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# *The shift from Geopolitics to Geoeconomics and the failure of our modern Social Sciences*

Klaus Solberg Søylen

Geoeconomics is gradually replacing the importance of Geopolitics. The transition is marked by the start of the process we call Globalization<sup>1</sup>, about two decades old now, but still in its infancy, when government and government institutions discovered that they no longer were self-evident key actors and watchmen of world events<sup>2</sup>. The process is an effect of the end of the Cold War and marks a strategic shift from political ideologies to economic realities.

The much discussed, and criticized, “end of history” is often seen as the end of one kind of history (not of history per se, which explains much of its undeserved criticism), that between the values of two conflicting ideologies which until then had shaped the world agenda for almost a century; between Communism and Capitalism, between authoritarian rule and liberal democracy. Most educated people in the West, it seems, think that it was not the system of capitalism as an ideology that “won”, but the ideas it supports; those of democracy, liberty, and human rights<sup>3</sup>. Others would say that it was not these ideas that won, but what they had proven they could lead to, namely modernization and a higher standard of living for a large part of the population. It is true, the free market economy will only find the broad support it needs for its legitimacy in democracies for as long as it can convince the public it can respect, secure and preserve these values. But these ideas will also need to lead to a better life, defined by most people today in terms of a higher standard of living, so that the public feel better off now than they did some years ago. If they do not, chances are people will seek other political solutions, other ideals.

A political aim such as democracy, human rights and greater liberties does not necessarily lead to a higher standard of living. Experience in the West has shown it may instead lead to more bureaucracy, more government spending, eventually to lower

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<sup>1</sup> By globalization we mean the economic, social, technological, political and judicial developments that are leading to the sense we have of a smaller world and to more contact between people from different countries. It is not the phenomenon in itself that is new – international business has always been a part of trade - but the number and extent of the contacts and activities.

<sup>2</sup> See Wilhelm Agrell in Jon Sigurdsson, Yael Tågerud (eds.), *The intelligent corporation the privatization of intelligence* (1992), p. 99.

<sup>3</sup> The values of the 21st Century are an individualist version of the values we find in the French revolution; where “brotherhood and equality” has been suppressed or exchanged with “the respect for human life, equality between the sexes, the right of a fair trial” etc. See the European Constitution.

productivity. With the current financial crises running many people in the Western World also feel that they are worse off now than they were before. In this respect China with its continuous growth is showing a different way, one that we are not ready to embrace; the renewal of the Meritocratic model under a more pragmatic outlook.

### **From Heartland to Nareland**

The idea that holding the Middle East – the “*Heartland*”, “the greatest natural fortress on earth” - is the key to controlling the civilized world was once the core idea in geopolitical thinking. It was the central plan in the Geopolitics of Sir Halford MacKinder, the basis of the Truman Doctrine, the Eisenhower Doctrine, and the Carter Doctrine. With Spykeman the attention of Geopolitics shifted towards the *Rimland*; dominating the coastal areas of the Euro-Asian continent. We recognize the same doctrine in the US’ attempt to control Iraq and Afghanistan through military means with the half-hearted help of its Western allies. China is following another logic, that of Geoeconomics. China’s mission here, as everywhere else in the developing world, be it in larger parts of Africa or in South America but also increasingly in parts of Southern Asia, is two-folded; to show the poor people of the world that they are the new alternative to both the USSR and the US and to secure the supply of raw materials. It is a policy of “hearts and wallets”.

