A consumer behaviourist speaks out on the subject of consumer society. In his comprehensive pamphlet, Jörg Kraigher-Krainer, a trained marketer and economics professor, explains the difference between market economy and profit economy and the difference between marketing committed to the customer and marketing that is merely looking for new tricks to seduce customers and boost sales. His controversial theses are underpinned by numerous scientific studies—some of which are presented to a wider public for the first time in this book. Kraigher-Krainer appeals to industry to not only seek innovation, but also to renew itself in view of completely new framework conditions and to shelve the obsolete model of the company as money production machine. His proposed solutions involve intelligent consumption in affluent countries and redirecting an entrepreneur's creative power to the pressing questions of a globalised economy and the resulting global responsibility. After all, we are all in the same boat or on the same planet and the idea of the selfish profit maximiser is a dangerous chimera.

Priv. -Doz. Prof. (FH) Dr. Jörg Kraigher-Krainer worked as a marketing manager in the business world for 15 years. Today, he teaches and researches the subjects of customer focus and consumer behaviour at different universities. In 2006, he attained the postdoctoral qualification in Business Administration from the University of Graz.

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Twilight of the Goods

Kraigher-Krainer

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Twilight of the Goods - Economies in the Shadow of Greed for Profit

Translated from German by Ruth Pohlhammer

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Jörg Kraigher-Krainer

TWILIGHT OF THE GOODS

Economies in the Shadow of Greed for Profit

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Translated by Ruth Pohlhammer

Kathi, Elisabeth, Nora and Michaela

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Preface

Never before has the reader had such a large selection of critical books and speeches on the economic situation in developed consumer societies. However, the focus of these analyses generally lies on monetary approaches: Stabilise the monetary union, pump money into markets, reduce debt, create currency zones, reform banking systems, decree liquidity injections, build up deposit protection, save money, etc. We know it all from the daily news and are no longer quite sure how all this is supposed to work and what it amounts to. In this book, I chose an approach to the subject which outlines this money-oriented viewpoint as the main problem of our current economic dilemma and not as its solution. It may be appropriate to regulate economies or companies by means of financial measures in the short term, but it will fail in the long term if there are no fundamental changes to the existing real markets. This approach is by no means new, and there are already numerous publications that approach the subject of consumer society in a critical way and from the perspective of political scientists, philosophers or religious scholars. But since I do not know of a book by a decision and buyer behaviour researcher, that deals with the problem from the point of view and in the interest of the buyer as a representative of society, I found it was high time to write such a book.

Over 200 years ago, Adam Smith showed that self-interested market participants, as if *guided by an invisible hand* and observing a *fair price-strategy* arrive at *fair bartering* and thus contented barter partners and from there to *contented, wealthy nations*. This actually works for the West, and the societies living there enjoy incredible prosperity today. For this reason, these fundamental market mechanisms will not be shaken in the future: Satisfaction for all through increasing prosperity, possession and consumption is and remains the declared goal of all economies. Marketing and customer satisfaction books now announce a further increase in customer satisfaction towards customer enthusiasm. Similar promises are made by the public relations departments in companies, company slogans, the media and Sunday speeches: *Your satisfaction, our passion!* or *With us the customer is king!* Considering now that a fair price is achieved without regulation, it is also reasonable to demand that the

state should stay out of economic issues, because only free competition guarantees free consumption, prosperity that trickles downward, economical use of resources and finally, a free and happy society.

So much will to maximise satisfaction makes you wonder and raises questions: Are people in consumer societies becoming more and more satisfied? Does ever more prosperity still lead to more satisfaction? Can we observe a development that companies want to understand their customers better in order to make them more satisfied and to *inspire* them, as they say? Or are companies and their top managers often busy with completely different questions and priorities such as their own wealth and how to avoid sharing it with society? Can a state tell us how satisfied its citizens are? Is satisfaction then a defined goal of governments, or are we relying on the invisible hand to somehow help regulate it? What is satisfaction in the first place and is life about satisfaction? Is not *dis*satisfaction the engine of change? If we were satisfied, wouldn't we stop wanting to turn things around for the better? And is a discussion of satisfaction in consumer societies not distasteful when at the same time people elsewhere are starving, oppressed or medically unprovided for? Isn't it a sign of how well we are doing if we engage in system criticism comfortably embedded in an unprecedented standard of living because we no longer have to deal with existential problems?

Almost 40 years ago, Erich Fromm gave us insights into the topic of property and contentment with his book *To Have or to Be*, which couldn't be more topical today. And yet the work fails to make an impact, our striving for possessions is even more defined and money has become the centre of many a person’s life planning. In the meantime, a number of new findings on this topic have emerged in the borderlands between psychology and economics. My studies of psychology, philosophy and business administration, 15 years of business practice, 30 years of experience in teaching and research in the areas of consumer behaviour and decision research, as well as the development of a master's degree in *customer-centred corporate management* form the basis of this book.

If you are dealing with research today and you don't want to endanger your reputation, you are advised to talk only about the tiny area in which you have built up a certain amount of expertise, given the complexity and interconnectedness of the problems. I also feel this tendency to move within the safe grounds of my area of expertise and to avoid cross-connections to life-relevant topics. But today we need exactly that: Interpretations and opinions beyond

our own subject. In this book I am therefore also referring to things that are scientifically not mine, in order to link them to what I know better. I do not only want to comment on what I am exploring, but also on what goes through my mind as a critical citizen. The inclined reader may find some associations inspiring and the strict scientist may forgive me. But I think it is time for science to leave the covered and upholstered spectator ranks and express its views on social developments in a very concrete, albeit justified way! What else does society pay us for?[1]

This book is divided into three parts. In the first part, I will deal with the *economic problem*, which I see in the fact that we are continuing to adhere to the growth and profit model, even though its limitations are becoming ever clearer. Our resources are becoming scarcer and the mountains of garbage bigger—the finite planet Earth is not designed for infinite growth. With the globalisation of the Western economic system, we have also achieved a degree of complexity that far exceeds human comprehension. So, although we do not know exactly what we are doing in the long term, we continue as if nothing were wrong. People are also demanding answers ever more loudly: In a hamster wheel, it is not important how fast you run, as we all know, as you do not get anywhere. So, what is the meaning of consumer society, the purpose of this journey? In order to better understand how these existential questions are answered today, I turn to the promises of the profit economy and how far they are justified.

The second part deals with what I call the *psychological problem*. First of all, there is the concept of satisfaction and the question of whether we are actually becoming ever more satisfied, as they say. I try to show why we are becoming more and more dissatisfied, why we have to become more and more dissatisfied, because only discontented people buy and only societies that buy, even if they already have everything they need, do not endanger the goal of boundless growth. In the fifth chapter, I will discuss the techniques that put us in a state of dissatisfaction on the one hand, and of making us believe that we can overcome this dissatisfaction by making purchases on the other—i.e. buying behaviour presented from the point of view and interest of the buyer, not the seller.

Part three connects economic and psychological considerations to *socio-economic solutions* and tries to outline ways out of the dilemma we have fallen into. At the outset, I present a company approach that is not oriented towards the satisfaction of shareholders, but rather towards that of customer and society, in order to conclude my remarks with the two major tasks that I see coming

up for modern economics. The *Target-1 question* is: How can wealthy societies reduce their irresponsibly high consumption of resources without sacrificing quality of life or foregoing something essential? The *Target-2* question is: How can the destitute societies of this world be brought closer to the prosperity of the West without substantially increasing their consumption of resources?

Although the parts and chapters naturally do not just stand side by side as if unrelated, it is not absolutely necessary to read the book chronologically. The chapters are as self-explanatory as possible. You will find a wealth of endnotes in the text. These contain, on the one hand, references to sources and further literature and on the other, remarks which serve to deepen our thoughts, but which are not vital to preserving the central thread in the main text. Endnotes irritate and leafing back and forth can be annoying, but I couldn't find a better solution. Literary quotations from German have, in part, been translated into English without corresponding comments, of course in an effort to come as close as possible to the original meaning. For reasons of easier legibility, I have used all gender-related terms in a limited way, mostly in the masculine form. I ask that this should not be interpreted as a disparagement to woman whom I hold in great esteem and whose demands for equal treatment I fully share.

I would like to mention some of the many people who contributed to the creation of this book. First and foremost, I would like to thank my family, who—once again—have managed to cope with the fact that I have been immersed in a theme for a long time. They have accepted my physical and mental absence with patience and understanding and I dedicate this book to them. I would also like to thank Prof. Hans-Peter Liebmann, who has always supported and challenged me on my life's journey ever since I was a student at the Marketing Institute of the University of Graz. I hope I don't disappoint him with this marketing-critical text. I would like to thank the members of my research group and my students for giving me the opportunity to discuss my ideas with them and to clarify them in this way. In particular, I would like to mention those students who have produced research results in projects and diploma theses that are so excellent and appropriate for the book that they are suitable for discussion here. These are Hanna Aalto, Eldina Basic, Katarina Beljo, Frauke Bittner, Isabela Curbat, Martin Edler, Julia Eisschiel, Doris Fröhlich, Melanie Gössler, Katharina Hochreiter, Christina Karbasch, Oliver Karrer, Armin Kienreich, Melanie Maier, Jeannine Oberhauser, Katharina Riepler, Tzveta Yordanova and Dandan Zhang.

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Graz, April 2014 Jörg Kraigher-Krainer

PART I:

THE ECONOMIC PROBLEM

Chapter One

Management of Self-Interest

A Greek fisherman is dozing in his fishing boat. A tourist comes along and asks him why he is not fishing. The Greek replies that he is already back from fishing. Says the stranger excitedly: "You could go out again to fish even more." "Why should I?" asks the Greek calmly. "If you catch more fish, you can afford a second and a third fishing boat." "And why would I want to do that?" "Then you'd be rich someday," replies the twitchy tourist. "And what good would that do me?" asks the Greek patiently. The holidaymaker answers triumphantly: "Then you could sit quietly here in the harbour, dozing in the sun, and look out over the magnificent sea." after Heinrich Böll [2]

We could learn a lot from our Greek friends, such as purposeless and unconditional hospitality, the idea of economisation—*oikonomos*—the democratic principle, but also the concept of *eudaimonia*, which describes a state of inner peace, which may well result from purposeful action, but is no longer itself a means to another end. I will come back to all these topics in the course of the book. But how is it that today we feel that we can no longer learn anything from the Greek fisherman, while we applaud the teachings of the tourist, who gives his point of view excitedly enough to not even notice what nonsense he is proposing?

Adam Smith's Legacy

250 years ago, Adam Smith wrote that the individual "intends only his own gain, and he is in this ... led by an invisible hand to promote an end which was no part of his intention..."[3] And elsewhere, he realises that the prices of monopolists are always the highest they can squeeze out of the buyer, while the lowest possible or the *natural price* arises from free competition. Because an even lower price would endanger the continued existence of the company:[4]

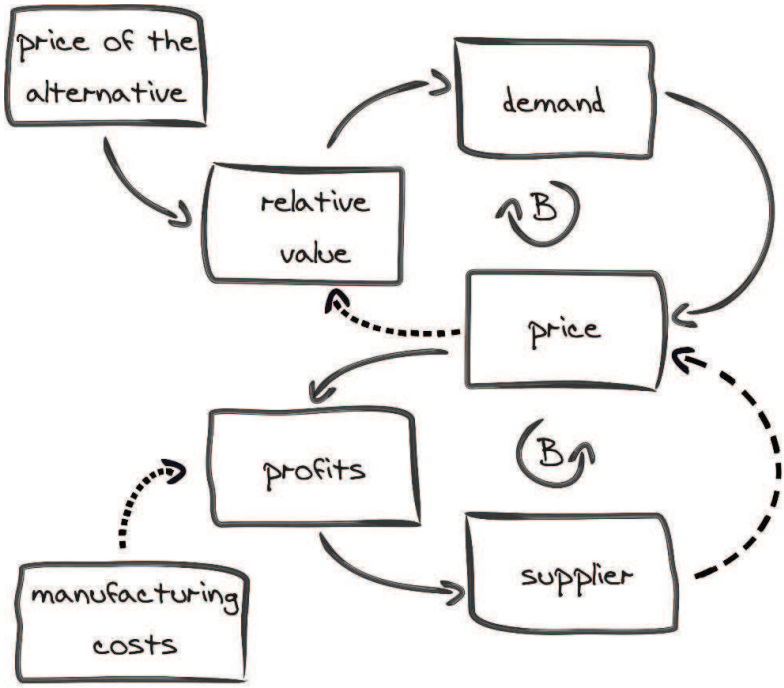

Fig. 1: Adam Smith's *invisible hand* based on Sterman (2009)[5]

As many illustrations in this book follow a system-dynamic logic, I would like to briefly explain this logic. An arrow points from the assumed cause to an assumed effect. This effect can be either positive (the bigger the cause the bigger the effect, dark grey arrow) or negative (the bigger the cause, the smaller the effect, light grey arrow). Since system dynamics is particularly interested in feedback effects within such causal systems, causes and effects often form so-called causal or control loops, in which it is not possible to say what triggered this system originally—the well-known chicken and egg problem. If a certain ratio of positive and negative relations exists in such a control loop the causal circuit can also be called balancing, or reinforcing, respectively. The invisible hand's two control loops are balancing; they always revert to the original value, like a ball in a bowl—shown by the light grey arrows in Fig. 1. In contrast, the growth control loop in the following figure Figure 2 is self-reinforcing: Each element conveys the one downstream, like the ball on an inverted

bowl, which, once pushed, moves away from its initial state and never again returns.

Fig. 1 shows a demand control loop in the upper section and in the lower section a supply control loop. If we follow the demand circle starting from the *price*, we see that the *relative value* of goods decreases when the price for the customer increases. Therefore, for clarification the arrow is light grey and marked with a minus sign. *Relative* also implies that the customer measures a product's value against a reference object, in this case against *the price of an alternative*.[6] The higher the perceived relative value of a good, the more demand there is and that drives the prices up. Let us now follow the other circle: Higher prices result in higher *profits*, as long as the *manufacturing costs* do not increase—which attracts new *suppliers*. However, fiercer competition conversely reduces *prices*; as a consequence, suppliers withdraw from the market or reduce their capacities until there is an excess demand again. So, whether prices are rising or falling, we always end up with a stable or *natural* or *fair* price under conditions such as the free flow of goods, money, work and information, fierce competition and an effective elimination of price-fixing arrangements or other measures that distort competition, also known as *market failure*. But how does prosperity spread from business to private households?

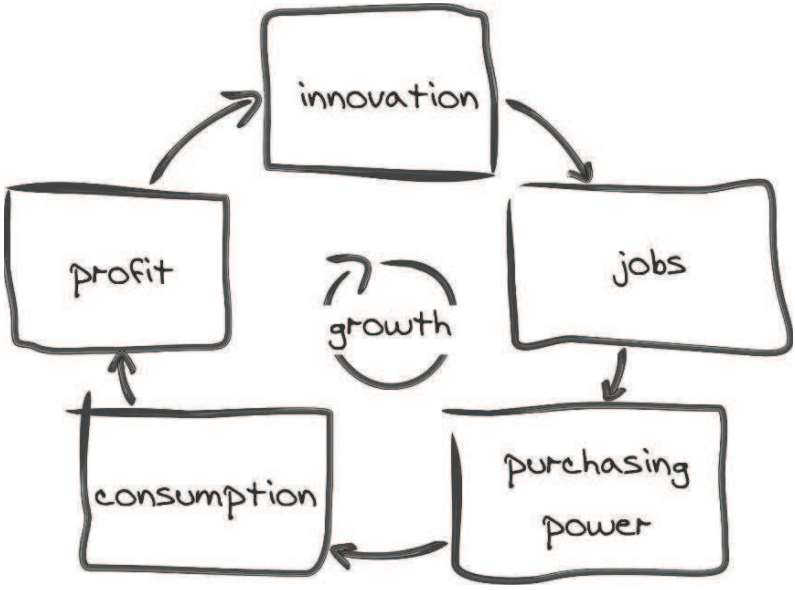

Figure 2: *Machine of Growth* based on Jackson (2009)[7]

Innovation creates new *jobs*. The resulting additional household income increases people's *purchasing power* so they can afford more. As *consumption* increases, companies grow and make more *profit*, which is in turn invested in the development of new products, etc. As long as this growth cycle works, companies will grow in size and number and households will become increasingly prosperous. The company must also strive to reduce *manufacturing costs* in Fig. 1 by increasing *productivity*, i.e. the number of goods produced in relation to the resources used (material, machinery, labour, capital). The causal loop of economic growth is self-reinforcing whereas the two loops of the invisible hand are stabilising. Hence the economic idea of *unlimited economic growth* under the condition of a *self-regulating price range* is derived.

The Austrian economist Josef Schumpeter gives us an answer to the question of how *innovations* and *increasing productivity* are entering the company and from there the markets: "The fundamental impetus that sets the capitalist machine in motion and keeps it moving comes from new consumer goods, new methods of production or transport, new markets, new forms of industrial organisation that capitalist enterprise creates...[and] ... constantly revolutionises the economic structure from the inside out, while in parallel constantly destroying the old structure and continuously creating a new one. This process of »creative destruction« is the essential fact of capitalism."[8] Here, again, no one needs to intervene because the never-ending process of economic renewal comes from within.

Let us recapitulate the fundamental assumptions of *neoclassical economy*, a group of more precise and mathematical assumptions around the fundamental idea of the invisible hand and the selfish individual formulated by Adam Smith: (1) Economic activity means understanding how *prices* and *quantities* influence each other. (2) Human beings are adequately characterised if we define them as *homines oeconomici* who strive to maximise their personal advantage. If the supplier were alone in the market, he could and would ruthlessly exploit his customers. If the customer were alone in the market, he would do the same with the suppliers. Therefore, a *free market* forces the individual to do something that he himself is unable to do, namely to give something to the other person. This way general prosperity comes into being. (3) The continual renewal from within, the creative destruction of the good by the even better in the capitalist organisation, represents a modern, innovative and constantly improving society. This process of renewal provides more and more products, produced in ever shorter time and by ever fewer people. Unemployment is not a problem as long as the economy continues to grow. (4) Growth is therefore

essential. If, on the other hand, the *machine of growth* is disrupted because households make fewer purchases or the state imposes conditions for example, this will have a negative impact on the competitiveness of the companies concerned and will inevitably lead to a downward spiral. Continuous growth is therefore non-negotiable, because otherwise the economy and then society will collapse. As Smith predicted, developed Western economies are indeed enjoying incredible prosperity today. It is therefore not surprising that Smith is interpreted in an ever more *modern* way: *Economy means a fair world and prosperity for all without state intervention.* Unmistakeable background noise, such as greed, inequality, loss of democracy or immorality[9] can quickly be done away with by the invisible hand and the resulting laws of the market: Those are being turned into the primacy of pure reason, since they are law and therefore lie outside the sphere of human influence.

The three most important economic models which we have been able to gain experience of since Smith are *the planned economy, the profit economy* and *the market economy,* the latter in two forms, *free* and *social* (Figure 3).

The first two are based on desk work. The *planned economy* designs goods to be made available to buyers, and *the profit-oriented economy* projects returns to be made available to the owner or shareholder of a company. Both strive for monopolistic or monopoly-like structures, so competition is either irrelevant or its elimination is an essential part of the strategy. The planning authority in the *planned economy* is the state. In view of the gigantic number of human needs to be anticipated, but above all because of the increasing perversion of the political system in communist countries, the planned economy is unable to produce prosperity in nations, and by the end of the 1980s it largely disappeared from the scene and is therefore not being pursued here either.[10]

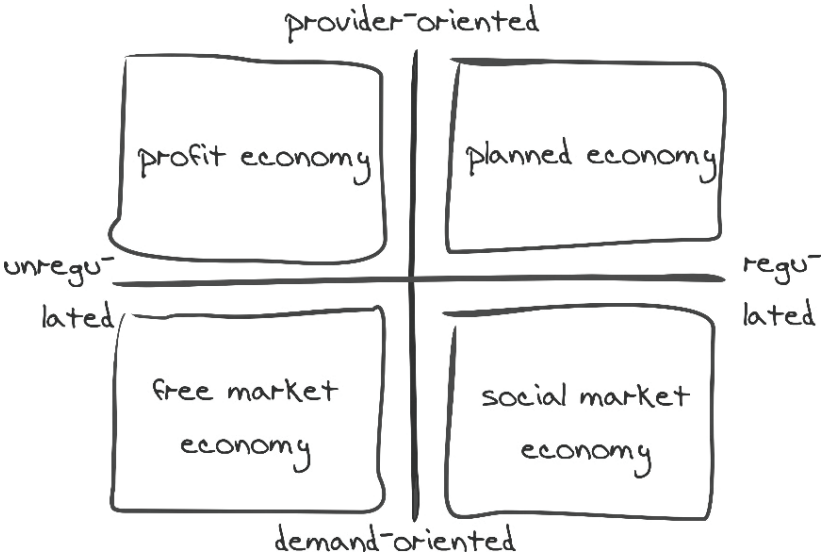

Figure 3: Planned Economy, Profit Economy and Market Economy

In the *profit economy*, these planning processes are transferred from public authorities to corporations. Sectoral specialisation enables business planning that is already closer to market requirements. Nevertheless, the basic principle of the profit economy remains largely remote from the market, since the starting point for all considerations is the owner's needs in the form of share price developments and dividends, and because a market exists only in the sense of a framework that is restricting profit. The desired profits determine the quantities of goods and target prices to be produced by the plants, which are then broken down and converted into production and sales plans. In traditional economics, the *profit-economy* approach is added to or even equated with *market-economy* approaches. However, it is an approach that I believe must be considered separately, since it is not interested in a functioning market but in its opposite, and secondly, it is not aimed at finding and satisfying customer needs, but—similar to the planned economy—at satisfying the needs of elites: shareholders, top managers and cooperative politicians. For journalist and author Gabor Steingart, such a distinction allows things to be seen more clearly: The market economy needs rules of the game, but capitalism[11] does not. For it, the state is only good if it fades quietly away. According to Steingart, it is not the left that is the enemy of a market-economy order, it is its apparent friend, the capitalist who believes that he can make more and more money by adding

some work and raw materials. The market economy, on the other hand, is concerned about losers for reasons of efficiency because it wants to turn them back into taxpayers and customers. Capitalism overcomes them and prefers to seek an alliance with an obliging politician.[12]

The *market-economy approach* first asks for a customer's needs—whether a particular business or product idea creates a benefit for the customer and thus for part of the society—then calculates key data such as prices and sales volumes to ensure the viability of the business idea and finally tries to bring this benefit to market with the existing business skills and production resources. The question of whether a company operates in a *free* or a *social market economy* is defined by the political framework conditions of the respective market. However, market-oriented companies do not have any direct influence on these general conditions[13], but concentrate on solving relevant customer problems under given conditions. They do not see the customer as an opponent from whom they have to wrangle something, but as a partner or even more as the sole purpose of their existence. For that, they rely on equal ground rules for all market participants on the one hand, and on their ability to achieve better results than their competitors within the framework of these ground rules on the other.

Whether a company is market-oriented or profit-oriented, i.e. whether the customer is only a business purpose, merely a means to an end, does not have to be disclosed at present and is therefore hardly recognisable by the customer, since profit-oriented companies also speak of customer orientation, corporate responsibility or sustainability for image reasons only, so as not to jeopardise their profit goals.[14]

As far as the role of the state and the extent of market regulation is concerned, since the early 1980s there has been a trend towards deregulation and profit making, originating with the Reagan administration and Great Britain under Margaret Thatcher: *We must not look to government to solve our problems. Government is the problem,* as Ronald Reagan explained.[15] The proponents behind this trend are the representatives of the profit economy, above all Milton Friedman, who, on the one hand, want to overcome the market-economic element and on the other, the social element. The fact that such a development is not in the interests of the societies concerned can be gleaned from the positive experiences countries on the European continent have had by opting for the approach of a *social market economy*. The underlying assumption is that the invisible hand and free competition do work in principle, but that according

to this logic, certain sections of the population fall by the wayside: The poor, the old, the socially weak, children and adolescents, the sick, the dissenters, all those who can't keep up with the law of self-interest or can't follow it. Since the time of the great European Social Democrats in the 1970s, there has been a feeling of responsibility also for these groups of people, relying on a system already envisaged by Walter Eucken, Alfred Müller-Armack and Ludwig Erhard to ensure their protection and support.[16] As a result, the state will remain largely unaffected by market developments if a service rendered in accordance with market-economy principles is more easily provided, but at the same time it will ensure that social interests are not ignored and that people can still lead a dignified existence even if they lack purchasing power, labour or market power. Despite the potential risk of system exploitation, regulated economies are generally better off than free economies[17], as confirmed even by recognised economists from the Anglo-American region.[18] We will return to the underlying root causes repeatedly.

