	What do I want? Everything. When do I want it? Now.
Civic mindedness	I don't care about the environment. I don't care about the poor.
Selfishness element	I must get all that I can. I am most important.
Accomplishment goals	Get all you can get from others, but claim you did it all.
Attitude toward performance	Just do whatever is needed to establish your own power.

---

In essence, the greedy are simply the opposite of the ambitious. They are not necessarily constructive unless they are making a lot of money. They look at other people in a negative way. For them most people are to be taken advantage of. Their attitude is: Just get them before they get you. They believe by exploiting other people, such as labor, they get ahead.

The greedy's perception of the world is that: "I cannot change it so let me exploit it." The critical point here is they perceive that opportunities out there are fixed, therefore you have to step on others to advance.

The personality traits of the greedy may be summarized by one word: meanness. Mostly their human values are replaced by love for money. They try to reduce the salaries of their workers; they try to reduce or eliminate retirement programs. While they are making millions of dollars yearly, they put up extreme opposition to raising minimum wages.

The time orientation of the greedy is simple. They want everything and they want it now. They hardly have any concerns about the future of their organization, their corporation, or even their country.

The greed, almost by definition, are not civic minded (Hill and Cassell 2004). They do not care what might be happening to the society as long as they are receiving large sums of money. Certainly they are not concerned about the poor or the overall well-being of the society. Despite the fact that some call them "job creators," they really are not interested in starting new businesses and creating many new jobs. With very few civic minded exceptions, the greedy do not share or help the needy. The concept of those with great means providing aid to those with desperate needs is not something that the greedy are concerned with.

The above description of lack of civic mindedness goes directly to the greedy's selfishness. The greed factor is almost exclusively based on the selfishness orientation. Let me get more of everything at any cost is almost exclusively the key behavior motivation.

The accomplishment goal for the greedy is, "I have a lot, but I want more." "I built this business or this organization all by myself," is the typical claim. No credit is given for perhaps hundreds or thousands of others who worked so hard to develop the establishment in question.

Finally, the attitude of the greedy towards progress is strictly "just do whatever is needed to get more of everything."

Just like [Exhibit 4-1](#), this exhibit is also somewhat exaggerated. But this author knows many people and/or organizations who have most of the features identified in this exhibit.

When we contrast [Exhibits 4-1](#) and [4-2](#), it becomes obvious that the greedy is stealing our market economy and is converting it into a finance economy controlled by the "law of the jungle," which is that monetary power is simply everything.

It must be realized that ambition unchecked and perhaps legally controlled can easily turn into greed (Samli 2013).

As can be seen by contrasting [Exhibit 4-1](#) with [Exhibit 4-2](#), the general orientation of the greedy is very different than the general orientation of the ambitious. While the greedy consider total economic conditions as a "zero-sum game," he/she interprets this as "get them before they get you." This means you have to step on people to get ahead. The ambitious consider the total economic conditions as a "positive-sum game." This means reaching out, creating jobs, developing new opportunities, and supporting radical innovations. Some of the key activities of both groups are presented in [Exhibit 4-3](#).

### Exhibit 4-3 Contrasting functions

<i>Key functions of the greed</i>	<i>Key functions of the ambitious</i>
Expanding by buying out competition or generating competition-reducing mergers.	Expand by starting new plants or new businesses and create employment.

(continued)

(continued)

Blocks increase in minimum wages.	Supports better distribution of income which results in economic progress for all.
Outsourcing, not to improve quality, but to generate much additional income which will go to CEOs.	Trying to expand business domestically for everybody involved.
Uses powers to receive favors from political leaders.	Does not expect any favors from anyone.
Does not share financial gains with others who contributed to generate those gains.	Shares all the financial gains with everyone involved.
Does not get engaged in risky progressive economic research.	Gets very involved in risky, but also very progressive undertakings.

### CONTRASTING GREED AND AMBITION

In [Exhibit 4-3](#), a few key activities of both groups are contrasted. Although many more functions or activities can be included in this exhibit, I believe the contrast between the two becomes very obvious by the functions contrasted in [Exhibit 4-3](#).

Based on the contrasts articulated in [Exhibit 4-3](#), ambitious behaviors appear to be proactive, progressive, based on growth, and creation of new opportunities for all. In short, positive-sum game. On the other hand, greed behavior is thriving by suppressive others from advancing, trying not to change anything, and cutting cost by taking advantage of others, such as Walmart paying minimum wages and trying to stop their increase. In short, greedy behavior is using the zero-sum game with the assumption of, “there will be no reasonable growth in the economy so my advancement can come only by stepping on others.”

So who is the culprit in our lack of economic progress? Certainly not one person, but one very dangerous behavior pattern: greed. That particular orientation is creating a finance economy which is controlled by a handful of the most powerful billionaires. The critical issue on top of the damage they are causing is that the greedy also commit deadly sins.

## DEADLY SINS

In addition to much negative behavior of the greedy, there are what Peter Drucker called deadly sins, which are committed by millionaire CEOs. [Exhibit 4-4](#) lists some of the most important deadly sins which make the greedy richer in the short run.

### Exhibit 4-4

#### Deadly sins of the greedy

- Replacing labor with automation
- Cutting down labor's income
- Not sharing revenues with all who are involved
- Trying to block radical innovation
- Trying to get as much as possible from the consumers
- Not considering sustainability

*Source:* The concept was originated by Peter Drucker (1995), most of the items are original.

Replacing people with technology, in other words, developing technology to reduce employment and labor costs, appears to be the general motivation for innovational activity. The greedy are highly motivated to develop high tech to cut cost. Although, in the short run this could be very lucrative for a few financiers or CEOs, in the long run it could be almost devastating for the society. As I have already stated (Samli 2014), we have too many people and not enough jobs already. Increased technological developments must be used to increase the productivity of everyone rather than to replace people. We need jobs, not additional millions of dollars worth of income for a select few.

Businesses can generate more revenue in two distinct ways. First, of course, is to sell more, and second, to cut cost. While the generation of rich financiers does not quite know how to increase sales by sophisticated marketing, they see the total labor cost of  $x$  in front of them in an analysis of their business operation and can easily succeed in lowering those labor costs to  $x - 1$ . This is financially very rewarding in the short run, but again, it would be devastating for the economy. The working people will make less money which will reduce total demand for goods and services. The economy will shrink and experience a downward spiral since jobs will become more scarce and pay less.

I have always wondered why, if a company is making 15 percent profit after taxes, everyone working in that organization has not gotten a 15 percent raise. Unfortunately the greedy have the power of getting all and not sharing with anyone.

As discussed in different sections of this book, the greedy, typically, have the power to take over a creative entrepreneurial company and put it out of business. This is one very disruptive way of blocking economic progress in the name of eliminating future competition.

The greedy replace human values with immediate short run financial revenues. Thus, consumers do not benefit from the activities of billionaires. Billionaires try to exploit consumers with exorbitantly high prices. A simple example is the pharmaceutical industry. Their pricing simply cannot be explained as humanistic behavior trying to help the whole society.

Sustainability of a society is essential. What happens today has an impact on the sustainability of the society tomorrow. But the deadly sin of the greedy is that their orientation is, "I want all of it now, who cares for tomorrow."

Unfortunately this general orientation of committing deadly sins creates a few greedy incredible financial gains and dramatic damage to the society in the longer run.

## CONCLUSIONS

Is there a culprit causing our economic stagnation? Yes, there is. It is not one person, it is one desperate but financially very lucrative orientation which I call "the greed factor."

The greedy 1 percenters believe in the zero-sum game. That is, they can gain more power and income by stepping on all people since the economy cannot be bigger. The ambitious entrepreneurs, on the other hand, believe in "positive-sum game." That is, the economy can grow indefinitely if we innovate and create jobs for all. Unfortunately, at this point of writing, the greedy few have the upper hand and our society has moved from being a market economy to a finance economy.

If we cannot fight off greed, our economy will not survive. We must recognize its dangers and do something about it.

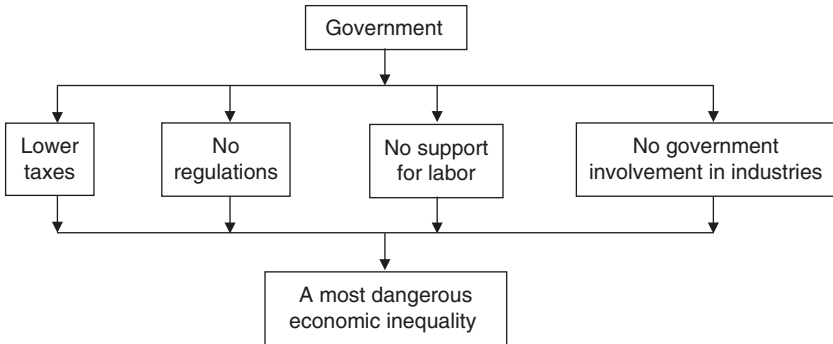
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## Deadly Social Activities

It will be reasonable to think that all of the 1 percenters are not quite as mean and noncaring as is discussed in [Chapter 4](#). However, there are a number of activities in our society that have been cultivated by the propaganda factor which is primarily sponsored by 1 percenters. These activities are very anti-progressiveness of the society and need to be discussed. In order to organize the discussion of the events that are changing our society in favor of 1 percenters, these events need to be identified and stopped. These activities are named deadly by this author. They are disrupting the developments and advancement of our society. These developments are helping the greedy and creating serious economic problems for the 99 percenters of the society. First we must examine just what 1 percenters are concerned with. Although there are many others, [Exhibit 5-1](#) deals with five areas which have become very critical in disrupting our economic progress.

### Exhibit 5-1 What 1 percenters are concerned with



### ONE PERCENTERS' CONCERNS

Perhaps, above all, taxes have been a great concern for the greedy. One percenters believe government is there only to protect the country and its people. The government must be small and must not be involved in business economy and many related social activities. In other words, the government should be limited and passive. One percenters were not in existence during the Robber Baron days. A group which is called 1 percenters gains more and more economic power during the past four decades. They started pressuring the government to cut taxes and not to grow. As a result, tax cuts became a strategy for one of the two political parties. With the powerful propaganda machine, which 1 percenters controlled and partially owned, they created the belief that lower taxes help the economy and particularly help the lower income portion of our economy. Thus, the upper limit of income tax moved from 92 percent to the current level of approximately 36 percent. Thus the tremendous reduction in taxes created, similarly, a tremendous financial benefit for the 1 percenters but did not quite create the economic progress that was promised. In fact, President Clinton raised income taxes and created about 22 million jobs. This part of the picture is not mentioned in the propaganda and is being ignored even today. One percenters have been advocating a flat tax which is perhaps the most regressive tax since it benefits



the rich. But their propaganda almost convinced particularly the southern portion of our society that tax cuts are good for job creation. This is not correct but is a very important rumor which has been creating a big gap between the rich and the poor. [Exhibit 5-1](#) connects the key concerns of the greedy 1 percenters and shows the forces blocking our economic progress.

The second critical fear of 1 percenters is regulations. They do not like having laws and regulations to disrupt their sometimes not too legal practices. Again, the propaganda factor for years emphasized the presence of too many laws. In many cases they succeeded in eliminating some of the critical regulations. When I was in California, for instance, I did some work for the Office of Consumer Affairs. Then came President Reagan and said consumers did not need any protection and those offices all got closed down. It is the lack of protective regulation that created the housing bubble which subsequently created the most devastating economic recession of our times in 2007. The banking sector that created this most frightening recession is still not regulated and it is very possible that they may cause a sequel to the great recession. Most 1 percenters benefit from recessions since they can get significant reduction in labor costs and retirement programs (Samli 2013). These gains of 1 percenters are almost deadly for the working people of the country. We need deregulation as well as reregulation and further regulation for economic progress.

In my earlier book (Samli 2013), I stated that recessions are manmade and billionaires benefit from them by cutting labor costs down further and reduce or even eliminate retirement plans. More recently Krugman (2016) named the same concept as “Robber Baron Recessions.” According to him, this whole process begins with a questionable corporate behavior. Although corporate profits are at near record-high, unfortunately this simply does not imply rates of returns to investments. Corporate entities are playing with an economic situation of high profits and very little investments, if any. This is partly due to their increasing monopoly power, or market power. In different parts of this book, it is reiterated that industrial giants try to eliminate future competition by buying out small dynamic entrepreneurial companies. This lack of competition, on top of reluctance to invest, is contributing to economic stagnation which would not encourage growth through investments in plant equipment and radical product development. In fact, this situation could lead to a recession which Krugman calls “Robber Baron Recession.” It must be stated that even though 1 percenters like, in fact, try to create the situation of Robber Baron Recessions, reduced competition and increased monopoly

power, or market power, is very dangerous for the national economy. Much must be done to create more competition before it is too late. But unregulated and uncontrolled economic conditions can easily have a Robber Baron Recession. It is considered that stockholders of companies are partially responsible for the lack of expansion and reinvestment efforts for the industrial giants, but the overpowering issue is the greed factor. What do we want? More money. When do we want it? NOW. This philosophy is the financial economic orientation rather than a healthy market orientation. Take, for example, the case of the Whirlpool Company which a few years ago was just an American company, but currently it is operating in about 170 countries ([whirlpool.com](http://whirlpool.com)). In such cases, the company would go for where the most immediate money is and ignore the domestic American operation. Without adequate competition American customers may not have many viable alternative options. Thus, the industrial giants can easily be taking advantage of American consumers and treating their American facilities, which created lots of money and gave them a tremendous start as their cash-cows, to start businesses elsewhere and make more money, if possible, by exporting American well-paying middle class jobs out of the country.

Perhaps one more critical point about the behavior of this group of industrial giants or 1 percenters is that if the Robber Baron Recession becomes somewhat dangerous for them. If they feel the danger of a recession, they simply claim too big to fail and receive government help. While the economic conditions are good, this group is against taxes and government regulations. In other words, they are capitalistic. When the economic conditions are threatening, they become solidly socialistic and ask government for help.

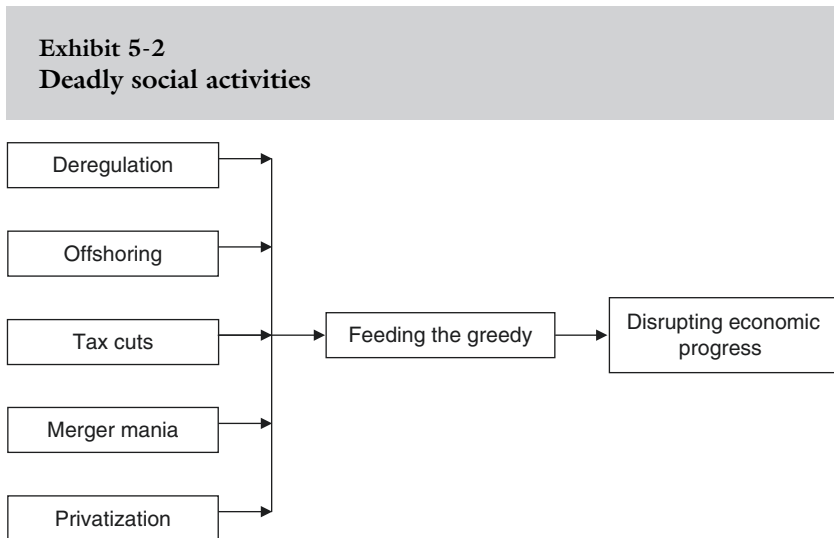
The greed factor is so strong in the behavior of 1 percenters that they would do anything not to raise minimum wages. Furthermore, most of the labor in our society have not been given raises for almost 15 years. Thus the salaries, particularly of the middle class are frozen. Certainly that cannot be an indication of a progressive society.

### THE FIVE DEADLY SOCIAL ACTIVITIES

In order to block or totally eliminate the possible problems during the three or four decades the rich and greedy group either initiated or supported at least five social activities. These social activities, which I would call “deadly,” are very well established in our society. Through

propaganda and many years of promotional efforts, these five deadly social activities are generally accepted and well continuing activities.

The five deadly social activities were perhaps partially initiated by the greedy group, or at least strongly supported by the greedy group. All five of these deadly activities are very much supporting the greed habit of 1 percenters, but with the propaganda factor they advocate that they are good for the society as a whole. The five greedy social activities are illustrated in [Exhibit 5-2](#).



## DEREGULATION

Once again, I think it started with deregulation. It is the lack of regulation that caused the 2007 great recession. As discussed in my earlier book (Samli 2014), recessions are manmade and are often beneficial to 1 percenters. If there are no regulations, 1 percenters are free to be engaged in some questionable financial activities which may not be good for the society.

The other four deadly activities are rather more independent than deregulation causing recession. Outsourcing may be considered. Unfortunately, outsourcing is not done to bring better and cheaper products to the American consumer but is primarily used to create more and faster income.

## MERGER MANIA

The next deadly activity is merger mania. This is an ongoing, large-scale activity. The greedy can buy out any dynamic entrepreneurial company. Especially if they are future competition, they can eliminate it. In essence, this deadly social activity weakens the industrial strength of our society.

## LOWERING TAXES

Somehow the propaganda faction advocates lower taxes which primarily gives much extra money to the greedy.

Low taxes do not necessarily stimulate the economy, nor do they necessarily benefit the poor. But one of the political parties has been using tax cuts as a strategy which is simply creating a bigger gap between the poor and the rich.

## PRIVATIZATION

Perhaps one of the most used propaganda messages is related to how government cannot do well and how private individuals are much better at accomplishing things. Imagine, for instance, Social Security being privatized. It will yield millions for greedy 1 percenters.

By definition, privatization means limiting the government's activities and, as a result, keeping it small.

Taking work away from government and privatizing some key social functions of government keeps it small, which is what greedies want. Privatization has been playing a major negative role in our educational system. New privatization arrangements are such that they create profit more for the 1 percenters.

