



## REFLECTIONS ON “OCCUPY WALL STREET”

Only by restoring hope in youth can we restore hope in the future

By Professor Jean-Pierre Lehmann - October 2011

IMD

Chemin de Bellerive 23  
PO Box 915,  
CH-1001 Lausanne  
Switzerland



Tel: +41 21 618 01 11  
Fax: +41 21 618 07 07  
[info@imd.org](mailto:info@imd.org)  
[www.imd.org](http://www.imd.org)

Demonstrations are taking place in many parts of the world, inspired by the “Occupy Wall Street” movement in New York. There are even protests in Hong Kong, from where I am writing this—a place once described as a “capitalist paradise.”

The unrest is motivated by the feeling that the animal instincts of capitalism are gobbling the people up. There is, in the term adopted some months ago by the young Spanish demonstrators *los indignados* (the indignant), a strong sense of indignation, borne from unfairness and, increasingly, hopelessness. With about 46% of young Spaniards unemployed, and very high levels of youth unemployment in the world generally, these sentiments are hardly surprising.

Let’s go back less than 20 years, to when Francis Fukuyama published his highly thought-provoking book, *The End of History*. The Fukuyama thesis was not that the world was coming to an end. On the contrary: the collapse of the Soviet empire and the ideological baggage that went with it, he believed, heralded the final victory of liberalism over collectivism. This was a new dawn.

Yet now, two decades after the “collapse of communism,” it is striking how often Karl Marx is quoted. In an article entitled *Is Capitalism Doomed?*, the renowned economist Nouriel Roubini argues Marx got it right in prophesising that “financial intermediation run amok and redistribution of income and wealth from labor to capital could lead capitalism to self-destruct.” Roubini adds that while Marx’ diagnosis may have been correct, his prescription, as we know, was a catastrophe. A quotation I am very fond of (though I cannot remember nor find who said it) is that “the problem with communism is communism; the problem with capitalism is capitalists”. Once those animal instincts are released, they become bestial.

How could we have possibly got here?

The last 20 years of global capitalism are by no means an era of pure darkness. Far from it. The Soviet empire has imploded, China has opened up, India is moving, and hundreds of millions have been lifted out of poverty. Infant mortality rates have fallen dramatically, while life expectancy (except in highly AIDS-infected areas) has increased. Mind-boggling developments in information and communication technologies have generated connectivity throughout the planet, including in highly remote areas, that could not have been imagined in one’s wildest dreams not too long ago. The recent death of Steve Jobs reminds us of how much entrepreneurial potential a capitalist economy can unlock and how much the world stands to benefit.

And yet to deny that there is a serious systemic crisis that may destroy the global market economy would be to engage in very dangerous complacency. This is aggravated by the perception that the situation can only get worse. On the basis of current trends, the future for the next generations is bleak. A friend of mine, Ethan Kapstein, has proposed to write a book which he entitles: *Why do we hate our children so much?* Because of what our generation did – or failed to do – the next generations will be highly indebted. Many will be jobless, with greatly diminished public goods, and suffering from the unmitigated effects of climate change. These are the underlying fears that cause the indignation and despair behind the protests. While the world is burning, we were playing at the casino – and we lost really, really big time. The tab will be left for the kids to pick up.

Two causes lie behind the current systemic crises.

One is a failure on the part of policy makers and also, with a few exceptions, thought leaders to understand the implications of the profound transformations the world has undergone. Combining the impacts of exponential changes in technology with exponential changes in the global economy – notably the rapid rise of China and other emerging (or, more accurately, “re-emerging”) economies – leads us to totally uncharted waters. We have never been here before, no compass exists to guide us, and there is no properly trained pilot. High rates of unemployment are in good part accounted for by the profound structural changes in the world economy that have led to failures of adjustment.

The second cause arises from the myopia, greed, short-termism and sheer incompetence of much of the finance sector. The Thatcher-Reagan revolution – which spread to much of the planet, including emphatically so to China – did two things. It excised ethics from capitalism, and it propelled the role of finance to dominance, epitomized by Wall Street. This proved a lethal combination. Financiers became bewitched by what John Kenneth Galbraith (*The Great Crash*) called the “magic of leverage.” With

much higher returns generated from financial engineering than from the real economy, the global economy became one mammoth Ponzi scheme.

To restore order, ethics and especially hope, several steps are necessary.

Finance must be regulated to ensure that it is on tap to the real economy, not on top of it. Growth must be reignited, but it must be job-creating growth. Small and medium-sized enterprises (SMEs) are the ones that have most suffered throughout the crisis and continue to do so. They have little or no access to credit. Yet they are the ones that create jobs. Without a robust SME sector, the global economy cannot be robust. More intelligent investment needs to be poured into those public goods – notably education – that will develop skills to help the next generations find occupations that create value.

What are the implications for managers and business schools such as IMD?

In 2008, before the crisis, Laura d'Andrea Tyson stated that "graduate schools of business are missing a historic opportunity: of making globalization work for the globe." The last 20 years have seen the emergence of a new global elite that has rapidly become self-perpetuating. These elites are joined together across borders by common education (the MBA) and aspirations, but have become increasingly remote from the rest of global citizenry, including their own compatriots. While economies across borders are increasingly integrated, societies within borders are less and less so.

Managers and business schools must be acutely aware of the very real risk that capitalism may be doomed. While IMD justifiably celebrates its MBA being ranked third in the world by *The Economist*, what relevance will it have if the crisis leads to a systemic collapse? Managers and business schools must see that it is in their own enlightened self-interest that measures be taken quickly to prevent this collapse and restore confidence. We need to engage our time and efforts to ensure that globalization is made to work for the globe; and that for the next generation it should be a beacon of hope and not a spectre of despair. If youth has no hope in the future, there is no hope for the future.

*Jean-Pierre Lehmann is Professor of International Political Economy at IMD, Founding Director of the Evian Group @ IMD and Senior Fellow at the Fung Global Institute in Hong Kong.*

## RELATED PROGRAMS



### **ORCHESTRATING WINNING PERFORMANCE - <http://www.imd.org/owp>**

#### **The global business program for individuals and teams**

Program Directors Bettina Buechel and Dominique Turpin

- For individuals and teams who seek the latest management thinking and practical, innovative solutions for their business
- Anticipate global business trends
- Boost your performance, broaden your perspectives and expand your global network
- Design the program that suits you



### **THE IMD MBA - <http://www.imd.org/mba>**

#### **Focus on creative leadership**

Program Director Martha Maznevski

- A world-class MBA offering exceptional learning for exceptional individuals
- Develop your future corporate leaders in this selective, cutting-edge, intense, one-year international program focused on leadership and general management
- Add to your management talent by hiring experienced IMD MBA graduates ready to contribute to your business