Irrespective of its empirical validity, the *social market economy* seems to have become an obsolete model in its home countries of Germany and Austria[19]. There are many explanations for this, but one of the most important, if not the most important, is that *markets* are largely *saturated* in developed economies, i.e. market volume is barely growing or no longer growing at all.[20] After all, what happens to the invisible hand when the predicted prosperity has reached the people, when a considerable number of people already have most of what is needed for a good life?[21] Adam Smith would have said: Companies withdraw from markets with an oversupply until equilibrium reigns again. However, that is not the case in reality. This cannot be reconciled with the organisation's desire to survive or the investor's desire for profit. And: Withdraw to where? However, if the consumer's demand for products and services no longer grows at least as fast as the economy's demand for growth, sales and profit, i.e. if the real markets refuse to serve the machine of eternal growth, then the original idea of a market economy is turned upside down. It is no longer a market demand that governs supply (*demand-oriented approach*), but rather the oversupply that defines what is to be demanded (*supply-oriented approach*).[22] The consequences are ever increasing noisy markets and market bubbles: Businesses with no corresponding demand in real markets, which are developing ever faster and bursting at an ever-increasing rate.

In addition, there are the temptations to use methods of *miraculous money reproduction*—in the banking sector of course, but also in the real markets and now even in municipalities, which seem to be able to plug budget gaps through

speculative forms of investment and tricky financing models. According to Gabor Steingart, capitalism represents a threat to the market economy only because political elites engage with these forces instead of regulating them. They become "... a twin creature walking on a red carpet during the day, surrounded by a military band and national anthem providing new supplies in the dark of night in the shadowy realm of financial markets. The fellows who govern it willingly explain the more modern financial market products, the leasing of garbage trucks, the sale and leaseback of sports fields, the leverage of government bonds and currency speculation on warrants."[23] Capitalism finances the state's addiction to recognition, until in the end, everyone levers everyone out and politicians have to save the banks with money they borrowed from them beforehand. According to Steingart, this is not a market economy, but a betrayal of its principles.

The financial crisis in 2008 has further shaken the already fragile framework on which our current economic logic is based and caused national debt in many countries to explode. Why? Either we give up the primacy of eternal growth and thus move into the danger zone of a collapsing global economy; or we continue to adhere to the principle of growth. But even then, a system that is not based on demand but on financial cosmetics will sooner or later collapse. And we are dealing with a second serious problem: ecological collapse. Growth skeptic Tim Jackson[24] therefore recommends that our global economic system be transformed from growth economies to sustainable economies in a controlled manner before the reins of the world slip. However, the chances of such a paradigm shift are slim; for various reasons that we will discuss further on. Since economic collapse could occur tomorrow, but ecological collapse will only occur in a few years' time, we will be *discounting the future,* concentrating on the more tangible threat and doing what everyone else in the herd is doing, i.e. continuing as before.[25]

The Shareholder Value Approach

In the profit-economy interpretation of Smith's heritage, the micro-economic as well as the business management approach[26] is not to be interpreted as: Butcher, make a juicy steak so that you get a good price and you, the customer and the employees are happy. Rather, the task is: Butcher, make your investors (shareholders, holdings, banks, investment funds, pension funds, insurance companies) richer—and we sincerely hope that you have borrowed money to modernise, expand and *make* your business *competitive*! A justification for this desire for dividends as the real sense of the economy is quickly at hand: Even

the small saver wants to achieve the best possible interest rates on his savings account. Therefore, it is only fair if the creditor also demands the best possible interest from the debtor! The butcher should therefore produce his steak in such a way that his backer becomes rich. The purpose of the company is to maximise profit for shareholders. But this is a fundamental ambiguity inherent in the profit economy. The official motto is: *The satisfaction of our customers is our passion*! In order to be sure, you also *are sustainable, socially responsible* and the products are *pore-deep greenwashed*.[27] When the microphones are switched off, however, there is only one motto: *The satisfaction of our investors is our passion*!

In a highly acclaimed contribution,[28] the American economist Milton Friedman is coming clean: The only social responsibility of a business is to increase profits. Managers are agents of their principal, the investor. So, when a manager tries to avoid environmental pollution, eliminate poverty, achieve a fair price instead of the highest possible price or act in a socially responsible manner, he/she commits theft against the shareholder. As a private individual, he may give in to such tendencies, but as a manager he has to pursue the interests of the owner only. Nonetheless, managers would often tend to adopt the schizophrenic stance of being able to manage a company while at the same time taking on social responsibility. The latter, however, is tantamount to a suicidal impulse which undermines free society. It is the policymakers' job to define the rules of the game and it is the manager's job to maximise profit within these rules (and probably even, as is common practice today, to ensure that the rules of the game are appropriately investor-friendly). To be sure, Friedman admits that transactions should be carried out without *fraud* or *deception*. He does not explain to us, however, why a manager would not also resort to these means, in particular if his income is linked to precisely these investor profits. Additionally, he does not touch upon the fundamental ambiguity of the profit economy mentioned above, which amounts to exactly such a—systemic and systematic—*deception* of all others. Or does Friedman really think, for example, that the company he conjures up designs its advertising in such a way: "Hello, we are the company X. We are passionate about making our shareholders rich, and therefore we would like to sell you our product Y.?" What Friedman reveals to us, however, is that he does not seem to have any idea of functioning real markets or corporate governance; he is particularly interested in how economies are controlled via the money supply, interest rates, equity and exchange rates.

If everything is steered by the invisible hand of the market, then that would apply to the income of managers,[29] including fund managers. Christian Felber[30] reports that the 25 best-paid hedge fund managers together earned $25 billion in 2009. Friedman does not discuss this either, although it is understandable that managers' salaries in such astronomical heights could be interpreted as theft from the investor in two respects: Firstly, money is lost immediately and secondly, the morale of the team is being undermined, the company becomes a self-service shop, and as a result of this, we have the problem: The greater the difference between the income of top management and the income of all other employees, the more the product quality declines.[31] The representatives of the profit economy, on the other hand, say that you simply pay the best managers you can get on the market the best salaries for the most difficult and strenuous of all jobs. The high salaries and bonuses are intended to motivate managers to give their very best. Studies show, however, that above a certain income level the alleged motivation failed to materialise.[32] A further justification for high salaries is the extraordinary pressure on top managers. Sherman and colleagues, however, have recently found out from the cortisol content of saliva samples and from anxiety questionnaires that in effect stress decreases the higher up the person is in an organization.[33] Roger Martin gives us a completely different explanation: Shareholders buy at positive company prospects and sell at negative prospects. However, it is impossible for a manager to continuously exceed investors' expectations with his or her results. Therefore, he focuses on a game he can win: The compensation game. The economist's sober balance sheet: "… the harder a CEO is pushed to increase shareholder value, the more the CEO will be tempted to make moves that actually hurt the shareholders."[34]

While in Friedman's interpretation *the company's purpose* is still to maximise *shareholder* value exclusively, a second group of interested parties grabs part of the cake in the practical implementation of the shareholder value approach (SHV) and thus sees the company's purpose in maximising management salaries. The question of the company's purpose becomes even more nebulous in the so-called *stakeholder value approach.*[35] There are now as many business purposes as there are interest groups. The HR manager considers himself and his department to be the corporate purpose, as does the IT manager, the production manager, the logistician, the sales manager and the controller. Everyone says that without him nothing would work and therefore he would be entitled to an above-average portion of the cake. Since banks, suppliers, external consultants and politicians are also urged to think in this way, the corporate

purpose now is that everyone secures themselves as much as possible from a prey that has not even been killed yet. Peter Drucker[36] labels these well-known desires in and around companies as *parasitism*.

Where are the customer interests? Unfortunately, these interests can no longer be served because the customer has no voice in the struggle for the scarce resources and must, as the last link in the chain, take what is left. You have to dig deep into the bag of tricks nowadays to persuade him to buy the miserable remainder, while the marketing literature continues to dream of total customer satisfaction and customer enthusiasm. In recent reference books on the subject of *customer focus*, however, we already find a clearer language: "... in this book we want to build a framework where theories, techniques, tools, and activities are focused on influencing customer purchasing behaviour."[37] Even more emphatic is Peter Doyle, who believes that "... the purpose of marketing is to contribute to maximizing shareholder value and that marketing strategies must be evaluated in terms of how much value they create for the investor. This concept... is called *value-based marketing*."[38]

What *strategy* does the SHV approach pursue? A quite simple one, i.e. *quantitative growth* on the basis of two firm beliefs: Firstly, that great is automatically good because great is powerful and powerfully profitable; and secondly, that growth knows no boundaries other than those of a despondent mind.[39] The strategy of an SHV-managed company is therefore the machine of growth adapted to the individual enterprise, Figure 2, p. 13.

In fact, there are technology-intensive industries in which only those who have reached critical mass can compete, because the necessary funds for new technical developments are no longer available for small companies. From an economic point of view, growth means there is a bigger cake to be distributed—also downwards, in order to alleviate poverty—and create employment, especially when productivity increases and the population grows. The government can borrow more heavily and serve its debts more easily. From a business point of view, what makes quantitative growth appear so attractive are the so-called *economies of scale*: A national advertising campaign costs the same amount of money regardless of whether you hold five or fifty percent of the market share. Higher market share also increases the goods turnover, and higher production volumes in turn reduce unit costs. In addition, there are *learning effects*: The more we produce, the more experience we gain per unit produced and the smoother our business processes run. We also have more capital to further increase productivity and develop new products. If the company expands its

product range to other business areas, it can spread its *business risk* and at the same time profit from *synergies* by further splitting up fixed costs (administration, distribution, EDP, research, brand building etc.) and thus reduce unit costs once more.

In addition, only a critical size allows participation in global business in order to open up new international markets on the one hand and to exploit the potential advantage of relocating production to a low-wage country on the other. Market power is increased, prices can be dictated more easily, political influence is stronger and government subsidies can be expected for the establishment of businesses in specific locations. Size also brings with it the too-big-to-fail advantage, e.g. that in the event of a crisis you can expect a social safety net, while the small business comes away empty-handed.[40] A large company can also acquire money more easily and cheaply, is considered as an employer more frequently and enjoys disproportionately high media attention. Finally, we must not underestimate the herd behaviour that has already been mentioned: Growing, as the others grow, and grow to maintain your relative position in the herd.

The desire for growth also derives from human instinct. As we will see later, most people want more than they have achieved already. And if the average person gets more, they want more of this *extra*. We also have a weakness for size in our role as customers. In this case, well-known means big and big means good, as it is well-known. There are also synergies to be had in finding everything we need in the big *one-stop shop*. In short, there are a number of plausible reasons why we reflexively think of growth when asking ourselves what a company should strive for in the medium and long term. I will return to these arguments in chapter 3 and try to put them into perspective.

Today, an invitation to a strategy meeting usually means an invitation to the reflection process[41] of "How can we grow quantitatively?"[42] And: "How can we get rid of anything that interferes with, hinders or jeopardizes this quantitative growth process?" What models and thinking aids does the textbook recommend? Michael Porter[43] in his *five-forces model*, explains to us which enemies we have to take note of and fight against. In addition to direct competition, these are new potential competitors, strong suppliers, possible replacement products and powerful customers. From the Boston Consulting Group and its *market share market growth portfolio* we deduce that one should withdraw from shrinking markets, unless one is already relatively large; then one should go on milking this cow in order to build up new business areas in growth

markets. I have just discussed the benefits of size, of an *experience curve*, of the *economies of scale* and of *synergy effects*. It is also clear that we will only be able to achieve substantial demand if we reduce our prices. This means that we will be able to strategically consider first all the obvious and later all the hidden *cost reduction potentials* that we intend to *lift*, as they call it today. And finally, there is the *Ansoff Matrix*, which focuses our growth ambitions on new products vs. new markets, and the *SWOT analysis*, which shows us where our strengths lie and where corresponding opportunities open up.

There is no doubt that these marketing strategy tools contribute to a better understanding of the economy and the market. However, there is *no* customer in this equation. And if there is, it is perceived as a threat. Marketing apparently deals over long distances with dreams of growth and sales techniques under the somewhat more elegant-sounding name of *marketing*, instead of the so-called customer orientation that marketers like to refer to in case of doubt. Not to mention any considerations about the possible customer utility of the small, the cosy, the natural or the understandable.[44]

If the primacy of growth means meeting a shareholder's needs, however, people in prosperity no longer need many of the goods that we consider as growth potential at the strategy meeting, then, according to Friedrich Nietzsche, *all values must ultimately be revalued*. Nothing is more suitable for this than money. The desire for money does not only correspond with the investor's desire, it is also one of those needs which are practically never satisfied: Whoever has an income wants to earn more than his colleague. Whoever earns well wants to become a millionaire. Whoever is a millionaire wants to become a billionaire.[45] Market saturation, the enemy of all growth, does not occur as soon as it comes to money. Money is therefore the perfect social guiding principle of the profit economy and shareholder value its corresponding corporate purpose. The financially dependent employee is the perfect employee and gross domestic product (GDP)[46] is the perfect macroeconomic summary of all this. It is only logical that the irrational, old-fashioned democratic legitimation should be replaced by a modern, rational, financial-economic one. The interpretational jurisdiction is now in the hands of an empowered financial district, which controls the monetary market situation and serves investors. China is no longer the Communist bogeyman but becoming the most important business partner. Let us bear in mind that a purely *rational* person only sees his profit opportunities, which he would diminish by harbouring political scruples. And a recently empowered rating agency called Moody's is now in fact entitled to threaten Greece, the cultural cradle of Europe, without the world bursting out

laughing, while its analysts might consider Aristotle an investment fund or an island that third crisis profiteers can buy cheaply now. And this after the colleagues from down the block, Goldman Sachs, helped to develop this disaster by making Greece's excessive debts *magically* disappear.[47]

The sheer size of the global corporation also has another monetary charm: Where identification with the real business activities is no longer necessary or even possible, where collateral damage occurs far away from the management in some distant foreign markets that one never sees anyway, and where responsibility can be divided among many board members who are hermetically shielded from the place of damage, then Friedman's profit-inhibiting barrier of conscience has slipped. Additional relief comes from a princely remuneration. This, to be clear, represents a form of external pressure—in contrast with our inner convictions—and increases our willingness to do things without having to take personal responsibility.[48] However, the real economy and democracy do not completely disappear because they hold important support functions: Combating and cleaning up trouble spots using public funds; maintaining the market system between total crash and selective distribution of wealth, and also defending and further promoting the monetary value system. All in all, we find ourselves in a self-contained, coherent and therefore unassailable value system for money growth.

Why do companies go along with such a change in values benefiting only a few shareholders? I do not claim that people find money uninteresting, but they also seem to be social beings who yearn for friendship, trust, security or family. The foundation was probably laid by Adam Smith himself, presumably without any such intentions, with his *self-serving man*, who was converted into *homo oeconomicus* in the course of the neoclassical period. However empirically insupportable this ghostly figure may be,[49] one can always invoke its normative function[50]: Be reasonable! That sounds logical, even selfless, until we find out how reason is defined: As maximizing benefits and profit, as the virtue of squeezing monetary units out of any situation in life, and disqualifying anything else as irrational, unintelligent, driven by feelings. This sensible and measurable person fills libraries with books and essays of great passion; highly complex mathematical models are worked out, elegant decision theories are brought to market and the Rand Corporation[51] is founded. Because we finally know what is *right* and what is *wrong*.

However, the real person does not (yet) want to fit into these models. Sceptics ask the question of whether rationality should not always be ascertained in relation to rules we agree on[52] and, what's worse, whether it would not even require an authority outside our human system of thought to define such rules in the first place.[53] However, we must not lose sight of the end which, as we all know, justifies the means. It's not about finding the truth. The point is that a certain viewpoint is *useful*. A selfish, stingy, greedy and clever person will not need legal protection since he is smart enough to understand everything and take care of himself. In accordance with that logic, he will also fully understand an investor's request or at least not hinder it, especially if he owns a few shares himself.[54] If he is also fully aligned so as not to jeopardise his chances for the next transaction and, consequently, to stay out of the political debate: Isn't that a pleasant contemporary and a reliable partner of the profit maximisation idea?

The discussion of *homo oeconomicus* may be of interest to certain academic circles, but it does not have a widespread impact. This requires an absolute foundation, an unassailable framework, an external reference system. And that can only be provided by a valid religion.[55] Max Weber, sociologist and important pioneer of management theory,[56] investigates this question by marvelling: "People do not wish »by nature« to earn more and more money. Instead, they wish simply to live, and to live as they have been accustomed and to earn as much as is required to do so."[57] Therefore, it does not seem to be about humans and their nature at all, they are less or maybe not at all what the economic doctrine talks about. *But where does meritocracy come from?* asks Weber. Here, he first connects the capitalist striving for profit with Martin Luther's teachings and his idea that man has to accept what is dished out to him as divine fate. Let him therefore not complain about his working conditions—undoubtedly a useful legitimation of the meagre conditions for the labouring population. The decisive bridge to the profit economy, according to Weber, however, is built by Calvinists and Puritans: Performance leads to wealth, wealth is a sign of divine well-being and puritanical miserliness is the accompanying prerequisite for not wasting one's modest fortune, but rather reinvesting it. The divine endorsement of a growth-oriented profit economy may thus have its origins in the European Protestant Reformation movement, in order to subsequently inspire American immigrants and ultimately all the world religions in one way or another.[58]

Ellen Langer[59] complementarily points out human *faith* to us: Good things come back to those who do good things. If we now equate wealth with what good things can happen to us, it is not only clear what we should strive for, but

also that the one whose aspiration is crowned with success only lends expression to his noble character by means of money and possessions. Competitive behaviour, concentration on self-interest, social comparisons and the deconsolidation of society are now acceptable because they are willed by God. Irrational longings such as those for friends become superfluous—*friendship ends with money*—and are quickly replaced by desires for possessions. A self-reinforcing process is set in motion which is increasingly in harmony with the goals of the profit economy. Money itself changes the character further in the desired direction: We are less interested in other people[60] and feel less responsible for them as well as for our descendants. This, in turn, resolves ecological concerns and promotes a mindset that Kenneth Boulding[61] condemns: Let each generation see for itself how it can solve its problems!

At that time, Josef Schumpeter assumes that he sees a development moving away from price fixing: "Economists are now finally outgrowing the stage where they only saw price competition and nothing else. Once quality competition and after-sales service are admitted to the sacrosanct realm of theory, the price variable is driven out of its dominant position."[62] What Schumpeter apparently overlooks is that the true fascination of the invisible hand lies in the moral absolution of price and thus cost reduction; in a law that no one can escape, even if he wanted to; in the formula: It is not the entrepreneur who is stingy, it is the customer! And so, it was only a matter of time before the first company with the *"witty"* slogan *Geiz ist geil (greed is sexy)* would come on the market. From now on, this slogan from the advertising industry's offices justifies any ugliness of the market. Free competition now only ensures that the stingy customer gets what he always wanted. Mass animal husbandry, illegal disposal of toxic waste, appalling working conditions, child labour. These are all mere consequences that the industry never wanted and only accepts with a grinding of teeth because it is precisely this stingy and reckless customer who demands it. Correspondingly teeth-grinding, Kik Deutschland is now launching the long awaited 9.99 Euro jeans on the market, as reported in a television documentary.[63] However, this is only possible if you pay the producer in Canton, China, a maximum of €4.50—this is illustrated in the inhumane production conditions in the factory. As a producer or trader, you would act quite differently, but not only does the customer want it like this; if we didn't do it, someone else would and we would have to shut down. And no one can want this: Anti-customer behaviour and mass unemployment.

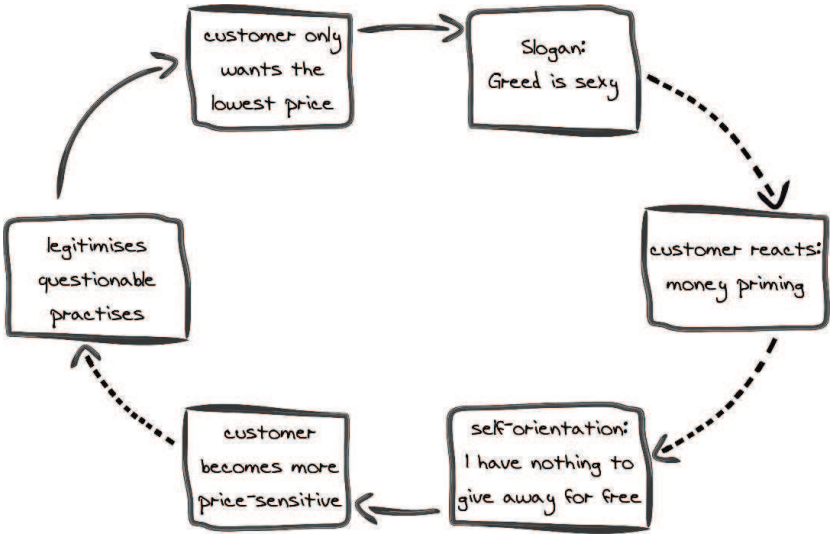

Figure 4: The downward spiral of the *homo frugalis*: A self-fulfilling prophecy?

The cycle illustrated in Figure 4 outlines the continuous "educational work" on the customer in the profit economy. The message, spread several times a day that *greed is sexy*, does not remain without effect. The customer reacts by means of *money priming*: addressing the topic of money reorientates people and makes them more *self-centred*. Now messages like those of Niki Lauda,[64] proclaiming that he has *nothing to give away for free*, reach people and they learn: That's what life is all about! They are becoming more *price-oriented* or at least they understand the language of the profit economy better and better. Now, in the reverse procedure, one can argue for people's lust for price and thus *justify* the modern global economy: Market forces them to do so. One of the many effects resulting from this and perhaps one not intended at all is that of negative selection: Product quality is constantly being levelled down. However, this doesn't seem to matter, because everything is so cheap already it doesn't pay off to make a complaint or even repair a defective product. We simply throw it away, because we now live in the *buying and throw-away society* once and for all.

Food producers who keep animals as kilograms of meat per square metre of floor space for sale are usually camera-shy. This comes as no surprise when one has seen the conditions under which living beings have to live their lives

in factory farming. But if they do express themselves, their methods seem to be a service to humanity: They fight for the customer to get what he wants: the cheapest meat. And they use it to fight hunger and misery worldwide. Only this efficient and industrial method of meat production can possibly feed the growing world population. An ORF report provides an example of the heroic elimination of hunger in Africa:[65] Cheap chickens "produced" in France with EU subsidies in a factory farm are brought frozen to the Nigerian market. Small local chicken farms cannot keep pace with these prices and so the already weak local agriculture is destroyed. Nigeria imposes import restrictions on chickens from Europe to counteract this. Therefore, they are now imported via Benin.

The Apple supplier Foxconn [66]

The story of the electronics company Foxconn, where in September, 2012, according to media reports, two thousand workers from the factory in Taiyuan, China, were involved in a mass brawl, is ghastly. The management explained that it was a private disagreement between the (2,000!) workers. Perhaps, however, only pent-up frustration of exploited young people has been unleashed here. It's hard to find out what exactly is going on because the company is hermetically shielded from the outside media world. Foxconn has been in the media several times before, as it is rumoured that many employees commit suicide. Television pictures show that nets have now been stretched to prevent workers from jumping off the roofs of company buildings in the future. Steve Jobs from Apple insisted, however, that the suicide rate is not above average.

Addendum in a TV report: at Foxconn the new Apple iPhone 5 is assembled. Mobile phones mean a lot of manual work and this is done very cheaply by very young workers. The ZDF reporters use the predecessor model iPhone 4 as a basis for their calculations: The parts cost $178, assembly in China costs $7 and the selling price is $560, which corresponds to a surcharge of around 200 percent.

Apple has achieved cult status and unprecedented price leadership—undoubtedly a respectable achievement. They could therefore afford, for example, to produce in the respective sales market, to reduce selling prices or—even better—to have people in China work under acceptable conditions. However, Apple seems to prefer to maximise profits, serve its shareholders—including former U.S. vice president and environmental activist

Al Gore, by the way—and be, remain or become the most valuable listed company in the world.

Case Study 1: Apple supplier Foxconn

With its price leadership, Apple practically refutes what economic theory is determined to uphold, namely the chimera of the stingy customer. The idea of the lowest price has something fundamentally "irrational" about it, as we see in the example of Apple with its rich profits. Profit is derived from turnover minus costs; and turnover results from quantity times price. Price is thus the key profit driver. If you buy an article for €80 and sell it for €100, you have earned €20 contribution margin (CM). If you grant a 10 percent discount, the CM *halves*. The agent in the profit-maximising company thus systematically damages his principal and his desire for profit by tendentious price dumping. Why he does it anyway may have to do with the firm belief in the invisible hand in the form of the so-called *price-sales function:*[67] After all, he may sell more through price reduction but he would have to sell twice as many products to get the same result.