## OFFSHORING

Along with deregulation and merger mania, offshoring, which is also called outsourcing, became extremely active. Many greedy executives started having products produced overseas where the labor costs were, and still are, quite lower than those in the USA. The end result is exporting good paying jobs overseas and destroying our middle class, which happens to be the foundation of stability in our society. Because of the production cost benefits in low wage countries, the

USA lost about 3.5 million manufacturing jobs to China (Whirlpool Annual Report 2016). This meant closing down about 80,000 manufacturing plants. Naturally, this whole situation created a tremendous loss in GDP and also created very large national debts to those countries where offshoring went.

All five of these socially deadly activities are still going strong. They are considered to be basic activities in “free market” economies. However, they are strictly tools of the greedy 1 percenters. This is how that group is making tremendous amounts of money at the expense of the 99 percenters, or the rest of the society. I believe these five activities are creating an economically unsustainable society. They need to be reversed and their damage should be repaired before it is too late.

## CONCLUSIONS

Our economy is changing, but not a favorable way for all citizens. It is becoming more and more an unsustainable finance economy. The greedy 1 percenters of our society are owning most of the wealth of our country and are receiving most of the GDP. Our market economy is being stolen by the greed factor. By definition, the greedy are conservative, they do not want any change that might jeopardize their unbelievable financial position even though the society is not able to make progress because of conservatism they manage to create. They are against big government, high taxes, and big labor. They manage to control these by financial power that they exert. Furthermore, there are what I called five deadly social activities which are in favor of the greedy 1 percenters. These are deregulation, merger mania, offshoring, tax cuts, and privatization. Throughout this book we deal with all of these and indicate how their damage can be remedied.

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## Regulation or Deregulation

President Nixon used to say we are a society of law and order. But then, a few years later, President Carter said we have too many laws we must regulate. Almost half of our population today believes in this. But not enough people have raised the issue of relative benefits or dangers of over- or under-regulated society.

When the deregulation movement started, I had a simple exercise in my classes. I would ask the class to tell me an activity that is very competitive. They would say sports. I would ask them to give me a very competitive sport. They would say football and then I would say, okay, deregulate it. Would you get more competition or more broken bones? Lawlessness does not mean more and better competition, it means the law of the jungle. Due to tremendous propaganda, deregulation advocates are still very loud and vocal (Hackbarth 2016).

### THE LAW OF THE JUNGLE

The law of the jungle means lawlessness. For some it means survival of the fittest. But this author believes that, in our current economy, it is survival of the fattest. This is why greedy 1 percenters go for deregulation. It gives them the opportunity to be engaged in somewhat questionable activities to make outrageously more money.

We must agree that some regulations could create more red tape, which reduces efficiency, but how serious is it not to have laws?

## THE DANGERS OF NOT HAVING REGULATIONS

Just how dangerous, if at all, would it be not to have certain regulations? Consider the great recession of 2007. The housing and financial industries got engaged in very questionable activities and gave us the housing bubble which caused the recession. Now, purse snatching may be punishable for, say, 10 years, but creating a national recession is not punishable at all. It is lack of regulation that created the great recession. So we may say we need some deregulation, some reregulation, and, above all, we need proper regulation.

The societies without proper regulations are not advanced societies. They are primitive societies that need to grow and mature. But, as discussed in [Chapter 5](#), there is tremendous propaganda against the regulations. Can the market system work without regulation?

## THE MARKET SYSTEM CANNOT WORK WITHOUT REGULATIONS

It was John F. Kennedy who established the basic rules of a civilized society. He proposed four basic rights. These were the right to be heard, the right to be informed, the right to be protected, and the right to choose. These are very critical but also very general. There is need for detail as to how these rights can be implemented and protected.

Above all, first and foremost, the economy must be in good shape and fair. Certainly neither can happen if the law of the jungle is ruling. If the economy is not moving in the right direction and if the economic gains, if any, are not distributed fairly, then the four rights cannot be exercised. First and foremost the economy must be moving in the right direction. That is, progressive growth that will benefit the whole population.

This is a far cry from the current conditions that our country is facing. It is not very realistic that we have only two political parties in the twenty-first century, but when these two parties are blocking each other rather than making the economy move further and the economy end up being nowhere.

Without good management there are no successful businesses. The national economy is a business which needs to be managed by a good administration that is the government.

The two parties clearly must be in competition, not to block each other, but to see which one can come up with a more progressive program to move the national economy further.

At this level there must be certain regulations to stop certain greedy people from taking advantage of others and to stop the progressive growth. In order to provide a better perspective and understanding, [Exhibit 6-1](#) is constructed. It deals with proper regulations and laws that are needed for an advanced society to make economic progress.

#### **Exhibit 6-1**

##### **Four layers of laws or regulations**

- Layer One: Not stopping progression
- Layer Two: No discrimination and fair wages
- Layer Three: Individual rights
- Layer Four: Preventing crime

### REGULATIONS AND LAWS FOR AN ADVANCED SOCIETY

[Exhibit 6-1](#) illustrates four layers of regulations and/or laws so that our society can achieve its long-deserved progress.

Continuing with the above discussion, this layer is extremely important in that it will stop any attempt to hinder progress. If properly implemented, antitrust laws which prevent any attempt to decrease competition and prevent attempts to acquire monopoly power would be adequate with one exception: those laws should not block some critical innovation which may give some degree of monopoly power in a new industry.

The second layer is also extremely important. Laws or regulations must be such that there will not be discrimination. Understanding that our society does not represent one group, but is composed of many groups of people, is clearly an important step that will move our society further. Regardless of gender, race, and ethnicity, people must receive the respect they deserve and the opportunities they are entitled to have. All men may not be created equal, but in the eyes of the law, they are all equal.



Having access to good jobs, good education, and good opportunities for advancement in a progressive society is not for a small, privileged group of people but for everyone. These are national goals and party politics have simply nothing do with them.

At this point, the society must also be concerned about the citizens receiving fair pay for their efforts. During the past three decades or so, this condition became totally ignored. Greedy 1 percenters were able to put pressure on wages and salaries to keep them frozen, if not reduced. But if the working public does not receive reasonable pay, how could they buy goods and services, stimulate demand, and create more jobs? This has been the era of too many people and too few jobs.

Both of these factors, i.e., number of jobs and number of people, must be considered to create sustainability for our economy. In terms of increasing the number of available jobs, what Germany has done during the great recession was to split the existing jobs by reducing the number of hours the jobs would need per week. After all, there is no eternal condition indicating that a 40-hour workweek is untouchable. Certainly the workweek can be reduced to 35 hours and this could create many new jobs immediately. Similarly, raising the minimum wage to, say, 15 dollars per hour would stimulate national demand for almost everything and would create numerous new jobs. Clearly other alternatives, such as improving the national infrastructure, can play a tremendous role. But, above all, an evenly and fairly distributed national income could create more jobs. Investing in industries that generate more jobs by the government (Samli 2013) is a critical option which may also be followed.

On the other hand, nothing is being done about the population explosion. This world, and certainly our country, can handle so many people. But nothing has been done in that area. In fact, the US population increase rate is equal to India's population increase rate and it is way above all of the industrialized Western countries.

Perhaps we should not block abortions. Above all, we should encourage family planning and even perhaps after two children there may be a tax rather than a tax break. In any case, the procreation activity must be considered very seriously to make sure that there will not be too many people and too few jobs.

The laws and regulations in the first two top layers of [Exhibit 6-1](#) must not be politicized. They are extremely important for the country's

well-being. Furthermore, the bottom two layers of [Exhibit 6-1](#) become almost useless if the top two layers are not functional.

### INDIVIDUAL RIGHTS ONCE AGAIN

If and when the economy is functioning well, the Kennedy individual rights mean much. These rights indicate that each individual in the society is very important and has the right to exercise their individuality.

However, if the first two layers of [Exhibit 6-1](#) are not quite functional; the individuals are not given an opportunity to be productive and creative, and even if they work hard they do not get their efforts rewarded with good wages and salaries, then the individual rights become almost meaningless. Obviously it is extremely important that the first two layers of [Exhibit 6-1](#) are taken care of by both political parties in such a way that the country will be on the move by providing opportunities to work and be fairly rewarded for that work.

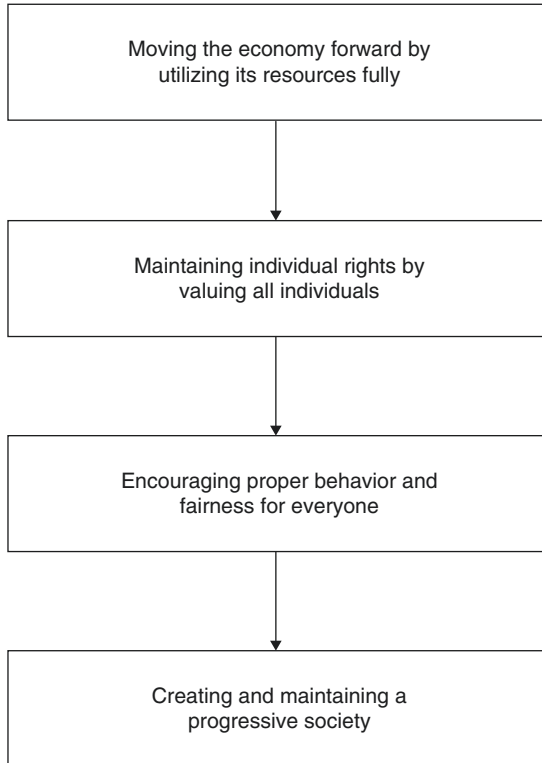
### CRIME PREVENTION

Despite the fact that there are no laws and regulations to stop the greedy 1 percenters from undertaking questionable activities or exploitation of consumers, financially or otherwise, there are many laws and regulations to stop, say, misbehavior on the part of the citizens. Clearly, while snatching a purse may be punishable for 10 years or more, being responsible for causing a recession does not have any penalty. While there are not too many, if any, 1 percenters in jail, our jails are full of people who committed minor crimes. But, when a young person goes to jail, their lives not only are disrupted but also are somewhat ruined because they cannot get good jobs. In fact, they cannot get jobs and mostly they cannot get any jobs. The four layers of laws presented in [Exhibit 6-1](#) should be balanced and not only one should be overemphasized.

### THE PROGRESSIVE SOCIETY

[Exhibit 6-2](#) illustrates the features of sustainability by its levels of law and order (Samli 2016). Once again, if the first two layers indicated in [Exhibit 6-1](#) are not taken care of, then individual rights and other legal activity would not have much meaning.

## Exhibit 6-2 The progressive society



The orderly and sustainable society is depicted in [Exhibit 6-2](#). The key points here are that the economy must be progressive and sustainable. Instead of fighting with each other as if this is a football game, the political parties must be able to develop, perhaps, a competing one to create the progressive society depicted in [Exhibit 6-2](#). If the political parties are not accomplishing that, they must be somehow ousted.

Exhibit 6-2 provides a map for a progressive society. That map will not be a reality without proper laws and regulations. It is obvious that it is not deregulation or more regulation but proper regulation that is needed to make and maintain a progressive society.

## CONCLUSIONS

Despite all the propaganda, a progressive society does not rely on deregulation. Clearly some regulations become old and somewhat dysfunctional, but the answer is not to eliminate them but to update them. But perhaps the most critical point in our discussion is making sure that the laws and regulations are there to create and maintain a progressive society.

A proper legal structure is almost a road map for a progressive society. Without such a road map, there cannot be progress. It is not deregulation or regulation, it is developing a balanced progressive legal structure which is properly administrated.

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## Is Merger Mania a Disease?

In a philosophical sense, every cause has an effect and every effect has a cause. In that sense, one might ask the question of just what caused and what started merger mania. These are very important economic questions which are not quite dealt with. Well, let us face it, if a company has two options – to compete with or buy out the competition – which option will it take? Certainly buying out the competition is simpler and much less painful. But how did this start? I believe deregulation is the main culprit in this case. Without the unenforced regulations, the big powerful companies started buying out the promising small competing companies. This almost became an epidemic and continues today.

It may be shocking to realize that, in open seas, piracy is illegal, but on Wall Street it is legal. A company with financial means can buy any company even though the company is not interested in being taken over.

In recent years, some financially motivated mergers have become so common that they spread out like a disease. That is why the process is called merger mania.

### WHY MERGERS?

Despite the estimated market failure of all mergers, 50 percent are not quite successful, at least in terms of profitability (Foroohar 2014). Many mergers have been extremely powerful and profitable. [Exhibit 7-1](#) presents some of the key incentives which create modern mergers.

### Exhibit 7-1 The reasons for modern mergers

	<i>Possible implications</i>
• To establish more market power	Charging more for services or products and blocking new entrants.
• To establish a desirable growth rate	Creating more stock sales by looking progressive.
• Diminishing emerging competition	Stopping dynamic firms from making progress.
• Taking advantage of others' innovations	Slowing down own research activity by acquiring others' innovations.
• Simply appear more progressive	Actually becoming more dynamic and getting bigger.
• Taking advantage of tax benefits	Being engaged in international activities which lead to tax advantages.

*Source:* Adapted and revised from Samli and Adams (2016).

It must be understood that there are certain key reasons for mergers and if these were not stopped and reversed, merger mania will continue. [Exhibit 7-1](#) presents six key reasons why merger mania has been so popular. It may also be added that merger mania, at this writing, is almost totally unstoppable. Establishing or creating more market power, which appears to be one of the most logical reasons for mergers, may be, or in fact should be, questioned. After all, the antitrust orientation points out that any attempt to reduce competition or create monopoly power is illegal. But with the advent of deregulation activity, antitrust laws are not being properly enforced. Or are they enforced at all? It appears that financial manipulators are winning over the general economic health of the country. This clearly means that antitrust laws are not enforced rigorously, if at all.

Companies that want to grow can merge with others. Unlike the conditions presented earlier, certain growth may not threaten competition, it can strengthen the company, which would enable the company to function better. This is an acceptable scenario, but is it reliable?

If the merger is such that the acquirer is targeting a company which is up and coming and likely will become a competitor, then the merger can be a very questionable undertaking. Not only economically speaking, this is a negative situation for the society, but it is also a direct attack on the society's industrial progress. But again, here the key point is whether the acquirer is or is not using the targeted company's knowledge, capabilities, and progress after the merger.

Taking advantage of innovations of an up and company works in two extremely different manners. The first is that the acquiring company gets the innovation activities of the acquired company and can use these new and progressive techniques for its advantage. The second way of taking advantage of innovations is that the acquirer takes and holds all of the innovational activities of the acquired company and puts them away, perhaps, at least, for the time being.

While the first option is reasonable, although it raises some questions as to how successful the acquirer is in taking advantage, in a positive sense, of the acquired firm, the second alternative is totally unacceptable because it is interfering with the society's industrial progress.

A dormant industrial company may buy out a dynamic small firm simply to look more progressive and create more stock value. There simply is no research into these aspects of merger mania but, in such cases, the acquired company is likely to disappear and we know nothing about it.

Lastly, by internationalizing, companies receive about 20 percent of their expenses. But, in time, they also merge with companies located in low tax countries such as Ireland and, of course, deprive American taxpayers and American government of millions of dollars (Lauren 2014). The pharmaceutical giant, Pfizer, has done this recently by moving to Ireland (*Bloomberg Business Week Bloomberg Business Week* 2015).

Any one of the six major reasons presented in [Exhibit 7-1](#) can create undue market or monopoly power, and any one of them can reduce competition. Similarly, any one of these patterns can create a negative impact on the country's industrial growth. In other words, merger mania is a very borderline activity in terms of generating progress in the economy (Samli 2016). It must be remembered that the market economy thrives on competition. Thus, unchecked merger activity can create very questionable results. In fact, among other things, merger mania has been very influential in creating an enormous gap between the rich and the poor in our society (Jordan 2016; Rauch 2013).

## HOW SIGNIFICANT IS MERGER ACTIVITY?

**Exhibit 7-2** presents some shocking numbers. First, it may be noted that merger activity in our society has been increasing since 2010. Secondly, and perhaps more importantly, total value of mergers has also been increasing. But most importantly, total value of mergers has become about 12.7 percent of the total American GDP. In billions of dollars, the 2014 mergers were 2,253. This is a tremendous proportion of our national income and is used primarily buying and selling businesses. This may raise the question, is this a good way to spend over 10 percent of our national income. This author thinks NOT.

### Exhibit 7-2

#### The scope of mergers in the American economy (2010–2014) (billions of dollars)

<i>Years</i>	<i>Total volume of mergers in the USA</i>	<i>% of change in volume</i>	<i>Mergers as % of US GDP</i>
2010	986	33.0	6.0
2011	1,272	29.0	8.2
2012	1,077	-15.0	6.7
2013	1,233	14.0	7.4
2014	2,253	83.0	12.7

*Source:* Bloomberg, L. P. (2015). *Merger volume graph for North America from 2005 to 2015*. Bloomberg Database, Jacksonville, FL, August.

The practice of mergers and acquisitions has changed dramatically since about 1980. Prior to that period, only companies that were not doing well were purchased, and much of the time the purchaser helped the purchased company to get healthy. This was rather helpful for the society. As has been discussed since about 1980, mergers changed big time. Companies that are dynamic and innovative are being purchased by financial bullies and usually put out of existence. Although this may be financially very beneficial for the acquirers, it is a major drain on national economic progress.



Just what is the possible impact of the current merger mania? This is a very critical area which needs careful examination.

### THE IMPACT OF MERGER MANIA

**Exhibit 7-3** presents eight possible impacts of merger mania. There is no attempt made to prioritize them. Which impact is more critical cannot be determined by considering it or comparing it with others. This will be a very major undertaking which cannot be done without major research, which needs to be undertaken but is not done as far as this author knows. However, it must be reiterated that the relative role of each merger may not be of equal importance. Hence, the most negative types of mergers cannot be separated from other types without such a prioritization activity. Without a prioritization, it will be difficult to cope with the most dangerous impact of merger mania.