The core idea of Geoeconomics is not new to the world, but can be traced through old Chinese strategies of non-military victories, like when Sun-Tzu says that the highest excellence is to subdue the enemy’s army without fighting at all. Military wars are costly, on human lives, on resources and on moral. There is no sense in a state inflicting destruction and human suffering by itself. Instead you want to control the competitors’ resources, if possible to get him to work with you and for you. This he will not do if he is beaten and angry. In the era of Globalization this goal is effectively achieved by building economic strength and implementing economic control. It is what the Chinese are achieving now all over the world while as the West is still looked in an old logic of military performance with roots in Colonialism. China knows that the US is stronger, so they treat them as their best friend, while continuously improving their position, making the US an ever larger debtor, making them ever more dependent. The US now needs China more than China needs the US; that is the bottom line. At the end it will want to settle the Taiwan question. Then it will control most of the IT production in the world (semiconductors, hardware, even more and more software). The US is forced to borrow more money and spend it on a military that does not give the country any real Competitive Advantage. This is a strategic “*faut pas*” however easy to understand. The US got locked up in the arms race during the Cold War and is now having problems changing strategy. The executive power is weak and political will is always tied up by the major economic interest groups; the military-industrial complex and the health care industry, consuming about half of the annual federal budget.

Another way to express this is to say that the US and in large part also Europe is still locked in the rational of Geopolitics while as the Chinese have moved to a logic of Geoeconomics. It is not because they are weaker that the Chinese have chosen this strategy, even though it is true they will not be able to threaten the US militarily in decades, but because they are able to see clearer and further ahead.

With the shift from Geopolitics to Geoeconomics the aim is no longer the Heartland or the Rimland, or any coherent geographical region, but trade, all geographical locations containing important natural resources, what we shall call the *Nareland* (Natural Resource Lands). This new logic of dispersed geographical locations identifies the shift from Geopolitics to Geoeconomics. For the West this is not only a return to Political Realism but a return to the understanding of competition as the Competitive Advantage of Nations, as expressed by classical authors such as Adam Smith<sup>4</sup>, Machiavelli<sup>5</sup> and Marco Polo<sup>6</sup> and in more recent times by Michael Porter<sup>7</sup>.

By Geoeconomics we mean the study of factors of power that are directly related to the Competitive Advantage of a nation. In the era of Globalization the means for achieving a Competitive Advantage is predominantly through the use of MNEs. By factors of power we mean, as I think Jacques Attali says somewhere, a series of variables like sufficient economic size, economic growth, skills necessary to master vital scientific or commercial progress and the ability to force others to comply with your interests. Other variables include telecommunications and energy, an organization capable of maintaining a professional diplomatic corps or management, a strong and stable currency, a capacity for a state to act outside of its own borders to secure its interest, and a culture sufficiently strong and attractive to interest people with higher education. It is these factors that form a Nation's Competitive Advantage, and no nation today has understood these correlations better and is taking them more seriously into account than China. It is the reason why the West and in particular the US is losing its strength. As we shall see in the rest of this article much of this has to do with how we have chosen to study and understand human behavior and society.

### **The failure of the modern Social Sciences, in particular here the study of Economics**

For decades fellow economists have praised the value of public and private borrowing, the production of services at the expense of the production of goods and they have underestimated the importance of trade surpluses for the Competitive Advantage of Nations. They have done so because they have failed to see what makes a nation, a region or a city wealthy in the long run. We have developed a social science paradigm at our universities which have undermined our own development. At the same time we have disregarded much of the tradition for critical thinking, as implied in Critical Theory but more fundamentally as understood for centuries. Instead we cannot hope to have any clear ideas about what is best for society at large if we are not well versed in the study of history, geography, philosophy and fiction. The development of the modern society of experts, whereby everyone knows a small piece, but no one reads broadly enough or sits long enough in office to see the whole picture, so as to be able to think strategically, has been most devastating to our civilization. Instead our political system is in a continuous flux, always recreated, where one candidate uses all of his energy to defeat another, and is soon himself replaced. How do you expect them to see clearly?

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<sup>4</sup> Adam Smith, *Wealth of Nations* (1776).

<sup>5</sup> Niccolo Machiavelli, *The Prince* (1935/1952).

<sup>6</sup> Marco Polo, *The Travels of Marco Polo* (1932).

<sup>7</sup> Michael Porter, *The Competitive Advantage of Nations* (1990).

