

To what extent are the forms of capitalism and national culture related within the contemporary marketplace?

Milton Friedman (1970) regarded the utilisation of business resources to create profit as the sole social responsibility of said business, with the inherent understanding that the boundaries prevalent within the market, societal and legal norms remain intact. The current business environment reflects a different reality altogether with contemporary businesses focused more on individualistic advancements over societal good. For instance, one of the most significant events in recent history, the 2007 economic crisis, was an example of the impact of a laissez-faire market structure that neo-liberal capitalism prescribes (Castellanos, 2020).

Adam Smith, widely considered the father of economics, in his publication 'The nature and causes of the wealth of nation', contrary to the common perceptions, iterated that, left to the devices of the 'invisible hand' of the market, individuals and organisations will make decisions that garner benefits for themselves and the society they inhabit (Werhane, 2019). Such an individual, according to Smith, was considered the 'rational economic man'. The aforementioned economic crisis resulted from poor enforcement of consumer protection and market engagement laws; that could have identified and penalised loan applications with inflated income figures being sold by loan officers and agents for bonus-based incentives (McGrath, 2019). The market was, thus, operating as close to an 'invisible hand' led interference free condition as prescribed by Smith, with the goal of maximising wealth. However, the knowledge gained through hindsight seems to prove that, with unrestrained capitalism, the theorised rational economic man does not exist to the extent that is required to sustain economic and societal development. Though capitalism has become the dominant economic model in the globalised marketplace, the spectrum it entails ranging from a Co-ordinated market economy; like the social market capitalism under The Netherlands and Germany, to liberal market economy, entail inherent differences (Lee and Shin, 2021),

The spectrum of the capitalist market system from a Liberal market economy to a Co-ordinated one does allow for a differentiated viewpoint. For instance, social market capitalism is undertaken by Germany and the Netherlands, where the financial crisis led to less impact than most other EU members (Martinelli and Cavalli, 2020). Such systems allow collaborative function between the progressions of economic activities and welfare for social entities.

On the other hand, some of the most prominent national economies implement the edges of the empirical capitalist system. The United States and Australia seem to be striving towards neo-liberal capitalist economies, or liberal economies, wherein social security, unionisation, wage protection and environmental protection are significantly weakened in the interest of private sector businesses (Paul, 2018). Furthermore, recent events have made it abundantly clear that the system of capitalism is more inclined towards market functions than societal betterment. This has been exemplified numerous times, with the bailouts and austerity measures implemented after the 2007 crisis and recently with the coronavirus pandemic (Berger, et al., 2019; Fanelli and Whiteside, 2020). The capitalist model within these nations reflects the national culture and the approach of most firms within the environment. Tesla and Amazon blatantly disregard the rights to unionise and actively engage in preventing such actions (Weiss-Blatt, 2021). The fines and regulations allotted to such violations are seen as a “cost of business” as the revenue being generated is far higher. Due to a lack of compelling extrinsic regulation, companies are free to undertake anti-trust mergers; like the Disney and Fox merger, without consequences (Stöhr and Budzinski, 2020).

Hofstede’s (1980) dimensions explore the cultural dispositions of nations; distinguishing individualistic vs. collectivist, long-term orientation vs. short-term orientation, masculinity vs. femininity, indulgence vs. restraint, power distance and uncertainty avoidance as the six-dimensional spectrums explored. The distinction in organisational approach can be assessed through these dimensions as they have inherent implications towards the actions of organisations within the countries. A perfect example of this can be examined by observing the handling of a ‘once in a lifetime natural resource boom’ in Norway and Australia. While Norway’s sovereign ‘petroleum fund’ was created from the profits of the non-renewable resource and invested into green energy and to fill social program deficits, the Australian government privatized the gains through their ‘Gas led recover’ instead of investing in the betterment of the citizen’s future (Moses, 2021; Paul, 2020). Norway has lower masculinity, higher long-term orientation and lower individualism compared to Australia. Such distinction presents a link between national culture and market directions.

Observing at an organisational scale, examples of short-term orientation, individualistic approach and masculinity in corporate cultures within organisations have led to significant damage to the general populous. For instance, the case of HSBC’s money laundering for drug dealers and terrorist

organisations shows that societal detriment in countries with more neo liberal capitalist models and individualistic culture allow high social cost to be abated by individuals by fining them a small portion of what they earned illegally (Clarke, 2021). Similarly, the recent case of Perdue Pharma; the titular organisation behind the exasperation of the opioid epidemic and the producers of oxycontin, depicts the complicity of capitalist interest in maintaining the power distance between the 1% and the rest of the population. The company has utilised the bankruptcy loophole that allows the family which was actively managing the company during the crisis with full knowledge of the side effects, to keep most of the wealth they personally earned as a result of widespread drug addiction and direct societal harm (Edgell, 2020). Such issues have been found in most individualist countries as they get closer to liberal capitalism philosophies.

This being said, the influence of capitalism is extensive and the impact such overarching environmental factors have is significant and correlated in certain manners. For a country to truly accept unfettered capitalism to a great extent, individualistic culture becomes a necessity. If individuals within a nation are more concerned with society in general it would require regulatory intervention to enforce consumer and societal protection policies. As such these factors show correlation at this point but causation needs to be determined with a more extensive study.

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