#### **Exhibit 7-3**

##### **The possible impact of merger mania**

- Companies that are similar have more tendency to merge.
- In mergers the acquired executives lose their position.
- Large acquirers slow down the innovational activity of the acquired.
- After merger lack of communication and coordination creates a negative impact on innovativeness.
- Major acquirers are not quite capable of coordinating the best innovations and motivation of acquireds.
- Merger makes it difficult for entrepreneurial orientations to continue.
- Target firms, if they are left to continue independently, lose some of their innovative zeal.
- Large acquirers may simply want to ignore threatening innovations.

Companies that are similar have more tendency to merge. This would imply they will create, perhaps unnecessarily, market power. If there is a very dynamic administration of a small and progressive company which is

acquired by a large company, that particular administration loses its motivation and position to innovate.

Typically the large acquirer slows down the innovational activity of the acquired intentionally in order to eliminate future competition, or simply unintentionally to stop the acquired company's research activity.

If the acquiring firm was too anxious to make good use of the acquired dynamic company because of lack of communication and necessary coordination, the innovativeness does not continue, at least for a while. Again, this creates a negative impact on the nation's progress.

Even with all good intentions, the acquirer may not have the knowhow to coordinate the best innovations or inventions of the acquired. Merger makes it difficult for entrepreneurial orientation of the acquired to continue.

Target firms, even if they are left alone to function independently, may use their progressive motivation. Their innovative zeal may disappear.

The large acquirers may simply ignore the innovations of the acquired, perhaps even eliminate them to avoid future competition (Bena and Kai 2014; Rossi et al. 2013; Szucs 2014; Fridman et al. 2015; Conanor and Scherer 2013; Rossi et al. 2013; Majumdar et al. 2014; Krug et al. 2013; Penilei 2014; Kwoka et al. 2015).

## A CRITICAL REVIEW

The eight points presented in [Exhibit 7-3](#) indicate that merger mania is a critical blocker of economic progress, particularly by limiting or repressing of innovation and entrepreneurship activities. Although our economy is a market economy, financial manipulations are overshadowing the much needed entrepreneurial innovation because of merger mania. Billions of dollars of financial activity without necessarily contributing to the country's economic well-being is taking place and, in fact, is blocking progress by buying out entrepreneurs and putting them out of business. This may be a somewhat too critical observation, but our economy needs stimulation that will be provided by innovative entrepreneurs (Samli 2013). If innovative entrepreneurs are targeted in most mergers, and if the outcome of mergers are quite similar to what is presented in [Exhibit 7-3](#), then it would be obvious to conclude that entrepreneurship is being impeded by merger mania. As mergers may improve marketing performance, creating sales revenue growth and reduction in marketing costs (Rahman and Lambkin 2015) they are blocking entrepreneurial progress and related

economic growth through a lack of major innovations. Thus mergers are being financially beneficial to a few companies. Once again, financial manipulations are overshadowing innovative entrepreneurship. This is dangerous for the national economy. Many larger companies are aiming to grow by acquiring small dynamic firms and gaining access to their human resources (Chatergi and Patro 2014).

Financial benefit for the acquirer would be fine but only if the merger activity is not causing problems for the economy as a whole. Although not extensively researched, merger mania is an extremely important activity and sketchy research indicates it is disrupting entrepreneurial development.

It appears that merger mania activity is very powerful and is somewhat disruptive of the country's industrial progress. This being the case, there must be certain protective activities or conditions which must be implemented before mergers or acquisitions take place, so that the country's industrial progress will not be disrupted by merger mania.

Five protective measures to block off the negative effect possibilities of merger mania are presented in Exhibit 7-4. These measures, if implemented properly, are likely to protect industrial activity when merger mania appears to be blocking.

#### **Exhibit 7-4**

##### **Protective measures**

- Not to allow a company to have more than two mergers.
- Two major companies approximately in the same industry must not merge.
- Mergers must prove in advance that they will make a significant contribution to the industrial growth, to research and to innovative progress.
- Smaller companies should be given a route of objection relating to the behavior of the company that targeted the smaller firm.
- Competition at all stages must not be reduced or eliminated.

Some companies are known to acquire multiple others and grow accordingly. Growing in this way is obviously destructive for the industrial innovation activity of numerous small firms. There must be a rule not to

buy out more than, perhaps, two small firms, say, in five years. This will reduce the disruption on innovative entrepreneurial activity of small firms. Every merger or acquisition must make a contribution, not only to the financial well-being of those who are involved but to the economic well-being of the society as well. Conventional analysis of product markets to assess the potential competitive effects of mergers is not sufficient. There must be a more sophisticated and critical approach to evaluate the impact of mergers before they take place (Kern 2011).

Particularly since the 1990s, there has been a major increase in high-tech sectors, many involving the acquisition of small and proactive start-ups. In such cases there must be a recourse route for some of these small firms that are being taken advantage of (Matteo et al. 2013).

Perhaps the last point in Exhibit 7-4 is the most overreaching measure to protect our dynamic industrial progress. Our market competitiveness and proactive industrial innovation activity must be protected at all times against questionable mergers and acquisitions (Benaq and Kai 2014).

## THE NEED FOR ENTREPRENEURSHIP

Kao (2007) posited that societies which stop innovating stagnate. In fact, some maintain that the ultimate source of sustainable economic growth is innovation (Symposium 2014). It is maintained by many that major innovation activity and its management is performed by entrepreneurs. Without them, the innovation activity becomes subdued and not very progressive (Samli 2016). To retain innovation leadership, entrepreneurial activity must be strongly supported. Unlike the comfortable CEOs of major companies who do not want to move from their comfort zone and undertake a costly and risky radical innovation, entrepreneurs would not mind being involved in such operations. Entrepreneurs are greater risk takers than well-established CEOs. Entrepreneurs do not quite have comfort zones and are willing to be involved in radical innovations which are critical in maintaining a dynamic and progressive national economy (Samli 2011; Christensen 2003). Maintaining an entrepreneurial culture, therefore, is extremely critical for our society. That means not only help from federal government but also support from education system and the business sector must be present (Kanter 2012).

From all indications, financial manipulations of merger mania are creating either unwanted increase of economic power or reduction in competition by buying out promising entrepreneurs and putting them out of existence. There are all kinds of indications that mergers and acquisitions are not quite helping the society's entrepreneurial zeal. It appears that, in general, merger mania is going totally against the anti-trust laws. This is not acceptable. Each and every merger attempt must be analyzed in terms of the benefit to the economy rather than financial benefits to the acquirers only.

## CONCLUSIONS

Merger mania in our society has become a tremendously large and perhaps disruptive force in its economic progress. Its impact is not adequately researched. However, limited research that exists indicates that merger mania, in general, is undermining antitrust laws and is harming the entrepreneurial progress which is needed to continue to be an innovative nation. In times of good economic conditions mergers and acquisitions appear to be increasing in numbers as well as in volume. But they are not quite carefully evaluated in terms of their economic contributions, if any. The proposed five conditions must be enforced before every merger consideration before it materializes.

Merger mania must be evaluated, not in terms of the financial gains of the firms involved in the activity, but in terms of contributions, or lack thereof, to the society's well-being. The process must be carefully evaluated in terms of how merger mania can be beneficial to individual companies as well as the society's economic well-being. [Exhibit 7-4](#) conditions must be carefully researched and must be strongly implemented so that merger mania can become a positive contribution and not harm our economy. However, in its current situation, practically unchecked and uncontrolled merger mania is becoming a menace to the progressive society.

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## Offshoring: The Big Problem

Starting with merger mania and deregulation, outsourcing has been a tremendous burden on American manufacturing and the middle class. Outsourcing, which is more recently called offshoring, is simply related to exporting good-paying American jobs to countries where cost of production is low. This certainly contributed, if not started, the shrinkage in the country's middle class. The declining middle class has created national restlessness, deterioration in the American education system, and American manufacturing. Offshoring also played a major role in the deteriorating income distribution in favor of the 1 percenters at the expense of 99 percenters. Once again, the greed factor played a big role.

### WHY OFFSHORING?

Some 30 years ago, some American manufacturers were shocked to find out that their products could be produced about 16 times cheaper in some countries. That made it profitable for some of these manufacturers to close up shop and let their products be manufactured in these very low cost countries. [Exhibit 8-1](#) displays seven other factors or incentives that led offshoring to become a most effective negative force for American manufacturing for approximately three decades. Although more of these factors were as important as the production costs, they played a very important role in American manufacturing offshoring.



**Exhibit 8-1****The key factors cultivating more offshoring**

1. Continuing lower wages
2. The proximity to suppliers
3. Increasing technical skills of the workforce
4. Interest in entering that particular market
5. Tax rates in the USA
6. Easier to service the customers
7. Higher productivity in the target market where offshoring is taking place
8. Better quality of manufactured products

The second item in [Exhibit 8-1](#) is proximity. If the, say, raw material costs are low and the business is very supply oriented, meaning that raw material availability is critical, proximity to the necessary supplies become a critical consideration. In addition to low transportation and low production costs, this became an influential factor to offshore activities.

One of the critical issues is such that, particularly at earlier stages, offshoring meant somewhat ignoring our manufacturing facilities. This created a freeze on productivity efforts in our domestic manufacturing. But, in the meantime, some of the low wage, low cost countries have improved their manufacturing systems. Some of their products which were competing with American products became almost better in terms of quality. This accelerated offshoring activities.

At the other end of the spectrum, some international markets grew, such as Japan or China, and became very attractive for exporting. But some of these countries required partnering or exclusively producing in those markets. This meant offshoring to enter these markets, which again accelerated offshoring activities.

It is a known fact that American companies pay higher taxes than many global firms. That has been a strong incentive to go off shore as well.

If the customers are concentrated in certain areas, offshoring made it easier to serve them. Again, that was a good incentive to offshore.

Additionally, as the technical skills of workers in other countries kept on increasing, the productivity continued increasing, also. This, again, was a critical stimulant of offshoring.

Some of the developing countries, by taking advantage of the modern easy possibilities of technology transfer, have developed better quality products. This, combined with ignoring increased production capabilities, made it possible for offshorers to go to these countries rather than improving their own manufacturing capabilities. Although this was quite a bit earlier in offshoring activities, it certainly made a significant dent in American manufacturing.

As a result of these, and perhaps other factors as mentioned earlier, American manufacturing lost millions of well-paying jobs, and, during that time, thousands of American manufacturing establishments were closed down. Not only did offshoring cost the American economy billions of dollars, but it became a particular burden on the American middle class.

Recognizing the offshoring burden on the American economy, the current government started getting these jobs back. This is called reshoring. [Exhibit 8-2](#) deals with some of the key reasons why reshoring started being successful.

#### **Exhibit 8-2**

##### **The key factors empowering reshoring**

1. Political and economic instability
2. Increasing labor costs
3. The risk of long distance shipments
4. Low wages of American manufacturing
5. Government provided reshoring incentives
6. Increasing American manufacturing efficiency
7. Inefficiency of offshored companies to deliver

## RESHORING EFFORTS

As shown in [Exhibit 8-2](#), at least seven factors encourage reshoring activity. Some of these factors were initiated by our government. Others are internal problems that are experienced by the countries who have been recipients of major offshoring activity.

Some of the countries receiving American offshoring are having political and economic instability. As a result, American businesses are shying away from going to countries and reshoring if they already have activities in these countries.

Perhaps one of the most important factors stimulating reshoring is the fact that, in almost all countries where US businesses are offshoring, labor costs are going up. In both India and China, which are the key countries where US offshoring has been taking place, labor costs have been increasing about 10 percent per year for the past ten years (*The Economist* 2013).

Not only is there more probability of accidents, but also transportation costs being increased make the long distance shipping continuously more expensive. A number of offshorers decided that in their offshoring, because of increasing costs of long distance shipping, they would search for nearer distance offshoring activity. This orientation gave rise to a new concept which is called nearshoring. By moving from long distance offshoring to nearshoring, participating companies managed to save very large sums of money.

Since the beginning of offshoring, American wages, primarily in manufacturing, have decreased. Although this has not been very good for the economy, it made offshorers think of reshoring. This is not a simple activity. When American industrial giants start to reshore, many new jobs are created in the country. This whole activity created almost five million manufacturing jobs. This situation reduced the unemployment rate and revitalized American manufacturing (Tate 2014).

Of course, this author and many others think that while offshoring is slowing, it will never stop since there are other incentives than manufacturing costs, such as those mentioned earlier, wanting to be in that market and serving those markets more effectively (Agarwal et al. 2013).

The current American government has been rather active in stimulating reshoring activities. That includes some tax advantages, discouraging new offshoring attempts and providing research support for American manufacturing to improve productivity.

American manufacturing efficiency has begun improving as reshoring has become an option. While at the beginning of offshoring many American factories were shut down and many others were ignored, almost by definition, when reshoring started being an option, special attention was also paid to manufacturing efficiency. Slow but steady progress in this area certainly has been making reshoring a critical option. Thus, increased productivity and reduced costs are playing a critical role in reshoring activities (Khim 2012).

Inefficiency of offshore companies is also beginning to create more pressure for US manufacturers to engage in reshoring. Perhaps, first, it may have considered manufacturing in offshored companies. Some of them have experienced deficiency in their productivity and have not

been able to produce enough of the products that were needed. On the other hand, some of the offshored companies have much excess capacity which is creating extra production costs. Over and beyond some similar technical problems, offshored companies have been inefficient in providing services for the offshoring companies.

**Exhibit 8-3** deals with the inefficiencies displayed by the offshored firms, particularly in terms of time utilization and proper delivery activities. They have been rather unable to satisfy offshorers' needs in providing services which may vary from merchandise handling to delivery. They are, in many cases, not on time. Much of the time they don't share the offshorers' concerns about delivery timing. It becomes more critical if the offshored companies deliver the merchandise to wrong addresses. They really don't share or don't understand the American companies' service consciousness. These problems have been creating extra costs for the American offshorers.

#### **Exhibit 8-3**

#### **Inefficiency of offshore companies' delivery**

- Inability to provide service
- Not being in time
- Delivering to wrong places
- Misunderstanding American effort to be very time conscious

### THREE KEY CONCEPTS

Since offshoring started, over time some small and not very efficient firms have gone out of existence. This is commonly called *industrial cleansing*. In addition, American offshorers learned the excessive cost of long distance transportation and risks. As a result, they have been opting for short distance offshoring. This is commonly called *nearshoring*. Finally, and perhaps more importantly, American offshorers realized that they should not emphasize production cost but should pay more attention to the total cost of having the products on hand. This is commonly referred to as *total cost of having the products in possession*.

These three very important concepts accelerated reshoring activities. In fact, most of the lost manufacturing jobs have returned to the USA. Millions of new manufacturing jobs have been created in the country (Sauter 2016; Tate 2014).

## CONCLUSIONS

Although offshoring will never stop, it has not become nearly as devastating as it was at the beginning, some three decades or more ago. While at the beginning it took millions of jobs away and caused the shutdown of thousands of factories, the whole process of offshoring has slowed down substantially. It appears that the government, in conjunction with the private sector, has been working quite well. However, it will be another disaster if the collaboration between the government and the private sector formed in order to bring back most of the lost manufacturing jobs were to stop. If that happens, the greed factor will take over again and the tremendous blow to the American economy will rear its ugly head.

Reshoring, by definition, is strengthening American manufacturing further, which in turn strengthens the dissipating American middle class by once again creating well-paying manufacturing jobs.

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## The Role of Taxation

Taxation is not an attempt to redistribute wealth, nor is it exploiting consumers. Taxation is creating revenue for the government to finance its functions. Just what are these functions? As I mentioned in my two earlier books (Samli 2014; 2016), if it is considered to be the management of the national economy, it has many very important functions which are decisive factors of progressive behavior of a country. If there are critical tax cuts, and has been the case, and if, as a result, government does not have enough revenue, this creates a critical problem, especially in recession times. Without adequate funds, the US government would not have been able to support the automobile and banking industries from going into a very critical situation of total failure during the 2007 great recession. Government's efforts to help these industries and get the country out of a most dangerous recession were successful, but certainly less than adequate, especially in helping the poor and the middle class. This was particularly true of the minimum wage receiving millions of workers who work 40 hours a week, but who are not able to make ends meet.

### COPING WITH MINIMUM WAGES

Although it may sound as if wealth is distributed, if consumers do not have enough purchasing power, they cannot buy things. If they don't buy enough things, total national demand cannot be stimulated. If the national demand for goods and services does not grow, there will not be

an adequate increase in newly created jobs, and hence, the economy would stagnate. At this writing the American economy is still stagnating, not quite adequately growing. Certainly one key alternative is increasing minimum wage for millions of people so that they will have a living wage. The fact that significant tax cuts during President Bush's time in office gave grave tremendous advantage to the billionaires, but not at all to minimum wage recipients. Certainly it has not been understood that increased minimum wage does not mean just immediate impact, but progression in the economy by adding increased demand, which easily outstrip small business costs (Higgins 2014).

Tax-supported minimum wage increases, particularly in times of economic stagnation, are particularly effective since the recipients of minimum wages have a very high propensity to consume. This means all the gains in income will immediately get into the market system and create growth and increased effective demand (Higgins 2014).

Perhaps one of the most misleading statements that politicians use is, "You are more knowledgeable as to what your needs are and what you need to buy, therefore we should cut your taxes." Although this may be correct in the short run, it says nothing about the society's economic progress. It must be understood that government investments and support, if done properly, will make a significant contribution to the economic progress that consumer spending, per se, cannot make.

### PROPER SALARY SCALES

Unfortunately there are no general criteria to evaluate and pay fair wages. But industrial giants have mostly been opting to pay minimum wage instead of sharing their extraordinary profits (Bloget 2015).

If a company makes, say, 15 percent profit over and beyond taxes, there is no reason why all of the employees should not also get a 15 percent bonus. There is no reason for the top management to receive all the profits (Bloget 2015). It certainly takes more than one CEO to create an exceptional performance and why shouldn't everyone who had a role to play in that successful showing not receive some bonus? Perhaps this orientation has created the enormous discrepancy between top management, particularly the CEO, and the average worker's pay ratio. This ratio used to be about 20 to 1 as opposed to the current over 300 to 1 ratio. This deteriorating ratio in pay scales

is creating negative attitudes and low morale among workers. As a result, workers are not putting forward their best efforts in order to create more economic well-being. This ratio should go back and be about 20 to 1 again. It must be reiterated that 1 percenters, who are receiving most of the profits, do not have a high propensity to consume. They put their money in some bank outside the USA. or simply play the stock market, which is the greatest gambling casino in the USA. Thus, significant earnings of the giants do not find their way into the economy (Anderson 2015).