More importantly, the low-price strategy is so attractive because it is so simple. It needs no customer knowledge, market proximity or product understanding. It is the ideal strategy, to be applied to all industries at any time if helplessness prevails. The manager can now sell his cheapness approach universally and thus increases both his chances of being headhunted and his market value. Corpses as paving stones all along his way is the image he likes to accept when a new case calls for reorganisation, where he can sell exactly the same approach to the textile company he learned in the packaging industry,[68] irrespective of customer wishes, the sector, entrepreneurial strengths and weaknesses or situational circumstances. He says, "*Learn the language of business",* and what he means is the only language he knows: the monetary language. It is trivial, unambiguous, needs no market knowledge and is understood all over the world.

How Sexy is Greed?[69]

In her Master's thesis, Julia Eisschiel examines the question of whether the customer actually chooses on price criteria. The test persons have the task of buying four items of food for their daily needs in a laboratory setting: bread, eggs, yogurt and apples. The hypothesis is that customers only make price-oriented decisions when other information is not available or difficult to determine. Three groups of 50 test persons each have different amounts of information available. Group 1 receives information that is usually readily available in supermarkets: price, whether the price is the normal price or a *special offer* and whether the product is *national* or comes from *abroad*. Groups 2 and 3 receive additional information following a *traffic light system*. The test persons are told that green means that the product is all right from various points of view, yellow means that the product only scores well in some points, and red means that the product does badly throughout. Group 3 also receives detailed information as to *why* the respective product is rated green, yellow or red. The significance of the respective product properties is determined by *the conjoint analysis*[70] procedure.

As expected, prices will lose significant importance in all four product categories if quality-related information is provided. In this case, the traffic light system takes over the function of the product characteristic that is decisive for purchasing. This indicates the self-reinforcing process in Figure 4: the retailer thinks that the customer is only interested in the price and therefore mainly offers price-oriented information in the shop. In the absence of other information, the consumer reacts to the available information, namely the price. This again confirms the retailers' assumption that the customer is only interested in price and concentrates even more on this attribute.

In this experiment, we expect test persons to execute an unusually high number of 48 pair comparisons, as we also want to simulate *the information overload* factor: how do human beings deal with (too) much information for comparatively uninteresting tasks, such as the purchase of daily consumer goods? Firstly, the *decision time* required for purchasing increases significantly, from an average of 5.2 minutes (group 1) to 8.1 minutes (group 2) to

17.8 minutes (group 3) and secondly, the number of *non-purchases* increases significantly, from 10.8% (group 1) to 35.2% (group 2) to 35.6% (group 3).

The former reveals to us an information dilemma: if the customer is deprived of information, he will make a worse decision, but it will be quicker, which is a factor that should not be underestimated, especially for goods that are typically bought almost daily. What can also be seen, however, is that a simple traffic light system increases the time required relatively moderately, while only the detailed information triples the effort. The customer, however, does not allow the findings drawn from the detailed information to flow into the decision: they only have a marginal influence on his product selection. In other words, he loses time but does not improve his decision. In addition, corroborated by other studies, one effect is that the test persons are significantly more satisfied with their decisions after having received more information. The amount of information does not influence the decision itself, but one has the *feeling* of having made a good decision. We will see later on how in business practice we can achieve almost the same effect with *over-information* as with *information suppression.*

The situation is different for the *non-purchases*. The setting in group 2 represents the reasonable compromise between under-information and over-information of the customer, so to speak. Turnover losses of up to 25%, which would result from a simple quality signal, are another possible explanation for the fact that from the point of view of trade and industry *greed must be sexy* and a traffic light system for food[71] is superfluous. The resistance is correspondingly strong and the lobbying activities in Brussels are correspondingly intense whenever there is an attempt at comprehensible quality information for customers (see also Case study 10, p. 102).

Case study 2: How Sexy is Greed?

The invisible hand metaphor in its neoclassical interpretation explains that companies withdraw from the market when profits can no longer be generated. Naturally, they do not do this, organisations want to and must survive. Even more so, they want to grow, because their instinct is that they have to grow, because the shareholder prescribes it that way and grow they will, as Cyril Northcote Parkinson[72] explains in his cheerful booklet. That is why today we

are faced with the problem that the need for consumption does not justify the production of goods, but the need for production justifies the search for new consumption. It is not the economy that follows a demand in order to satisfy it in the end, but the customer must follow the economy in order to ultimately consume the product, no matter how wacky it is, as a refusal to consume would be unpatriotic, even antisocial. This is how the dominance of a product and sales-oriented approach comes into being: *I have a new product and now I only have to find the appropriate customer problem.* Therefore, in the context of profit management, I am also talking about a planning model similar to the planned economy and detached from market requirements.[73]

The textbook as well as the strategy meeting call for us to open up new markets, attack the competition or inspire our customers with fantastic innovations. However, we know that all these efforts are already limited in their practical scope. So, what else is there to do when we are at our wit's end? The arsenal is almost inexhaustible: cosmetic or pseudo-innovation and exaggerated emphasis on irrelevant product properties, harder selling and more aggressive marketing tactics, more debts or tempting customers to contractually bind themselves to debt, planned obsolescence through design changes, the use of cheap components or through planned breakage of parts, bind customers and suppliers either through contracts or through patented systems, increasing entry barriers for new competitors, destabilising the competitor by selling beneath the purchase price, start a national campaign to let the customer know what needs to be done, buy the media's opinion, influence lawmakers through lobbying or campaign contributions, tell the customer only the half truth about a product, non-disclose of poor quality, build up prestige goods and cult brands so that all those who do not have them are ashamed, use price psychological tricks, undermine consumer protection, buy up fellow competitors to increase power and market dominance, etc. Chapter 5 describes some of these tricks in detail.[74]

Most of these measures are implemented in marketing departments, and some require the assistance of other corporate divisions. In 1960, Theodore Levitt[75] still tried to save the marketing concept by separating it from sales as a more holistic and complex process. Philip Kotler strives for something similar when he talks to Peter Drucker and says: "The contrast between marketing and selling is whether you start with customers, or consumers, or groups you want to serve well—that's marketing. If you start with a set of products you have, and want to push them out into any market you can find, that's selling."[76] However, the problem with this distinction is that in my experience, salespeople often

think in a more customer-oriented way than the marketers themselves, as they experience on a daily basis how frustrating, tedious and ultimately unprofitable it is to sell and how motivating and profitable customer orientation is. Not just once have I experienced the curious situation that the marketing department in a company is more interested in promotions and brand campaigns, while the sales department is getting sore feet in order to achieve a little more customer orientation. We should therefore consider redefining the marketing concept, such as that of Evert Gummesson: "Marketing is a set of tricks to squeeze maximum short-term profits out of consumers, citizens, companies, and government organizations, to the joy of management and shareholders."[77]

So, what is the actual significance of the *customer* in the company today? How much influence does he exert? How loudly is his voice perceived in the company? In an earlier section, I have claimed that the customer must take what remains after the struggle and the loud shouting of the other stakeholders.

According to corresponding studies, around 50 percent of large and medium-sized enterprises in Great Britain do not carry out any market research.[78] According to a long-term study conducted by the Strativity Group in 2003, 2004 and 2005 among 233 senior executives from the USA, Europe, Asia and Africa, companies are showing less and less interest in the customer, with this tendency continuing to decline. 46 percent say that their company is customer-oriented, coupled with a downward trend. 58 percent do not engage in dialogue with customers, and this figure is rising. In 67 percent of companies, executives do not meet or do not regularly meet with customers, and this trend is also rising. On the other hand, 42 percent of companies would take every customer who is willing to pay.[79] According to a follow-up study among 869 executives conducted by the same company in 2009, the majority of companies continue to reduce their investment in customer relations in the face of the financial crisis. 50 percent of respondents say that their company does not deserve it if the customer is loyal; 86 percent do not know how much a new customer costs, 89 percent do not know the costs of a customer complaint and only 40 percent think that employees are equipped to render adequate service to the customer.[80]

Another study shows that only 21 percent of managers of major US companies agree with the statement that their employees have a clear picture of their target customers. In the absence of such an image, they become self-centred and assume that the customer's needs and preferences would be just like their own.

In addition, there is a lack of willingness to cooperate and increasing concentration on the egotistic needs of managers.[81] In the *Customer Experience Index*, only 13 out of 133 surveyed companies have an excellent score, while for 45 the rating is weak or very weak.[82] In a study conducted by Bain & Company in 362 U.S. companies, 80 percent of the surveyed suppliers believe that a service provided by them was *excellent*, while only 8 percent of the affected customers rated this delivery as *excellent*[83]. Aksoy and colleagues report that the vast majority of companies' financial models do not contain any customer-related measurement data.[84] Dietmar Pascher estimates that only 10 percent of Austrian companies are able to calculate the profitability of their customers.[85] Hochreiter ascertains that the Austrian chemical industry uses only three out of 15 available tools for customer-centred innovation.[86] All in all, the picture outlined above is confirmed in that in many companies the customer has long since ceased to be the focus of business planning and is becoming more and more marginalised.

What seems to be more and more important, on the other hand, is the monetary value of self-interest, or in other words, the comprehensive realisation of the Calvinist homo oeconomicus. Marketing is supposed to sell what we are currently producing, create new trends and deliver what is *cool* or *hot*, organise a spectacular event, engage the hottest rapper and negotiate a clever deal with a newspaper. Admittedly, this is no longer a crucial function for the company; our public relations staff is pretty able to map this out. But when the cameras start to run, those who have something to say step into the scene. Erwin Dichtl[87] fears that this kind of marketing no longer needs any training at all, all this can be learned in the workplace anyway. Accordingly, 57 percent of the bigger companies in the UK do not have a marketing expert in their top management and 80 percent of the *FTSE-100*[88] companies do not have anyone with a marketing background among their management staff.[89]

In the 1960s and 1970s, the marketing discipline made a decisive course correction in this direction: the marketing idea of toothpastes and detergents[90] must be extended to other product areas.[91] Perhaps the fathers of this idea had the well-intentioned plan to strengthen the position of marketing and thus that of the customer. But the result is the exact opposite. The customer is now somehow everyone and more and more people realise that marketing is basically something trivial. Marketing is first applied to other commodities and consumer goods, then to various services and then to industrial goods. This is followed by the financial sector, the media, political parties, states, federal states and municipalities, non-profit organisations and religious communities,

stars, starlets, artists, universities and schools. In 1983, an article[92] was published declaring science to be a sub-area of marketing and scientists actually started practising the art of marketing-talk and positioning themselves as brands. A research proposal, no matter how trivial it may be, rather needs a proper label and only afterwards a research idea, it needs to be *branded*. We learn how to do this in fee-based special seminars such as: *That's how the EU works* and *How you can collect EU subsidies*. Every conference needs a special term that signals trendiness.

Finally, we understand that every inhabitant of the earth must become a brand. The *egobrand*[93] is born and the core message is: whether in job interviews, in *Dancing Stars* or as a young politician: your task in this life is to sell yourself, network yourself, seize your chance when it opens up or expand your sphere of influence. Of course, this is now also true in the lecture hall and we can already take relevant courses such as *Personal Branding in Education—Competence Portfolios for Teaching,*[94] so that we can come across better and "optimise" our evaluation results. We learn how to build a *personalised competence portfolio a*nd how to create *didactic profiles* and that we need to *innovate our lecture hall products*.

No trained marketer can expect to get respect or a place in management for activities such as spreading half-truths, funny stories and colourful pictures. Marketing has downgraded itself from the core of any entrepreneurial idea to the commonplace of human aspiration and has not managed to get away from the image of sales promotion. It therefore deserves the place it occupies in the company: a support function of the profit economy. However, it has also forfeited the opportunity to fill the role of client's advocate in the company and to become the linchpin of corporate profitability. The company's most important discipline, the embodiment of the company's purpose, reappears at the back of the queue of organisational desires. Meanwhile, the volume level in self-promotion is rising; we understand less and less and speak more and more.

Profit maximisation, i.e. not only selling for all it's worth, but also cutting costs—we have to squeeze the lemon ever more. We must become more efficient and further increase *productivity*. Here, too, the problem of extending a fundamentally good idea to all areas of life, in particular to the provision of human services, is evident: *second-order productivity*. If a machine can be built in such a way that it is operated by two employees instead of four, we have halved the proportionate personnel costs and thus increased our competitiveness. We are now in a position (see Fig. 1, p. 12) to remain competitive

even if others (at least theoretically) already had to throw in the towel, as their production costs exceeded the prices achievable on the market. Of course, we are also producing two potentially unemployed people, but they are needed as long as the state keeps the available work performance low. We owe a good deal of our current standard of living to increasing productivity. However, the income from this does not automatically benefit people through market laws, but rather through the legislator gradually reducing weekly working hours with full wage compensation and thus redistributing part of the higher profitability of productive operations to those who played a decisive role in this: workers, employees and their families.

Modern production technology contributes to cost reduction as well as quality improvement and thus to customer satisfaction and is therefore necessary and good. It allows some manufacturing companies to leave production in high-wage countries, since the high degree of automation would destroy the reductions in personnel costs that could possibly be achieved if production were relocated, due to an increase in complexity costs. Services, on the other hand, are far more labour-intensive and these represent by far the largest proportion of jobs in many economies today. It is true that these can also be partly industrialised—as McDonald shows us with the standardisation of food—or relocated to another country—classics here are the relocation of software development or call centre services to India. However, it quickly becomes clear that, in contrast to the manufacturing industry, it is almost impossible to achieve productivity increases while simultaneously improving the quality perceived by the customer and maintaining the existing quality. In the meantime, some banks are showing that their clerks don't want to be disturbed and that the customer should use the machines in the foyer even if he actually would prefer to speak to an employee.

Why do people work at all? Following the approach of neoclassical economics, the motives are clear (see Figure 2, p. 13). People need work to survive. Work is unpleasant, but it is done because the wages that can be achieved more than compensate for the *working burden*. Human beings prefer to be lazy. But if they don't have the necessary capital, they can't afford to be lazy.[95] This in turn means that controlling and increasing work performance is one of management's most important tasks, as a reduction in this control would result in immediate productivity losses. It also means defining each process and leaving nothing to chance or even intrinsic involvement of the workforce. The process defines when to smile and how to say goodbye to the customer, because otherwise both things simply do not happen.[96]

If, in the sense of an empirical examination, we look at people at their work, we will also find those who do not seem to enjoy their work very much, for whatever reason. But we will probably find many more people who do enjoy it, especially in the service sector. This has to do with the fact that, firstly, humankind is *not lazy by nature* and, secondly, that working conditions have improved considerably in recent decades, albeit so far unfortunately, mainly in the West. It is a classic example of employee satisfaction studies that people attach less importance to their income from work than the economist suspects—it regularly ranks somewhere in the midfield of satisfaction factors. On the other hand, the company's climate, behaviour of a supervisor, friendly colleagues, interesting, challenging and meaningful work, satisfied customers, trust and responsibility are all at the forefront. And that brings us back to the human image: do we believe in homo oeconomicus, who slips away in the direction of his pension or unemployment as early as possible because he wants to put an end to the work suffering or in the homo sociologicus, who finds it terrible to be unemployed and who perceives retirement as a threat because he is suddenly alone and without a task, and who may even be a little afraid of leisure time, because he does not know what to do with it, especially when a job gives him social interaction, meaning and responsibility?

Be that as it may, there are people who prefer to believe in the lazy worker and feel a special joy in developing methods to exert pressure—again a case of self-fulfilling prophecy, because by using these methods people will become quite reliably what they have always been suspected of being. This behaviour is called *tit-for-tat, Conditional Cooperation* or formulated in the terms of game theory: first cooperate and then do whatever the other one does.[97] In contrast to homo oeconomicus, who is successful as long as he finds people who are dependent or naive enough to let themselves be exploited, people with this basic attitude are cooperative at first, but switch to egotism when the other one tries to exploit them. Robert Axelrod can use the so-called *prisoner's dilemma* to show that non-cooperative strategies remain unsuccessful in the long term compared to conditional cooperation.[98] Nevertheless, the mission to increase productivity and wring more out of the lemon remains. Consequently, management means extracting the last productivity reserves from employees, customers, brands, reserves, legal texts and rules of the game in order to bring good news to shareholders at the end of the quarter.

Forced Ranking [99]

The method of *forced ranking* devised by the U. S. company General Electric (GE) intends that all employees be strung along a bell-shaped curve according to their—whichever way defined—performance. The top 20 percent are called A players, the 70 percent in the middle are B players and the remaining 10 percent, C players. The C-players are taken to task or immediately dismissed. All the others are allowed to go on wrestling for a favourable place until the next bell curve rings.

Such methods, according to Jeffrey Pfeffer and Robert Sutton, regardless of their meaningfulness, are very appealing and have a role model effect when they derive from a company like GE. Not only are managers in other companies encouraged to imitate it, they also inspired McKinsey, a global consulting firm, to write the book *The War for Talent*.

Case study 3: Forced ranking

Tim Jackson reflects on why increasing labour productivity has fatal consequences, especially in our service-oriented economies: Firstly, in the service sector, it is precisely the *factor of time* for the customer that creates quality. Therefore, more customers per hour automatically means less quality per customer. And secondly, employees are deprived of the meaning of their work: it is precisely by being able to do something for the customer that we make a meaningful contribution to society.[100]

In addition, dissatisfaction with service quality is a much more important reason for the customer to change companies than dissatisfaction with the product.[101] We therefore deprive ourselves of a decisive competitive advantage when we standardise services unchecked, with the intention of increasing productivity. But the wheels are already turning and the fascinating clarity and simplicity of a punching machine producing an *output* of finished parts from an *input* of sheet metal plates, has inevitably caught up with us in questions related to service performance. We are supposed to provide input during meetings and we look at the output in customer service. If productivity, simply put, means the greatest possible output for the smallest possible input,[102] then the question is what to consider the smallest possible input during a meeting: the

number of participating employees or their respective intellectual contribution? At the moment, the number of participants is trending upwards and their intellectual contribution—among other things for internal competition reasons—is trending downwards.

In relative terms we are also completely industrialised in science and teaching. Scientific productivity is defined as the number of published articles (output) per year of employment (input). Konrad Paul Liessmann introduced us to this form of industrialisation by means of his *Theory of Ignorance*: a few backward people still dream of working together in solidarity, but the majority cannot get enough of competition, rivalry, tests, international rankings, evaluations, acquisition of third-party funds, quality assurance and efficiency-oriented courses. No longer do we talk of education as the basis for a developed individuality. Half-knowledge is enough, to be able to have a say in everything, despite the fact that Theodor Adorno warns against half-knowledge because it is worse than ignorance. In the knowledge society, a self-confident lack of education comes to the fore because everything is about output combined with team spirit, flexibility and networking.[103]

In summary, the profit-economy approach can be summed up as follows: profits take centre stage, but these are only used for further business development in a limited way, because the most important task, indeed the purpose of all business activities, is to regularly transfer money to the principal, i.e. the shareholder, and anything else would be fraud against him. A second group that can successfully secure a preferential right to withdraw money is top management, even if it damages the morale of the company and lowers product quality. In this withdrawal mood, further interest groups have their say in securing their piece of the cake under the title of *stakeholder value*.

The last link in this *food chain* are the customers, who have to be content with what remains. To prevent them from running away in droves, however, the SHV company is building up a series of subtle techniques because the purpose of *profits for all but the customer* would not be sales stimulating. But there is always the marketing department: tell the customer that his or her satisfaction is our real passion, that they are at the core of our business, that we not only want to satisfy them, but that we do indeed intend to inspire them, and that we will certainly not rest until they are completely satisfied—in other words, that our customer is *king*! In view of the actual circumstances in the shareholder value company, the term "*systemic lie*", on the other hand, turns out to be more of an *auxiliary term* because it is in reality a complete mockery of the customer

by the shareholder in collusion with top management. Marketing interpreted in this way has the rank that it deserves: it serves the last link, keeps the customer happy and, if necessary, makes a little bit of a fuss. Marketing understood in this way does not require any training. It all runs in our Calvinist blood, everybody can do this because everyone has to or at least should market themselves every day.

The less revenue can be generated on the sales side in saturated markets, the more management is required to *take action* on the cost side. This also works well in times of industrialisation and political free spirits bring this coup de main to bear when making the resulting profit increases partly available to all people. Particularly in the social market economy, where, in addition to the *profit principle of the invisible hand*, there is also a principle of *live and let live*, prosperity percolates to the disadvantaged classes—not through the invisible, but through a very visible hand of social commitment. However, now that these potentials have been exhausted and the markets are saturated, this can no longer be the case. Now, in order to safeguard and further increase the prosperity of shareholders, we must put an end to *downward distribution*. In addition, it must be ensured that methods of increasing productivity, as we know them from industry, are systematically and seamlessly applied to all types of services, administrative bodies and organisations: less input needs to be transformed into more output. The high-paid managers should take care of that.

Chapter Two

Natural Limitations of the Quantitative Growth Strategy

As I have already mentioned at the outset, you can also criticise criticism of the machine of growth, because in this post-industrial society, we are better off than ever before and we are wailing in the midst of a world full of luxury and prosperity. This could be interpreted as a sign of a society without real worries, even as a sign of ingratitude. I am not so much talking about the problems we have today. I am more concerned about what trouble we might run into with the growth model tomorrow: *Ecological consequences* of an overburdening exploitation and pollution of our planet paired with cognitive consequences of an equally escalating complexity of things in a world that is increasingly out of control, as well as the *value-driven limitations* of a more and more meaningless economy. Let us look into these three issues in turn to see how short-sighted and even dangerous the profitability approach has become.

Ecological Limitations

If a shareholder expects a ten percent interest rate per €100 invested capital adjusted for inflation, his expectations in € will increase as follows over the years: 110, 121, 133, 146, 161, 177, 194, 214, etc. As a result of compound interest, his capital does not grow linearly, but exponentially. In fact, in the last two hundred years we have witnessed exponential growth phenomena of this kind, both on a corporate and an economic level. But what does exponential growth mean? John D. Sterman[104] points out that human beings have difficulties with nonlinear gradients in general and that exponential developments are usually impossible to imagine. He suggests the following thought experiment: You take a sheet of paper and fold it once, twice, a third time. Now comes the task: guess how *thick* the paper will be after folding it 40 times! And after folding it 100 times? You can find the solution here.[105]

Your estimates were probably well below the actual value. Exponential growth is contrary to our intuition. Now our investor does not demand that his capital should double every year and yet he demands exponential growth—in the same sense as our simple compound interest calculation above—which means exponential consumption of resources and exponential production of pollution. As the world's population is also growing dramatically, our current economic plan is simply that this rapidly growing number of people is exponentially exploiting the planet to serve an exponentially increasing number of businesses, shareholder expectations, leisure activities, consumer wishes and transport needs. That is, of course, impossible. Nothing on this earth can grow eternally; not even linearly, and certainly not exponentially. According to our current

economic growth model, however, we expect exactly that and hope that in return new, more economical technologies will be developed that can all compensate for these diverse, reciprocally multiplying growth aspirations.

Two of the standard courses of dynamic systems[106] are *overshoot* (a target) and *overshoot and collapse*. The former occurs when a growing system surpasses the inflow of resources, but at the same time is slowed down and finally shrinks until sufficient resources are available again. The system stabilises itself and eventually strives to reach a target value or oscillates around it in the event of delays. In the case of *overshoot and collapse*, on the other hand, the reservoir of resources is decimated to such an extent that it can no longer regenerate, is destroyed and thus also the system that hosted it is forced to perish. *The Easter Islands* and *Nauru* are instructive examples of this.

The Easter Islands [107] and Nauru [108]

The population of the Easter Islands grew dramatically and reached its peak around 1600 then subsequently collapsed. What happened? According to available records and discoveries, the inhabitants were consuming more and more wood for accommodation, ships and heating. Around 1500, large parts of the island had already become deforested. Reforestation programmes failed because rain and wind washed out the now defenceless soil and transported the humus into the sea. Ships could not be built anymore, fishing came to a standstill, later on even cattle breeding was no longer possible. Social, political and religious structures of the population were crumbling. There are indications that the former high culture began to sink into strife, struggle and rivalry, and even cannibalism. The rest was taken care of by Europeans who brought in diseases and captured suitable islanders to sell them as slaves. Jared Diamond wondered what the islander who felled the last palm tree may have thought: "*Jobs not trees*!", "*Technology will solve the problem*!" or, "*More research*!"?[109]

If the story of the Easter Islands seems dubious to you, scientifically still controversial or too old: here is a current example: the island of Nauru. The report was written by the President of Nauru, Marcus Stephen, and is presented here in a much-abridged form:

Our island was first exploited by others and then by ourselves. Once upon a time the island was densely covered by tropical jungle, but we established phosphate mines and systematically deforested the island. Now all we have

left is a narrow coastal strip to live on. We have hardly any economic alternatives and also one of the highest unemployment rates in the world. The story of Nauru shows what happens when a country gambles away its opportunities. The whole world is about to gamble away its opportunities: climate change, melting polar caps, poisoning of the sea, pollution of drinking water, loss of fertile soil, social unrest, etc. You can't wait for the disaster to occur, because then it is already too late. I forgive you if you do not know the small island of Nauru, but you will not forgive yourself if you ignore history.