Our Social Science academics live in a New Class logic, so absorbed by the conducting of small empirical tests, with projects of academic tourism and turf-building that they frequently fail to notice what is happening around them. They study organizations from their desks, not from experience, not from observations. Many business teachers today have not even set their foot in a private company. How do you want them to come up with solutions?

There is within the current methodology of the study of Economics and Management a plan to avoid the tradition of Critical Theory, portraying economic activities as a non-critical tribute to free market economy; much with an understanding that any critique of society is best left to sociologists. This has been most unfortunate for the credibility of the Economic sciences. The study of Economics is too great a project to be reduced to a cheerleader function to current business practices, especially when they turn out to be leading in the wrong direction or prove to be outright irrelevant. On the other hand criticism must be more than Marxism or Socialism, and deserves a better label than 'Orthodox Traditions'<sup>8</sup>.

The study of International Business today builds largely on the Neoclassical schools of Economics and the near like monopoly held by the paradigm of narrowly defined experimental-empirical research. These research projects are tied to a number of scientific Journals which are run by a few big private companies. Much of what is produced here is frightfully well carried out, but lack in one fundamental aspect; relevance.

The reason why the empiricists have a dominant position in today's academic world goes back to the well known Methodenstreit in the 1880s and 90s, between the Austrian School of Economists and the [German] Historical School. After the 2WW the Historical School received very much of a death sentence as waves of German-speaking social scientists left their homelands disappointed with what many saw as the effects of their own scientific methodologies. The historical method allowed for too many value judgments, the social sciences should instead follow the natural sciences closer, set up hypotheses and test them empirically based on sample sizes, calculated for the appropriate level of statistical significance. Now after more than half a decade of experience with alternative social science methods the criticism of the historical method and of historicism seem to be less problematic than the lack of results obtained from the alternative methods proposed by men inspired by Karl Popper<sup>9</sup> and the Austrian School. We need to admit that what has done wonders in the natural sciences has been far less successful in the social sciences. It is not that there were any conspiracies against alternative methods or ill wills behind the original plan. Its creation was itself a natural consequence of the historical development in the latter part of the 20th century after the defeat of fascism.

The major problem concerns the question of relevance: Does today's economic theory bare much relevance on business success? There is no doubt a great discrepancy between theory and practice. Research in economic and business seems to meet little interest in general from companies. Social science research seems often to be commissioned by the State to

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<sup>8</sup> The New School's website on the History of Economic Thought classifies everything that is not Neoclassical Economics as Alternative Schools, where there are two subcategories, Keynesian and Heterodox, the last in the sense "characterized by departure from accepted beliefs or standards". See <http://cepa.newschool.edu/het/>

<sup>9</sup> Karl Popper, *The Poverty of Historicism* (1957).

confirm its policies. The lack of relevance can also be derived from the competitive advantage of nations. How come countries which traditionally have shown little interest for the new social sciences, countries like South-Korea, Japan, but also Germany perform so well economically? May it be because the development of the natural sciences and applied engineering matters most, because most business practices can be learned on the job, and preferably so? Maybe it is enough to learn how to work rationally and maybe that is better learned by studying the natural sciences all together. Look at the major companies in Silicon Valley, organizations like HP, Apple, Oracle, SUN, Cisco, Intel, Google, Facebook; they are mostly technology driven, the offspring of earlier technologies tied to the weapons industry that was here. Their existence relies on the production of graduates from the surrounding universities, but hardly much from the social sciences.

In other words we must ask; how much of our theories in economics and management is at the end political and how much is useful for organizations and individuals to gain a competitive advantage? There is a larger more problematic question here too related to how we form our citizens: To what degree does our current social science education turn out obedient workers and, civil servants and managers, and to what extent does it turn students into critical and honest citizens?