What makes the picture even more complicated is that, in the USA, much of the technological advances tend to replace workers. This simply does not contribute to economic progress. The higher technological advances should not replace people but should improve the productivity of everyone.

If the GDP of the country is increased by, say, 40 percent, everybody must get a 4 percent raise. Currently nothing like that is happening, meaning that economic benefits and financial benefits are very different. They should be similar (Economic Policy Institute 2015).

### AMERICAN INNOVATIVENESS: WHERE ARE YOU?

When we talk about taxation and income distribution, it is necessary to discuss creativity and innovation which creates progressive economy and additional income. There are, unfortunately, a number of problems in our economy which are blocking innovational activity and hence are disrupting economic progress. We are concentrating on financing and income creation here. From that perspective, [Exhibit 9-1](#) identifies five specific areas which are dealing with simply inadequate support for innovation-related efforts.

#### **Exhibit 9-1**

##### **Poor financing of innovation**

- Not enough support for entrepreneurs
- Radical innovations are not there
- Current American innovation is not well supported
- Financial pressures
- Not enough critical thinking



Although innovation is very important all by itself, as I mentioned in my earlier books (Samli 2014, 2016), innovation – the critical radical innovation which makes a big difference in a country’s prevailing quality of life – cannot be stimulated without entrepreneurs who are willing to take the risk of pushing the radical innovations. Radical innovations are critical for economic progress, but are also risky and expensive. One percenters, who are doing very well at this writing, are not likely to be engaged in radicalism and facing risks (Samli 2016).

As can be concluded from the above discussion, not only the lack of support for entrepreneurs but the fact that there are not enough risk-takers is a key problem. We simply are not generating, in fact, are not inclined to create radical innovations (Porter 2015).

On top of the lack of entrepreneurial support and the unwillingness on the part of 1 percenters to start, or be engaged in radical innovation development, they are putting financial pressures to block possible radical innovation activity. Financiers have been constantly pressuring the government to stay away from radical innovative activities. They manage to do this directly by pressuring government not to spend more money and also indirectly by not sharing the economic benefits of their activities with their workers. In fact, the poverty level interferes with innovation capacity since government helps the first rather than the second (Hall and Howell-Moroney 2012).

Perhaps part of the explanation of the inadequate funding of innovation can be traced to the current national education system funding. Lack of funds for education is not helping to create an innovation culture which is a big danger for the country’s economic development (Porter 2015).

### TAXATION MUST BE MORE PROGRESSIVE

The pressure coming from the powerful 1 percenters has been, is, and perhaps will be going to simplify the tax system which mostly goes in the direction of flattening the tax system. It is quite reasonable to think that flattening the tax system simply benefits the rich. This is so because the 1 percenters, if paying taxes at all, are dealing with large sums. Flattening the tax system automatically will give tremendous immediate cash flows to the rich. This, of course, goes against the needed tax revenues for the government to spend more money on economic progress. Only more progressive taxation could generate the necessary funds for the government. But the progressive tax system is not flat, but steep. This means that those who

can afford it pay more taxes. This, of course, goes against the simplification of the tax system. Although 1 percenters prefer a quick money flow by flat taxes, if the progressive taxation workers well, they will actually make more money in the long run (Altman 2012).

Perhaps it must be reiterated that a flat tax is a most regressive tax because the value of each dollar is not the same for a billionaire and the postman making about \$40,000 a year. One must ask if it would be fair that both pay, say, 20 percent in taxes per year (Linden 2012).

### MORE ON CRITICAL THINKING

Although not directly related to innovation, continuously reduced educational budgets are not supporting the critical thinking type of education in our schools.

A progressive society is primarily based on critical thinking. Just what are the features of critical thinking which makes a major contribution to radical innovation and economic progress? Unlike the current status of our education system, which is somewhat stagnant and is not encouraging the exploration for new ways of performing and exploring the unknown, critical thinking is analytical, exploratory, and leads to improving the prevailing quality of life. More specifically, [Exhibit 9-2](#) presents six key features that are cultivated by critical thinking.

#### **Exhibit 9-2**

#### **Important features of critical thinking**

- Being analytical
- Problem solving
- Positive decision making
- Progressive vision
- Innovativeness
- Ability of risk management

First of all, critical thinking encourages students to be analytical, which basically enables one to observe and understand the key issues. Once the key issues are identified and analyzed, if there is a problem, it comes close to being solved.

Following the solution of the problem, critical thinking would enable one to make the necessary decisions to implement the solution.

Almost by definition, the process described thus far will entail a progressive vision which would improve whatever is going on.

Of course, the progressive vision would lead to some type of innovativeness which would make the service, product, or issue in consideration, to be better and very different than the old situation.

Finally, it must be understood that the whole process described thus far is rather risky. But the critical thinker will have the good sense to manage this risk.

As has been implied thus far and which needs to be reiterated, progressive societies, knowingly or unknowingly, are based on critical thinking and critical thinking must be the primary goal of the national education system. This does not mean everyone in that society will become a Steve Jobs, but everyone will be able to make creative decisions and make some contribution to the progressiveness of the society (Swallow 2012). But reliance on mass production and standardization on the part of industrial giants simply does not require innovation. Thus, once again, critical thinking is ignored. Additionally, after about the 1980s, the American economy became more and more heavily involved in service industries. They also did not quite require critical thinking (*The Economist* 2014). Recent efforts by the federal government and education institutions are trying to reverse this set of conditions. But it is too early to tell if they will be successful. Perhaps one more, and very important, block for innovative thinking and resultant lack of critical thinking is the fact that in recent years much emphasis on quantitative analysis has been quite a negative force against the critical thinking and innovation-based movements (Zarom 2015).

## WAGES AND SALARIES MUST PROGRESS

Although the total GDP divided by total population number, we look very good. But this is highly unrealistic. As we analyze distribution of income, we find out perhaps the most important and discouraging fact which is that USA has the worst income distribution picture of all industrialized countries.

It must be noted that thus far only government revenues that are needed to support a progressive economy have been discussed. But the government has many other areas of responsibility, such as the military,

health care, police force, and many others. When the government does not have adequate funds, most of these basic functions are not fully performed and much of the time government is forced to borrow. This certainly creates a deficit.

### THE IMPACT OF BUSH TAX CUTS

At no time in the history of mankind was a country involved in two wars and gave a big tax cut to its citizens. This was a total disaster. It cut down government revenues significantly, made billionaires richer, and did not much benefit the middle class or poorer Americans. Tax cuts not only made the billionaires richer, but they took part of the money out of circulation because the rich received much money based on not paying as much taxes as previously, but also having a lower propensity to consume. So the rich took the money out of the country and put it in low tax or no tax country banks. Reduced money in circulation caused a reduction of national effective demand. In other words, the middle class and the poor did not have enough money to buy things. In addition, with the government not having enough money, the shrinkage of effective demand because of lack of enough money added significantly to the great recession of 2007.

The propaganda line of “you know how to spend your money the best way so we will have a tax cut” has been very effective for the average consumer. However, first of all, average middle class will get very little benefit, and lower income groups such as minimum wage receivers will get almost no benefit since they pay almost no taxes due to the amount of money they make. But, for a billionaire, a 2 percent tax cut makes a very significant difference in terms of the total amount of money, which is rather significant.

George Bush tax cuts have created a tremendous gap between the rich and the not-so-rich. One percenters have received very significant tax cut revenues, while 99 percenters received very little benefit.

Additionally, it is not quite correct that individual tax payers know the best in terms of how to spend the money. Instead of a tax cut, if the government, say, were to use that money for improving the national infrastructure, everyone would benefit by receiving an estimated 5 percent, which is roughly what is costing the American society for not having a well-functioning infrastructure (Samli 2009). But tax cuts are still in process and one of the political parties is promising to have more. Tax

cuts, therefore, are considered to be one of the deadly social activities. Forcing the government to do less and giving large sums of money to the 1 percenters is not sustainable and is a very dangerous activity.

## CONCLUSIONS

Government needs much money to take care of many responsibilities. Some of these responsibilities are required, such as the military and the police force, among many others. In this chapter only one aspect of government activity which would cultivate the economic progress is emphasized, that is, the critical thinking development leading to progressive innovation. But this and other activities are critically curtailed because of the inadequate funds which the government is allowed to have. This lack of funds goes to the constant propaganda by the 1 percenters that our taxes are very high. George W. Bush's tax cuts have been a borderline disaster to the progressive growth possibilities that are cultivated by a progressive government. Additionally, 1 percenters manage having wages kept low. Furthermore, they have been going against the government's intentions of raising the minimum wage to a living wage level. Not only arbitrarily raising the minimum wage to a livable level, but having wages brought to the value of the toil fairly, must be a major objective. With the greedy behavior of 1 percenters, this type of action is not taking place. But the increasing gap between the rich and the poor simply is not sustainable and something needs to be done to improve the situation. The following conclusions are particularly critical. First, for the short run, the minimum wage must be raised. Second, workers and not only the administration must receive benefits of economic activity. A system must be developed to achieve that. Third, a more progressive income tax must be established so that billionaires will give their fair share of taxes. Fourth, the tax cut benefits of the propaganda must be stopped. Fifth, critical thinking must be the national goal. The education system must be geared for it.

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## Privatization

The incessant propaganda by the greedy 1 percenters has been rather effective for many people to think that government is incompetent and only private companies can accomplish things. Therefore, the government must be kept small and must be allowed to enter the market system and cope with economic problems.

Behind the efforts and propaganda for privatization there is financialization of our economy. Financialization, as discussed in different sections of this book, implies making as much money as possible in the immediate future.

In many cases the greedy 1 percenters would look at some local government which is in financial trouble and bring out certain services for cash, but much less than their value. The meter deal in Chicago is a typical example.

Mayor of Chicago, Richard Daily, was desperate to correct the hole in the city's budget. The City of Chicago sold the parking revenue for \$974 million less than it was worth. The city had leased its 36,000 m to a private party for \$1.2 billion in up-front revenue. The length of the lease was 75 years. This is shocking but, according to some estimates, about \$1 trillion of America's \$6 trillion in annual federal, state, and local government spending goes to private companies (Ball 2014). One further note on the parking meter case, rates in Chicago went up about fourfold.

As can be seen, greedy 1 percenters are taking advantage of local or regional governments. There is no complete list of these activities.

However, the variety of privatization activity is primarily based on taking advantage of the consumer. This type of financialization of our economy is certainly not sustainable, particularly because, while a few financiers are making tremendous amounts of money, consumers or 99 percenters are being taken advantage of and they are suffering. The gap between the extremely rich 1 percenters and the struggling 99 percenters is getting greater. This type of activity, unless stopped or reversed, can have dire consequences leading to social unrest and even class warfare.

### DISASTROUS IMPACT ON EDUCATION

When I came to the USA over 60 years ago, the country had an incredible education system. I believe that, ever since then, education has become easy prey for politicians and has been deteriorating. This will give further ammunition to the politicians and they will accommodate the greed factor by making statements such as “the government cannot do anything right, education must be privatized.” This further facilitates the financialization activity which totally benefits only the 1 percenters. Education for sale is against the basic principles of any advanced society. Education is a right for everyone and is not for sale to those who have money as a privilege. But, at the writing of this book, this is what is happening. Privatization of education, which is displayed as education for sale, is a shocking reality at the current time. [Exhibit 10-1](#) presents some of the disastrous effects.

#### **Exhibit 10-1**

##### **The disaster of privatization of education**

- Education is becoming a privilege
- Totally expensive and discriminatory
- Charter schools are ineffective
- Closing down the schools catering to the poor
- Privatizing public funds

### PRIVATIZATION’S IMPACT ON EDUCATION

Education, in a normal market system, has been a right for everyone. But privatization is making it a privilege by making it costly. By definition, privatized education discriminates against the poor. A parallel could be



drawn as follows: Post Offices have been, and are, serving everyone, but in recent decades FedEx and UPS started cutting into Post Office business and are for-profit (Buchheit 2013).

Although they are not subject to public scrutiny, private schools are abdicating their responsibilities in terms of creating better conditions for students to learn. Instead, they are putting more emphasis on popular propaganda factors such as extreme conservative ideology being instilled into students' minds. Because of financial problems throughout the country, local administrations are very much in favor of privatization of schools rather than helping public schools (Eichelberger 2016).

Privatization, which is paying for education, has made education more costly and, for many, almost out of reach. Additionally, private schools, unlike expectations are shown to be, are wasteful and inefficient which adds to the total cost. In a true sense, therefore, privatization is not saving taxpayers any money (*Newsweek* 2015). Additionally, and perhaps even more important, is the fact that private schools do not have to accept all students. They discriminate against those who are difficult to teach. Thus, those students are forced to go to public schools which are becoming more and more inadequate because of lesser funding and general neglect.

Thus, charter schools are receiving public money but are discriminating against the students who need help. A public policy of education supporting private schools which are more interested in financial gains could certainly not be very sustainable, but, more importantly, the damage caused to the society would linger on for a while.

As mentioned earlier, charter schools are not open for public inspection. They are hiring unqualified teachers for cost cutting purposes. Thus, the American education system is becoming weaker. This trend is combined with the fact that financially stressed communities are closing down the public schools which are performing poorly and are in desperate need of help. These are typically in poorer sections of the community. This is making it almost impossible for children in poorer communities to get help in receiving an education, resulting in their being totally deprived. Such patterns have very dire future implications for the society as a whole.

In a more general sense, most communities are more inclined to close down public schools. Thus the constant propaganda of private is better

becomes more and more acceptable to the public. This, again, makes education a privilege rather than a natural right (Fischer 2016).

## CONTINUING PROPAGANDA AND LOBBYING

Although education has been the key target, it is not the only area privatization is exploiting. Privatization efforts of the prison system are not far behind privatization of the education system.

## PRIVATIZATION OF THE PRISON SYSTEM

A shocking fact is that since the privatization of the prison system started, there has been a continuous increase in the revenues. But the shocking fact is that, in addition to their profitability activities, these facilities are receiving big government subsidies. As indicated by Exhibit 10-2, the private owners of many prison complexes have been benefiting very richly, not only from rental revenues but also food and water supplies along with other services that they own and render to inmates.

### Exhibit 10-2

#### **The impact of privatization of the prison system**

- Tremendous rental profits
- Big government grants
- Extended jail times
- Increased number of inmates

In addition to rental revenues, these private prison complexes have managed to receive large grants from the government, particularly with the help of lobbying power. The most fearful impact of this activity is that private owners, with the nonstop efforts of lobbyists, have been influencing the courts' sentencing decisions. They seem to be managing for the courts to give maximum sentences which keeps their facilities full. They also have contracts with local authorities to get paid for 95 percent guaranteed occupancy rate. Again this influences the courts' decisions to put more people in prison (Cohen 2015). The end result, of course, has become tremendous revenues produced for companies which own and manage private prisons at a much higher cost to taxpayers.

## PRIVATIZATION OF WATER

The third area I consider as being extremely critical in the privatization activity is water. This privatization is becoming rather critical in the supply and quality of water in many parts of the country. Privatization is allowing soft drink manufacturers to have special privileges at the expense of the population. They are getting good water cheaper to prepare their drinks. [Exhibit 10-3](#) presents a different impact of water privatization. This is partly because local governments are giving special privileges to soft drink makers. In many parts of the country, a good quality water supply is simply not available.

### Exhibit 10-3

#### Impact of privatization of water

- Soft drink makers are getting preferential treatment
- In many parts of the country good quality water is not present
- Charging more for water in poorer communities
- Bad quality water is harming our children
- Private bottled water is making a mint

As water is becoming scarce, administrations are charging the poorer population more for it, as seen recently in Flint, Michigan. But available poor quality water is harming children and retarding their growth and development. Again, providing better quality water for the private bottlers is giving them tremendous revenues, particularly at the expense of poorer taxpayers in certain parts of the country (Samson [2013](#)).

## PRIVATIZATION: WHERE ARE WE GOING?

As can be seen, the three privatization activities are bringing millions of dollars to individuals at the expense of the society. But these privatization activities are threatening the future of our country. They are simply very dangerous for our future.

But these are only three privatization activities. The greedy financiers are going towards having just about all the governmental activities become private. Slowly, but surely, they are trying to make the government not only minimal but also ineffective. They are able to accomplish this by using propaganda, lobbying, and finances. Public issues such as education, the prison system, clean air, clean water, and many others simply cannot be

privatized as it would be unfair to the population. Giving up human values in favor of immediate financial gains is not only unsustainable but is also extremely dangerous for the whole society.

## PRIVATE IS NOT BETTER

As mentioned earlier, the propaganda claims that government is inept, it cannot do anything, and private groups or organizations can do everything better is simply incorrect; however, it has been going on for so long that many people in our society believes it.

## CONCLUSIONS

Financialization of our society is being supported by privatization. And privatization is supported by financialization.

The three very important areas of privatization discussed in this chapter: education, the prison system, and water supply are simply examples of the danger privatization is creating. Privatization activity could reach out and privatize almost all of the functions of the federal and local governments.

Privatization is simply one of the five deadly social activities that is creating tremendous quick revenue for the greedy. It certainly must be stopped before it is too late.

Perhaps one additional point must be considered seriously. American labor's productivity has been increasing, and this increase is aimed at replacing labor by automation. But this is not another deadly social activity. It is desirable but must be used properly.

## APPENDIX

### *About Increasing Production*

Thus far, five deadly social activities have been discussed. These are, or have become, the instruments of the greedy 1 percenters to replace human values and progress for quick financial benefits. There is one more activity that can be added to these, but that activity also has many social benefits. This activity is misutilization of industrial technology.