The same day Stephen's report appeared in the New York Times, he presented his thoughts to the UN. Three days later, the New York Times reported that the UN was not planning any follow-up action because Mr. Stephen had been speaking in front of a panel that was not responsible for the matter.

Case study 4: The Easter Islands and Nauru

In 1972, a team of researchers at the renowned MIT published the book, *The Limits to Growth*[110], commissioned by the *Club of Rome*. The already mentioned method of system dynamic modelling was applied and the mutual influence of five subsystems of our planet investigated: population, food production, industrial production, pollution and consumption of non-renewable natural resources. The book has been sold millions of times in over 30 languages and the calculations were heatedly discussed. Bruno Kreisky, then Austrian Chancellor, assembled a number of heads of state and government in Salzburg in 1974 to discuss the gravity of the situation. The main message of the book is as follows: we need new economic approaches, and if we launch them on time, we will *overshoot* the earth's capacity in the short term, but we will *not* collapse. Slightly more than thirty years later, the *30-year update* of the book[111] comes on the market. The authors are now much more pessimistic as not much has changed. Our *ecological footprint*, i.e. how many planets Earth we need to regenerate the resources we have withdrawn and absorb the emissions, was still around 0.7 in 1960, and has been rising steadily ever since. Around 1980, we reached the capacity limit of our earth; the value was 1.0. Around 2000, it was already at 1.2. "Humanity has squandered the opportunity to correct our current course over the last 30 years … and much must change if the world is

to avoid the serious consequences of overshoot in the 21st century", the scholars state in a synopsis to the book.[112]

A lot has happened since the first publication of *The Limits to Growth*. Organisations emerge that deal with alternative economic systems[113] and more books on the subject are published.[114] A number of business schools such as the *London School of Economics* (LSE) integrate these challenging new framework conditions into their economic models and training concepts. Even the representatives of the *World Bank, the IMF or the Federal Reserve Bank* are beginning to think about the relevance of our present economy.[115] Some countries have agreed at least to regulate greenhouse gas emissions in phases. But everything is moving much too slowly, too selectively, too divergently. A frightening mixture of chaos, helplessness, ignorance and fatalism prevails in the issues vital for humanity. Even if we were to get our emissions under control one way or another, we would still have less and less control of the further development, the final melting down of the remaining two thirds of the Arctic ice fields and glaciers, the disastrous storms, floods and heat waves, the gigantic consequences of shifting sea currents and rain belts.

As cynical as it may sound, it almost seems as if we were pursuing the intention of reliably making the planet uninhabitable. And to be absolutely sure—in case the global warming thing doesn't work—we are dealing with a hefty number of other time bombs:[116] Depleting fish stocks in the oceans, deforestation of rainforests, destruction of biodiversity, poisoning of drinking water, removal of humus, unrestrained extraction of all remaining raw materials, uncontrolled feeding of antibiotics. The issue of waste disposal is completely unresolved: highly toxic and carcinogenic substances that contaminate the groundwater or are discharged into rivers or dumped unfiltered into the sea; chemical deposits in the soil and air and the overall problem of the final disposal of radioactive material. The seas are full of plastic garbage. The further drifting apart of the rich and the poor, coupled with dwindling watercourses and gigantic flooding of the land, give rise to fears of hunger of unprecedented magnitude and enormous migratory movements of animals and humans. This is only a brief and incomplete glimpse of the visible tip of the iceberg of problems that we have dumped on ourselves and, above all, on our descendants.

We are facing what is probably humanity's greatest challenge. And yet we act as if nothing has happened, we discuss the decile of next year's GDP, call for a marketable democracy, hold climate conferences, where it is clear from the outset that there will not be much of a result in the end, declare ourselves not

responsible as a UN body. The vast bulk of all business-related research budgets should have long since been used for the development of new ecologically compatible economies. But apart from the magic words *technological innovation* to strengthen the respective national economy, there is not much to be found in terms of incentives. Research for the benefit of the citizen, on the other hand, who, by the way, yields most of this money, does not seem to be worth promoting. As a sponsor explained to me the other day, it lacks *capitalisation*. So, we continue to live the dream of eternal growth and are eagerly awaiting a miracle of technology that will free us from our self-inflicted imprisonment. However, this miracle of technology will not take place and the ever more radical *innovation* is merely a vehicle for not having to question our outmoded way of life.[117]

What is so fatal about this situation is that humans do not seem to be able to change without suffering, have never changed, and that in this case it is already too late to react if we are already suffering, as Marcus Stephen rightly said. The reasons for this are the enormous delays from action to implementation. Even if the EU mended its ways tomorrow and brought together the most talented researchers from the old continent to work on solutions, these models would first of all have to be developed and then brought into corporations and implemented against the interests of complex and branched elites. All this takes about 20 to 30 years until the changes show their first effect. The situation continues to deteriorate for just as long, whether we like it or not, from *overshoot* to *overshoot and collapse*.

Cognitive Limitations

One evening in 1982, when I was a student in Graz, I strolled through the city with friends until one of them said that he would now go to a jazz club because his sister was waiting for him there—did we want to go with him? We went with him, but at the front door we found out that you had to pay an entrance fee—Karl-Heinz Miklin was giving a live performance. A discussion arose as to whether we should go somewhere else. As a jazz fan I decided to attend the concert, bought a ticket and met my wife. Today we have three children, live in a house in Graz and maybe we will soon have grandchildren. I keep asking myself what would have happened if I had decided otherwise. My life would have been completely different. My family wouldn't exist. I could easily have my life somewhere else. What would I do for a living, is life planning really not much more than deciding for or against an entrance ticket?

Let us now turn to those people who are supposed to free us from the ecological dilemma we have just outlined: the experts. The former Austrian Chancellor, Fred Sinowatz once said: "It is all very complicated." You don't say that! We need people who are resolute in their actions, who have solutions to problems that do not even exist, in other words: leaders. No-one is interested in whether something still depends on future developments or the will of the coalition partner either. If you want to stay in business today, as a minister, circulated manager of the year, as an intellectual or the ultimate analyst of the political situation in the Middle East, as a star scientist who explains the cornerstones of research to the common people in an entertaining way, or as a host of a casting show; the rule is: be embarrassing if you need to, but please don't say *it's all very complicated*! We seem to have a deep longing for the exact opposite message of *everything under control*, whether it is true or not.

For this purpose, the neoclassic also invented homo oeconomicus, equipped with fantastic abilities. He already knows everything, knows all the consequences of his actions and can even differentiate and mentally integrate them mathematically. Bernard Weiner speaks of "… humans that are Godlike, that is, fully informed about all possible behavioral options, with complete rationality, and able to calculate their most hedonic course of action."[118] Whoever has done a little decision research, however, will think this ridiculous. Even with tiny laboratory decisions such as those that Amos Tversky and Daniel Kahneman used to develop their famous prospect theory[119] and which in real life are rare in their simplicity, people regularly reach the limitations of their capacity. Again, the question arises as to whether these absurd abilities of the decision-maker are not merely useful, by calming people down and giving them exactly the feeling they are yearning for, namely that everything is under control anyway. Because if people suspected how little and increasingly less we have under control, it could cause a veritable panic and then there would be no more profit maximisation goal, because we would have literally driven headfirst into a *terminal station*.

Due to their sheer complexity, large companies are nowhere near comprehensible. Anyone who claims otherwise either bluffs—that is, he knows that he doesn't know too much, but pretends to know—or he is the victim of his overconfidence—that is, he doesn't even know that he knows nothing. Dietrich Dörner[120] calls the way we deal with complexity the *Logic of Failure* and Ellen Langer[121] speaks of the *Illusion of Control.* One technique that we use and that we have met before is the *just world hypothesis*: how a certain person's own actions and coincidence accumulate into success or failure, how it is overtaxing

our abilities and reducing the explanation to the factor that the person will surely have deserved it and we can then neglect coincidence. In addition, we always *attribute*. In other words, we assign the function of the *cause* to an element of our choice and the function of the *effect* to another element, even though the environment itself does not provide any reliable indication for this. Unfortunately, we tend to *see ourselves* and our abilities as the cause of desirable results and to attribute *undesirable* results to the *circumstances*.[122] Even when playing games of chance, we try to improve our result through our own contributions. We cross our fingers or throw the dice gently in order to achieve a low number.[123] If the desired event actually happens, we can justifiably say that it was *us*, because *we* have thrown the dice *skilfully*. We therefore systematically overestimate the extent to which we steer things and underestimate the extent to which they control us. This results in optimism, which is usually unjustified. This can become pathological. Ellen Langer speaks of *mania*, a purposeful overactivity paired with excessive self-confidence and optimism about the results of practically everything we do.

Since it is becoming increasingly difficult to justify the idea of a rational, fully informed being, a group of scientists in the 1970s came up with the idea that laypersons would not decide rationally, but experts would. A plethora of contributions on so-called *Lay Theories* emerged.[124] The approach was well received and decision research meticulously began to locate logical errors of reasoning in this layman's mind. The time of decision heuristics had dawned, small utilities in the brain that help this layman overcome the true complexity of a decision. Every self-respecting decision-maker develops his *heuristics, illusions or distortions*. As mentioned, however, this requires an external authority, a godlike authority that determines the rules of what is rational and what is not. This role is readily assumed by science and, as a result, anything that does not follow these rules is irrational. And the rules are simple: he who maximises his financial possessions acts rationally. Books about human decision making usually start with a small thought experiment in which you can win or lose a certain amount of money. If the reader can be successfully lured into the desired direction and has not maximised his profit, solution and diagnosis follow: your intuition has deceived you.[125]

First of all, only scientists are allowed into this Olympus of bringing truth and who would not be pleased to be given the authority of interpreting the world. In their time prophets rejoiced, then their disciples, and finally the soothsayers. Now hard science has taken command and this leads to advantages such as

prestige, power, money for the research group and many more earthly comforts. However, other groups also want to belong to this circle. Politicians and managers, who value the distinction between decisions of an irrational consumer or voter and their own.[126] Finally, the trend researchers join the melee by highlighting the long-standing roots of their trade back to the fortune tellers.[127]

To what extent can an *expert*—whatever that is—be *better* in his or her own decisions—whatever that is—than a *layman*—whatever that is? Perhaps the expert himself falls prey to an *illusion of objectivity* by believing that he himself is free from the distortions he too quickly discovers in others?[128] Heinz Förster provides the example of the *blind spot*, a region in the retina of the eye where the optic nerve exits and where we do not see anything. We simply complement the missing information as if by an invisible hand. The point, however, is that we don't see that we don't see at this spot, or that we are not even aware of our own physiology-based partial blindness.[129] It similarly occurs with our partial cognitive blindness. Whoever struggles for knowledge will be punished with doubt. On the other hand, anyone who only pretends to make the effort will be rewarded with the illusion of knowing and will soon set the tone. Therefore, superficial knowledge is not the preliminary stage of education but follows from it.[130] Ursula Schneider accordingly refers to the illusion of knowing as one of the seven deadly sins in knowledge management.[131]

For example, Paul Slovic shows in a 1987 study that experts evaluate the risk of a certain event statistically, i.e. according to the number of incidents that have occurred in the past.[132] *Laymen, on the other hand, have a different understanding of risk. They rather take into account the impact a disaster has on people and the quality of life as well as the degree of experience that can be drawn upon.*[133] Therefore, experts considered nuclear power plants to be fairly safe at the time (ranked 20 out of 30 threats), while laymen considered nuclear power to be the biggest threat (ranked 1). In the final analysis, laypersons considered nuclear power to be unnecessary in view of the risks involved. They knew in 1987 what the experts did not know at that time, what Angela Merkel has known since the disaster of Fukushima in 2010, but which was then fortunately integrated into her energy policy. The vast majority of leaders in the world, on the other hand, prefer to continue to focus on the benefits of the status of an expert and therefore avoid seeing things as *very complicated* or even intractable, whether they are functionaries, politicians, managers, consultants, statisticians, economists, political scientists or lobbyists.

The Challenger Disaster in 1986 [134]

On 28.01.1986, the space shuttle Challenger exploded shortly after take-off. All astronauts were killed. Richard Feynman was commissioned to reconstruct the circumstances of the accident. In the book *What Do You Care What Other People Think?* he published his findings:

In the course of the hearing, Mr. Ullian explained how the probable nature of a disaster in manned spaceflight is calculated. From the unmanned space flight there is an empirical value of 127 launches, five of them fail, which amounts to about four percent. Since manned space travel is safer, he divided this rate by four and thus arrived at a probability of one percent. NASA could not accept this, however, and unceremoniously "improved" the probability from one in a hundred to one in a hundred thousand, which means that a shuttle could be launched every day for 300 years before an incident occurred.

The crash of the space shuttle seems to have grown from a mixture of illusion of control, wishful thinking, as well as business-related, organisational and political interests. Regarding the political perspective, Feynman wrote: "There were rumours that the shuttle had to start despite the cold weather because the US president wanted to deliver his State of the Nation address that night. Since the medially tremendously effective teacher Mrs. McAuliffe was on board, they thought it would go down well if the president were connected to the teacher in the middle of the broadcast asking: »Hello, how are you?« And she was supposed to reply, »Great! «"

Case study 5: The Challenger disaster 1986

According to Slovic and colleagues, experts tend to overestimate the level of existing knowledge, while at the same time underestimating the influence of human error. They understand the parts but not the larger picture; they have a tendency to overlook gradual developments, think mechanistically instead of systemically, and forget that people respond to improved safety with increased risk-taking.[135] Loewenstein and Lerner refer to studies that show that lay people are as good in their assessments as experts, unless they have to explain their decision.[136] In this context, Gerd Gigerenzer speaks of the underestimated

power of intuition.[137] As we have already seen in the discussion of the results of Julia Eisschiel's work (Case study 2, p. 32), the more information they receive, the more people trust their judgement; experts usually have more information—their actual ability to judge, however, does *not* improve—a relatively well-studied and robust effect[138]. Other studies show that experts, when given a fictitious anchor price, can be influenced in their assessment of the monetary value of an object, even if warned beforehand.[139]

In addition, there is the problem of the *information paradox*, namely, that we can easily run into an infinite regress while obtaining information.[140] Heinz Foerster speaks of the "… difficulty to talk about something which only later becomes so understandable that you can actually start to talk about it…".[141] The question of how long it takes someone to find out something is one often asked but basically nonsensical; because either the person has all the knowledge at his fingertips, then he has already found out about it. Or he has to find out first and only then will perceive what the problem is. However, we would need this information immediately in order to decide whether we should start to find out at all. Precise research strategies or research funding programmes are modern forms of expression of a desperate but largely hopeless attempt at identifying as relevant in the present, which research will hopefully prove to be of real relevance later on. Similarly, the standard question of the Rand Corporation—*How does the enemy think?*—triggers the follow-up question; how does the enemy think that we think, and this in turn the question of how we think that the enemy thinks how we think, etc. All in all, we are scratching at the epistemologically, not entirely trivial, *observer problem,*[142] in which we don't want to lose ourselves just now. For the time being, it shall be sufficient to state our considerable cognitive limitations.

Ernst Glasersfeld[143] proposed making a strict distinction between *truth* and *reality.* Truth, the Thing-in-Itself, as Immanuel Kant put it,[144] is unattainable. What we can attain, however, is reality through effectiveness or *viability*. True in this sense is what is *useful*, what helps to solve the problems of a certain person or group of people. These people now form a circle, which thinks *consensually* and this leads to a mutual reinforcement processes: if the other one views something like I do, then there must be some truth to it. Thus, knowledge is always linked to a certain period of time and to the interests of certain people. Knowledge does not strive for truth, as Karl Popper[145] and also the majority of scientists think, knowledge is always reconstructed depending on who constructs, what problems need to be solved, what interests are pursued and how powerful those who pursue these interests are. The blending of concepts of

truth and reality can lead us to *an illusion of the availability of truth*: in order to be credible in a particular group of people—for example, banking experts—you have to share their views and vocabulary. If you do not share their views and vocabulary, you are not credible. And who is interested in the views of someone who is not credible? It is not so bad if a person or a group of people have little influence on the course of things, they simply live in their own world of *oddballs*. Then again, if they have the power of interpretation, they can point us towards happiness or misfortune, and in doing so, they can take the firm view that they are doing the right thing by merely serving the truth. This is the difference between truth and reality and probably also what this disagreeable proposition of the *normative power of the factual* means. For the fundamentalist, this is the threatening element of plurality and the blessing of standardisation.

In this sense, one can also pull the scientific expert's leg in *reality*. For example, Alan Sokal submitted an absurd and hard to understand manuscript to a scientific journal which promptly accepted it.[146] Douglas Peters and Stephen Ceci proceeded the other way around and submitted articles by prominent scientists who had already been published before, this time, however, indicating fictitious authors of equally invented—and therefore unknown—institutes. From twelve submissions, the game was up in three cases. Of the remaining nine submissions, however, the manuscript was rejected eight times as unsuitable. The most frequent statement was: "Serious methodical weaknesses of the manuscripts."[147] The highly respected *MIT Sloan Business School* advertises its equally respected executive seminars in an advertisement in the Harvard Business Review. As a teaser they quote Charles Darwin with a phrase he almost certainly never uttered.[148] In any bachelor's thesis there would have been deductions or it would have been rejected.

Trained psychologists and expensive headhunters apparently do not select job applicants more unerringly than amateurs.[149] David Rosenhan smuggled eight sham patients into various psychiatric hospitals in the USA. The sham patients were instructed that after admission, they ought to behave in a completely normal way, in accordance with their habits, and not to pretend symptoms anymore. Seven were released by experts with the diagnosis *schizophrenia in remission* and one with the diagnosis *schizophrenia*. On the other hand, co-patients often exposed the test subjects as sham patients: "You are not crazy. You are a journalist or a professor".[150] Neil Postman told his fellow scientists fictional, rather crazy stories about new research findings—for example, that joggers become stupid. About two thirds of his colleagues believed him; some

even claimed to remember that they had already read something similar or that they had always thought so. Based on Henry Louis Mencken, he concludes that no idea is crazy enough not to find a professor who would believe it.[151] "Instead of a naive scientist entering the environment in search of the truth, we find the rather unflattering picture of a charlatan trying to make the data come out in a manner most advantageous to his or her own already held theories."[152]

Isn't the entire economic theory developed by the "experts", with its basic assumptions of the invisible hand, eternal growth and the all-knowing machine-man, sufficiently crazy, so that for every ordinary layperson, it could raise the question of which professor has thought up this nonsense? Is economics one of the most prominent victims of Foerster's theorem No. 1? "The deeper the problem that is ignored, the greater the chances of winning fame and success."[153] What Foerster means by this is the expert's love for simple problems—machines, for example—and his simultaneous abhorrence of complex, holistic problems—people, for example. And so, it is not only humans who become machine-people. Every problem is broken down by the reductionist method until at least one of the crumbs can be understood. The wonderful thing about this method, according to Foerster, is that it inevitably leads to success. But the matter itself is no longer progressing, as any cyberneticist or gestalt psychologist could have predicted: *the whole is more than the sum of its parts!* When you break down complex facts into their parts, information is inevitably lost and you experience practically nothing significant "... just as an investigation of bricks does not reveal the nature of a building. And yet, for the past 50 years, much of the work has been devoted to the analysis of bricks and mortar, in the hope that one day, through patient efforts, we will learn what a cathedral looks like."[154]

Now, the neoclassical experts sit together and wonder how it is possible that in the whole elegance of economic theory, in this wonderfully oiled machine, unpleasant things, such as human emotions can sneak in which the market can no longer regulate. Yet you could have asked the layman or re-read Schumpeter "Didn't modern analysis disprove classical doctrine and justify the popular view? Is it not entirely true in the end that there are few parallels between production for profit and production for the consumer, and that a private enterprise is only a means to restrict production in order to squeeze out profits, which are then rightly referred to as taxes and tributes?"[155]

Complexity has two forms: *combinatorial complexity* arises from the abundance of components involved—for example, the freight logistics of an airport.

Dynamic complexity, on the other hand, arises even from a small number of components through the interaction of said components, for example, the interaction of employees of a department at said airport.[156] Our global economy exhibits both forms of complexity to an extent that far exceeds human comprehension. But as long as we believe in the power of the reductionist method, it doesn't matter. The industry expert is supposed to understand industry and the financial expert is supposed to understand the financial economy. And if this is still too complex, a financial expert is supposed to be able to understand certain financial products within the financial industry, and this leads to overall understanding, by means of synthesis. Joseph Stiglitz, who as a Nobel Prize laureate is unlikely to be suspected of a lack of understanding of the causes of the financial crisis in 2008, writes the following about the reasons for the crisis: "Sheer complexity played as significant a role in this crisis as the lack of transparency did. The financial markets had created products so complex that even if all the details of them were known, no one could fully understand the risk implications."[157] But if understanding at the product level is not possible with the best of intentions, how can it be achieved at a financial or even global level? And yet we read in the daily press releases by monetary funds, world banks, economic alliances and ministers that everything is working well so far, because we have tightened screw X and at the same time slightly throttled lever Y, as if the world economy were not considerably more than the engine room of a Mississippi steamer.

I think we should stop taking people for fools and telling stories of the *irrational* layman who believes in illusions and the *rational* expert who knows the facts. *Laypeople*, especially *interested laypeople*, have a good deal of intelligence and often master their lives much better than experts. Laypeople have a healthy sense of scepticism, not only with regard to the already mentioned nuclear energy, but also with regard to current capitalism in general[158] or to questionable industries, which we would defend without any hesitation as examples of a functioning economy.[159] And anyway, what kind of undemocratic attitude is that? The sovereign, the voter, is deemed just a wandering fool? How much he knows, even Bruno Kreisky had to take note as in a referendum in 1978, the Austrians decided against the commissioning of the Zwentendorf nuclear power plant (even though the result was very narrow), which led to a complete renunciation of nuclear power stations in Austria.

A second important reason why we should not talk about laymen and experts is that the idea of an expert and his presumed knowledge gives us a false sense of security. This may well be pleasant and useful for interest groups thus come

to the stage, but the above-mentioned urgently needed measures for an ecological stabilisation of our planet will continue to be put off for a long time to come, in the hope that experts will emerge from somewhere to solve all this in an elegant way and by means of technical ploys.

We have learned to market ourselves and to find ourselves a good job. We have learned that we must never say *it is all very complicated*. We have lost all respect for complexity and the requisite degree of modesty. The bigger the corporations, the more global the economy, the stronger our intervention in highly dynamic systems, the louder the slogan becomes: *everything is under control!*

However, our world is neither trivial nor deterministic nor are the problems it confronts us with sorted by subject. Often enough, our efforts result in the exact opposite of what we originally intended, as Case study 6 illustrates.

Of Pirates and Birth Control

The Horn of Africa is a world region inundated with misery, aridity and political arbitrariness. Some people, when they hear about the capture of merchant ships off Somalia, presumably think of the typical criminal disposition of gangs in that country. But the problem, at least in part, seems to have been created by ourselves. According to documentation[160], Italian ships dump barrels of highly toxic waste off the coast of Somalia—this is carried out by a global organisation specialising in *cost-effective disposal* of hazardous substances. These toxins kill fish off the coast of Somalia and deprive fishermen of their livelihoods. The misery caused by mercenary criminals in Italy is now driving the people of Somalia into the same delinquency and creating a feedback loop back to the polluters—a side effect that we may not have anticipated. Incidentally, two Italian journalists were murdered in cold blood in an attempt to bring the story to light.

During his cruel regime Romanian dictator Nicolae Ceaușescu encouraged families to bring more children into the world and offered financial rewards for them.[161] Despite these rewards, poor Romanians could not afford to raise their children and many of them ended up in state-run orphanages or on the streets—the beginning of the misery of street children in Romania instead of an intended population increase. China, on the other hand was trying to curb population growth by means of the one-child policy. Here the unintended side effect that was that people in a misogynist world thought: if I

am allowed only the one child, then it should be a boy. In some areas of China, the gender ratio is already 1,200 boys to 1,000 girls.[162] Many men willing to marry can no longer find wives. Interestingly enough, this unintended side effect increases the originally intended effect of birth control.