We need to question the way in which we learn about different societies, what is related to culture. How is it that two economies like that of Chad and South Korea, which were just as poor in the mid 70s, could develop so unevenly? Can it all be explained by reducing the causes to Colonialism and Wars? Was not the Korean War just as devastating? But also, and more relevant for our present time, if the narrowly defined empirical study of economics is so successful how do we explain the American led financial crises? After all, this is the country with most of the experts, not only at the universities but in all walks of business and political life<sup>10</sup>. Was not the Asian financial crises in the late 90s much due to false advice given by western economists, many from WTO and the World Bank? Did not the same advice help trigger the cleptocracy under Yeltsin; the oligarchy, whereby a handful young men bought the state's assets for a few dollars? On the other side we see China: The country does not adhere to the Knowledge Economy, they have few established social and economic academics to boost of, but are doing far better as an economic actor than any country in the world. What are the true factors for gaining a competitive advantage and what is mere rhetoric and make believe, of whatever reasons. These are the questions we must ask.

Is there some truth in the claim of Michael Hudson in his book *Super Imperialism*, that "Economics students seeking to explain this problem [U.S.' creditor game with foreign nations] get little help from their textbooks, whose logic ignores the defining characteristics of global affairs over the past thirty years"?<sup>11</sup>. The journal *the Economist* in the *Leader* "What went wrong with economics?", cites Paul Krugman saying that much of the past 30 years of macroeconomics was "spectacularly useless at best, and positively harmful at worst"<sup>12</sup>. This

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<sup>10</sup> As an example it may be argued that the hedge fund of Long Term capital Management (LTCM) developed by the Nobel Laureates Robert Merton and Myron Scholes was largely to blame for the financial crises and the fall of Salmon Brothers.

<sup>11</sup> See Michael Hudson, *Super Imperialism – The origin and Fundamentals of U.S. World Dominance* (2003), p. 33.

<sup>12</sup> See *The Economist* (July 18th 2009), p. 11.

does not mean that the study of economics and business is not useful, but it does question how we study it.

There is a widespread feeling that social sciences theories developed in the latter half of the 20 century must bare its part of the blame for what has happened to our Competitive position. As a response social scientists today are reviewing a number of the theoretical directions that were left earlier. E.g. many are finally coming to the realization that Karl Marx was a leading economist and has been severely underestimated for decades, even though not that many still read much of his Opus besides the small infamous pamphlet. The same goes for the British economist John Maynard Keynes. With the current financial crises both authors, but particularly the latter, have become not only popular but relevant again, at least for the study of Macro Economics. They were both critical theorists, opposing and offering alternatives to existing neoclassical economic thought. Laissez faire capitalism Thatcher and Reagan style and the generation of theorists who supported it - which pretty much includes members of all faculties of economics at all major business schools in the US and much throughout the Western World, not only at the renowned Chicago University - were building and legitimizing the construction of a speculative banking sector, a tall pyramid of cards made out of debt and greed; all confusedly mixed with ideas of democracy and free trade to go down well with the public.

It was not a conspiracy, but a practical choice at the time. The scientific models chosen suited the free market logic when the world was redefined after the last world war. The end of colonialism opened up for a global hegemony of finance first for British then after the Second World War for American companies. The business of money became ever more important for these countries as their production of commodities declined. It is this upper hand the Anglo Saxon countries are clinging to even though the system has failed, helping out their banks instead of their people, refusing international financial regulations, making sure the institutional tools they control, the IMF and World Bank, are left untouched. This one may say is only what could be expected of any leading nation. The problem is that it is done in the name of democracy and free market ideology.

The fact is the US has not been a very strong democracy in modern times. A two-party system where you need to gather hundreds of millions of dollar from big companies and individuals to win an election is not a country for the people but for the rich. Trade has never been free either, not even in the US where farmers and big businesses have always found ways to obtain subsidies and influence government to keep competition at arm's length.

The financial crisis is first of all the crises of the Anglo-Saxon banking and financial system. (This is most clear to the French and German elites). It is only a global crisis to the extent that these countries, the US and the UK foremost, are taking other countries with them in the fall. With the exception of a few economists like Stiglitz<sup>13</sup> and Krugman<sup>14</sup> very few leading academics are able to break with existing academic discourses and take a fresh look at the new realities. Laissez faire economists all over the world, many of whom belong to the Marginalist School of Economics, are instead waiting for the winds of the financial crises to

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<sup>13</sup> Joseph Stiglitz, *Globalization and its discontents* (2002).