The term, misutilization, is used here which needs to be emphasized. Although industrial technology is creating more efficiency and, therefore, ability to produce more with less, it is accomplished by continuing

utilization of less people and more technology and robotics. One may ask, just what is wrong with this picture? The critical point is that if the gains in productivity are not shared with the whole society, then the whole process becomes another deadly social activity. It must be noted that machines don't eat, don't require income, don't get medical problems, do not need retirement benefits, etc. In other words, when the technology is developed and productivity increased, the cost operations become cheaper because it requires fewer workers. If technological advances are used to replace people, this situation becomes very attractive to the financiers. Although outsourcing created millions of lost manufacturing jobs, industrial technology advances, it may be claimed, will mean an even greater loss of jobs for our labor forces. The worse point in this situation is that almost all industrial progress in our productivity is aimed to replace people. This certainly generates much more cash benefit to the greedy billionaires.

### THE COUNTERPOINT

As mentioned earlier, this particular topic is not considered as a deadly social activity. The reason for it is that increased productivity also makes a country richer and provides more and better products and services for all. In fact, this is the goal of all developing countries to become developed. Perhaps the distinction in the general orientation is not to stop increasing productivity but making sure that the benefits of increased productivity will reach and benefit everyone in our society. However, at this point in time, we are far away from such a mature orientation.

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## Regaining Our Market System

As it has been repeatedly posited, our market economy, with all its potential and promises, is being stolen by the financiers and greedy 1 percenters. They are enforcing and benefiting from two very major orientations. First, the progress blocking activities, and, second, five deadly social activities. Both of these activities are very strongly supported by 1 percenters.

If societies don't make progress, they die or change their identity. If we study history, we find out that countries that are not progressive survive about three or four hundred years. This can certainly happen to our society as well. With financialization, while 1 percenters are making progress, the rest of the society has become stagnant. This is not a sustainable situation. Progressive behavior with positive results is not present in our society. Financialization is providing 1 percenters in our society with financial gains and, maybe, some progress, but this is at the expense of the rest of the society. A fully functioning progressive market economy would benefit everyone in our society, not simply greedy billionaires.

### PROGRESSIVE BEHAVIOR IS NECESSARY

First, the progress blockers, which are identified in [Chapter 3](#), must be stopped and reversed. But that is not enough. The five deadly social activities must also be stopped and preferably reversed. But, even then, if we don't have a progressive management, meaning the government, we

will not make enough progress. We will fall into the same traps that have been extremely detrimental to our society's well-being. If we do not create a progressive and innovative culture, perhaps primarily based on critical thinking, there will be no progress (Feroohar 2016).

In order to regain the positive characteristics and contributions of the market system, the greed factor needs to be replaced by an ambition factor. While the greedy see the economy as a zero sum game, in which one can make progress by stepping over others and taking their gains, the ambition factor dwells upon a positive sum game, meaning that if people are making progress, it will be good for everyone. While greed is placed more on 1 percenters, the ambition factor is exercised by ambitious and proactive entrepreneurs (Samli 2013).

There is no reason why extreme, harmful, and dangerous greed cannot be regulated and penalized. It is clear that financialization is catering to greed and is blocking a healthy economic growth in the long run (Feroohar 2016). However, at the point of writing this book, financing activity has been growing nonstop to intolerable levels and is reducing the chances of having a market system with its promises of growth and sustainability (*The Economist* 2015).

Perhaps one of the most unfortunate situations in the current financialization is the financial that is particularly motivating one of the two political parties by insisting on keeping government out of the picture and supporting financialization. It appears that unless money does not play a critical role in the political picture, we do not have much luck in reversing the extremely negative and dangerous situation our country is experiencing. Without the persuasion of money, certain political operatives may see what is good for the country rather than what is good for 1 percenters.

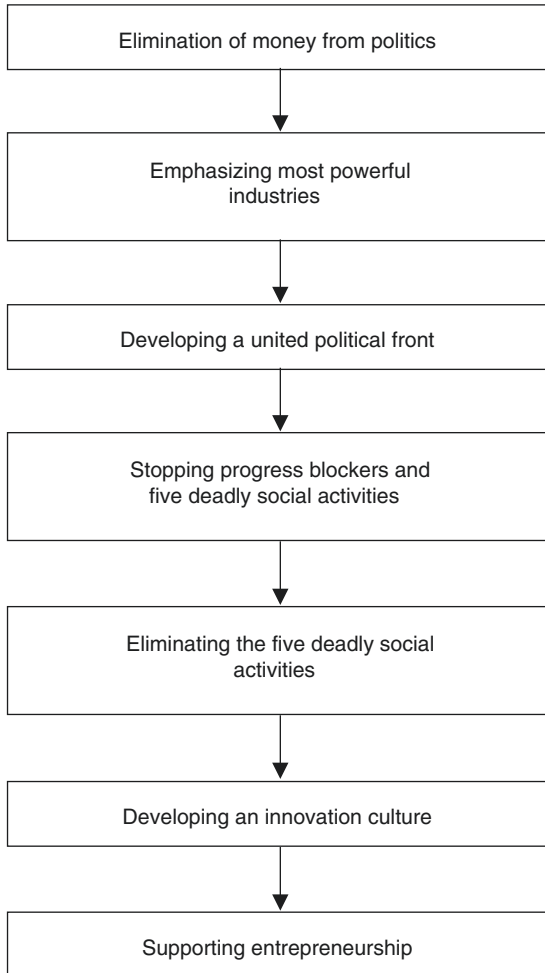
Elimination of financial influences is only one step in regaining our market system. It is critical that we develop a complete plan of action to regain our market economy.

## A PLAN TO REGAIN MARKET ECONOMY

A comprehensive model to regain our market economy is presented by [Exhibit 11-1](#). With the stalemate in Congress while this book is being written, such a program simply does not have a chance. But such a model must be constructed and presented with the hope that the conditions may change and such a program can become a reality. In discussing [Exhibit 11-1](#), it must be emphasized that there is no sequential order. Each step or activity

displayed, in fact each step or activity is a separate involvement and is not dependent on the previous activity or the following activity.

**Exhibit 11-1**  
**A model of regaining our market system**





Perhaps the first and most impossible step should be considered above all. I believe financialization is based on putting much money into politics. That additional money would improve the position of the 1 percenters at the expense of the rest of the society. But, at this point in time, there is no possibility for elimination of financial influences on politics. The society must be convinced that this is a necessity and the Supreme Court may have to reverse its position. Companies are like individuals and they can make major financial contributions to create certain conditions which mostly help the 1 percenters. The best we can do is to talk about it and hope.

In my earlier book (Samli 2013), I emphasized that different industries contribute to the economy differently. It is necessary to identify which industries are growing fast, which one employs more workers, and which industry is paying more. With some little money for such purposes, the government must help these industries to contribute more to the economic well-being of our society. That is the second step in [Exhibit 11-1](#).

The third step displayed in [Exhibit 11-1](#) is one of the most critical problems of our time. The two political parties simply do not realize that they are there to manage our country. Instead they seem to be playing football – my team or your team. No, it is one America and it is their job to lead, not to block each other. Unless they have one common goal for the nation, and unless they both are working in the direction of developing a progressive dynamic society, there will not be any way of making progress which is desperately needed.

Stopping the blocking activities of the blockers is the fourth step in [Exhibit 11-1](#). This involves a multidimensional strategy. It is simply not totally functional for potentially progressive entities. There must be a general guideline from the government, especially towards those developing, or capable of developing, critical or radical innovations to be supported by a newly developed entrepreneurial culture. It must be realized that this is an extremely tall order for the well-being of our society and should not become a political toy to be changed as the politics of the society changes (Calvin 2016). But, again, since financialization is sponsored or supported by certain politicians, the innovation and progress impact of the market system is not at all working (Dorfman 2014).

Stopping and perhaps reversing the five deadly social activities is the next item in [Exhibit 11-1](#). At the risk of being repetitive, it is extremely

critical that these social functions must stop and perhaps be reversed. They are, deliberate or not deliberate, the key tools of the greedy 1 percenters. While they are damaging our society, they are creating very large amounts of quick cash for billionaires.

## COPING WITH THE FIVE DEADLY SOCIAL ACTIVITIES

Although parts of this topic are discussed in different parts of this book, this category of market destroyers are very potent and are very observable in that their immediate impact on the society can be easily seen. Furthermore, they can be controlled or reversed somewhat quickly. This is why [Exhibit 11-2](#) is constructed. It presents the five deadly social activities in one place and offers, perhaps, the most effective way of coping with them. Once more, these five are perhaps the most effective for the greedy to generate the most and quickest cash, and further steal our market economy.

### Exhibit 11-2 Possible solutions for five deadly social activities

<i>Activity</i>	<i>Possible solution</i>
• Deregulation	Reregulation
• Merger mania	Reinforcement of modified antitrust laws
• Offshoring	More zeal on domestic manufacturing
• Tax cuts	Making sure that 1 percenters will pay their fair share
• Privatization	Reiterating the public problems that government <i>must</i> tackle

Deregulation requires some reregulation and some regulation for the areas that desperately need to be regulated, such as banking, financial organizations, and the like.

Merger mania can be dealt with by reinforcing somewhat modified antitrust laws.

Offshoring would require some changes in the tax laws, but more importantly, invigorating US domestic manufacturing.

Tax cuts must be changed for the billionaires. They must pay their fair share which is not currently happening.

Finally, privatization must be stopped by more carefully identifying the government's role in social issues and making sure that they are taking care of the government rather than becoming a gold mine for private capital at the loss of the country as a whole.

## INNOVATION AND ENTREPRENEURSHIP

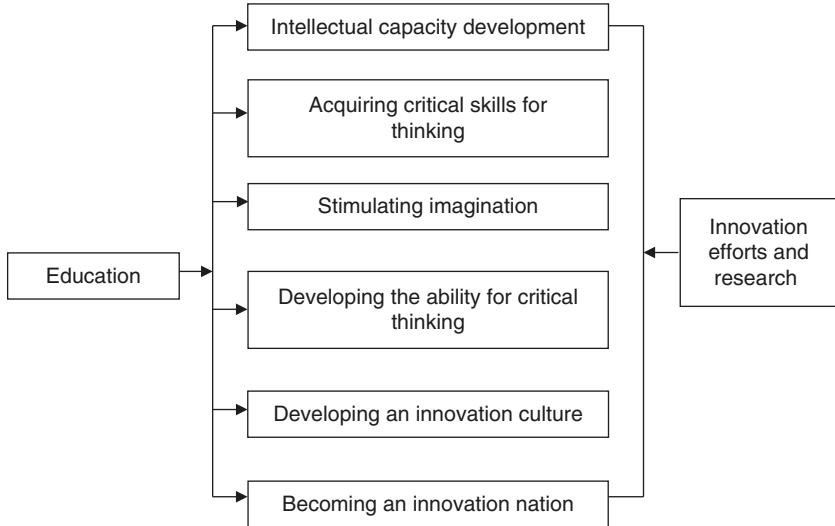
While many of the progress blockers and five deadly social activities can be remedied rather quickly, innovation and entrepreneurship aspects of regaining market economy are long-term propositions. It must be realized that the ability to innovate, particularly by using entrepreneurs, the proposed or regained market economy will have sustainability without which the system is very vulnerable and might be stolen again and again.

## INNOVATIONAL ABILITY

The companies or countries that do not grow in sophistication cannot innovate. Becoming more sophisticated, in a real sense, is being or becoming an innovation country. Joseph Schumpeter (1939) defined innovation as creative destructionism. He perceived that all new developments are likely to kill existing conditions. The present author revised that statement as innovation creative constructionism (Samli 2009). Here the perception was that innovation enhances and improves, therefore it must be considered constructive rather than destructive.

It was Solow (1957) who posited that the main drivers of economic growth are innovation and technical progress. More recently, researchers asserted that innovation is the leading indicator of future growth and profitability in the business sector (Maddock and Wilson 2008). More recently it was maintained that innovations lead to development of major new platforms which generate significant new products that would enhance the prevailing quality of life everywhere (Samli 2011). Exhibit 11-3 presents the key steps of developing an innovation nation which is necessary to regain our market economy with necessary sustainability capabilities.

### Exhibit 11-3 Constructing an innovation nation



## THE WORLD NEEDS INNOVATION NATIONS

This world certainly would be a better place if all nations were trying to be innovative and were concentrating on developing new products and new services that will make the existing quality of living better for all. Unfortunately this is not the case for the world, and even for our country.

Developing an innovation nation would require a process such as the one presented in [Exhibit 11-3](#). This process relies on two very separate but very powerful forces or developments which require time, concentration, and willingness of the country. These two forces are education activities and innovation research.

As I pointed out in my earlier book (Samli 2016), the education system must concentrate on intellectual capacity development. This is a very involved proposition. Perhaps the first step here is developing awareness of events, activities, and issues. This would be an awareness of current events and developments which might lead to acquiring

important skills that are needed to analyze events and facts critically. These activities would lead to imagination stimulation which would further lead to critical thinking. If critical thinking were to become a major goal of the country's education system, there would be more potential for radical innovations which would not only help to return to the market system but would also provide some degree of sustainability for it so that it could not be stolen again by GREED. The second force that needs to exist in the innovation aspect of the market system is innovation research and support for it.

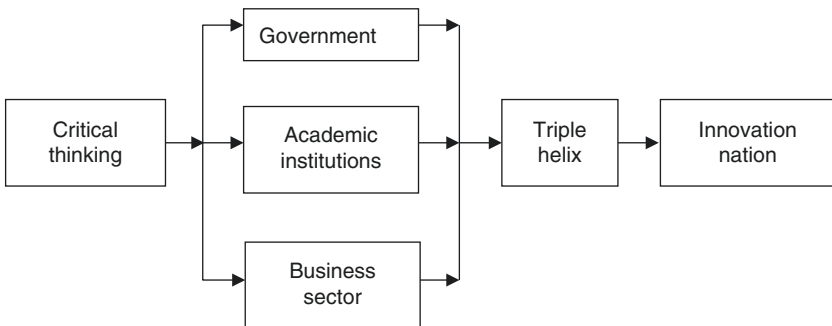
Although important, critical thinking, which may generate ideas for new products and services that may radically change the prevailing life styles to a positive direction, must be followed by actual innovation development activities. In other words, innovative ideas must become a reality.

## INNOVATION DEVELOPMENT

It is my critical opinion that, without critical thinking, important radical innovations do not materialize. Thus the most powerful two prongs of innovation – critical thinking and actual efforts to innovate – must not only coexist but must be working together to create an INNOVATION NATION.

[Exhibit 11-4](#) presents a simplified picture of this very involved, time-consuming, and costly procedure. But this is not actually a cost but a major investment for the market economy to sustain and progress.

**Exhibit 11-4**  
**The make-up of innovation nation**



As depicted in [Exhibit 11-4](#), the actual development process of innovation starts with the government. Major organizations such as the National Institute for Health and the National Science Foundation may initiate major research projects or many other government organizations may help some critical thinkers to start their innovation processes. These government or government-aided organizations work closely with many universities to support the actual research. The business sector would be involved with these projects perhaps throughout their development. After all, the business sector is going to introduce these revolutionary products to consumers and market them effectively.

These three groups – government, universities, and businesses – must work closely together in unison to develop successful new innovations which will move the society forward. This coordinated behavior was recently called the triple helix of innovation (Samli 2016). Multiple triple helices represent an innovation nation. If most of the countries of the world were able to develop multiple triple helices, the world would be a much better place for all.

As has been discussed elsewhere (Samli 2014, 2016), industrial giants, despite the fact that they have ample resources, are typically not anxious to develop and promote expensive innovational activities. This is a very significant barrier to economic progress. The situation can be remedied by having an entrepreneurial culture.

## ENTER ENTREPRENEURS

Entrepreneurs are basically the opposite of the conservative greedy CEOs. They like to pursue new ventures, they are willing to take chances with radical innovations, and they are, in essence, risk takers.

Generating an entrepreneurial group is a costly and challenging activity. But it is necessary to understand that entrepreneurs do not emerge naturally without any help and training (Samli 2016). This means a national policy must be developed to create an entrepreneurial culture which is costly and needs the support of the government and the society as a whole.

Suffice it to say here that, without a forceful entrepreneurial group, most efforts in radical innovation development simply will not succeed. Thus, the triple helix of innovation needs a strong entrepreneurial backing. Without the entrepreneurial efforts, the innovation nation may not materialize and, hence, regaining the market economy with sustainability may become a rather idle dream.

## CONCLUSIONS

In this very critical chapter it is maintained that, even though very important, eliminating the progress blockers and reversing the five deadly social activities are not sufficient to return to a fully functioning market economy which would enhance the economic well-being and existing quality of life for all rather than simply catering to the greedy 1 percenters. For this to happen, above all, a competent and capable government must go beyond party politics and must concentrate on the well-being of the society as a whole. This government also must eliminate money from entering the key decision making so that a progressive society can do the right things for its people. The development of an innovation nation must be a goal, not a dream. This development would require a powerful triple helix of innovation and most progressive entrepreneurial group. If these things materialize, the society's economic progressiveness through a well-functioning market system would be sustainable and impact positively the whole society rather than a privileged few only.

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## Cultivating Economic Process

When John F. Kennedy said, “My fellow Americans, ask not what your country can do for you, ask what you can do for your country,” he certainly did not know how relevant his words would be some 60 years later.

In [Chapter 11](#), many short-run and long-run activities were briefly described to regain our market system. Just who is going to do what to accomplish this goal? The conditions and recommendations in [Chapter 11](#) are rather extreme. Unless a knowledgeable population is voting for a proper progressive government, nothing is likely to happen. Perhaps at the risk of being repetitious, the possible harm that financialization brings must be discussed. [Exhibit 12-1](#) displays some of the most critical impacts of financialization of the market economy.

### **Exhibit 12-1**

#### **The deadly impacts of financialization**

- Progressive innovations slow down or stop.
- Consumers have progressively less money.
- National economic activity almost totally in favor of 1 percenters.
- Income inequality becomes progressively worse in favor of 1 percenters.