Case study 6: Of pirates and birth control

We trust in our own cleverness. We landed on the moon, so we'll be able to deal with any other problem. Now Scott Plous says: "No problem in judgement in decision making is more prevalent and more potentially catastrophic than overconfidence".[163] Plous speaks of overestimating one's own abilities in the form of psychological hypertrophy. But *overconfidence* can also be interpreted as excessive trust in the knowledge and skills of others. Both are dangerous, and a combined appearance of the two forms seems particularly dangerous to me. On the one hand, experts, i.e. politicians, representatives of rating agencies, managers, advisors, heads of institutions or media, who are paid to know; and on the other hand, citizens and consumers who, because of the actual complexity of facts, usually have no choice but to trust that someone still knows what is going on. From an evolutionary perspective, we have only just woken from unconsciousness a few seconds ago and are therefore rather awkward in our dealings with the sudden emergence of the "*I*" against the background of the eternally valid "*we*".[164] As recent studies show, we are not yet sure whether a systematic approach will necessarily lead to better results.[165] And what's more: we don't even know whether we are free to decide in the first place or whether the brain is playing a little trick on us, so that we don't lose our newly acquired self-esteem.[166] Maybe that is precisely why we want to believe that we have everything under control: because this *I,* our ego, is still so fragile and the actual effects of our actions are so unpredictable?

Nevertheless, managers must somehow manage entrepreneurial complexity, that's what they are there for and what they are paid for. At business schools they are taught the necessary tools: project planning, process optimisation, key performance indicators, spreadsheets over spreadsheets in order *to break down* a larger problem into fragments. What we do not teach, however, are the shortcomings of all these methods: *the illusion of objectivity, the illusion of control, deconstruction of the cathedral, construction of reality in circles of interest*. And so they arrive at the forecasts *managers dazzled with illusions* aspire to.

If more precision is desired, we do not say that next year's turnover is estimated at €120,000 but €122,530. Not because the numbers would suggest it, but because this result seems more precise.[167] This grants you more authority and the board of directors, to which you report, more security. Or products are designed the way *product managers* want them to be: If a broker on Wall Street sees an opportunity to personally earn $5 million on a product, he will want to launch it on the market. And he won't even have to pretend that this product is good. He'll believe it, he'll want to believe it, he must believe it.[168] The result is what Joseph Stiglitz calls the *Frankenstein Laboratories of Wall Street*[169] and what Frank Schirrmacher further develops into the *Social Monster* of modern societies.[170]

There is something else we can offer our students to clean up complexity: *standardisation*! Or—as Heinz Foerster[171] puts it: *Trivialisation*! We love vending machines, into which we insert money at the top (input) and which reliably spit out a useful product (output) at the bottom. Armies are perfectly trivialised organisations: even the most insane of commands (input) must lead to the desired result (output) from the point of view of the person who inserts the money. However, Foerster can also show with his *minimally non-trivial machine* that even tiny forms of momentum within the machine make its predictability practically impossible.[172] That is why momentum is bad from the outset and the sworn enemy of rationality. McDonald has precise lists showing in which of a dozen categories their French fries, hamburgers or rolls are in and suppliers have to deliver their goods according to equally strict standards. With this love for standardisation, McDonald has made a significant contribution to the fact that we now want to standardise all of nature, from the circumference of chicken breasts to the curvature of cucumbers, from the shape, colour and the amount of fat on honey crust ham to the daily dose of antibiotics to the poor pigs upstream. Whether the end result for the customer is going to be a culinary experience or akin to vending machine quality cannot be disputed, because that is for the customer to decide. However, it shows that customers can ultimately be trivialised just as easily as hamburgers and the supply of animal feed. So why should managers not be trivialised just as easily—and they certainly will be. The vending machine metaphor, however, is bound to lead to a misconception when we talk about entrepreneurs and founders of companies. Should they not be the exact opposite? Crazy, obsessed with one idea, colourful, different from others, non-conformist, not yet standardised?[173] In Chapter 7, I will refer to the life's work of an entrepreneur who has not yet been standardised in this way.

Anyone who regularly attends meetings knows it: Parkinson's *Law of Triviality*, which states that "... time spent on an item on the agenda is inversely proportional to the amount that is on the agenda point."[174] According to Parkinson, the reason for this is that we can easily imagine the funding of beverages during breaks for the workforce to be approved, amounting to £233 per annum, while we cannot imagine what high-tech does exactly and how much the £100m investment involved is in concrete terms. This leads to a concise discussion on the large-scale investment and to heated and protracted debates on beverages during breaks.[175] According to Parkinson, however, there is also a bottom tipping point where amounts so small are addressed that they are beneath the dignity of the meeting participants, which is why they will not discuss them. This is not only British humour, but also a result of decision research: "... what happens when we make really big decisions. Do we become more rational? It turns out that big decisions are not very different from small decisions. In fact, when a decision is very big and very stressful and very complex, some of the irrationalities actually become larger."[176]

All in all, the hypothesis that we systematically overestimate our judgement and its influence on the course of events and that this tendency increases with expertise is now considered empirically relatively well-established. In numerous publications and through arguments that are difficult to disprove, Herbert Simon[177] tries to put an end to the idea of the rational being, for example by showing how fantastically limited our cognitive capacities are and how improbable it is therefore that a decision-maker is guided by the *maximisation principle*. He proposes the less elaborate and therefore more realistic *sufficiency principle*, i.e. to achieve a result that meets our current demands, especially when it comes to everyday decisions.[178]

Sigmund Freud[179] holds the mirror of our vanity even more drastically to our faces. He downgrades our *triple-A abilities* befitting godlike beings step by step: first by the *cosmological slight* that planet Earth cannot possibly be the centre of the universe (first understood by the Pythagoreans and later confirmed by Copernicus), then by the *biological insult* that man does not descend from God, but should be embedded in evolution—this human narcissism was purged by Charles Darwin—and finally by means of Freud's own contribution, the *psychological affront*, according to which our inner lives do not reliably convey all relevant things into consciousness and therefore that the *I is not even master in his own house*. If, however, man were no longer a godlike being, he would not reach decisions on the basis of a clear data situation based on facts, but from a psychodrama of self-deception, vulnerability and fear. That

would be the most serious of all attacks on a free economy and can therefore be far less true than Simon's modest evidence that our brain is unable to provide the data required for homo oeconomicus. Perhaps, this is why, according to Paul Wachtel, economists are the last group of scientists to have missed Freud's findings[180]. The advertising industry, on the other hand, is eagerly making use of the fact that the customer is not master in his own house.[181]

Without any doubt, there are also positive aspects to our overestimation of ourselves, which is why nature has endowed us with it. Daniel Kahneman[182] argues that our thinking is accelerated when we have fewer doubts, i.e. when we are thinking fast—and fast thinking and acting can be decisive for survival in the wilderness, whereas hesitation is fatal. Shelley Taylor and colleagues[183] also point out that *positive illusions* can help people build up a positive frame of mind, which can then serve as a resource for overcoming difficult living conditions.

So far, the question of whether we are cause or effect, master or servant, perpetrator or victim has been a delightful vanity fair. Now, however, as we hold the tools in our hands that could undermine the world's ecological system, we should say goodbye to the image of an almighty God-like being as soon as possible; reflect on what we actually understand when we are completely honest, and admit that everything has become very *complicated, too complicated* to understand the long-term consequences of our actions—economically and even more so ecologically. We should immediately reduce our impact on the planet to a level that is no longer decisive for its equilibrium, independent of whether we have understood or not what would have happened otherwise. However, if we truly want to see what will happen, all we need to do is carry on as before.

Limits to a Sense of Purpose

This brings us to the question of what the meaning of the economy is, what purpose it serves or should serve, i.e. whether "… the primary purpose [of the economy] is to make money or to provide a service while remaining economically viable"[184] I have already discussed one point of view and that is: the purpose of the economy is maximising shareholder profits. And because, following the principle of the invisible hand, wealth trickles down to all other sections of the population anyway without anyone being able or obliged to intervene, this viewpoint is also morally justified and we can summarise it as follows: society is there for the economy or, as the slogan of the Austrian

Chamber of Commerce reads: "*If the economy is doing well, everyone is doing well*."[185]

However, one can also argue in a different way, especially if the trickling down of prosperity no longer seems to function properly and the gap between the rich and the poor is widening worldwide instead of narrowing.[186] After all, it is a basic human need to trade in goods which man possesses in excess for goods which he lacks in order to improve his living conditions. Thus, economics is a social objective as old as mankind and therefore to be protected against misuse by pure profiteers.[187] At some point, however, the idea arose of simplifying the exchange process by exchanging goods for money instead of goods, provided that money can always be traded back for goods at one's own discretion. From this point of view, however, declaring money to be the deeper meaning of such exchange processes would be highly disturbing. Rather, it is the economy that has to serve society and money is to be a tool which simplifies and accelerates economic activity but has never established and never justified it in any way.

Are entrepreneurs actually what the neoclassic claims they are: money-oriented profit maximisers, or does this only apply to the special case of a money lender who exploits the plight of other people or buys and sells shares, and perhaps doesn't even know what the respective company actually produces? What motivates people to start or run a company? Schumpeter's analyses of entrepreneurial motivation can be summarised as follows: power, joy in creative design or the pursuit of success are more important than the pursuit of profit.[188] George Katona, a pioneer in the field of psychological economics, also doubts that entrepreneurs are only aiming to maximise profits. On the contrary, studies would show, he says, that entrepreneurs have a number of very different motives, which, however, make the economists' profit maximisation approach so difficult that more and more assumptions of *non-pecuniary profits* have to be applied until we can finally declare the most humane entrepreneur to be a profit maximiser in order to save the theory.[189] Scott Shane and his colleagues provide a more recent overview of research results in this field, and these studies confirm that the pursuit of profit is not the most important or even the only driving force for an entrepreneur or company founder. In addition to motives of *performance focus*, these are an idea or *vision* that one wants to bring to life, the desire for *independence*, a passionate *love of work itself*, the inner urge *to set oneself tasks* and the feeling that one has *control* over oneself, one's destiny and one's environment.[190]

There is hardly any other subject in Peter Drucker's work that he is as intensely devoted to as the question of purpose, and the conclusion he comes to in this regard cannot be expressed more clearly: "If we want to know what a business is we have to start with its purpose. And its purpose must lie outside of the business itself. In fact, it must lie in society since a business enterprise is an organ of society. There is only one valid definition of business purpose: to create a customer ... It is the customer who determines what a business is … The profit motive and its offspring, maximisation of profit, are just as irrelevant to the function of a business, the purpose of a business and the job of managing a business. In fact, the concept is worse than irrelevant. It does harm."[191] "This does not mean that profit and profitability are unimportant. It does mean that profitability is not the purpose of business enterprise and business activity, but a limiting factor on it. Profit is not the explanation, cause or rationale of business behaviour and business decisions, but the test of their validity ... for the problem of any business is not the maximisation of profit but the achievement of sufficient profit to cover the risks of economic activity and thus to avoid loss."[192] As already mentioned, Schumpeter comes to a similar conclusion: that there are hardly any parallels between a company that produces for the customer and one that produces for its own profit.

However, if today we more and more often declare money to be the actual purpose of doing business, it is not only due to the aberrations of economic theory and practice. Financial figures are a convenient first estimator of various aspects of a company. Therefore, we introduce our company first of all by providing information such as turnover, cash flow, profit or market share in addition to the sector and number of employees. These company attributes are easy to determine and hard to ignore. But to measure business purely on the basis of financial results is definitely not enough. "If that's all you have as a performance measurement and performance goal in the business, you are not likely to do well or survive very long."[193]

Money is also a convenient first approach if we want to understand a national economy. We are asking for GDP, GDP per capita, the export ratio, inflation etc. and this gives us a better first impression than asking about tonnes of steel processed, the number of semiconductors exported or the hours of services rendered. If we want to find out whether a macroeconomy is growing, we compare the previous year's GDP with that of this year and then we assume we know whether a macroeconomy as a whole and the firms within this economy show an aggregate increase or not. Although today many economists agree on how little GDP tells us about the functioning of an economy, it remains the

reference point because it is so temptingly simple, because it gives us the pleasant feeling of knowing the journey's destination, like a ship's compass needle.

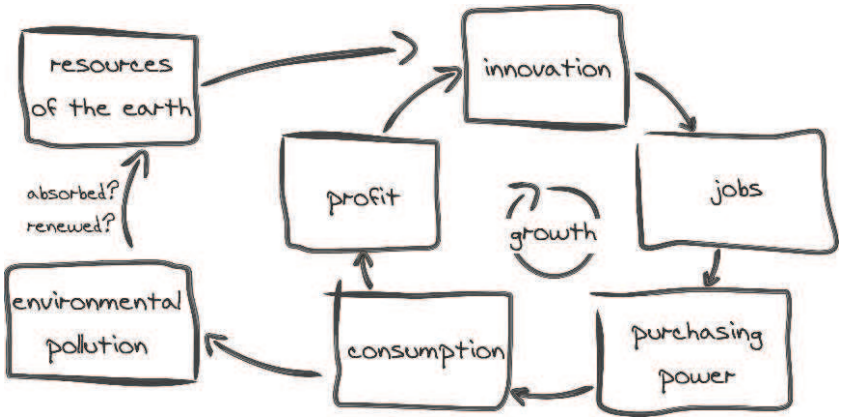

Figure 5: Integrated supply and disposal aspects of a sustainable economic system in a limited world—see also Figure 2

If we come up against the natural limits of a growth approach thus interpreted, the question arises as to what could grow other than the GDP? The sobering answer is, unfortunately, we do not really know! The first approaches would be: promoting sustainable economic sectors and the green economy, making growth sustainable and at the same time stabilising economic decline, concentrating on productivity in poor countries, allowing unlimited human ingenuity and leisure time to grow, decelerating the world, focusing on quality rather than quantity, taxing luxury and prestigious goods more heavily. Proponents of the shareholder value approach, on the other hand, continue to plead for *business as usual* and now demand *Ferraris for all* [194] or: "Growth is essential for creating shareholder value ... and ... management should make growth a top priority."[195] But how can this be done? Tim Jackson does the maths: if we want to feed the growing world population on the basis of our current economic model, we will need fifteen times our present economy in 2050 and forty times in 2100. "What on earth does such an economy look like? What does it run on?"[196] he asks. We will have no option but to include the limiting factors of resources and the pollution of planet Earth in our growth aspirations (see Figure 5).

What we may be able to agree on is the goal of increasing quality of life rather than quantity of consumption. This would put the company's purpose in the spirit of Peter Drucker and in the interest of all those involved back in the right place, the entrepreneur, employees, customers, suppliers, and thus also the purpose of the economy, and we could turn the current *uneconomic* situation into *economic growth.* But to do so, we must clearly see that this purpose is only achieved if the customer moves way forward from his position as the last link in the chain, because—as Drucker states beyond dispute—the company's exclusive purpose is to create supreme value for the customer. How this might work is explained in chapter 6.

At about the same time as Adam Smith reflected on the material prosperity of nations through the fair prices of goods, Jeremy Bentham published a book that approaches the issue of prosperity from a different angle, from that of *utilitarianism*. Bentham defines it as follows: "… property of all kinds, which tend to produce benefit, advantage, pleasure, good, or happiness … or (which comes again to the same thing) to protect from mischief, pain, evil, or unhappiness the party whose interests are at stake. If that party be the community in general, then the happiness of the community. If a particular individual, then the happiness of that individual … The interest of the community then is, what?—the sum of the interests of the members who make up the community."[197] Bentham speaks of the *principle of utility*, the *greatest happiness principle*, or of *the greatest good for the greatest number* as what we should strive for.[198] So, unlike Smith, he suggests not buying goods at a certain price and being pleased that this price is the cheapest possible. He suggests that people should exchange with each other, which helps both parties to achieve the greatest personal happiness. Today, following the example of the Greek philosopher Aristippos, we speak of the *hedonistic approach* or the behavioural control effect, of the intention to seek happiness and avoid pain.

During his lifetime, Bentham was faced with massive criticism for his attempt to make the concept of benefit comprehensible. Apart from the question of to what extent this largest number of people can have command of the remaining people, it is above all the idea of maximising happiness itself that meets with resistance and this hasn't changed much to this day: "The pleasures of radical hedonists, to satisfy ever new desires and the entertainment business of today's society create a thrill of varying degrees, but they do not fill people with joy. On the contrary, the joylessness of life forces them to constantly search for new and even more exciting pleasures", says Erich Fromm.[199] Johannes Wallacher replies, that first of all, we have to understand happiness as more than

pure pleasure and secondly we have to understand that happiness can have different causes. One entrepreneur may be interested in profit, but another in bringing a useful product to market. Both may also lead to market leadership, but it is definitely important to see out of which desire for pleasure this happens.[200] The Buddhist doctrine takes a similar standpoint, because it attaches importance to the question of where joy comes from, what causes it, because this is what defines a human being's karma.[201] And because it also asks which form of happiness fades and which remains: "We have to distinguish between lust and happiness. Happiness is understood as a deep sense of fulfilment, combined with a feeling of peace and a wealth of positive qualities, such as altruism. Lust depends on a place, circumstances and the object of its enjoyment... Lust exhausts itself in consumption, like a candle that burns down and disappears."[202] In this respect, Fromm also defines joy as momentary euphoria, which demands more and more, and pleasure as what we experience on the way to self-realisation.[203]

What is now regarded as relatively well established from contributions to *mood research*, in particular Alice Isen's work, is that people put a lot of energy into maintaining positive emotional states (*mood maintenance*) and overcoming negative emotional states (*mood repair*)—or that we practically manage our moods.[204] Elisabeth Kübler-Ross encourages us to do just that to find happiness. This may sound selfish, but it is not: happy people are the least self-absorbed and the least selfish. They offer their time, are friendlier, more affectionate, more participative and more forgiving: "misfortune leads to selfish behaviour, while happiness enhances our ability to give."[205] Isen also confirms this greater friendliness of well-tuned people.[206] Therefore, Bentham's hedonistic approach, if we do not interpret it as an invitation to a pure experience society, could be a reasonable approach to move away from money as a means to an end and bring pleasure back to our economic aspirations.

In my interpretation, the hedonistic trick consists of the fact that we do not just strive for momentary joy and avoidance of momentary suffering. We know all too well that spontaneous temptations such as snacking, alcohol, smoking, being lazy, unprotected sex, doing what we feel like doing right now, can be the cause of future suffering, while present suffering (the dentist, a pension scheme, doing daily shopping, disciplined meditation, patiently sharing someone else's worries) can be the source of future pleasure. Thus, we have to balance our lives somehow between current lust and future pleasure.[207] Our cognitions—our consciousness—allow us to look into the future, while as purely emotional beings we would remain trapped in the present. It is probably this

small evolutionary advantage over other animals that allows us to consider future consequences of our actions today and thus to a certain extent *manage* not only the moment but also our future.[208]

Why do we now allow this human capacity for forward-looking behaviour to degenerate? Why do we allow ourselves to be carried away by the shareholder's thinking in quarterly periods and the politician's thinking in legislative periods towards ever-shorter planning intervals? How can we allow all our chances of future pleasures to be wasted for the purpose of present amusement? Let us reconquer the concept of business, of economising. If we turn the *market* again into a place of meeting and exchanging products, ideas and feelings, we fill it with meaning again. Let us not allow ourselves to be reduced to machines maximising money and consumption and to be labelled as laymen, so that they can then dictate what happiness is—rationality, of course—and what makes us unhappy i.e. if we do not get the maximum out of everything. But above all, let us give up our megalomania, the illusion that we have everything under control. Let us rejoice in the fact that we will be able to incorporate future consequences into our actions today and make use of them again. At the same time, however, let us bear in mind that we are subject to considerable limitations, and should therefore never cross the line between what we know and the universe of things we do not know and therefore do not understand.

Chapter Three

Value Propositions that May Not Be Quite Right

There is no such thing as absolute good or bad. There is only good or bad—damage to the sense of happiness or suffering—that our thoughts and actions inflict upon ourselves or others... So, the more one develops goodness, compassion and altruism, the more they fulfil one's own spirit, the more its opposite, one's desire to harm, will retreat or even disappear.

Matthieu Ricard[209]

In my interpretation, the neoclassical approach to economics rests on the following six pillars or promises: the unbeatable nature of the principle of competition, the primacy of a peaceful exchange of goods, the promise of the—albeit involuntary, but inevitable—redistribution of wealth through the invisible hand, the equivalence of Western democracy (free citizens) and Western economic culture (free markets), the better product, which inevitably asserts itself against the merely good product and thus makes customers increasingly happy and, finally, the feasibility of unfettered growth. Muhammad Yunus, economist and entrepreneur from Bangladesh, to whom we will return on several occasions, calls it the *philosophy of capitalism*: *the good life* comes from economic *growth*, driven by capital investments in *free* markets in which the participants *compete* with each other. Investments are only attractive if there are *profits* and therefore profit maximisation can be the only *purpose* of a company.[210]

In this chapter, I would like to follow up on these promises in turn.

The Principle of Competition

The economic promise is that if we promote the principle of "healthy" competition and the law of the fittest in our society, it does not only correspond to the principle of evolution. It is also the most efficient form of organisation, guarantees the most economical use of resources, encourages people to perform at the highest level, kicks social scroungers into action, is fun and sporty and fair. That's the value proposition.

Competition has undoubtedly contributed to the general prosperity of the West; and competition is, according to Paul Wachtel, almost the official state religion of the United States of America.[211] We also enjoy having a fierce fight with a friend on the tennis court for the set victory. Competition creates more choice for the customer and can also be an internal motivating factor. For example, a former member of the BMW Board of Management told me that the formula *Let's beat Mercedes* inspires their own people. However, the situation becomes

more complicated if, in addition to this principle of competition, there is also a need for cooperation. For example, the formula "*Let's beat Mercedes together*" is quite different from the formula "*Let's beat Mercedes in mutual competition*".

For this purpose, cooperation research distinguishes between three basic attitudes at an individual level: *cooperative*, i.e. aimed at group performance, *independent*, i.e. aimed at one's own performance independent of that of other group members, and *competitive*, where what counts is the *difference* between one's own performance and that of the other group members.[212] Thus, competition leads to a feeling of victory even if everyone loses but you have lost less than, for example, your competitor or colleague. We already get an idea of what will be the inevitable result of such studies: that competitively oriented groups are the worst performers.[213] However, this does not prevent companies such as General Electric (see above), from continuing to increase internal competition. Kenichi Ohmae, author of numerous management books, suspects that managers have a soft spot for martial settings and feel most comfortable in the midst of competition clamour, fight scenes and battle cries. All too often and all too readily they plunge themselves into such old-fashioned competition battles. In doing so, they find it far more difficult to see how an effective customer-oriented strategy could prevent the battle in the first place.[214]

Comparing oneself with others is an integral part—indeed the starting point—of the idea of mutual competition and also seems to be essentially a part of our nature. Its official form is ranking. However, we are free to decide in what, with whom and how intensely we compare ourselves to others. Managers for example, can compare their results with the results of a colleague in another sales district, with a competitor, with last year or with the goals. And they can, yes, they have to ask the question: what actually is a *result*? I would like to briefly highlight the nature of social comparisons and their paradoxical character.

Hunger is the result of a *comparison* that our body makes, i.e. the comparison between a biologically specified *target* blood sugar level and the *current* sugar level. However, such *physiological comparisons* are mainly controlled by innate reference values and allow only for a low level of interpretation: when we are thirsty, we are thirsty and when our thirst is quenched, we normally stop drinking. Reference values of a higher order, *social comparison processes* for example, are less binding and require interpretation and context. Comparing ourselves with others provides us with orientation, gives us insight into where

we stand in life and in the social order.[215] Naturally, we want to keep up, not with everyone, but with the *relevant* others, and that can be motivating. However, comparisons can also lead to anxiety, a fear of slipping in the social order and falling back.[216] Comparisons of income appear to be more objective, because they are substantiated by figures. Experiences allow more room for interpretation, just like the importance we attach to income and income comparisons. This can lead to a mixture of economic and non-economic facts and to overestimating economic factors, because they are easier to compare.[217]

For example, Sara Solnick and David Hemenway asked 257 university staff and students if they prefered an income of $50,000 while others would earn $25,000 or an income of $100,000 when the others would earn $200,000. Around 50 percent of study participants preferred to forego half of their income if they earned twice as much as their colleagues. This positional effect is even stronger in the case of physical attractiveness. 80 percent prefer to be less attractive in absolute terms if they are relatively more attractive than the rest. But when asked about a preferred holiday duration (2 to 1 vs. 4 to 8 weeks), only 15 percent prefer a relatively longer holiday entitlement compared to an absolute entitlement of twice the duration.[218]

From an evolutionary point of view, this relative approach, when it comes to the question of attractiveness, does make sense and one is reminded of the phrase *"survival of the fittest*".[219] Fit, however, seems to be wrongly associated here with the gym and bulging muscles. If *fit* is interpreted according to its second meaning; to be well adapted to the possibilities of an ecological niche, this is viewed as a legitimation for an opportunist's leadership character. Moreover, as Alfie Kohn[220] points out rather well, Charles Darwin uses the term *struggle for survival* in a metaphorical sense because in reality nature is based much more on the principle of interdependence and cooperation than on struggle.