<sup>14</sup> Paul Krugman, *The Return of Depression Economics and the Crisis of 2008* (2009).



blow over, hoping to keep not only the general financial system intact, but equally important their social science methodology, at the end of no other reasons than because it is theirs and the latter is used to defending the former. Social science methodology is at the end a struggle for the legitimacy for how to understand the world.

The study of economics should need to enter a period of methodological reevaluation, at the end of which it has to become more relevant again. Parts of it imply that the study of economics must re-incorporate the elements of power so evident in all aspects of social life. Elegant models will have to be replaced by a more pragmatic approach. This promises to be a renaissance of studies related to International Trade and the notion of Competitive advantage. The reappearance of the study of Geopolitics and now the introduction of Geoeconomics is an attempt along these lines. More profoundly we need to see Competition from a broader perspective, from an Evolutionary one.

### **Rediscovering Evolutionary Theory for the study of Economics**

The study of all living organisms is now studied with the use of Evolutionary Theory; except for the study of Man. We must start to ask ourselves why. Why should the Social Sciences be any different than Zoology in this respect, unless we say that Man stands outside of biology? If we do claim that, as many Christians do with reference to Creationism, then at least we are consistent, but this is not the case among the great majority of social scientists today. Instead the social sciences continue to define themselves outside of Biology but in relation to the study of “dead material”, following the logic of the study of Physics. The original reasons for this were that Physics had been a successful science, that the social sciences needed rigor and it was seen as a way to solve the normative problem, literally by taking the moral component out of the equations. It was also a direct consequence of the split of the study of Political Economy into two instrumental parts, that of Political Science and Economics and later Management. After that it was no longer possible to get a wider understanding of social life, unless by going back again, that is in the new lingo, becoming interdisciplinary. As a consequence the notion of power and Competitive Advantage was lost.

Our linear way of thinking, - as opposed to the cyclical ideas of Ferdinand Tönnies<sup>15</sup> and the pendulum ideas of Hegel<sup>16</sup>; the thesis-antithesis and synthesis – can be traced back to the Hebrew Bible and Christianity. It was strengthened under the period we call the Enlightenment, with the idea of human progress and later turned into a methodology for the study of man which just like the development within the natural sciences have become ever more specialized.

At the basis of the study of Geoeconomics lies an organic understanding of Social Behavior. It too is a method from the natural sciences, but from the study of Biology. By organic we mean that man but also organizations function much like living organisms. This is a very powerful explanatory tool for any Science, including the Social Sciences. It does not

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<sup>15</sup> Ferdinand Tönnies, *Gemeinschaft und Gesellschaft* (1887).

<sup>16</sup> Georg Wilhelm Friedrich Hegel, *Grundlinien der Philosophie des Rechts* (1820).

mean that all Social Behavior can be understood by studying Evolutionary Theory, but that it may be used as a foundation for understanding how man and organizations work. What is surprising to some is that this line of thought is not new to academics. Evolutionary thinking was off to a good start within the study of Economics, especially in the US, with Veblen in the last decades of the 20<sup>th</sup> century. Instead economists insisted on leaving Evolutionary Theory at the turn of the 20<sup>th</sup> century, in part because it did not correspond to our political convictions of how man should think about himself and about society. The new slogans of the time were liberalism, individualism and free choice, ideas that had been seriously challenged by Evolutionary thinking and more deterministic perspectives on human life. Besides a new world power needed a break with previous scientific ideas, especially German ones. The transfer to the new paradigm corresponded to the time of rise of the American empire and Anglo Saxon world dominance. While as the original ideas for the new empiricist paradigm were European, they were mostly developed in the US. Thus we may also see the modern Social Science methodology as an ideology, just like the ideologies it was replacing (the historical method), or supposed to replace (Geopolitics).