- The income gap between the rich and the poor becomes intolerable.
- Displays of dissatisfaction become widespread.
- Class warfare takes place.

According to the findings of various research activities, US innovativeness is not in a position of leadership (see Appendix to Chapter 12). The somewhat dormant important research activity could easily be reversed by putting more emphasis on major research activities by triple helix, i.e., co-workings of government educational institutions and the industry. Similarly, putting more emphasis on human capital, tax policies, trade barriers, and intellectual properties would remedy the situation. However, the financial sector is directly and indirectly stopping this activity by lack of funds and lack of interest (Ezell 2016). This stagnant innovativeness is not helping the economy as a whole but keeps 1 percenters continuing with their current activities to create fast cash revenues (Samli 2016). As money in the economy is going in the direction of 1 percenters, consumers in the remaining 99 percent of the society are getting inadequate funds to create an increase in effective demand for all goods and services. As a result, not enough increase in incomes and not enough good jobs are becoming expected normal occurrences. Once again, 1 percenters are winning.

This continuous process is creating a tremendous gap between the rich and the poor. Perhaps more specifically, if the inequality of incomes reaches a certain level, there will first be unrest, and second there will be class warfare. The French Revolution, the Communist Revolution of the USSR, the Cuban Revolution, and the Chinese Revolution are all based on intolerable income inequalities. Thus, from this perspective, financialization is not sustainable and could create very serious results in the future.

### SUSTAINABILITY, SUSTAINABILITY

The basic orientation of the innovations must not be to replace people but to increase the productivity of all of the workers. Here it must be emphasized that this increase in productivity should not interfere with the quality of what is being produced. In fact, not only an increase in productivity but

an increase in quality must be emphasized. This means the society must create an innovation culture which considers the betterment of the quality of life that is in existence rather than making more money at any cost (*The Economist* 2015).

If there is no sustainability, there will be no steadily continuing progress. In order to understand and evaluate the economic...

Although it has been touched upon in different parts of this book, it must be reiterated that sustainability is critical for steady progress. It cannot be whimsical and change every so often. Its steadiness depends not only on conditions under which innovational activities are taking place, but also an orientation for the whole country regardless what the politics are.

In order to understand economic progress, it is necessary to examine the role and sustainability of innovational activity in the economy. It is critical to analyze the policies that lead and sustain innovational zeal and how it is affecting economic well-being. What policies and practices are paying the best role in economic progress may be examined as follows:

1. *Having good policies*: Just what are the immediate and long-run impacts, or preferably the benefits, the country and perhaps the whole world is receiving?
2. *Emphasizing certain policies*: All policies, despite the good intentions of other goals, do not perform well. Identifying, and perhaps reinforcing, those policies that benefit the whole society, and even make a global impact, must be emphasized.
3. *Elimination of bad policies*: The critical evaluation of innovation generation and utilization efforts would identify some of the bad policies which also are being practiced. Despite the fact that they are benefiting, say, 1 percenters, if they are harming the rest of the society or the world, they must be eliminated. Innovation, for instance, finding better ways of using fossil fuels is not good for the whole society and the world. They must be replaced by creating a steady supply of renewable, environmentally friendly energy.
4. *Self-destructive policies*: These are policies that do not benefit the country but manage to benefit the rest of the world. North American Free Trade Area (NAFTA) is considered one such policy by many. Before NAFTA, Mexico owed the USA billions of dollars. After NAFTA, the USA owes Mexico billions of dollars. There have been a number of such policies which need to be reevaluated.

It is obvious that the first in the above four categories is the best and it must be agreed upon and utilized globally. This is certainly a very different and positive situation than what goes on currently. These four categories of policies do not automatically imply sustainability. It must be realized that, without sustainability, innovational activity and connected progress cannot continue. As the political picture of the country changes quite often and the political parties disagree with everything, sustainability is a rather questionable goal. Politics should not be in the way of national progress (Ezell 2016).

When sustainability is discussed, it must be understood that sustainability of a company, an industry, or even a country cannot take place in an unsustainable world. This means a more united rather than divided world. Thus sustainability of progress is clearly dependent upon the general attitude of this fragile planet. All countries must have sustainable maturity and progress as their national goals. All must pay attention to alternative ways of generating more and better goods and services so that quality of life will increase everywhere. However, this orientation does not include sustainability automatically. Thus sustainability of progress is certainly the key for a satisfactory future.

Sustainability of innovation needs extra attention. Instead of more weapons and armies, concentration must be on peaceful coexistence and education that would reach out and touch everyone.

## A SUSTAINABLE INNOVATION CULTURE

The reason for the fact that a sustainable innovation culture has been emphasized here is that it is the prime mover of a progressive economy. In fact, it has been estimated that the process of innovation has created about 75 percent of American economic growth since World War II (Ezell 2016).

This is an indication of the role of innovation. But sustainability of innovation, where significant innovational activity is continuing with good results, depends upon the society's efforts to create and maintain an innovation culture which would thrive on the constant flow of ideas and the constant flow of new and better products and services. This primarily depends on the society's orientation. It has been discussed elsewhere (Samli 2010, 2013, 2016) that society's orientation to support an innovation culture begins with creating a critical thinking society which is always thinking and exploring better things and better ways.

In [Chapter 11](#) we discussed the development of an innovation nation, but it was not emphasized that an innovation nation development is a passing fancy unless it is backed up with sustainability which is certainly not automatic and will not happen unless certain conditions are met. [Exhibit 12-2](#) presents at least five key areas that must be questioned and answered positively.

#### **Exhibit 12-2**

##### **Innovation sustainability factors**

- Educational success in critical thinking
- No political interference
- Adequate financial support
- Sufficient support for entrepreneurship
- Continuing evaluation

The sustainability of innovational progress simply cannot take place without creating a society of critical thinkers where ideas and processes for improvement are constantly outflowing. In different parts of this book, critical thinking and the role of education are discussed. But the point related to the sustainability of innovational progress is not quite cultivated. It must be understood that, without a critical thinking culture, critical innovational activity will be unsteady or perhaps nonexistent.

Our political process and parties trying to block each other rather than jointly working for the betterment of our society makes it difficult to create sustainability in innovation as well as practically all aspects of our lives. Certainly this situation must be improved in favor of sustainability.

The political interferences to the national progress because primarily selfishness of political forces particularly enforced by financial forces. Taking out financial influences so that national progress succeeds to emerge and continue is essential. This is a major point for creating sustainability in innovational progress.

As has been stated elsewhere (Samli 2016), and in parts of this book, innovation progress, and particularly its sustainability, cannot be achieved without a major move in developing and supporting entrepreneurship. Entrepreneurs are much more willing and able to work and promote somewhat risky, but very rewarding, radical innovations. The CEOs of industrial giants are not typically interested in undertaking challenging

radical innovations that entrepreneurs, with some help, would. For sustainability in innovational activity, a well-trained and -supported entrepreneurial group is an absolute necessity.

Finally, but not the least of all, innovational progress and its sustainability must be closely analyzed and evaluated. This process would make sure that the economy is continuing on its way to a promising innovation culture and to benefiting the whole society.

## CONCLUSIONS

To stop the greed factor, to steal our economy by using financialization, it has been advocated that progress blockers and five deadly social activities must be stopped and reversed. But this stopping and reversing will not bring back our market economy. In [Chapter 11](#), different key activities are discussed to regain our market economy. But even those are not enough. The regaining efforts must be further cultivated by creating and maintaining sustainability. Without it, our efforts to regain our market economy may not succeed or may not last to create a continuing progressive economic process.

Sustainability depends on having educational success to create critical thinking, to eliminate political interferences, creating adequate financial support for innovation, having strong support of entrepreneurship, and, finally, having continuous evaluation of progress. It must be reemphasized that, if financialization is not stopped, some very dangerous results will challenge our society's well-being.

## APPENDIX

### *Bloomberg Innovation Index*

Which is based on seven tangible metrics, which are R&D intensity, manufacturing value added, productivity, high tech density, tertiary efficiency, research concentration, and patent activity.

Finding of the index 2015 are as follows: on the basis of prioritization the top eight countries are:

1. South Korea 91.31

2. Germany 85.54
3. Sweden 85.21
4. Japan 85.07
5. Switzerland 84.96
6. Singapore 84.54
7. Finland 83.80
8. USA 82.84

Jamrisko, Michelle and Lu, Wei (2016). These are the world's most innovative economies. 19 January.

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## What Do We Look Forward To?

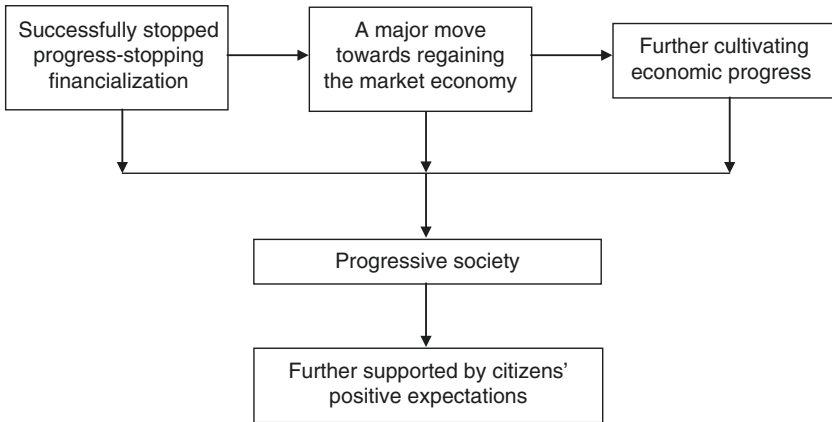
In [Chapters 10](#) and [11](#), discussion is presented of first stopping financialization and making major efforts toward regaining our market economy, and supporting this activity by progressive economic actions which will also create sustainability, thus hopefully creating and maintaining a progressive society as depicted in [Exhibit 13-1](#). But it must be understood that the citizenry also must pitch in and support this orientation and related activities.

Many years ago, when I very briefly visited China, I observed many young people working very hard while believing their country would go further. And it did. If this observation is correct, it may be concluded that the country's activities and direction must be consistent with the people's attitude and operations. Without this difficult and somewhat unreasonably idealistic attitude, the progress that would reach and reward everybody in the society is not quite likely. When we consider our market economy is being stolen by the greed factor, it is critical that we also examine just what are the feelings, orientation, and expectations of the population of the country.

Certainly, when human values are being replaced by financial gains, when 99 percent of the population, in reality, are working for 1 percent of the population, when millions of people work two or three jobs and are still not making ends meet, there is definitely a problem in the society's overall performance picture. Add to this situation the fact that the population is getting a little older and does not have access to affordable and curative medical care. Additionally consider the fact that

young people are not receiving affordable and good education. These alarming conditions, by definition, are not quite conducive to create and maintain a positive attitude on the part of the population. Without such a positive orientation, is it realistic to expect the society as a whole would perform very positively?

**Exhibit 13-1**  
**Sustainable progressive society**



Just what would create a positive attitude on the part of the population which would initiate and support the efforts to regain the market economy and make it progressive and sustainable? First and foremost the society must not change its direction and basic foundations of functioning on the basis of every election. If the situation from one election cycle to another, meaning total lack of goals and coordination, it cannot create enough confidence for the population to think of progress. People will be too busy to maintain their existence rather than thinking of contributing to or helping progressive thinking and acting.

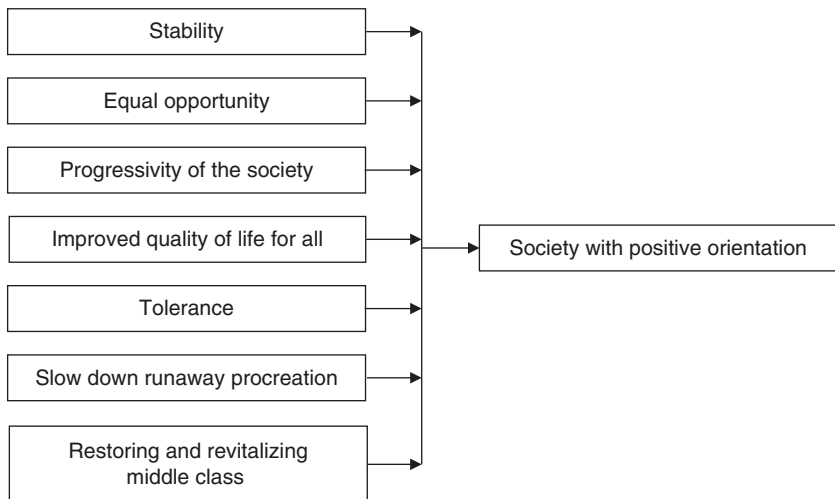
As this book is being written, the 2016 elections took place. The end result is that what was accomplished during the past eight years is going to be reversed. This kind of whimsical and regressive orientation has created an extremely divided society. Such a situation is certainly not conducive to having and maintaining a progressive society. Perhaps, first and foremost, activity on the part of the administration to stop creating total swings



based on, again, whims of political parties becomes mature enough to show reliable continuity rather than creating a fractured atmosphere which simply creates unreliable conditions creating totally lacking positive reaction of the citizenry as a whole.

This brings us to the beginning part of this survey: What would the citizenry look for to become receptive and helpful to efforts a generally agreed and rather stable orientation toward having a positive attitude toward economic progress and sustainability? This is such a topic that multiple books can be written about. Here we will explore only a few key points. These are depicted in [Exhibit 13-2](#).

### Exhibit 13-2 Positive citizenry



## STABILITY

Individuals, particularly in our society, look for and expect stability. After all, if the individuals just don't know what is likely to happen and if they know that their lives are most likely to be totally disrupted, they will not

feel secure and would not take progressive steps to improve their lives. They will be simply trying to maintain what they have and not participate in any progressive functions nor would they welcome any change, worrying about negative outcomes. Thus, stability is the critical starting point for a population which is forward looking and positive in its attitude to the society, in fact, to life.

### EQUAL OPPORTUNITIES

The second condition that would put the population in a positive, and perhaps progressive, mood is having equal opportunity to improve their lives and perhaps participate in some progressive activity. Certainly equal opportunity implies not having discrimination. In a society such as ours, where there are multiple major ethnic and racial groups, it is critical to understand the needs and aspirations of each group and make sure that they are all equal in the eyes of the law, and some groups should not be discriminated against in favor of other groups. However, financialization has been discriminating in favor of 1 percenters over 99 percent of the society. Such favoritism is not likely to create and maintain a population with positive attitude.

In comparison between, say, a century ago and today, women and minorities are substantially better off but are still not quite equal in comparison to the privileged groups. Equalization of opportunities and creating better living conditions would make our utilization of national resources much more efficient. Particularly, it must be understood that human resources are the most critical resource of our society. This means our human resources must be treated equally with care and must be given all the opportunities to advance (Turmothy 2012).

Elimination of still existing gender gaps and racial discrimination has given and will give greater opportunities for progress and positive attitudes which again will create conditions for better utilization of human resources. Once again, better utilization of national human resources is the most critical ingredient of economic progress (Smith 2014).

Despite the continuing progress in these areas, there is still some discrimination which needs to be corrected. This means both genders will get equal pay for equal work and everyone will receive a reasonable living wage. This also means minorities will get better education to become critical contributors to our economic well-being.

## PROGRESSIVITY OF THE SOCIETY

As individuals, as groups, in fact, as a nation, we must look forward to having a dynamic sustainable society. This society would have equal opportunity, upward mobility of individuals, total utilization of human resources, be composed of critical thinkers, and have heavy support for innovation and entrepreneurship.

No, I am not describing a fairy tale. It is totally possible for our society to reach a point where all of these features are present and functioning. But such a society does not happen all by itself. Naturally we, all of us, must work toward having such a society. It cannot be totally top down, meaning that a government is creating such a society. It cannot be totally bottom-up, where a knowledgeable, well-educated, and rational population is leading to create such a society. It is a combination of both bottom-up and top down. Such a peaceful and progressive society creates a better and constantly improving quality of life for all of its citizens. And typical citizens expect that.

## IMPROVED QUALITY OF LIFE FOR ALL

A society with an improving, high quality of life, above all must have equal opportunity, no discrimination, and no thieves of market economy in favor of a finance economy. Having more of everything makes life better, receiving as much education anybody can receive, having an advanced medical system that is available to all, having all individuals fully and gainfully employed with each individual receiving a fair pay for their toil. Certainly the prevailing quality of life cannot be improved further if air, soil, and water pollution creating activities are not stopped and reversed. Thus, quality of life enhancement for everyone in the society is the key feature of the progressive society which must be achieved. But it cannot even get started with the greed factor displayed and expanded on by financialization. The thief must be stopped.

## WHAT ABOUT RUNAWAY PROCREATION?

The increasing economic progress and improving quality of life cannot take place if they are shared with more and more people. Any advanced society has a reasonable population control which is avoiding the condition of the too many people and too few jobs syndrome far in advance.

Despite the progress that has been made in industrial productivity and agricultural productivity, this world is not growing but its population is increasing. Unless the increase in population is somewhat checked and stabilized, a progressive society or a progressive world cannot continue since the population is increasing faster than global productivity. This means, sooner or later, any industrial and agricultural progress will be offset by the number of people with whom this progress is shared. Perhaps the Chinese experience is a lesson. China was adding onto itself the equivalent of the population of Australia every year. Then came the one child policy. In the history of mankind no 1.5 billion populated country achieved double digit economic growth. This, however, has been China's performance over three decades or so. The key, of course, is to have economic progress exceeding population increase so that the society is becoming better off.

Many simple activities can create a slower procreation activity. Among these are, for instance, no tax support after the second child, more and better family planning advice, good compulsory sex education, and the like.