A phenomenon that arises from free competition and mutual comparisons is the so-called *paradox of competition*:[221] although—or rather because—everyone is trying harder and harder to look better compared to the others—the effort increases—there is no effect—the impression you get is relatively insignificant when everyone gains—and the result is inevitably deteriorating for everyone. The return goes down when the relative benefits are absent as the hardship increases. The same applies on a meta-level of performance-oriented societies: when we all stand on our toes to see better, we all see less, but with more effort.[222] Robert Frank calls this phenomenon the *positional treadmill*.[223]

He cites the example of the ice-hockey player who won't wear a helmet because he can see better without one, which results in no player wearing a helmet, which wipes out the original competitive advantage, while a higher security risk now exists for all players. A similar case is the even more imposing house, the even more pompous wedding and last but not least the ever more terrifying weapons. Hence, we could achieve the same relative result more comfortably. Elisabeth Kübler-Ross[224] writes, "Comparisons are probably the quickest way to become unhappy ... [because we] … will always remain behind someone."

The point is not only that we have to make more of an effort to avoid falling behind our neighbours, because that could be explained with a performance-oriented attitude. The real point is that we all end up *worse*: cyclists get doped up because everyone is doping. Skiers risk their lives in downhill ski races to have a chance at a top rank. We cut prices because everybody does, we wage advertising battles, because they all do. We are egging one another on, raising the costs along the entire chain, but the others do it too and the matter itself falls by the wayside. We are growing, but in an *uneconomic way*.[225] And Frank[226] wonders: how many better ways there are to use all this money for real human needs.

An interesting specific feature of the Central European region is the religious-cultural belief in the usefulness of a work-free Sunday, similar to the Sabbath in Judaism. You don't work, you go to church, do sports and spend time with your family. Most of my international students, however, are used to being able to go shopping on a Sunday and are therefore confused when coming to Austria for their semester abroad. Therefore, we decided to carry out a study—after all, the limitation of opening hours could be interpreted as insufficient customer orientation.

In her study, Christina Karbasch examined how different interest groups look at current *store opening hours* in Austria.[228]

In a sample of 431 final consumers, which is representative of the Austrian population, most consumers were satisfied with the current trade regime. On a five-point scale ranging from very satisfied to very dissatisfied, 60 percent were *very satisfied* and another 19 percent were *satisfied.* Consequently, four out of five Austrian consumers see no need for action on this issue. More than half of those surveyed also perceive the danger that increasing store opening hours would pose to family life, while only 12 percent believe that longer opening hours would strengthen economic growth—another good example of *lay* intelligence.

Political parties are for or against a change depending on how close they are to the economic sector. The Austrian *Chamber of Commerce* does not see any need to change the current regulation, but the *Federation of Industry and Commerce* advocates market opening and liberalisation. The *Green Party* and the *Chamber of Labour* are opposed to it and point out that opening the shops on Sundays would result in higher public costs for public transport, kindergartens, administration—which would ultimately have to be borne by all taxpayers.

48 percent out of 101 Lower Austrian *retailers* are very satisfied with the current regulation, another 33 percent are satisfied. 66 percent say that they are not even making full use of the current opening hour options. 8 percent would like to have the opportunity to open 24 hours during the week and only 4 percent would want to open on a Sunday. Business people argue that the predominantly negative attitude of retailers towards liberalisation of opening hours is due to the fact that sales would not increase but only shift (64 percent), whereas costs would rise (58 percent), which would ultimately also increase the price of goods (51 percent). Two of the leading food retail chains, *Billa* and *Spar*, are also satisfied with the current regulation.

The 44 international *Erasmus students* interviewed are the only group that consistently expresses a negative view of the regulations in force in Austria compared with those in their home countries: 50 percent are dissatisfied and a further 16 percent are very dissatisfied. They explain their dissatisfaction by saying that it makes Sundays boring (50 percent) and 34 percent say that

it is more convenient to go shopping on Sundays. However, if they were to live permanently in Austria with their families, 73 percent of them would prefer to spend their Sundays with family and friends instead of shopping.

Case study 7: Opening hours and the competitive paradox

If shop opening hours were further liberalised in Austria it seems that only a small minority would benefit from this. Since operating costs, public costs and prices would increase, we would all, ultimately, lose out. In this case, the idea of competition only triggers a classic paradox of competition: hardly anyone wants to open on a Sunday, because the disadvantages outweigh the advantages. But if someone opens his shop on a Sunday, the others have to follow suit. And as you can see from the reactions of our international students, there is practically no turning back once people have become accustomed to going shopping on Sundays. They then experience it as a limitation, a loss of individual rights, and that usually worries them more than the gain in common joys.

Anyone who now believes that in this case nobody seriously thinks of such a measure is mistaken. A few months after the studies had been carried out, the well-known operator of a Viennese shopping centre took the floor, demanding exactly that. During the summer lull, he received a lot of media attention, and finally filed a constitutional complaint against the current opening hours. He could not get away with it, though. In the meantime, however, much stronger groups have come to the fore. Both Spar and Billa, against their commitment, are already working on a study for various ways of doing business on Sundays. In parallel, on the 29th March, 2013, Dayli's co-owner Rudolf Haberleitner let the public know that he intended to circumvent Austrian shop opening regulations by means of a gastronomy licence, on the grounds that the customer allegedly wanted this. The matter has now been resolved, the company is insolvent, because the only market idea that Haberleitner had in addition to unbelievable growth announcements, was Sunday opening, and this did not go through. According to Haberleitner, the bankruptcy into which he had slipped was naturally not due to mismanagement or lack of a concept but opening

hours in Austria. In Italy, the Monti government had already granted a deregulation of opening hours as per January 1st, 2012 for the purpose of economic revitalisation and against the interests of the wider community. In the long run, this issue may be unstoppable even for us.

Competition leads us to places where almost no one can possibly want to be, the satisfaction of the interests of individuals does not automatically and invisibly add up to satisfying collective interests—because it is tough to be constantly kept on one's toes, drive an ever-bigger car, work on Sundays and produce an even more fantastic curriculum vitae, only to find out that the others have become *forearmed* as well.

For an economy based on quantitative growth, it is attractive to watch people desperately struggling for position and at times to invent a new competitive discipline so that everyone can run and buy: a virtually inexhaustible source of revenue if stagnation prevails at the level of necessary goods. At least as interesting to me, however, is how easy it is to legitimise the pursuit of personal interests, which in reality are directed *against* the customer, under the pretext of customer orientation. A study on the impact of the 1990 opening hours deregulation in Canada concludes that customers actually pay higher prices for extended opening hours.[229]

Economics teaches us that a competitive market forces companies to "... be economical with the available means of production when producing goods".[230] It could now be deduced that organisations that are not subject to competition are automatically wasteful, slow and inefficient, and that the state is most efficient when it does not exist, when it hands over any social problems to the private sector and no longer gets in the way of the forces and laws of the free market. The value proposition is: only competition can bring the fundamental quality of the economical use of all things to life. Alfie Kohn[231] argues that competition is not efficient but *inefficient*, because people lose sight of the actual task and concentrate on their position relative to their colleagues, the other department or the competitor. This inefficiency hypothesis doesn't seem to be completely wrong: over 80 percent of new product launches in the private sector fail,[232] 65 to 80 percent of all customer loyalty management programmes are unsuccessful,[233] and three out of four corporate acquisitions never break even.[234] But if managers do not achieve much better results than anyone else could achieve through trial and error, why do we even continue to employ managers and pay them fantastic salaries and bonuses? Why does neither the market nor the principle of mutual competition regulate this?

Let's fire all the managers! suggests the esteemed management professor Gary Hamel and shows how inefficient, unproductive, remote, complacent, control-obsessed and expensive managers can be and how well organisations can work *without* management. Any manager threatening to leave the company therefore misses the point entirely, says Hamel, and would only prove how disloyal and naïve managers usually are. Leadership jobs with relatively low wages remain attractive because they always offer prestige, power and challenge. The most irrational thing to be done therefore is to disproportionately reward managers, thus increasing personnel costs by a third, weakening competitiveness and forcing customers to pay these unjustified costs through unnecessarily high product prices.[235]

In theory, such *inefficient manager costs* could be quickly brought under control by eliminating excessive salaries, thinning out the establishment or relying on young academics that have learned the basics of markets and customer requirements while at university. After all, the logic of a customer-oriented company is that those who provide direct service to the customer are almost irreplaceable. But the more we move up in the hierarchy, the more interchangeable employees become when they no longer provide customer service.[236] A personnel policy conceived in this way would suddenly increase the efficiency of a company because excessive narcissism would no longer have to be co-financed. At the same time, you could avoid the threat of managers getting caught up in a growth rush, getting involved with anonymous investors, replacing a well-thought-out business model with short-term repair programmes and thus managing the company into an inevitable downward spiral.[237] But who would do that? Exactly! For this reason, inefficiency will remain an integral part of the supposedly efficient and competitive company.

The first tenet of Parkinson's Law is: if employee A feels overwhelmed (perceived or real) by his work, he can either quit or share his work with colleague B or request two co-workers C and D. There is no case known where the final option was not sought, because this employee (a) gains power and prestige for himself and (b) this without sharing it with his colleague and (c) reduces his own workload. A few years later, C and D will strive for similar goals, etc.[238] If we now assume that we are dealing with a competitive company of present-day design in which employees are engaged in an ongoing battle for positions, and if we further assume that the employees are under observation and pressure and therefore do not enjoy their work, then all three aspects will take effect, particularly in a competition-oriented company, and will reduce efficiency precisely because of this competitive orientation.

In today's general debate, it is, however, almost a matter of course that modern management knowledge that can be gathered in companies should be used in any other type of organisation. The managers should by no means be fired but should finally be allowed to feature even in non-profit organisations (NPO). Peter Drucker looked closely at NPO management and was surprised to note that, on the contrary, for-profit organisations (FPOs) can learn a lot from NPOs, like formulating organisational purpose, dealing with complexity and crises or developing leadership quality.[239] So although it is not even clear whether NPOs are more inefficient than FPOs,[240] not a day goes by without an industrial manager demanding to finally transfer the outstanding efficiency of FPOs and modern management theory to organisations of all kinds, including government offices, authorities, schools, chambers and hospitals—or, even better, to privatise them. But is it conceivable that competition gives rise to the exact opposite of this sporting and fair competition promised above? That competition encourages us to become champions *in pretend-efficiency?* We simply do not know, because we have hitherto assumed that competition and markets will somehow be efficient without having a scientifically sound basis for this.[241]

Let's take a look at the example of science and see what happens when the logic of competition is applied to organisations whose mission originally had little to do with the sale of products and services. We already know the index by which the performance of a scientist, his "output", is measured today: the number of published articles weighted according to the importance of the journal in which the respective contribution appeared measured in units of time. What has this led to? One thing has undoubtedly worked out: the number of scientific publications has virtually exploded, so that today it is nigh impossible even for an avid reader to obtain an overview of the publications relevant to him in a clearly defined field of research.[242] Nevertheless, the scientist is encouraged to publish as much as possible, even if it is clear from the outset that these publications will hardly be read by anyone.[243] Parallels with the profit economy are already imminent because it too does not produce what is needed, but rather makes sure that what is produced comes onto the market in ever greater quantities, ever faster and before there is even a need to use it, only to fail. What, however, could be such an application in view of the towering mountains of scientific contributions?

The length of a publication list of an individual scientist can be viewed and ranked. Whoever has a long list of publications must be an important scientist. No matter what he writes about, it has to be good, how else would he have

managed such an impressive list? If, however, a long list already indicates an important scientist, we no longer need to read or even understand what he has written in order to know that it must be significant. Then an oversupply of contributions ceases to be a problem and again we have everything under control, transformed into measured values, objectified. This researcher can also be entrusted with research funds, as long as he can be expected to continue the (presumed) significance of his work by publishing more and more.

Of course, there are researchers who have a long list of publications precisely because they do an excellent job and, as a logical consequence of their extraordinary research achievements, they have accumulated a considerable number of publications, *among other things*. But they are increasingly accompanied by colleagues who turn the principle upside down. They do not publish because they do significant research, they have to be important researchers because they publish a lot. Rather, they have a sense for the pulse of the times or an ability to worm their way into a large number of publications by others, or a gift to prepare even meaningless research results spectacularly enough to pass them through the peer review process, or they are just better at networking with the editors of journals and with citation communities. The actual aim of research is increasingly fading into the background, as is the indispensable willingness for academic activities to inspire and support each other, because they are now in intense competition with each other. In other words, output increases, but efficiency decreases, and even more so effectiveness.[244]

With the topic of *sham productivity*, Scott Rick and George Loewenstein[245] come up against another problem that results from a competitive scientific enterprise. They argue that when people are under intense competitive pressure, they get into a motivational state of emergency, which they call *hyper motivation*. In such a state, people are willing to do things that under normal circumstances they would consider unacceptable (see Figure 6).

In fact, the number of known cases of researchers in the scientific community working with fictitious or manipulated data only to produce another publication[246] is growing. Or the number of high-ranking politicians who are exposed for having copied their doctoral theses. As Angela Merkel explained to us, plagiarising is only reprehensible when you hire a scientific assistant, but not in the case of the *Minister of Defence*. How could she have foreseen that her *education* minister would be under exactly the same suspicion only a little later?[247]

The publication achievements of scientists are included in the so-called *intellectual capital statement* of their respective universities, which in turn serves as a basis for ranking universities and this is again crucial for assessing how much money can be demanded for the "educational products", how much research funding can be expected and how easily one can get publications into journals. The self-reinforcing nature of such processes is called *path-dependency* or *the winner-takes-it-all principle*: the winner enjoys disproportionate advantages in mutual competition, which promotes his next victory. However, this does not help to achieve a breakthrough for the *better* solution, but rather helps the *earlier* one, the one that first gains critical size and reputation.

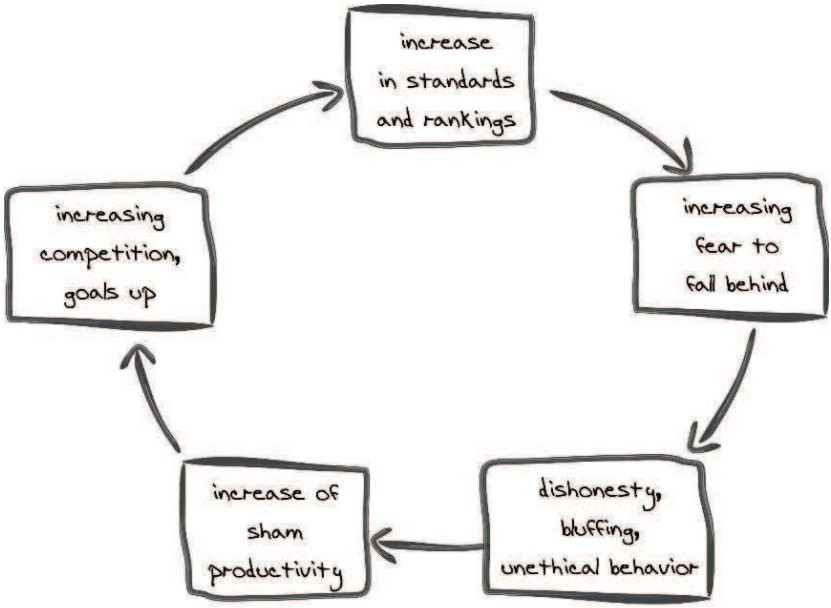

Figure 6: The impact of competition on honesty, based on the work of Rick and Loewenstein (2008)

It is at least just as inefficient that competitions and rankings result in only a few winners and many losers. Among the losers, frustration spreads about the shallowness with which their performance was measured and the injustice that must inevitably arise in the process. First there is complaining, then performance is reduced so that in the next round you either do not participate at all

or concentrate on system tricks. However, in our example of university research I cannot detect the much-vaunted performance-enhancing power of competitions, incentives and rankings.

Alfi Kohn[248] admits that competition can lead to better results, but only if they consist of self-contained, simple tasks. In all cases, however, where complexity prevails and cooperation is called for, the distribution of rewards to the winners while the others are left empty-handed is the variant with the worst results. This has not only to do with dwindling cooperation or an attempt to harm others, but also with the energy that is required to constantly have to make mountains out of molehills instead of being realistic and concentrating on the task at hand.

In a competitive culture of mutual suspicion, efficiency *must* be reduced. Customers demand more information, begin to question everything and respond to unfair practices accordingly. If the *handshake quality* is lost, sectors such as reinsurance are difficult to sustain. Internal indicators cause considerable workload and bureaucracy, encourage us to outwit them and most likely lead the company into the exact opposite direction from the intended increase in effectivity. Cleverness becomes a generally accepted, perhaps even necessary trait. We end up with an individual who was previously a fiction, the self-interested competitive character who is willing to drive down group performance, provided that he himself is better off than the others and whose main talent is to line his pockets as much as possible.

In a competitive society geared toward its own interests, the first thing that happens is economic damage and then you need committees to investigate the case. Later on, these committees have to be "turned off" again by means of political pressure and and cover-ups. Next, there is a need for elaborate laws that expressly prohibit and punish such behaviour, then there is a complex control system and finally a complex system for investigating and examining the fitness to undergo detention. And yet, laws, regulations and codes will always run after the imagination of those who act. Thus, Basel I, II, III, etc. then result in more of a stimulus for ideas in dealing with derivatives than of how to achieve an objectively better equity capitalisation of banks. In the end, everything that is not expressly forbidden is allowed and the data used to control what is forbidden does not reveal anything about what new ideas and practices are emerging or have been practiced for a long time. All this costs enormous amounts of money, is highly inefficient and systematically destroys national

wealth following the primacy of a supposedly wholesome competition. Psychological consequences such as frustration, internal resignation, burnout, depression, anxiety, inner emptiness, erosion of solidarity or bullying must be added to these costs. Again, as Herman Dale puts it, we end up with *un*economic growth.[249]

Garrett Hardin[250] brought another element of economical and efficient use of resources into the discussion: people have a tendency to exploit public goods and to look only after their own private property, which he called the *tragedy of the commons*. He explained this tragedy by means of a thought experiment where cattle owners let their cattle graze on public pasture or common land. Eventually, one cattle owner would buy another head of livestock, thus generating additional *income* all for himself while the *extra effort* was to be covered by the general public. As a consequence, and following the logic of the paradox of competition, a second and a third cattle owner would do the same and finally the pasture land would be destroyed under the weight of the cattle and the resource would have been ruined with the combined forces. Hardin saw possible solutions in the *privatisation of common land, strict conditions for the use or control of the number of cattle owners*—with Hardin it boiled down to *controlling population growth*. He identified a similar problem in the context of waste and concluded that "... we are locked into a system of »fouling our own nest«, as long as we behave only as independent, rational free-enterprisers."[251] Hardin already touched upon what capitalism later on poorly interpreted as *private is good, public is bad* and which, subsequently, became the principle of the consumer society. So, if we turned our forests, rivers, lakes, water supplies, seeds, fish stocks, beaches, parks and libraries all into private property, someone would take care of them otherwise they would go to waste.[252]

As I see it, however, Hardin describes the ecological problem resulting from this privatisation. Property is taken care of; the rest is destroyed. The more property, the fewer common possessions, and the more radically this dwindling common property must be exploited in order to manage private property. But even the most capitalist of societies cannot privatise everything, like the air that we breathe and hope that it will be taken care of. Moreover, we are increasingly dependent on private property the more we *let the commons run down*: our public parks, baths, schools, means of transport. A vicious circle in which the individual is encouraged to at least buy privately what is already wasting away commonly. As a consequence, we are becoming ever lonelier because we cannot, must not or should not use these once wonderful places of shared joy any longer.

The conclusion can only be to limit the tolerable degree of greed of the cattle owner to the capacity of the pastureland for the benefit of his fellow human beings and even for his own protection, which we now refer to as the *ecological footprint*.[253] And that is scary enough. The world's population is currently consuming 140 percent of the available resources on this planet. This, however, is certainly not the fault of Asia, Australia, South America or even Africa. Western Europe and North America are to blame for consuming three to five times the world's annual renewable resources.[254] In addition, there is the exponentially growing world population, which understandably wants to take what we have been *taking* for a long time, as documented by China's rapid "race to catch up".[255]

But what we can also learn from Hardin is that dealing with resources in a profit economy is not only *inefficient*, but also highly irrational and uneconomic. For the concept of rationality, always under the pretext of thriftiness, has an inherent willingness to not only forego a later advantage for the purpose of a momentary personal advantage, but also to drag everyone else down into the abyss—a behaviour that can no longer be explained by the competitive personality, because in the end there is no one left whose even worse fate one could rejoice in. The tragedy of the commons is tied directly to the tragedy of the lonely individualist and his fear of getting a raw deal. It only dissolves when this lonely individualist starts to understand that he is connected with all the other things around him, in an inseparable and non-negotiable community of fate—the eternal motif of religion, philosophy and literature. Those who understand this begin to think in larger dimensions. Those who do not understand it, the free riders, must be placed under the curatorship of public observation. Elinor Ostrom writes: "The temptation to free-ride, however, may dominate the decision-making process and thus all will end up where nobody wanted to be … [because] …perfectly rational individuals under some circumstances produce outcomes that cannot be considered »rational« when viewed from the perspective of all those involved."[256]

A final point in the public vs. private discussion, to which Fred Hirsch[257] and Garrett Hardin drew our attention, is the control of subjectively perceived abundance vs. scarcity. Adam Smith, and John Law before him, pointed out the paradox that water has a high utility value—it is vital for survival—but a small exchange value—it is hard to trade it in for something else.[258] With diamonds, the opposite is true. This paradox still continues to occupy economists today but dissolves the moment we turn water into a scarce commodity. Shortly before we die of thirst, we will shell out more for a glass of water than

for a diamond, because a diamond is of no use to us after we have died of thirst. The "problem" with water is that, unlike diamonds, it is abundant in many a blessed land and therefore not (yet) for sale. On the other hand, in countries where drinking water is scarce, was made scarce or could be privatised, it can already be easily sold today.

The Easter Islands in the Laboratory [259]

It is thanks to Kennon Sheldon and Holly McGregor that we have an insightful study on the competition principle at our disposal. 152 students had to first complete the *Aspiration Index* [260] to find out about their values. An intrinsic value attitude indicates a person who strives for satisfaction directly through inner growth, self-acceptance or a sense of community. Extrinsically oriented individuals, on the other hand, try to achieve satisfaction indirectly through praise, rank in society or financial success.[261] The students are subsequently divided into groups of four with the following mix of intrinsic or extrinsic value orientation: 13 groups of type A (exclusively extrinsic participants), 11 groups of type B (two extrinsic and two intrinsic participants) and 14 groups of type C (exclusively intrinsic participants). The following task had to be performed by each group: each participant represented one of four wood-processing companies and the four companies together could dispose of the resources of a 200-hectare forest. Ten percent of the forest grew back every year. The task consisted of ensuring that each enterprise maximise the harvesting of wood over a randomly determined number of years—with a maximum of 25 years. The highest permissible harvest per year and holding is 10 hectares. Participants were not allowed to consult with each other but would be informed about the forest assets at the end of each round. The game ended when either the years had expired or the forest had been felled.

The results show that type A groups had the lowest total yield and type C groups the highest. Within the groups, the extrinsically oriented participants reaped more than the intrinsically oriented ones, i.e. they lived at the expense of intrinsically motivated candidates as long as they allowed them to exploit them—let us remember the protective effect of the tit-for-tat approach on free riders. The earnings trend over the years was also informative. In the end all groups ran down the common land, as was to be expected after the tragedy of the commons. At the beginning, type A groups achieved the highest yields. From about the ninth year onwards, however, their annual

yields plummeted and after an average of 15 years, the forest was deforested—with type B after 18 years, and with type C after 20 years. It was interesting to note that the aforementioned distinction between cooperative, individualistic and competitive characters did not provide a meaningful explanation for the results, as opposed to distinguishing intrinsically vs. extrinsically oriented characters. Therefore, it also made sense to explicitly include this dimension in a value typology presented later in the book (see Figure 12, p. 144).