Instead the old ideas of political realism and Geopolitics survived and became popular also in the US, mostly in higher circles of power. Geopolitical doctrines simply changed names. The Truman administrations talked about the Truman Containment Doctrine and the Eisenhower and Kennedy administration the Domino Theory. Both were based on the mechanisms of Geopolitics. Foreign affairs advisors to the American presidents have always had a strong interest for geopolitics, from Kissinger to Brzezinski. Instead the new leadership ended up with two systems for understanding social behavior; one for the people (Social Sciences) and one for the elites (Geopolitics).

The study of Economics has been enforcing individualism on our societies not only at the cost of social thinking, but also at the cost of long term thinking. Attempts by economists like e.g. Georgescu-Roegen<sup>17</sup> to discount for future generations has been rejected as it was argued that it would make economic models much more complicated. More importantly it would question the way we live. Georgescu-Roegen was a mathematician so he did not mind the complexity, but the models, it was argued, would be difficult to present to a non-mathematical audience and to practitioners, and difficult to use. More importantly, his ideas of discounting for future generation were seen as a political statement which broke with existing utilitarian practices. They were seen as a threat to modern liberal democracy built on free trade. Thus from being the favorite student and follower of Schumpeter he soon became an outcast and went to teach at smaller universities.

The coexistence between Evolutionary Theory and Evolutionary perspectives on the Social Sciences stopped abruptly and some will argue prematurely. It was well advanced before the 2WW e.g. with scholars such as the Interdisciplinary group at the University of Leipzig, with the zoologist and geographer Friedrich Ratzel<sup>18</sup>, the historian Karl Lamprecht<sup>19</sup>, the economists Karl Bücher<sup>20</sup> and Wilhelm Roscher<sup>21</sup>, the philosopher and psychologist

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<sup>17</sup> Nicholas Georgescu-Roegen, *The Entropy Law and the Economic Process* (1971).

<sup>18</sup> Friedrich Ratzel, *Völkerkunde* (1885).

<sup>19</sup> Karl Lamprecht, *Die kulturhistorische Methode* (1900).

<sup>20</sup> Karl Bücher, *Die Entstehung der Volkswirtschaft* (1901).

Wilhelm Wundt<sup>22</sup> and the chemist and Nobel prize winner Wilhelm Ostwald<sup>23</sup>. These scholars were the first of their kind within the social sciences to take the implications of the discoveries made by Charles Darwin seriously. Then after the 2WW their theories were judged as a whole and indirectly held to blame for the German atrocities.

This was decided long before the new revolutions appeared which we see today in the biological sciences, which has brought Darwin and Evolutionary thinking back into the center of science: into biology, medicine and the study of all living organisms. One can but wonder if the social sciences would have been able to make the same decision in favor of the study of physics today. At the time there was still a solid resistance to Darwin and his thinking, especially in countries and academic institutions with stronger religious ties, like in the US. Now, with the lack of results from the new social sciences and the increasing importance of Evolutionary Theory for the understanding of all living organisms, including mankind, it has become increasingly difficult to continue with the present methodological direction without questioning it.

Not only the Evolutionary Perspective but also the Historical Method was dropped too quickly at our universities, but more importantly for the wrong reasons. The multidisciplinary study of Cultural Studies (Kulturwissenschaft) and the Humanities or Moral Sciences (Geisteswissenschaften) as defined by David Hume and later by the German Historian and philosopher Wilhelm Dilthey<sup>24</sup> are still worth our attention. The demonizing of earlier German Social Sciences research<sup>25</sup> is likely to change when a post-war generation of scholars advances into senior positions at our universities, even though it is not certain that Evolutionary theory will be fully integrated into the Social Sciences before a generation or two at the earliest. People reluctantly change positions. It seems that only with new social scientists do we get new ideas. The process is itself a confirmation of Evolutionary theory.