### RESTORING AND REVITALIZING THE MIDDLE CLASS

The middle class is the backbone of a progressive and stable society. The middle class development and maintenance are dependent on well-paying manufacturing jobs. As mentioned in this book a few times, offshoring is certainly one key enemy of middle class development and existence. Offshoring, by definition, is exporting the middle class to other countries. Along with offshoring, excessive imports from other countries have been eliminating middle class jobs in the USA. In either case, the impact on the US middle class has been very significant and negative. Such an economic picture certainly does not represent a progressive society. Knowing that there are many good manufacturing jobs which pay well and provide a promise for advancement is a very attractive situation which a progressive society cannot afford not to have. Having plenty well-paying manufacturing jobs has at least three key effects on the society. First, as already mentioned, it enforces the development and maintenance of the middle class. Second, by definition, it provides good income for many and eliminates income inequality. And, third, it creates a positive societal attitude of progressive positivity. Which means that, instead of individuals waiting for some billionaire to give a menial job as trickle down,

individuals trust themselves to get a job and trust to the system making those jobs available for everyone. It also may mean that individuals are formulating, in fact owning, their future rather than simply experiencing what comes along, created by financialization which is used by 1 percenters to increase their income at the expense of the rest of the society.

Developing and maintaining a thriving middle class is, at least partially if not fully, dependent on businesses not focusing exclusively on maximizing their cash profits or financial incomes benefiting only a few in terms of widening the gap between the rich and the poor, to considering emphasizing human needs and supporting economic progress for all (Kelly 2012).

### PROGRESS, PROGRESS, PROGRESS

The billionaires and other 1 percenters do not like any change in the economy in laws, in short in the society, because they are doing extremely well as opposed to the rest of the society. A change, any change, in the society, they believe, will take away their comfortable position. But this attitude, although very profitable for a small group of extremely rich people, is not, and should not, be acceptable as a societal norm. Progress begins with change. Although all changes may not lead to progress, almost all progressive activities are change based.

If society is mostly composed of people with positive attitudes toward having equal opportunity, being a member of a dynamic society, increasing economic well-being rather than increasing population, creating better quality of life for all, and certainly continuously making progress, such a general but very positive attitude is a main supporter of all of the efforts creating and maintaining progress.

After having discussed stopping special forces which are supporting financialization in a different section of this book, a major effort is made to discuss how a market economy can be, in fact should be, regained. In [Chapter 12](#), a special way to enforce the regaining activity by promoting economic progress is discussed further. In the present chapter, an additional positive force is discussed. That additional force is the positive orientation of the citizenry which truly will boost progressive and sustainable economic progress by a positive attitude and positive expectations of the citizens of the country. It is maintained here that this total system is not only necessary but must be expected and supported by the country's

administration. [Exhibit 13-1](#) illustrates this delicate but extremely necessary overall orientation.

Just how to encourage the citizenry to be positive and to look forward to having certain positive conditions is a critical issue and needs much research before it is implemented as a social service for general knowledge of the population.

## CONCLUSIONS

With all the conditions and technicalities, a progressive society must have a positive attitude on the part of its people. This is not a given. It must be developed by having, among others, equal opportunity for all, convincing the people that their society is a dynamic one, it is not being overwhelmed by runaway population increase, by having continuously improving quality of life, by having a solid and growing middle class, and by observing that much effort goes into making progress which reaches all (Samli 2016). These conditions, if positive, certainly create population with a positive attitude and great expectations. This is a powerful situation which supports all the efforts to create and maintain a progressive society. Certainly the conditions cited here do not come automatically before the progressive society is in action. The progressiveness of the society and positive attitude of the population would go together. But, once again, people must see and experience progress for all, not a brutal treatment from those who are stealing our market economy.

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## The Ripple Effects of Financialization

As the greed factor is taking over our market economy by financializing it and replacing human values with financial gains, some industries are acting outrageously and harming the society significantly. In this chapter, four specific industries' very questionable behavior and their unbelievable financial gains are discussed. Additionally, a brief appendix presenting their totally questionable and antiprogressive behavior is included. The four industries which are the most outrageously behaving and hurting the society as they gain tremendous financial benefits are the banking industry, medical services which are for the rich, the insurance industry, and the pharmaceutical industry which is outrageously profiting on the back of the sick and dependent citizens. These four industries, perhaps among others, are functioning in a shocking way using financialization and are not properly controlled or regulated.

### RIPPLE EFFECT ON THE BANKING INDUSTRY

In 2007, the banking and financial industries caused a housing bubble which cost the society billions of dollars and created the most significant recession of our times. The great recession caused a tremendous risk of collapse in this industry. Many banks were saved by the government because they were labeled as "too big to fail." The helping hand of the government rescued them from collapsing. Without such help, many of these companies would have been out of existence today. However, the

lack of regulation for financialization efforts made them follow unregulated financialization, once again motivated by the greed factor. They got bigger and prospered by using behavior that was certainly not ethical and they have become outrageously prosperous. They are continuously engaged in quite questionable financial manipulations. Some of the banks and financial institutions have become so gigantic that they have been categorized too big to failers, thus they are very profit hungry capitalists in good economic times and they become socialist in bad economic times, hence they truly cannot go wrong. This status certainly encourages them to get involved in questionable financial manipulations even more. These activities should be examined carefully and stopped.

### MEDICAL SERVICES FOR THE RICH

Although very highly advanced in terms of knowledge base and capability, the American medical system is unreasonably expensive and its service delivery is unreasonably inadequate.

Although the medical research is the best in the world, because of financialization it is becoming more and more geared toward managing symptoms rather than curing diseases. Treating the symptoms is an ongoing management practice that makes the patients feel better, but they are not cured. Partially because the system is forcing doctors to manage symptoms rather than curing patients, instead of curers doctors are becoming entrepreneurs who are concentrating on making money. As a result of this situation, doctors in the USA are making, on average, \$230,000 a year which is substantially higher than in other industrialized countries (Conover 2013). This earning picture becomes more lopsided when doctors are designated as specialists. The service they deliver is not quite affordable by average citizens and many services they deliver are not quite covered by insurance companies. Thus, the whole thing becomes services for the rich. In the case of the USA, where the population is getting somewhat older, some of the medical services they receive may become more exaggerated and not quite necessary, but the specialists are insisting on these borderline frivolous procedures or medical treatments which make the picture much worse for the average older consumer with modest means.

Although, in the knowledge aspect, the American medical system is the best in the world, because of the interference of insurance practices and legal complications, the delivery of this knowledge is not quite up to par.



Sick people expecting approval from insurance companies or needing certain treatments which are not allowed as yet by law, combined with doctors' preferences and whims, the delivery of this very advanced medical knowledge becomes questionable (Barnes 2012). An additional part of medical activities that are becoming outrageously expensive is the medical and pharmaceutical industries. The pharmaceutical industry is charging prices that are almost unimaginable (See Appendix). Along with the harm caused by excessive prices, medical insurance companies are making extremely unrealistic profits motivated and encouraged by financialization. Thus, medical activities and related industries have become a major burden on the American society.

While the rich are managing the situation well, millions of citizens are left without medical care. This is not the pattern that exists in other industrial societies. The US medical costs are 17.6 percent of the GDP. This proportion is between 50 and 70 percent more than these other industrialized countries (Kane 2012).

### NONMEDICAL INSURANCE INDUSTRIES

Besides the medical insurance sector which is doing extremely well benefiting from the financialization movement, it is important to explore the insurance industry and its use of the ripple effect of financialization of the market economy.

It appears that insurance companies, while they have been preoccupied with the goal of capturing a larger proportion of the market, have forgotten to serve the consumers. They have simply forgotten the vulnerable and needy portion of our population. In their efforts to grow and generate quick cash benefits, major insurance companies have gotten involved in "shadow banking," practices without being regulated. These practices are encouraged by financialization and are very quick cash bringing activities. The way it works is that insurers are responsible for 11.6 percent of the loans in the global private debt market. Property insurance loans have increased by 50 percent in the last decade (Soralı 2014). It is speculated here that particular insurance practices are greater in the USA than the global averages.

These overall permissive behaviors have created nothing but hardship for the rest of society. Other aspects of the insurance industry which are supposed to be avoiding risk and protecting the vulnerable groups in our society have been motivated by the greed factor and have become totally

profit oriented which is making the vulnerable groups in our society simply more vulnerable. The industry, instead of risk managing activities, has been opting for each and every account being profitable or they must be dropped. This means that instead of looking for better risk management with different co-assurance policies which will make them much more capable in managing unexpected and dangerous events, they are simply chasing quick cash. This, of course, is a very dangerous development. But also in reality, by not developing adequate co-assurance policies of helping each other, insurance companies themselves are becoming vulnerable which also must be considered. If the insurance company goes bankrupt, its customers become highly vulnerable, and there are simply no good measures to handle such situations. The insurance industry must go back to helping vulnerable citizens and controlling risky situations.

### THE UNBELIEVABLE STORY OF THE PHARMACEUTICAL INDUSTRY

The ripple effect of financialization has been performing wonders for the pharmaceutical industry at the expense of the society as a whole.

Although this topic is touched upon in this chapter, it is necessary to expand this discussion further. This industry has a number of activities that are bringing in tremendous amounts of cash at the expense of the society.

*Increased Dependency on Medicines:* Nearly 60 percent of the American population is taking prescription drugs, indicating some strong degree of dependency. This number is the highest proportion indicated in recent times and it is not likely to stop at that level. It will probably increase further. As research indicates, the use of prescription drugs has been increasing about eight percent over 12 years. It must be noted that this is a steady stream of increase. It is maintained here that this increase is related to “feel good” products rather than “get well” products. This means that managing symptoms is way ahead of curing the ill health of people (Brady 2015).

*Marketing and Promotion Spending:* Spending on pharmaceutical products is estimated to be about \$1,000 for every citizen in this country. With that amount of money, which is outrageous, there may be some questions raised such as: Just what the proportion of this money is spent on marketing and advertising; and, what is the proportion that went into critical research activity? It is stated that about 9 out of 10 major pharmaceutical companies appear to be spending much larger sums on promotion and advertising than creating better medication for the betterment of the

society. Since these companies receive much support for their activities, our taxes, at least partially, are supporting this industry's promotion and advertising, which is benefiting the one percenters rather than helping the society. Instead of improving medical products, these pharmaceutical companies are trying to convince us that they are very good, but also very expensive products.

In their efforts to promote their products, these pharmaceutical giants are spending much of their money in their efforts to convince the doctors and medical caregivers. Thus, the industry, at least partly, is using our tax money to convince us and our doctors to buy their products rather than undertaking adequate research and progress generating activities (Swanson 2015).

*Financing Propaganda Through Medical Journals:* It is a shocking fact that the pharmaceutical industry is creating and spreading propaganda through medical journals. It appears that pharmaceutical giants are engaged in big promotional activity supporting their research through major medical journals by creating big marketing platforms. Big pharmaceutical drug marketing platforms are presented in these journals, which are basically financed or partially supported by the giants of the industry. Some of the writings in these journals are specifically supporting the giants' research activities which further support the sales of their specific medicines. The level of recognition and respect for the journal has contributed significantly to the acceptability and popularity of these medications in the market place (Benson 2015).

*Disease Mongering:* This is a very fast growing and rather big movement which actually exaggerates relatively insignificant incidents and makes them a disease so that individuals feel the need to take almost unnecessary medicines regularly. This effort is sponsored by individual doctors based on the persuasion that is coming from pharmaceutical companies (Dossey 2011).

## CONCLUSIONS

Financialization appears to be spreading out, almost like a disease. Not only creating hardship for 99 percent of the society in favor of one percenters but is also creating widespread ripple effect in many other industries which are making tremendous amounts of quick money. Four such industries are discussed in this chapter with four appendices indicating a special situation for each. The shocking examples in these four industries indicate how dangerous financialization is. But it must be stated

that there are more than four industries in our economy and many of them are influenced by the ripple effect of financialization.

## APPENDIX 1

### *Ripple Effect of Health-Care Industry*

It is shocking to find out that the American medical system is not only outrageously overpriced but is also discouragingly inadequate in its delivery. This certainly is related to the fact that our society lacks proper regulation and administration. It is estimated that 20 cents of every dollar spent for health care does not go to health care but to the marketing of it (Thomson 2015). This situation may be creating some jobs which are not essential to the economic well-being of the society but is creating billions of dollars for the greedy one percenters. The complexity of the medical profession is interfering with its delivery of cures. The system itself forces the doctors to be entrepreneurs trying to make money rather than being health caregivers. It would be quite natural, perhaps, if doctors were to be professors on a salary, that they would work harder to cure patients rather than to simply treat and manage symptoms.

## APPENDIX 2

### *Ripple Effect on Insurance Industry*

If one snatches a purse illegally in our system of justice, one can get up to 10 years of jail time, but if 5,300 employees steal millions of dollars, the supervisor retires and receives a \$125 million dollar “golden parachute.” Unfortunately, there is hardly any insurance protection for consumers in such dramatic and unexpected situations. One may question the fairness of the legal system or its lack thereof. It appears that, at the practical level, there are plenty of practical laws that are forcefully applied, but at higher and perhaps more critical levels there are no adequate laws. If there were adequate laws that were fully enforced, the financial sector and banking would not have created the great recession of 2007. There would have been severe penalties for certain illegal actions. Similarly, the supervisor at Wells Fargo could not have just resigned and been rewarded with millions of dollars of retirement benefits, and perhaps 5,300 workers would not have lost their jobs for following orders. Since the start of the deregulation era, there has

been a tendency not to pass stringent laws and the major beneficiaries of this activity has been the one percenters. The result for society has been such that the financial sector has been getting away with somewhat questionable and risky activities without any supervision (Egan 2016). Illegal positions, as they stand, give financial institutions more freedom to do what is in their best interest as opposed to what is in the best interest of their shareholders, customers, and employees. This is obviously an indication of the governing body not being motivated to protect consumers and improving the quality of life, as opposed to making quick money for one percenters in some questionable ways. They are driven by the greed factor (Rogers 2016).

### APPENDIX 3

#### *The Ripple Effect on Banking*

In almost every recession, the “too big to fail” concept emerges. In the great recession of 2007, too big to fail banks created a housing bubble. The problem then was that there were no laws that would correct the behavior of these banks which proved to be deadly for our economy. However, one decade later, the fact is that these banks are still functioning the way they did then and are now bigger and stronger. Furthermore, they are somewhat interconnected to a certain extent and are supporting each other instead of competing. This interconnection appears to be increased in recent years and once again these too big to failers are engaged in exotic financial activities or financial gambling which is extremely risky (Martins 2015).

Perhaps the conditions discussed above led to a few regulations asking banks to be more transparent; however, these weak regulations are bypassed and ignored, perhaps with the exception of a few establishments with over 50 million dollars which are considered important (Goldstein 2016).

### APPENDIX 4

#### *The Ripple Effect on the Pharmaceutical Industry*

The pharmaceutical industry, because of financialization, has become broken and corrupt. Two particular examples elaborate on this very dangerous pattern. The first one is Mylan, which is producing the Epipen. The CEO of Mylan acquired the Epipen from the US Armed Forces, which is the original developer of this product. Its price went up from \$57 to \$608

which is a 400 percent increase. Subsequently, the company claimed that the increase in price was due to an increase in the quality of the product, which was hardly provable. The company did engage in many political manipulations to block competition from entering the market. This pattern of exploitation is currently continuing due to the lack of proper regulation. During the case of the Epipen episode, the company's CEO's salary went up from \$2.5 million to \$14 million (Winship 2016).

The second example indicating outrageous behavior of the pharmaceutical industry is a drug named Daraprim, which is used by AIDS patients. A shocking increase in its price from \$13.50 for two tablets to \$750 for two tablets, which represents an increase of 5,456 percent, caused tremendous hardship (Atwater 2016).

These are only two examples of what is happening in this industry. Without any regulations or controls, they could do anything they want.

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## Top-Down versus Bottom-Up Management

As financialization spreads out, the emphasis on making money moved from better and more marketing to cost cutting. This financialization-stimulated move is partially due to changing backgrounds and the orientation of modern CEOs.

Some three decades ago most CEOs had a major marketing and sales background. This particular background, in time, has been replaced by high tech and engineering backgrounds. This change in their backgrounds changed their orientation to work with numbers and emphasize cost cutting. Cost cutting, as opposed to better marketing, is replacing human values for quick cash benefits. Cost cutting for a supply chain may be profitable for one chain but clearly will cut down consumer services and better marketing which will expand the economy rather than simply creating more cash benefits for the 1 percenters.

There are millions of retail establishments in the USA. Most of them are either owned or controlled by supply chains or retail chains. Being owned or controlled by a large organization, such as a supply chain, provides some degree of sustainability for individual retail establishments in that group, but how efficient is this process of being owned or controlled by, say, an umbrella organization, for the retailing sector providing a certain quality of life to the American society.



## TOP-DOWN RETAIL MANAGEMENT

The modern CEOs of supply chains, who are guided by financialization, are managing thousands of retailers in their chain top down. Just how can a, say, 2,000 unit retail chain be managed? Certainly with difficulty. The chain makes many decisions which are beneficial for the chain but not beneficial for the individual retail units of the chain. Indeed, many chains have made impressive progress by using modern technology and succeeding in achieving major cost cutting which makes the chain rather financially successful. But these successful cost cutting activities can create problems for individual retailers and they simply cannot do their best to satisfy their market segments (Dubrel 2013). In essence, a large-scale retail complex may not quite support entrepreneurship.

It is almost inevitable that the chain is managed by high tech people who may cut costs but who cannot create market value for their retailing units. In fact, it may be questioned if the very high tech decision making group realizes that almost each retail unit is dealing with a different market segment and creating uniform behavior for their marketing activity is much less than adequate for them to satisfy their unique market segment. Markets are not homogeneous and must be dealt with according to their own uniqueness, which is not possible when financialization rules.

Thus, uniform behavior patterns ordered from the top managements of the supply chains and retail chains can cause numerous problem areas for individual retailers in the system. Exhibit 15-1 presents ten such problem areas. These become real issues for the potential retail entrepreneurs.

### Exhibit 15-1

#### Key problems with top-down management

1. Not having most preferred inventory.
2. Inadequate numbers in the inventory: “some excessive, and some inadequate.”
3. Store layout may not be suitable in every segment.
4. Store personnel could be very different in each unit.
5. Store promotion, or lack thereof, can be significantly different in each unit.