Case study 8: The Easter Islands in the laboratory

This leads to the following profit-economy aspirations: firstly, there is a fundamental interest in turning to markets, through the widest possible degree of privatisation, which were previously not the subject of bartering. Secondly, it is only in the course of privatisation that it will be possible to gain control over the available quantity of a good if it is not, like diamonds or drinking water in Africa, already scarce by nature but, on the contrary, gushes in abundance. By means of artificial scarcity, you can now sell what previously had no exchange value.[262] Thirdly, in a society that produces more than its population needs, one could conclude that customers no longer need all these vast quantities of goods because they just gush forth like water. As a result, the goods could hence lose both their utility and their exchange value. According to John Galbraith[263], two further measures are therefore important. In order to maintain the utility value, any discussion on the meaningfulness of goods must be avoided. And in order to maintain the exchange value, the customer's attention must be diverted from the available quantities and directed towards the customers' wishes for variety and choice. Marketing literature has dutifully carried out both orders. Firstly, everything that can be sold makes sense and secondly, the customer is an unconditional Variety Seeker who cannot be satisfied if he does not bathe in options. I will go into more detail on what the customer really wants on pages 107ff.

The Principle of a Peaceful Exchange of Goods

In the past, people used to attack each other in order to gain possession of something, but today we exchange products and services peacefully and by mutual agreement. This is the achievement of civilisation. And if actions are not entirely consensual, such as the plundering of the former GDR after Germany's reunification, they are at least carried out without armed violence, deaths or injuries. Those who stand up for a free economy are, therefore, in favour of peace on earth, and that is why the Nobel Peace Prize for the EU is more than justified. So much for the promise.

According to Frank Schirrmacher, the Soviet Communism of 1989 was also a reliable enemy concept of the U.S. military and when it fell the legitimacy of the Cold War also vanished into thin air. Scientists and industries affected by this either needed a new bogeyman or they would perish alongside communism. Appropriately quickly, this new enemy could be identified: it was man himself, because if it were not for the terrible retaliatory measures with which he is kept in check, man himself would kill everyone else if it were useful to him. The domination of world markets is therefore the contemporary response to the beast man after the end of the beast of Communism. The people best suited to meeting this new challenge are those who are currently available as a result of the communist collapse. They studied for decades how an agent who only cares about his own survival recognises the best chance to strike and weighs up the risk of a counter-attack in an ice-cold way. According to Schirrmacher, this gives agents exactly the skills they need in business today, especially in the financial sector.[264]

Because today countries are only invaded when the people are poor, and the soil is rich, or when the weapons industry's arsenals need to be cleared out. Otherwise, military intervention is politically rather difficult to enforce and therefore the preferred method is to opt for the *economic* variant of the Cold War.[265] The command centre is being relocated from the Pentagon to Wall Street. There they have everything ready for the new world order: Bloomberg, the company of the long-time mayor of New York, has access to the world's most comprehensive financial data and every bank in the world that wants to use Bloomberg has to deliver its data in turn. Product and programme policy are in the hands of so-called *quants*, mathematicians and physicists who used to compute nuclear weapons systems for the Rand Corporation and today they work out financial killer products for investment banks.[266] The most important *investors* and the world's most powerful *lobbies* come and go in a continuous

stream. *Rating agencies* perform the media work. In a visionary spirit, *the World Bank, the IMF* and *ministries* are staffed with the right people.[267] The secret services are preparing the ground in a superb fashion: who is corrupt, in which country and who should you be vigilant against, because he is an idealistic moron? Then we are ready to go! First, the target is defined: a company, a country, a continent, sometimes even the entire global economy. In the case of some companies, after-work rumours in the cafés of the financial districts are enough to ensure that you can buy shares cheaper or sell them at a higher price the next day. Bigger chunks require the help of rating agencies. These downgrade a country, the media report compliantly and earnings start to kick in. According to Forbes, there has never before been such an increase in the super-rich as there was after the financial crisis of 2008, whereas the countries concerned are running deep into debt in their fear of recession and now they can be shown for the fools that they are: take away triple A ratings, trigger local crises which force states to finally hand public property over into the efficient hands of creative profiteers, buy what seems interesting among the remains of the bankrupt estate, move on. Markets, especially financial markets, as places of peaceful exchange are no longer.

They do not even hide their warlike intent anymore. I have already written about the McKinsey book *The War for Talent*. Another word donation from McKinsey is John Horn's[268] contribution *Playing War Games to Win: They Can Be a Powerful Business Tool – but Only if You Get the Design Right*—and that's probably something McKinsey knows. Bradley Gale[269] suggests that the conference room be converted into a war room. Globalisation no longer has to be regarded as imperialism, it can be sold as the *war against poverty*.[270] What we need are men[271] who draw their legitimisation from an impressively fit appearance paired with a vein for the clever: true Machiavellianists. To Niccolò Machiavelli we owe the doctrine of ruthless and unconditional power politics in the 15th century:[272] The ruling class, the princes, must first and foremost hold their *subjects* together and, if necessary, punish them. Not out of cruelty, however, but out of mercy; to ensure law and order among the people. The Reigning Prince's cunning is measured by his ability to strictly separate public perception from actual thought and action.[273] The entrepreneurial result must be the self-centred manager that Peter Drucker warns us of, but unfortunately as late as 1985, when Machiavelli had institutionalised this figure long ago and right away as the easy-to-identify-with prince. The cunning of the self-centred, profit-oriented company ensures that we cannot recognise it as such. The cunning of the self-centred, profit-oriented manager ensures that even his

true motives remain unrecognised and that he displays his ostensibly social vein so skilfully that we even consider him a philanthropist.

In this light, of course, people are mass and mass is no more than the agglomeration of odd-job men. In expectance of achievable reward by the Reigning Prince, they will react in a compliant manner threatened by strict punishment. The prince explains to us what the economy is about, however, he does not explain that he has read Machiavelli—because it is there that he has learned to be smart—nor that he earns least from a stable, slowly growing economy. Rather, the subject has to accept and promote crises because it is not about healthy operations, but rather about the ups and downs, about the volatility of markets, about planned stabilisation and destabilisation of these markets.

At the Service of the Business Mafia [274, 275]

Apology of an Economic Hit Man is a documentary by Stelios Koul. It sheds light on the network of modern white-collar crime. The 3sat programme guide explained: "John Perkins was an *economic hit man*, a business killer. His task was to visit developing countries and sell the rulers overpriced, large-scale projects which brought them into economic dependence on the USA. John Perkins was discovered and trained as a secret agent by an international »consulting firm« on behalf of the National Security Agency (NSA). After twelve years he backed out. Another two decades later he was brave enough to dish out the dirt. His testimony was triggered by President Bush's question after the attacks of 9/11: »Why do they hate us so much?«"

In the film John Perkins recounts: If the US and its corporations want something that belongs to another country, a strategically important waterway, raw materials, a better status for US companies, then this happens by taking the following steps. First, the target country's economy is destabilised. Under the pretext of combating poverty and in cooperation with the IMF and the World Bank, huge loans are granted, which, of course, neither reach the poor nor can they ever be repaid. If repayment falters, conditions are renegotiated and, in exchange, American companies are granted the rights they want. If this does not work, the Economic Hit Men are sent out, whose task it is to corrupt high-ranking officials, but preferably the President himself. The President now has the choice of becoming very rich if he cooperates or to suffer alongside his family. If the target person continues to refuse to cooperate - as several Central and South American presidents did - or if he

changes sides after years of accepting money, like Saddam Hussein or Osama bin Laden, then level 3 comes into effect and killer commands are set on this person and his family. The jackals, as they are called, are professionals in sneaky killing, for example by bringing down a president's aircraft. Ecuadorian President Jaime Roldós and Panama's President Omar Torrijos died in 1981 in mysterious plane crashes. Saddam Hussein and his many doppelgangers could only be eliminated by invasion. If nothing else helps, there will be war. This is partly financed by US-confiscated funds of the target country and creates not only lucrative contracts for the companies involved during the war and afterwards, but also privileged access to the country's resources and new economic conditions.

A key figure in the merging of economic and military interests in the USA is Ford manager Robert McNamara, who in 1960 was brought into the government by John F. Kennedy as Secretary of Defence. The three pillars of his new system of corporate dominion consist of the Group Executive Board, the Bank's Board of Managing Directors and the government. In 1967 when he became President of the World Bank, lending exploded and McNamara turned the World Bank openly into the leading institution for poverty reduction and an unofficial super-weapon for economic policy.

Case study 9: At the service of the business mafia

This story reeks more of a spy thriller or a conspiracy theory than of deliberate white-collar crime involving or at least equipped with blessings from the very highest circles, and I was about to delete it. But then, in June, 2013, the news came in that a few of the world's secret services, especially the NSA, were cooperating with companies like Google, Facebook or Skype to systematically spy on the world. Without the disclosures of Edward Snowden, this news would at best have been at the level of a conspiracy theory. But now things were different. Snowden is being hunted down as a criminal, while there is little talk of remorse, insight or even the immediate cessation of these practices by the authorities involved. Depending on the interpretation of the law, the snoopers' behaviour could easily have violated several national and international laws. Snowden, according to Amnesty International, had revealed human rights violations and therefore acted in the greatest interest of the public, consequently he ought to be protected while U.S. authorities continue to break

national and international laws in pursuit of him.[276] Just as worrying is the fact that according to Christoph Prantner, however, the American citizen is dependent on foreign media such as The Guardian, der Spiegel or BBC to get information about the current state of the scandal, because the once so critical and incorruptible US press seems to have ceased to exist.[277] However, it did not take too long for British Prime Minister David Cameron to similarly muzzle the press in his country and show them what the new interpretation of press freedom means under threat of punishment.

I sometimes wonder how many other U.S. economists have to identify the European economic approach, or what is left of it, as the more economic one, how many statistics on the state of American society and the shocking influence of the Tea Party Movement on this society is needed, how many U.S. crises have to be co-financed by Europeans, how long we want to allow ourselves to be spied on by our "allies" until we have the confidence to choose and walk the European way, instead of copying the American way and become ever more dependent.[278] And I am dogged by the suspicion that on a grand scale it is a question of helping the profit-economy approach to gain worldwide recognition. If, however, only one important economic alliance, first and foremost the European alliance, steps out of line and follows its own path, this venture threatens to fail.

Meanwhile, the international economic war has gained such momentum that those involved no longer even have the time to cut, at least officially, a good figure as Machiavelli recommended. In the past, energy would have been invested in the country's reputation and a visible commitment to the fight against corruption would have been shown in front of the press—I am referring to the small bribe with a few banknotes in an envelope, examined diligently by the organisation *Transparency International*.[279] It was once important to have a clean record and to be able to show immediately, on the basis of corruption rankings, that this is a typically African phenomenon and that is why we should not be surprised if these countries are in such bad shape[280]. Today it does not seem to matter anymore; you just do it and concentrate on the task of getting your own armed forces into position to secure the last fossil fuel reserves in the Arctic and the South China Sea. Those who get in the way will be locked up and the media will remain silent because they are under control anyway. In view of these developments, however, the question arises as to who is still naive enough outside business schools to think of the word "economy" as meaning a peaceful and voluntary exchange of goods in free societies?

Prosperity for All[281]

For the Neoclassicists, the prosperity of the baker and the butcher led to the prosperity of the entire nation without the need for state intervention. This metaphor explains and legitimises the principle of the market economy as self-evident, because it is guided by the invisible hand, a natural law. But if everyone benefits anyway, it would be absurd to question the profit principle.

Let us just for now question the fact that nations are becoming increasingly prosperous instead. There is ample evidence to show that nations, first and foremost among them China, that have over the last 30 years gradually begun to allow for profit or market-economy aspects in their countries, are able to reduce poverty. China will soon catch up with the USA and Europe, at least in terms of gross domestic product. So much for the good news. The bad news is that a greater part of this wealth benefits an ever-smaller part of the population and no longer *trickles* through to the lower classes, the inequality is also growing, not only in an international comparison of countries,[282] but also in China itself, as Bas Kast reports: China already sports the largest number of billionaires after the United States and nowhere else in the world is their number growing more rapidly. The majority of Chinese, however, continue to live in hovels and will have to make do with $1 a day even in the future. Industrialisation has not led to an increase in happiness either; the mood of the Chinese is in effect steadily deteriorating.[283]

From *profit* win-win-societies, as a game theoretician would call it, we are evolving into *zero-sum* societies. Whereas, the way to a mature society would consist in making the exact opposite effort; to cultivate a system of values in which everyone is entitled to something, instead of stirring up mutual envy. Thomas Jefferson is reported to have compared this principle with the lighting of one candle with another.[284] In this case, we share with others by lighting the candles of others without losing anything. Everyone benefits, everything is becoming brighter and friendlier. Elinor Ostrom[285] looked into the question of which things multiply by sharing them with others. And Muhammad Yunus created a global corporation with his unshakable determination to help others. Erich Fromm explained the distinction between *mine* and *yours* biblically: God warns people about eating from the tree of knowledge of good and evil. Eve is guilty of not trying to protect Adam, and Adam is guilty of blaming everything on Eve. Instead of overcoming separation through love, each of them sought their own advantage. Consciousness and separation make one guilty, that is the price of consciousness. And this can only be settled by dissolving the illusion

between *mine* and *yours*. For this reason alone, we can predict that a greedy capitalist will become ever richer, but definitely not happier. As early as 1993, the famous one percent of households[286] owned 40 percent of the wealth in the USA. The other 99% had to share the remaining 60% of the assets. The top 20% owned 80% of national wealth.[287] In Germany, "... the wealthiest ten percent of the population own over 60 percent of the country's total wealth. The highest one percent, i.e. the richest in Germany, hold just under a quarter of the total assets."[288] In Austria, the inequality in asset allocation is at present still somewhat more moderate than in Germany.[289] According to a recent study, however, in a comparison of European countries, we and Germany have already come to the bottom of the list, when forty years ago we once were, together with Germany, the proud pioneers of the social market economy. Across Europe, the top 20 percent accounted for 67.6 percent of net assets.[290]

US economist John Kenneth Galbraith[291] explained this development as follows: possession of money is directly linked to possession of power, including the power of money distribution. More money makes you more powerful and makes it possible to channel more money into your own pocket, which in turn makes you richer and therefore more powerful, etc. Since proportional consumption decreases with increasing prosperity, we arrive at the curious phenomenon that the poorer people in economies maintain these through their consumer spending, to the delight of the rich, who prefer to have their money dance on international financial markets. After all, power also entails the power to negotiate tax-saving rules especially for your own kind. We are stunned to see that even model capitalists like Warren Buffett are now asking to be taxed after realising that they pay less tax than their secretaries. Other super-rich people, on the other hand, continue to find such ideas outrageous; indeed, they believe that they still pay far too much, that the state should finally learn to save money and that taxes—at least theirs—should be completely waived, because taxes are theft and the state itself is a problem. This brings us to another curiosity: the rich do not have to pay taxes; the poor cannot pay taxes. So, it is the middle class and the state coffers that are being plundered in order to keep national economies reasonably alive, while high-income earners, according to Galbraith, are using the infrastructures disproportionately. They want more safety, in particular for their neighbourhoods, wider streets from there into the city, enough water for their swimming pools, the best schools and health facilities of all kinds, and all this in their immediate vicinity. If they intend to establish a company, they expect state aid that the small business never gets a glimpse of. In order to be able to run their businesses, they

expect an impeccable infrastructure, financed precisely from the money they have never paid. It is all too easily forgotten that Adam Smith said very clearly that it "...is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion."[292]

Not only do the top ten thousand influence politicians to reduce their tax liabilities, underlined by the threat of withdrawing assets or relocating businesses, but engage in all forms of legal tax-friendly or illegal tax evasion measures, which are a popular field of activity of the capitalist. The purchase of account data of German citizens from various European banks in recent years has caused a great stir. To the average citizen's great astonishment, he learned that he is held accountable for any small tax-friendly act, while the big fish triggered a discussion if such measures imposed by the authorities were even legal and morally justifiable. In these murky depths you start to realise that taxes are indeed theft, namely from those who are stupid enough to pay them: *tit-for-tat*.

If the citizen then learns from the media about the highly irritating behavioural patterns of a former minister of finance, then this citizen no longer asks whether the presumption of innocence applies or not. Rather, he remembers the *Catch-Me-If-You-Can* game, adjusts his tax morale downwards and in the end, the state loses out. Not only in terms of tax revenues, but also in another currency: the republic's reputation has been ruined and the country is being laughed at on the international stage. At least, until the case sets a precedent and other people's representatives remember that economic theory according to which we are all just freeloaders, or indeed have to be, if we do not want to raise suspicion of being irrational and having missed opportunities.

However, the possibilities of playing such tax games will always be denied to the average earner anyway, they are reserved for the rich and clever opportunists, as Anton-Rudolf Götzenberger told us in a *Standard* interview.[293] Götzenberger is a tax advisor, a specialist in international tax issues and author of books such as *Tax-Sensitive Investments* or *Legalizing Foreign Assets*. Firstly, it is important to him to state that his techniques are not for the average citizen: "... small savers usually have no choice but to pay legal taxes on everything, because such models ... only pay off above a certain level ... The benchmark is from a million upwards." Götzenberger advises those who lie sleepless in their beds because of one million or more not to look to Switzerland anymore—let us remember the reward and punishment principle of Machiavelli and that this ought to be done out of the goodness of one's heart, in consideration of the

Swiss Confederates. Credit Suisse's recent affair, the betrayal of investors, will undoubtedly harm this financial centre—such were his punitive words. Highly recommended for Austrians with a million or more in their pockets are now Cyprus [sic!], but also Dubai International Financial Center, Ras-Al-Khaimah companies or Singapore if they want to invest their money "discreetly".

In this way, the trickle down of prosperity comes to a halt, and it even seems that today's decision-makers are primarily concerned with the reverse process: the barrier-free *upwards* trickling of money, from those who need it most urgently to those who are unable to do anything sensible with it anyway. Heather Stewart suspects that the already sufficiently dramatic statistics on distribution injustice still strongly underestimate the true circumstances, because unofficial money that is not covered by statistics migrates to tax havens in massive numbers. She confirms what has been said so far in all respects: the rich and super-rich pay practically no taxes anymore because they employ the best banks, tax advisors and lawyers and get special conditions from politicians. But at the same time, they make *ample* use of schools, hospitals, roads and public transport without contributing to their maintenance. This is up to those who the state can still get hold of, i.e. the middle and small earners who cannot hide their incomes away. According to Stewart's estimates, between 21 and 32 trillion US dollars remain untaxed worldwide every year.[294] Allow me to give meaning to these astronomical numbers: this sum far exceeds the EU national economies, it is almost a hundred times what is needed to cut world poverty in half in one fell swoop, or five hundred times the amount of money needed annually to achieve the UN Millennium Development Goals.[295] As the Austrian magazine Format spectacularly headlined, the eurozone sits on a *mountain of debt of 8.22 trillion euros*.[296] But even if you add to that the US debt mountain, the untaxed money word wide could more than make up for the spectre of *government debt in the West.* So, money is just as abundant as the air we are still allowed to breathe. Rather, it is available in excess, but must *appear* scarce for the amusement of the profit economy.

Let's sum it up: those who have the money are exempt from their tax obligations and for that they even have the blessings of the economy, invoking homo economicus to explain their behaviour. Because politics urgently needs money, it forms an alliance with them. The deal is this: another financial injection for even less contribution of the capitalists. The state is being systematically manoeuvred towards insolvency, and we already know the advantages the financial community gains from a high level of public debt. Most economies in de-

veloping and emerging countries have always been in this critical area of dependence. What is new, however, is that economies such as Spain, Italy, Portugal, Ireland, the USA and Greece are joining the group of crisis candidates. And that is probably just the beginning. In reality, most Western economies are on the brink of insolvency, irrespective of any statements from financial circles and beyond.

This picture becomes even more dismal when we consider that we have lived for decades at the expense of our future and now certainly have to cover these costs first if we are honest. The most affluent countries have not established a sustainable pension system for an ageing population coupled with declining birth rates. There are no resources for storage, disposal and consequential damages from waste, which the consumer society has been producing for decades—in principle we store it *temporarily* or *with somebody else*. We have not created any reserves for the immense costs that will necessarily result from our environmental sins. And they are already being felt, for example, in the form of more severe storms and floods followed by atypically hot spells. What weighs heaviest, however, is that we pass the costs of our way of life on to our children or, in the case of nuclear waste, even to hundreds of generations to come.[297]

In view of the veritable crisis of 2008, we were, of course, prepared to throw away all our room for manoeuvre in order to avert the crisis. We will no longer be able to straighten out a second crisis of this kind—which may well occur shortly after the publication of this book—neither through *deficit spending* nor *financial cosmetics*. It would only require an internationally coordinated and fair taxation of assets in order to put an end to the spectre of national debt or state insolvency and to free the nations from the bondage of moneylenders and from the hysterical fuss of rating agencies. However, in view of the prevailing distribution of power, it remains to be seen whether this will happen.

After this excursion into tax issues let us turn to the psychological consequences of such a policy of inequality, injustice and ultimately dissatisfaction. If societies drift apart, if comparisons between them leads more and more often to the conclusion that some people get a significantly larger piece of the cake, then a socially critical point has, without doubt, been reached. Richard Wilkinson and Kate Pickett mapped this insight in their book on social inequality. In dozens of graphics and from different perspectives they showed: "Once we have enough of the necessities of life, it is relativity which matters."[298] The

more unequal a society becomes, the more dissatisfied people become in comparison to each other. The social problems are inevitably growing in all relevant areas such as health, obesity, life expectancy, mental balance, mutual trust, drug use, violence, crime, and so on. And that drives up social costs. If we summarise all these effects for the wealthy countries into an index of *health and social problems* and compare them with the income *in*equality in each country, the dramatic picture shown in
Figure 7 emerges.

Rarely is statistical data available in which a connection is as obvious as it is here. With the income inequality of people in a respective country, social problems grow systematically alongside them. However, the same index of *health and social problems* compared to *absolute per capita income* in countries shows no correlation.[299]

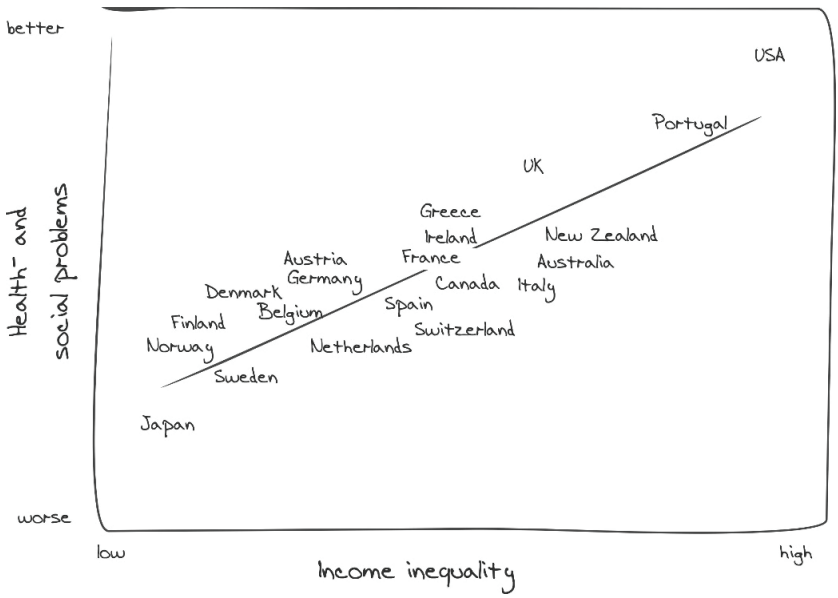

Figure 7: Health and social problems are closely linked to inequality in affluent countries. Source: Wilkinson and Pickett (2010), fig. 2.2, p. 20 [300]

Wilkinson and Pickett's political message is clear: what counts in wealthy countries is no longer the absolute income of people, but the fight against its unequal distribution as long as we are concerned about the satisfaction of the

population alongside the reduction of social costs. Yet, the unequal distribution of the tax burden that has just been described suggests that, on the contrary, a systematic increase in inequality, dissatisfaction and social problems is currently taking place. The state not only misses out on tax revenues, it also has to bear the rising social costs. A profound analysis of how the USA has managed to move from the position of the leading economic nation, a prime example of a middle-class society[301] and the nation in which everyone could become anything, to this sad unique position depicted in
Figure 7 is currently offered by Jeffrey Sachs.[302] For neo-classical economists, on the other hand, inequality continues to be not a bad thing, but rather a logical consequence of the varying degrees of people's useful contributions to society—as Joseph Stiglitz[303] commented on the cynicism of the current circumstances—and is therefore more than justified. The fact that social costs are driven up in the process only proves the point of how uneconomic the economy can be.