In defense of the historical method, some will argue that the Seduction of Current events is more threatening than the Seduction of History as foreign policies and politicians in western democracies tend to let themselves be influenced by stories running in the mass media, often with disregard to historical facts. We see this all too well in Afghanistan. It is a methodological error of the opposite kind, but one which can be at least as grave as the former. Another example is the current Swedish military policies towards Russia. After the Cold War the threats of a Russian invasion was automatically perceived as being less imminent and there were military reductions on the eastern front. Then when Russia entered Georgia that policy was questioned and politicians were going back to their former position. Much of this was due to the attention given to the Georgian episode in the mass media. Some would say that the risk had been the same all along, that the position in Russian foreign policy had not changed that much; more importantly that the Russian character and Russians values

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<sup>21</sup> Wilhelm Roscher, *System der Volkswirtschaft* (1854).

<sup>22</sup> Wilhelm Wundt, *Probleme der Völkerpsychologie* (1911), and *Die Nationen und ihre Philosophie* (1915).

<sup>23</sup> Wilhelm Ostwald, *Energetische Grundlagen der Kulturwissenschaft* (1909).

<sup>24</sup> Wilhelm Dilthey, *Gesammelte Schriften* (2006), Vol. 1: *Einleitung in die Geisteswissenschaften. Versuch einer Grundlegung für das Studium der Gesellschaft und Geschichte*, Vol. 2: *Weltanschauung und Analyse des Menschen seit Renaissance und Reformation* and Vol. 8: *Weltanschauungslehre. Abhandlungen zur Philosophie der Philosophie*.

<sup>25</sup> See e.g. Woodruff D. Smith, *Politics and the Sciences of Culture in Germany, 1840-1920* (1991).

have been the same all along so that no change of direction should have been expected in the short run. It was only the opportunity or the situation which made their intentions seem different. A clear realpolitical analysis would have uncovered this fallacy, and did, but politicians in democracies are continuously forced to respond to changing moods among the general public, even upon matters of military defense.

The lack of a clear realpolitik perspective in social science courses today is confusing our students. It is making them less prepared for the real life of business and politics. The Western approach to the Social Sciences has been ideological. Students must instead be told the realpolitical truths about the world in which they are to function in, and not be duped by idealist stories spun off the great European revolutions. E.g. the so called Russian revolution was no more than a confused coup d'état performed by a handful of Bolsheviks and some marine soldiers who just happened to be persuaded to support the rebellion in the last minute. It quickly turned into a tyranny. Napoleon was no democrat but a clever opportunist who used the arguments of the revolution to enrich his own family. All western politicians since are to some extent his children, playing a game of manipulation to win favors with the masses, so well explained in the works by the philosopher Ortega Y Gasset<sup>26</sup>.

In the longer run it will be the more meritocratic societies who will succeed, much regardless of whether or not they are full democracies. Mass democracy or New Class Theory is not likely to be the answer to the new global competition. For the moment Europe seems to be making a room for itself as a hybrid version, placed somewhere in between a market solution with private alternatives and Mass democracy. In the US the bet that a completely free private sector (*laissez faire*) will lead to a better competitive advantage has rendered the state and its political system almost bankrupt. The problem is not that it is elitist, but that the elites felt no moral obligations towards the common good. In China a half-totalitarian system of government are experimenting to find their own balance between more private solutions and concerns about how to meet new demands for increased liberties. These are all processes of ideological adjustments. What has changed in the 21st century is that the aim is no longer to fight a political ideology with another one, but to become more practical, to develop the most competitive society. The difference is paramount.

### **Economic Culturalism and the threats of multicultural society**

Many of the techniques we learn in the social sciences – as opposed to the theories - for how to solve organizations problems are valuable, but are by far enough. We seem to forget that our economic performance also depends on our values, which again are formed and nurtured in the societies in which we live. There is a correlation between certain virtues inhabited in a culture and economic performance.

Consequently there are cultural reasons for why companies prefer to set up production facilities in certain nations and continents rather than in others. It is not only a question of the size of their market, price of labor or infrastructure as the problem is often presented in textbooks, but very much a question of values and virtues; working moral, discipline, patience, concentration etc. factors which are inseparable from our national, cultural but also from our personal character. And there are always individual exceptions.