6. Standardization of functions may become not too appropriate.
7. Inadequate customer relations due to not understanding the market.
8. Lack of market knowledge and flexibility, not being able to adjust.
9. Very expensive high-tech equipment and software for each unit.
10. Arbitrary criteria of profitability of each unit.

*Source:* Partly adapted and revised from Lister (2013).

Without getting into the very specifics of the ten items presented in [Exhibit 15-2](#), it becomes rather obvious that central cost cutting, no matter how financially successful, would create problems in each unit trying to satisfy its unique market segment.

#### **Exhibit 15-2**

##### **Stores closing in 2015–2016**

1. Wet Seal, 500+
2. Office Depot, 400
3. Barnes & Nobel, 223
4. Walgreens, 200
5. Children's Place, 200
6. Aeropostale, 175
7. Walmart, 154
8. Finish Line, 150
9. American Eagle, 150 (through 2017)
10. Sports Authority, 140
11. Sears/Kmart, 128
12. Chico's, 120
13. Pier One, 100
14. Sports Chalet, 48
15. Macy's, 40
16. Gap/Gap Kids, 35
17. Target, 13
18. JC Penney, 7

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## PROBLEMS OF CHAINS

Toys ‘R Us was to close hundreds of its retailing units before it made an arrangement with [Amazon.com](#) (Leinback-Rayhle 2014). Walmart is closing down some 500+ stores. That is a very small number in terms of some 4,000 units they have, but it is a negative beginning. That is how Radio Shack started and it is now defunct. In fact, [Exhibit 15-2](#) illustrates some of the major closings in 2015–2016. If an organization is managed from the top and if some of its units are performing less than what is expected of them, they are closed. But if the organization takes the marketing performance, not a financial cost-efficient orientation, and detects problems early and comes up with remedial solutions, it is possible that those units need not be closed down but become surviving and contributing units. In other words, if the company is managed from bottom up, the results for individual units and their respective market segments will be performing better. But this is almost not possible under the financialization movement. During the past three decades or so, two key trends in retailing have been taking place, supply chains and gigantic retail chains (Haltiwanger, Jarmin, and Krizen 2010; Koke-Mullar 2016).

Seeking competitive advantage, companies have learned to consolidate their activities with suppliers and retailers to reach consumers more easily with less cost (Lister 2013). This financialization has been going on about three decades or so and accelerating in its power reach. On the other hand, another trend in retailing during the three decades or so is making its impact on retailing that is retail chains. These two very powerful trends have taken most of American retailing activity. Both of these are influenced by financialization and are managed top down. Both have been financially quite successful and continue forcefully, but also they caused reduced employment in retailing and forced thousands of small independent retailers out of existence. It may be stated that financial activities are taking over traditional human values created by entrepreneurial activity. The result is that, while a few at the top are becoming very wealthy, the rest of the society is not benefiting. Furthermore, the retail sector is shrinking because of very tight financial restrictions (Hortacsu and Syverson 2015).

Supply chains are broader organizations generating finished goods and distributing them through multi-unit retailing (Kotler and Keller 2009). And retail chains are gigantic horizontal retail organizations with multiple retail establishments. In both cases the retailers’ individual functions are

under rather strict conditions established by the organizers at the top. But as they grow, do they become an asset or a liability to the nation's economy? One may question their negative impact since it maintained that they are killing small businesses (Altman 2015).

Supply chains and other major retail chains, composed of many stores, are very important in modern marketing. Every year some 650,000 small businesses enter the American market. Similarly about that many exit (SBA 2016). Some of these new entrants have the opportunity to join a supply chain. In fact, many of them may be created by supply chains.

Financially motivated supply chains and retail giants are managed top down where the originators of the supply chain call the shots. This financially motivated, cost-cutting activity, particularly for the generators of the supply chain, has been rather successful and, as a result, quite profitable. But they order a rigid behavior to follow for the individual retailer who is managing a unit in the chain. This pattern of stores is managed by the rules established by top management, although works in generating fast cash benefits, they also destroy many units in the total chain. Exhibit 15-2 presents possibly billions of dollars of loss for each chain and its lack of effort to improve customer satisfaction.

When an arrangement such as a supply chain is organized, the organizer establishes certain conditions which would dictate the practical activities of the participants. The retailers, for example, that are being part of the supply chain will be asked to, say, concentrate on a certain product category, to, say, advertise that category much, and in that way, to carry a certain size of inventory and the like. If all of these instructions are followed, the supply chain will be very profitable for the organizers. Certainly if the supply chain is successful, all of the participants will benefit. But this benefit of being a supply chain participant does not necessarily imply that participating retailers are optimizing their own profit picture individually (Clark 2016). If they are not optimizing their profit picture, both the individual retailer and the society are losing. An effort is made here to indicate not the financialization exercising top-down management, but individualization of each unit based on bottom up will benefit the whole market system (Lu 2016). Perhaps one of the most important issues which is not quite cultivated is the negative advertising effect of store closings for the overall image of the retail giants. This is a very critical, but not well evaluated, issue.

## CONTRASTING TOP DOWN VERSUS BOTTOM UP

As stated earlier, when a supply chain is organized, organizers, typically, would establish the conditions that will direct and/or determine the activities of the participants. The retailers, for instance, may be told that they must advertise a certain percentage of sales, they must carry certain specified inventory and the like. They also may be told, for instance, that unless they are making, say, 15 percent profit after taxes, they will be closed. But this closure process, as exhibited in [Exhibit 15-1](#), is extremely costly. There are no solid criteria to establish a cost factor but they create big negative advertising in addition to the cost of closure activities.

On the other hand, a good retail manager can optimize the retail store's performance by having the most appropriate product mix for the store's target market. That manager may be able to use more appropriate pricing, promotion, and other important functions of a retail establishment (Samli 2015; Lister 2013). This is coined by the author as *managing bottom-up*. Here, unlike the supply chain conditions established from the top, managing for a bottom line is based on the individual activities of the retail establishment performing very efficiently. Therein lies a big controversy of managing by a bottom line versus managing for a bottom line. One would encourage being part of the supply chain and the other one is not being a part of a supply chain and managing a store as a separate entity. It must be reiterated that no two retail establishments are exactly alike and no two markets are exactly the same.

## PROBLEMS WITH TOP-DOWN MANAGEMENT

Although a number of points implied it above, [Exhibit 15-1](#) must be discussed in some detail.

Every retail establishment is different and addresses its own unique market segment. When there are, say, 2000 units in the chain, it certainly is not possible for top management to dictate an inventory mix which may be very good for creating great cash flows for the chain, but which is totally inadequate for an individual store.

It may be even more critical if the store's inventory is a combination and is also dependent on its size. This may create a situation of not having the products to sell or becoming overstocked.

Store layouts, in many cases, help the customers to have a comfortable and friendly shopping process. But, once again, if it is dictated by the top

managers who are not there, then the store cannot perform up to its potential. Different market segments need different store layouts, not the same everywhere.

Treating every employee alike and establishing employment conditions from the top is likely to be rather inadequate for individual stores.

Just as every store is different, every store may need different promotional activity. Once again, top management cannot possibly make decisions for each of the, say, 2000 stores.

In store behavior may be quite different in each store. Standardization of most of the activities for all stores, therefore, cannot be very adequate.

As different market segments are different, customers' needs may be quite different. This cannot be, again, standardized from the top.

As it is indicated, since each market is different, only individual retailers can decide what is needed for the store to adjust. The individual store's needs for high-tech equipment and software needs could be different and cannot be standardized by the top management.

Each unit may not have enough to generate the income the top management would like to have, but stores also may have greater potential if they are left alone to function independently.

### ENTREPRENEURIAL INTEGRITY OF EACH STORE

Every retail establishment is different despite what organizers of supply chains and other retail chains may plan to implement, which is as if all of the stores are the same. Each store is different because of its location, its personnel, and its market segment. Trying to make them uniform is, almost by definition, suboptimizing their potential. But supply chain managers, who are managing top down and who are motivated by financialization, impose upon the retailers to manage according to instructions. This would be very profitable for the supply chain but not necessarily for the individual retailer.

Managing bottom up, by using good management, can be more profitable for each unit, and also be better for the retail segments in terms of receiving better service and having their needs better satisfied. Certainly the manager of the retail establishment must be very entrepreneurial to make many critical decisions for the store independently. [Exhibit 15-3](#) illustrates some eight specific areas where entrepreneurial retailing would use to pursue the goal of managing for a bottom line. Each item in the exhibit is important and each could have many dimensions but in this chapter, these items are presented in a short form.

### Exhibit 15-3 Advantages of not being a supply chain

<i>Advantage</i>	<i>Reason for Such Practice</i>
• Being able to adjust activities to local conditions	Each market and each segment is different.
• Developing and using product mix accordingly	There are no local, national, or international product mixes.
• Developing a varying promotional activity	The changes in the market segment of the store may necessitate critical adjustments in the advertising activity.
• Ability to manage SBUs and PCs as needed	The store is in much better shape to decide on and adjust its use of SBUs and PCs.
• Out-of-store logistics adjusted to the store's needs	The store can use logistics opportunities as they emerge.
• In-store logistics adjusted to the store needs	The planning unit of the supply chains cannot possibly do a good job in each store.
• Being able to use the supply opportunities freely	The planning unit cannot possibly be aware of local product availability which may be a big bargain.
• Being able to exercise good jobs strategy	Most chains try to emphasize minimizing later costs.

*Source:* Adapted and revised from Samli (2015).

## ABILITY TO ADJUST TO LOCAL CONDITIONS

Local conditions are different in each locality. To think that a blueprint can be prepared for all retail units in the organization is almost absurd. Each store must act according to the dictates of its market segment. When one considers, for instance, Radio Shack which had thousands of stores around the world, and develops a general orientation to be used by all of the units, this became an exercise in futility and sent the company to bankruptcy (Lister 2013).

## PROPER PRODUCT MIX

As it is understood that markets do differ, it becomes necessary for retail establishments to determine the proper product mix that gets the best results. Again, this cannot be done at the top. Each store must have its

opportunity to develop the best product mix for its market (Samli and Gupta 2014).

### VARYING PROMOTIONAL ACTIVITY

Although the chain may have a very recognizable name, say, like McDonalds, each store must have a certain freedom to emphasize local changes and events in planning its promotional activity (Samli and Gupta 2014). Once again, each store is different and deals with a different market segment.

### MANAGING SBUs AND PCs

Every retail establishment has to have some way to reach out and appeal to its market segment. This author coins these appeals as *strategic business units (SBUs)*. But it is critical to realize that when the customers come to the store, there may be some additional more attractive, and perhaps more profitable items which the author coined as *profit centers (PCs)*. Once again, depending upon the nature of the market conditions and practices of competition, the independent retail manager must develop the store's unique SBUs and PCs. These activities must be very unique for each store since each store is dealing with different market conditions (Samli 2015).

### OUT-OF-STORE LOGISTICS

Having supplies delivered on time and efficiently would make the entrepreneurial store manager to look at all the possibilities to receive supplies on time. Certainly different supply routes are likely to have different cost factors. While the supply chain may insist on one way of getting supplies, the independent manager would have more alternatives. In fact, possibly better ones (Samli 2015).

### IN-STORE LOGISTICS

Having each store looking alike is simply not appreciating local market differences and local tastes. In store arrangement of the merchandise may be related to what Samli and Gupta coined *small data* (2014). Small data indicates in store behavior of the customers. Small data may indicate



certain layout of each retail establishment which may be quite different in each case of retail establishment which is part of the retail giant.

### LOCAL SUPPLY OPPORTUNITIES

Every market is different, not only in terms of its demand, but also in terms of possible supplies. There may be local small scale manufacturing which may add to the appeal of the store to its customers. Independent store managers must be able to take advantage of such opportunities. Again, such activities cannot be planned by the managers of the supply chain.

### GOOD JOB STRATEGY

While the supply chains or retail chains consider employee cost as a burden, good entrepreneurs would consider it good investment (Ton 2014). Satisfied employees create more sales and better customer relations.

While supply chainers and gigantic retailers such as Walmart try to keep the labor costs as low as possible by giving minimum wages to their employees, retail entrepreneur may give its employees a good salary, also provide good benefits such as sick leave and making sure that employees will have growth opportunities to advance (Samli 2015). These conditions would create better overall conditions for the retail establishment.

### MANAGING BOTTOM UP

Entrepreneurial independent retailers would have enough opportunity to make good money and serve the market better if they are knowledgeable and independent.

In the meantime, retail giants and supply chainers are capturing larger chunks of total retailing. They may be optimizing their own positions by practicing managing by a bottom line, they may not be quite helping the economy to perform better for all of the citizens. Certainly it is possible for the modern retail giants to practice bottom up management which means more customer satisfaction rather than simply financial gains. Just what must the managers of supply chain or gigantic chains do?

## WHAT MUST TOP DOWNERS CONSIDER?

Exhibit 15-4 presents a basic seven-point plan.

### Exhibit 15-4

#### What managers of supply chains or gigantic retail chains must do

- Choose very good talent as store managers
- Train them to be entrepreneurial
- Provide advice and additional funds if needed
- Encourage them rather than threatening them
- Work with the retail units as if each is a different business
- Train managers well
- Pay good salaries

*Identifying good talent:* Large establishments with multiple retailing units must be in a position to identify good talent to manage their stores. Certainly they practice good job strategy (Ton 2014).

*Training store managers:* The talented store manager must be trained to be a good entrepreneur and manage its retail unit well.

*Providing advice and funds:* If the entrepreneurial store manager is not performing well, there must be necessary guidance and additional support from the top.

*Further support:* Not threatening the entrepreneurs but encouraging them is a key orientation. Typically top-downers deal with threats which is typically counterproductive.

*Working with the retail units:* Recognizing that each unit is different and some may need more help means supporting the bottom-up orientation. If this orientation is successful, both the chain and the individual store will benefit. But, above all, the society as a whole will benefit.

*Training managers well:* This is clearly a very critical point even though the industry is changing, consumer needs are becoming different, education systems are not producing good candidates, and this must be done (SBA 2016).

*Good pay:* Finally, as mentioned earlier, paying managers good salaries, in other words, utilizing good jobs strategy, must be essential (Hartley 2013; Dubrel 2013).

## CONCLUSIONS

Unlike most modern retail giants and supply chainers who are practicing a rigid management by top-down orientation, individual entrepreneurial retail managers do not have a chance of managing from bottom-up which will enable them to make more money and serve the market better. Perhaps some of the modern retail chains or supply chainers may learn to help individual retailers to use more initiative and also serve the market better. They may practice the conditions presented in [Exhibit 15-4](#).

Finally, Radio Shack is in bankruptcy and others have lost millions of dollars. This author believes that if these companies were to be practicing managing in a bottom-up management orientation rather than managing by a bottom line many of these stores might have been in existence and making some money. However, if the current trends continue, American retailing will be working for financial giants as opposed to their mission of serving the society as a whole and creating a better quality of life for all.

As financialization continues, retail giants would emphasize cost cutting for the whole system rather than improving the marketing efforts to create a better quality of life for all. Financialization, as it stands, is harming entrepreneurial efforts of our society.

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## POSTSCRIPT

As I mentioned in my earlier books, a society (any society) is composed of two groups of peoples – wolves and sheep. Without a careful and caring shepherd, wolves eat the sheep. Financialization of our economy is simply wolves eating sheep and almost nothing is done to stop it. Obviously the shepherd here is government which is controlling the situation by passing and enforcing laws. That government should not be deregulating blindly. But, at the end of writing this book, we went through national elections. Guess what the election was won by: one of the biggest wolves, and the shepherd (the government) is supporting the wolves rather than protecting the sheep. I am extremely worried about the situation that is being created. It is likely to accelerate the process of sheep being eaten by wolves through financialization.

Despite some of the progress in reshoring of manufacturing and the creation of more jobs, financialization is continuing. All of the critical points raised in my earlier books are not only present but are also likely to accelerate and harm the sheep. Perhaps a sidebar is in order.

I am an immigrant and one of the major attractions to me, of course, has been and is the promised democracy. After current elections, I am questioning if it is really one person, one vote. It appears that Michigan, Wisconsin, and Florida won but people lost. How can you call a system a democracy when the loser of the election received over two million votes more than the winner? The point, of course, here is that if there is no stability and peoples' democracy, how can we expect the sheep to be protected?

From my perspective, financialization is the attack by the wolves and is encouraged rather than being stopped.

All the problems I cited in my earlier books: lack of positive progress, inadequate income distribution, extreme income inequality, education is becoming for pay, about half of our population being at, or under the poverty line, appear to not only still be present, but are accelerating.

The problems cited in my earlier books and in this book cannot be resolved all by themselves. Although there are many who think that the market system could and would correct itself and solve its own problems, such sixteenth-century philosophies simply have no place in the twenty-first century.

A more dramatic orientation is that government is the root cause for all problems. If we can keep government out of business and, perhaps, the society, all of our problems will be resolved. Once again, this naive and misguided orientation does not help to create and maintain a progressive market economy. Without management, a business has no place to go. Without a progressive government financialization, our market system will continue. However, this must not be just any government, but a progressive government which leads the country to higher plateaus. This means, of course, that the population is mature enough to identify and distinguish ideas and platforms from people. They must understand that they are voting for one candidate, but actually they are approving a specific plan of action for the society.

When I reviewed this book, I get extremely worried about the fact that we are a stagnant society which is controlled by the greedy financiers who are not quite well educated. Perhaps one of the worse things that are happening in our society is that there is no consistency. Rules, laws, and conditions change dramatically from one administration to another. We must realize that from one election cycle to the next everything cannot be put on hold and reversed. This is not a football game. Parties must realize that if they don't provide stability, only the wolves win and the whole society, with the exception of "one-percenters" who are motivated by greed.

Here we are once again a potentially very progressive society which is being held back by unrealistic and greedy conservative governments. Once again, there are almost no progress, too many people, and not enough well-paying jobs. This is our society. We must learn how to make it progressive and work for it.

All I can do is HOPE.

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