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<sup>26</sup> Ortega Y Gasset, *La rebelión de las masas* (1930).

These values and virtues do not necessarily remain the same either but are subject to change. Because a culture, a continent, was industrious in the past does not mean it will be so in the future. Just look at what used to be the Egyptian civilization today, or the Greek, or the Roman. Egypt is a chaos after world standards, ridden with poverty and despotism (mock believe democracy). Parts of Southern Italy reminds one of northern Africa and Greece it is well acknowledged was invited to join the EU primarily of historical reasons –remembering the classics – while its economic and political performance has never lived up to the EU’s official criteria. The country is known for chronic annual deficits of its balance of payments, outspread corruption and high unemployment levels, conditions that are not accepted by new entrants either.

In the Western world at large we used to have a tradition, going back to Plato, for temperance, prudence, fortitude and justice. The Romans held a number of virtues to be official and created monuments of arts for the public to remember them by; virtues like Perseverance (Constantinum), Tenacity (Firmitas ), Industriousness (Industria), and Dutifulness (Pietas), ideas that have since long disappeared from our university curriculums, replaced by more abstract Social Science theories or lost. It could be argued that the habit of good virtues has a much greater influence on the Competitive Advantage of nations than what comes out of social science theories. The point becomes especially clear with the example of the study of Entrepreneurship. It is not enough to know how to do entrepreneurship from a theoretical perspective and the best business idea in the world will not work if the person in question does not have the will to succeed. Instead we see people succeeding who have simply decided to succeed, courses or not. From the new perspective on teaching entrepreneurship would become more a question of finding, defining and reflecting around certain values, than of learning how to identify a good idea and write a Business Plan. Very many students have good business ideas, but very few have the determination to set them into practice.

What has been neglected in the West is highly appreciated in the East. Chinese virtues also include determination or will, a term Westerners have been taught to associate with Schopenhauer, Nietzsche and Fascism; unless disguised in a management book à la Jack Welch or insinuated in an interview with an entrepreneur in a glossy life style magazine: We all realize that the people who are interviewed could not have gotten to where they are at if it was not for an extraordinary will power, but it is seldom mentioned and we hardly ever teach it.

Unlike in the West in the Far East the teaching of virtues, not only at home but in all walks of life, is encouraged. Confucianism e.g. is at the end a set of moral rules, not as much a religion. The feeling among many of the Chinese elites is that if people need metaphysics they can turn to Buddhism, as long as they do so in their spare time and as long as it does not intervene with matters of state<sup>27</sup>. It is a pragmatic logic.

In the West, but much more so in the Middle East, we still struggle to separate morals from religion. For us it is still very much an either or question. This frequently has the perverse effect that we rejoice in stretching the limits of our societies’ ethics. During the past

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<sup>27</sup> Also Buddhism started much as a set of moral rules, but later developed into a religion as it absorbed old local religious beliefs.

generations we in the West have found an almost childish delight in “challenging” our value system. We do not see the danger in what we are doing, but believe that by so doing we are becoming freer. This has led to a society of freedom without responsibility, not only among the masses, but more worryingly among our leaders. We have an almost childish faith in the belief that people will always strive to be virtuous, even when they have never been taught anything about values, not at home or at school. When people are not ethical we think that a well functioning legal system will adjust for any discrepancies. We continue to believe so even when our prisons are overcrowded and it is no longer safe to walk in the streets even during the day. In China you can practically walk through any city during the night and feel relatively safe. Instead we tell the Chinese that they are suppressing their own people. Even now in the middle of the financial crises we refuse to see that it is the blind faith in our Individualist way of thinking, which has led not only to excessive greed in our companies but ultimately to a weaker government, which at the end has reduced our possibility for continued growth. Individualism will only be a strength for as long as our citizens feel an obligation to contribute to a common good. This was the case in the US under the great expansion westward when people were willing to adapt the same values, strengthening the nation’s working moral and the belief in a common destiny. It was what made “the melting pot” a powerful strategy.