Economy, Freedom and Democracy

The value proposition of neoclassical theory is as follows: free economy means free choice of products on free markets. It is comparable to the sovereign voters when sovereign consumers, employees, suppliers and moneylenders use their "votes" to determine whether an individual company will thrive or die. They alone legitimise its existence. That is why the unleashed economy—as economists Friedrich Hayek or Milton Friedman never tire of stressing—is an integral part of modern democracy. Moreover, it seems logical that capital grants its owner further degrees of freedom. In contrast, poverty makes people unfree. In order to lend further emphasis to this freedom-lending characteristic of capitalism, Friedman gladly includes the concept of freedom in the title of his publications, as if he himself in his core did not really believe in it. The more precise value proposition is thus: give capitalists maximum freedom and everyone will be free.[304]

For a long time, the prevailing opinion had therefore been that socialism is equal to the planned economy and democracy equals capitalism. However, since authoritarian political systems such as China and pseudo-democracies such as Russia have been resorting to capitalist mechanisms, we see that one thing has little to do with the other. In addition, democracies like the United States, which were once exemplary, are becoming less and less free, the more liberal their economic order becomes. Voters can choose between an extremely right-wing and a slightly less right-wing party, both of which leave no doubt

that the state must continue to be scaled back and that the free capitalist economy is the measure of all things.[305] A presidential candidate who does not take an oath to this effect has no chance of being nominated in the first place. Freedom means to commit oneself to the system of the profit-economy values and, conversely, anyone who is not wealthy has not been sufficiently competent, has refused to make a "2free decision for meritocracy" and is therefore to blame for his own fate.[306] Meanwhile, the European Union has been awarded the Nobel Peace Prize—a *noble* gesture. As an EU citizen, however, I am still unable to assess whether the EU is primarily a *community of nations*—in this case, I am sure it deserves such an award—or the *economic community* from which it has emerged, and the main task of which is to impose restrictions on free competition and promote the interests of the industry; because that is something entirely different, if not the opposite. In the first case, I would expect us to be guided by our Greek-humanist and social-market-economy roots, where democracy, assistance in need, social mindedness, responsibility and sharing must have an immutable place. In the second case, it is rather our Calvinist-imperialist roots that guide us.

The Brussels Business

In the documentary film *The Brussels Business*[307] the hope that the European Union would be the political dream of united European nations is not given much new nourishment. What we see, however, is an economic "dream" emerging, a dream dreamt by large European corporations and their bosses, united in the European Round Table (ERT), who, together with their lobbyists, want to transform Europe. As is so often the case, the circle of proponents takes its legitimacy from the supposed threat to Europe's competitiveness, regardless of the fact that they do not possess any democratic legitimacy. Lobbying has long been commonplace in America, and therefore European corporations also need it—we have already talked about the *paradox of competition*, that largely dispensable efforts are being pursued ever more intensively simply because the competition is doing the same. After the criminal practices surrounding lobbyist Jack Abramoff were discovered, however, the whispering advisors now at least have to register in the USA.[308] The European Parliament is still opposed to compulsory registration. Perhaps the "heroic" former Austrian minister and MEP Ernst Strasser, who claimed to be corrupt only to expose a bribery ring, knows more about this—at least this was the explanation he gave later of why he was suddenly and massively committed to the interests of a group of people

offering him bribes. In addition to him, the "lobbyists", who were in fact Sunday Times reporters, also ensnared a Slovenian and a Romanian deputy and, in a later operation, a British elected representative.

MEP Jan Philipp Albrecht recently informed the media[309] about one of the most extensive lobbying campaigns Brussels has ever seen, the planned EU Regulation on the protection of personal data of EU citizens, GDPR (General Data Protection Regulation). He reported that the unbelievable number of *170* interest groups visited Albrecht until February 2013 to present *their* views. These visitors included representatives from Facebook, Microsoft, Siemens, Insurance Europe and Privacy International. "There were many different ways of exerting influence... some were trying to exert pressure by threatening job cuts as a consequence of the regulation", Albrecht explained to the newspaper "Der Standard". In this case, most lobbyists came from the financial sector, followed by representatives from trade and industry, communications and media lobbyists, consultancies and law firms, NGOs and trade unions, government officials, security and software lobbyists and representatives from research and academia. In this way, the EU's intention to protect the personal data of its citizens mobilised as many lobbyists as in 2007 when the Reach Regulation to protect them from dangerous chemicals was introduced or when in 2012 the successfully stifled initiative to label food with an easily understandable and recognisable traffic light system was launched.[310] (see Case study 2, p. 32).

No matter if they are on *this* side of the Atlantic or on the *other*, committed democrats' hair must stand on end in the face of these events on both sides of the pond.

Case study 10: The Brussels business

We learn from this new form of opinion-shaping that—in contrast to the democratic principle of *one voter, one vote*—what applies here is the principle *of one euro, one vote*, because all these lobbyists, circles of interest, donations and "expenses" devour huge amounts of money, which must come from somewhere. "In the market place, a Rockefeller has [therefore] thousands of times as many votes as the average citizen"[311], and this is particularly true of the financial markets that have a grip on us today. Why this embrace can barely be loosened is explained by the simple fact that the financial industry is one of the

most generous donors during election campaigns and one of the most important sources of a small additional income for "needy" politicians or for the temporary plugging of budget gaps.[312]

When we speak of a *genuinely free society*, however, it is one in which man has freedom of choice in the truest sense of the word. He can choose a party from a wide range of political options; he can speak out in favour of, but also against meritocracy without being socially ostracised. He can choose products that impress others, but he can choose not to. He can commit himself to his employer, but he also has the freedom to change jobs. He can laze around in his spare time, do competitive sports or chase after money. He may belong to one religious community or to another or none at all. He can agree to a viewpoint or criticise it with impunity, opt for quality journalism or the yellow press. The fewer constraints, be they political, material, social, health or consumption related, the more often and longer we can act in an intrinsically motivated manner, the freer we are. But, if wealthy societies are moving more and more in an extrinsic direction, the necessary consequence is that they are also becoming increasingly unfree. Amartya Sen writes in an essay on freedom of choice, "It is fair to say that in the general tradition of economics the instrumental role of freedom is much more prominent than its intrinsic relevance … [whereas] … Marx's defence of freedom is ultimately intrinsic, going well beyond its instrumental relevance."[313]

Geert Hofstede has observed across many countries that Western cultures tend to be *individualistic* while Eastern cultures, following the Confucian tradition, are more *collectivistic*.[314] Alfie Kohn points out, however, that we must not confuse this individualism with freedom or autonomy. In fact, individualism results from the loneliness that man feels in a competitive society, from which an attitude results where people want to be their own best friend, while solidarity with others steadily decreases.[315]

In Holland, the concept of freedom is given a high priority today, but always in the context of *responsibility* that arises from this freedom. Those who come to the conclusion that they can no longer find pleasure in life because of a serious illness can choose euthanasia in Holland as well as in Switzerland, another country with a strong commitment to democracy. In my view that too is freedom. I see the responsibility aspect in the fact that these countries are still tackling an issue even if it is a very complex and sad subject, which may well not attract large numbers of voters or market potential. Most other cultures

prefer to look the other way or to shirk the issue with a wide variety of arguments - they take no responsibility for the citizens' self-responsibility and prefer to trust the voices of *experts*. I am not interested in discussing euthanasia, I would just like to say that freedom is something you have to fight for constantly, it is not a by-product of a free economy, but something you have to stand up for even if something does not make a profit or even diminishes it.

A flourishing economy creates jobs, a vibrant labour market and thus the opportunity to choose one's employer freely. It therefore appears that profits make a direct contribution to employment and that only a profit-oriented economy is the engine for the free choice of jobs and full employment. Is that really so? The higher the unemployment rate, the more dependent the individual is on his job, the more he will make an effort not to lose his job, wage and salary demands will be more moderate, work will be ever cheaper. In 2008, Stern, a German magazine revealed that the supermarket discount chain Lidl systematically and illegally spied on its employees.[316] Meanwhile, during a trip to Asia, a businessman explained to me that Hong Kong is the capitalist's true paradise: hardly any protection of employees and low company taxation. The conditions in the developing country are truly "paradisiac", not only because of much lower wages, but also because of the fact that there is no legal right, no protection and no prospects for workers who can be replaced immediately if they no longer want to work 12-hour shifts over 13 days in a row or perform activities that are harmful to their health. Another aspect of "paradise" is that there is no critical press, no state intervention, no functioning workers' representation and hardly any environmental regulations.

In comparison, and from a profit perspective, the Western model has become too expensive and therefore it is no longer competitive. Freedom, justice, safeguards, all this costs money. While in China, unpopular people can be deported to work camps or sent to "rehabilitation centres" without expensive legal proceedings, here one has to carry out a time-consuming and nerve-racking court procedure, employ lobbyists, buy the media and so on. Nor are we allowed to expose people to toxic substances. They have legally regulated weekly work hours and must be granted breaks. Strikes are still allowed in Europe. All this costs a lot of money and we will soon be unable to afford this "expensive" Western lifestyle compared to the cheap Chinese one. In reality, we will have to choose between freedom *or* profits and not freedom *through* profits.

The Profit economy is interested in people's lack of freedom, not in their freedom, in monopolies and cartels and not in lively competition. That is why I see

it on the same level as the *planned economy*. This starts with corporate culture. Wage earners and soldiers are more likely to be employed than free spirits, who may then even outshine their superiors in mutual competition. The customer should also have the freedom to switch to us. However, once he has decided to buy our coffee machine, our printer, our mobile phone, our game console, our shaving system, has accepted our contractual terms and conditions, he should no longer have any freedom, and the patent-protected coffee capsules, printer cartridges, music downloads, games, razor blades, and services can only be purchased from us. In the marketing textbook, we learn that this is a normal sales-enhancing measure, called *lock-in* or *barriers to change*. Monsanto, an American seed producer, sells genetically modified seeds worldwide. In countries such as the USA, seed can now also be *patented*, which has the "advantage" that the harvest can no longer be proportionately used as seeds for the next year. This right now lies with Monsanto and the farmer has to buy seeds year after year, gets more and more into debt and becomes increasingly dependent, especially when yields fall short of Monsanto's promised yield expectations.[317]

It is clear that business with addictive substances such as alcohol, tobacco or drugs can make customers unfree. But McDonald *conditions* people to the brand and flavours even in their childhood, so that they will feel a desire for these flavours every now and then.[318] Education is no longer the chance to develop into an enlightened, autonomous personality, but rather the compelling preparation for a race, which is lost by those who do not at first run along with the herd and then skilfully overtake them in all the appropriate places – see Case study 12: Republic of Korea

, p. 132. Free media coverage does not seem to be the favourite vision of the profit economy, as we have just seen. On December 4, 2012, billionaire Frank Stronach was the first Austrian politician to publicly admit that he was buying the media in order to bring his political messages to the public. Nobody's ever said that in public before. But the media have indeed become fatally dependent on the economy because they finance their media operations up to 100 percent from advertising revenue.[319] Freedom of the press is then what remains—to plough through those fields where advertising revenues are not to be expected and which can be made sufficiently streamlined to ensure that you do not rub somebody up the wrong way when navigating the jungle of economic interests—and to turn this into a feat of investigative journalism.

But let us briefly return to the question of how money and property can make you free. Poverty makes people unfree, we don't have to discuss that. It must therefore be the goal of every society to combat it radically. But does wealth release us in turn? Janis Joplin once sang: *freedom's just another word for nothing left to lose*. Even Buddha put it beautifully: "If you have something, you fear losing it; if you don't have it, you long for it."[320] Is the affluent society today driven by the *fear of loss* that Buddha warned us against? Richard Thaler, for example, found out that the value of goods increases in our perception as soon as we possess them—also known as the *endowment effect.*[321] Amos Tversky and Daniel Kahneman[322] derive the general principle of *loss aversion* from this: fear of loss seems to weigh more heavily than the corresponding chance of winning. As paradoxical as it may sound, the more chances of winning we exploit in order to reach the safe side of life, the more disproportionately the fears plague us of losing these achieved advantages.

Having less also *frees* us from this fear to a certain extent and makes us *freer*. I will come back later to the possible emotional roots of this phenomenon, because I suspect that material losses are relatively unimportant to people from a certain level of prosperity onwards. But what he does care about is his mood, and in material societies it must be strongly linked to the loss of *things*.

Having nothing left to lose, however, can also radicalise us, especially when a sense of injustice and inequality is added to the equation. Then people take to the streets and the situation easily gets out of control because things cannot get any worse anyway. But then a speculator is also prepared to speculate in a radically risky way, because either it works or our bank—or our country—is only as dead as it was before.[323] But in such a scenario China quickly becomes an appropriate negotiating partner. And what is more, we knock on its doors in delegation waves and ask China to purchase our bonds. Now what happened to the freedom that Friedman promised us?

Let us sum it up: the ever more radical pursuit of profit maximisation is making people in affluent societies ill and disenfranchised. We ought not want to be free, we ought to get rich. Admittedly, there are mechanisms within the competitive society that - theoretically - restrict the profit maximiser's room for manoeuvre: competitors, laws, critical press, strikes, consumer boycotts. But one can take concrete action against all these threats, namely make people dependent, whether they are customers, politicians, employees or media representatives. And you can ask the media every day how long we want to afford this *Western-decadent* lifestyle. But the real question is whether we want to

live in such a society? Whether the future manager or businessman should, above all, bring along cleverness paired with a shot of criminal energy? Whether we still want to support the downward spiral of declining dividends, more aggressive selling, financial tricks and balance sheet consolidation, the exploitation of customers, employees, the environment and the state? If so, then we must not complain about *Deepwater Horizon*[324] as it is part of this aspiration to drive costs even further downwards, to screw down the drilling depths and safety measures even further, to sink fatal consequences even deeper into the sea and to finally cover each other in compensation claims at an ever-lower level.

Free Enterpreneurship Brings Maximum Customer Benefit

One of the most popular—if not the most popular—value proposition of the advocates of an unfettered economy is: free competition mobilises the best in us and the beneficiary of all this is King Customer, who can enjoy the greatest possible choice, the highest possible quality and above all the lowest prices. This means that should the distribution of wealth come to a standstill, free competition maximises the value of the products for the customer, as if by an invisible hand so that with the money he has left he can buy one of these fantastic products to repair his mood.

Just like the miraculous justice of wealth distribution, this miracle will probably not take place anymore. When searching for an answer to *why*, let us start by asking the fundamental question of how customer satisfaction could develop if it were dependent on the quantity of consumed goods. Figure 8 graphically compares three hypotheses.

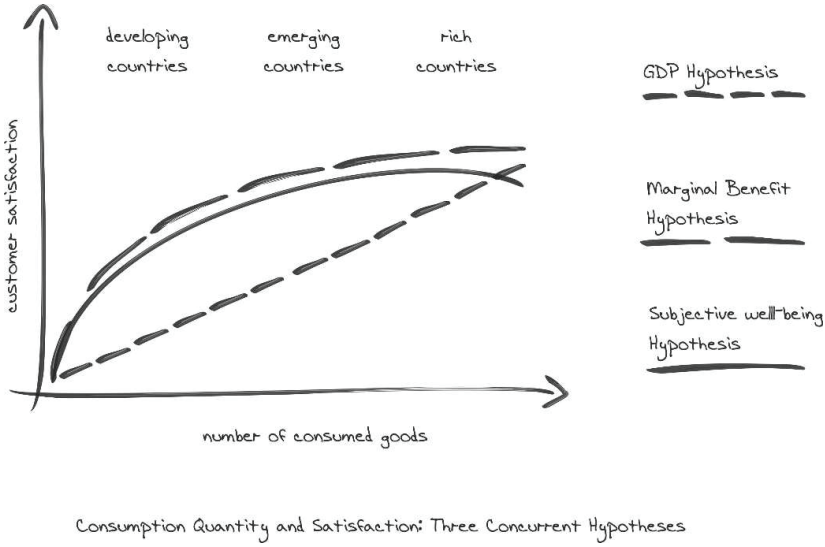

Figure 8: Number of goods consumed and customer satisfaction: Three possible progressions.

GDP Hypothesis: This hypothesis states that the greater the *gross domestic product (GDP),* the more satisfied customers are; in other words, the more the sum of all payments of consumers, government offices and companies in a country grows, the higher the gross domestic product (GDP) becomes and the more satisfied customers are. The rationale is simple: if the things we buy did not improve our quality of life, we would not buy them. For this reason, a continuous increase in GDP per capita is a reliable sign of increasing quality of life per capita.[325] In reality, there is hardly a worse indicator for the condition of affluent societies than the GDP. The kingdom of Bhutan has therefore swiftly eliminated it and replaced it with the Gross National Happiness Index *GNH*. GDP measures how much money we spend. As we continue to spend more money on medication, alarm systems, car repairs and weddings, GDP is reporting growth and progress and the economy is pleased; although it is perhaps just an indicator of increasing health problems, worsening fears, rising accident figures or increasingly fierce competition between people.

GDP may also rise because partnerships no longer function and as a result of this more housing, more fast food, more alcohol and medicines are bought—divorced men and women, for example, drink more and suffer more frequently

from mental and physical illnesses.[326] GDP does not tell us whether we are financing our purchases out of our own pocket or through a customer loan, whether we are perhaps just getting more and more hopelessly indebted. Therefore, it does not warn us of crises like the one in 2008. It does not tell us whether we are achieving GDP growth at the expense of our children, for example, because we no longer have time for them or because we are selling their future by infinitely wasting finite resources and destroying the environment.[327] We learn nothing from GDP about how this expenditure is distributed among the population and whether a feeling of distributive injustice is spreading. We do not know whether people will have to slave away to achieve this or whether they are given adequate time to recover. GDP therefore says nothing about the social costs we are accumulating. And lastly, there is no information about all forms of unpaid work, such as running a household. In short, we do not know whether we are still growing economically or already uneconomically. There are many other aspects that we do not want to go into here.[328] These considerations are sufficient to make the GDP hypothesis attractive for growth fanatics, but at the same time unsustainable in real terms, because GDP reflects satisfaction issues only very indirectly. Even more than that: when unhappiness stimulates purchases, it contributes to the increase of GDP.

Marginal Benefit Hypothesis: The idea of the diminishing value of a product with continued purchases implies that its subjectively perceived value fades with the number of units consumed. The usual example with the first glass of water in a desert, for which one might still give away one's car and the tenth glass of water which no longer provides a significant reduction in our need gap, is symbolic of this idea. The mechanics behind this can be traced back to Nicholas Bernoulli and his cousin, Daniel Bernoulli.[329] And it makes immediate sense and is therefore considered an integral part of microeconomics[330] today. On the macroeconomic level, the available results of satisfaction research show a corresponding concave course of subjectively perceived satisfaction of nations with regard to their respective GDP. As Figure 8 indicates, increasing the throughput of goods in developing countries makes an excellent contribution to satisfaction, and in emerging countries, it is also a meaningful contribution to satisfaction. In this context, we must also consider Adam Smith: that it is permissible to prioritise material progress in a predominantly poor society, while in the light of prosperity already achieved we could and should set other contexts.[331] In affluent societies, throughput of goods is becoming more or less meaningless and hardly ever leads to additional satisfaction. The curve flattens out somewhere in the area where, according to Erich Fromm,[332] *functional*, i.e.

congenital, survival-serving possession, after it was satisfied vanishes and turns into *character-related* possession, where one wants to acquire things and keep them, a trait that is acquired, cannot be appeased and creates the aforementioned fear of losing these things again. With reference to Richard Easterlin's groundbreaking studies on this subject, we now talk about the *Easterlin Paradox*.[333] These seemingly plausible boundaries of the meaningfulness of consumption must have been the reason for the flaring up of post-materialist movements (*hippie movement, 1968 generation)* in industrialised countries in the 1960s, but only briefly, before they were "put back on course".[334]

Subjective Wellbeing Hypothesis (SWB). This hypothesis takes it one step further, assuming that an economy based on quantitative growth will ultimately be to the detriment of all involved parties and their heirs if a critical point is surpassed. Contributions to this are—as a reminder—cultural pollution of the environment, materialism, increasing indebtedness of households, the resulting work pressure, perceived inequality, loss of freedom and democracy, infantile social comparison processes, diminishing solidarity, forced mobility and the resulting loss of bonds with the people we love,[335] the competition paradox, an increasingly hostile atmosphere; but above all the destruction of the environment. Sheth and colleagues talked about the point *where mindful consumption* turns into *over-consumption*. This would be the highly relevant, but still largely unknown point at which economic growth finally tips into uneconomic growth.[336] This cannot yet be fully empirically documented by means of SWB research because satisfaction research is inevitably working with historical data, while many of the aforementioned threats are currently in their development stage and will only fully reveal their negative effects in the coming years and decades. However, what we have observed for some years now is the paradox of unprecedented material prosperity in the industrialised world, coupled with growing disappointment and mental poverty,[337] and the paradox of rising physical health coupled with an increase in mental problems such as addiction, hyperactivity, attention deficits, social phobias, depression and anxiety.[338]

Let us now look into the blessings the profit economy offers the customer in the form of a product range on the market that leaves nothing to be desired: the ultimate freedom of choice and its empirical enemy, the *paradox of choice.* The dominant opinion of the retailer is that more choice leads to greater customer satisfaction and at the same time is the best way to stimulate customers to make unscheduled additional purchases and thus boost sales. Sheena

Iyengar and Mark Lepper[339] have conducted a series of studies of this phenomenon. In the first one, 6 or 24 jams are alternately offered for sale at a supermarket's advertising stand. Of the 754 customers observed in the course of the study, more show interest in the sales stand with 24 jams (60 percent vs. 40 percent), but in the decisive question of whether they also buy, most of them shy away from the overflowing offer: just 3 percent (vs. 30 percent) actually buy one of the jams advertised. In a second study, 197 students are invited to write an essay on a voluntary basis in order to collect additional points for a course. One group receives 30 suggestions for topics to choose from, the other group receives six. Not only is the participation in the first group lower (60 percent vs. 74 percent), but the quality of the papers submitted is also worse according to a jury verdict. In the third study, 134 students have to choose from six vs. 30 chocolates. In the group with the 30 chocolates, the respondents take longer to make a decision, the decision-making process is experienced as more frustrating, satisfaction with the decision is lower and the subjectively perceived responsibility for the decision increases. The authors conclude: "… although the provision of extensive choices may sometimes still be seen as initially desirable, it may also prove unexpectedly demotivating in the end."[340] Mathias Binswanger[341] describes this phenomenon as *multi-optional treadmill* and states that three factors are responsible for it: rising *search costs*—the decision takes longer—, rising *complexity costs*—the probability of a wrong decision increases— and rising *opportunity costs*[342]—more and more options for action have to be rejected.

The significance of such studies[343] cannot be overestimated. Excessive selection does not only mean that the customer takes longer to make a decision and is more dissatisfied with the choice made. He is more likely not to buy at all, because he instinctively sees these *additional costs* approaching him. Trade, on the other hand, is doing exactly the opposite—we will speak of an exception later on—building ever larger shops, which cost more and more and storing more and more goods in them, which tie up more and more capital in order to generate fewer and fewer purchases.

Blessed Freedom of Choice

To the following lines published under the pseudonym Finis344 in the weekly newspaper Die Zeit we owe some moments of cheerfulness interwoven with small bouts of chill on the subject of customer choice:

“Never before have so many people been blessed to become happy after their own fashion as today. Just think of the SUV drivers in our major cities. One person can easily cope with the standard "Kandahar" model in city traffic without winch and window grille. Whereas the other needs a »Killbill DeLuxe« with bulletproof tyres and impact protection for winner types in daily traffic jams. This shows that not all people are equal and have the same needs in life.”

Finis now sets to work out two *product packages* for the kindergarten. He calls the standard programme *Basic Love*; it is aimed at the target group of parents with small pockets and encompasses music education with Nena—the Tiroleans are amusing—, one daily change of diapers as well as the time-saving brushing of the front teeth, whereby the toothpaste has to be provided by the parents. The children play with customary plastic toys. The flat rate also includes sack racing and one random word of praise per day. The colloquial language spoken is German and children who have not been collected until 5 pm can play on the street free of charge.

The premium programme is called *Super Little Hero* and includes the use of High German as the standard language, as well as the languages of the future: Chinese and Russian. Naturally, this programme also includes wooden toys coated in an anti-bacterial layer, three warm healthy, organic meals a day served according to high etiquette standards, and a music programme suitable for children, e.g. Three Chinamen with a Double Bass, is par for the course, as is changing of nappies with Pampers irrespective of need. You can choose from a variety of sports: fencing, Kung Fu, horse riding and yoga. The staff is trained in loving care and the children can express their concerns in the grief corner for only a small fee. If the parent who is to pick up the child should miss the plane from New York, the wellness area is open to the unclaimed child from 5 pm onwards.
In both packages, a Turkish cleaning specialist reliably ensures cleanliness in separate toilet facilities.

Case study 11: Blessed freedom of choice

Better is the enemy of good. This or something like this is the reasoning for the benevolent effects of competition on the greater variety of products offered to customers: the competition will help the better idea to prevail, the good idea will be *creatively destroyed* according to Schumpeter. We already suspect that this may not always be entirely correct when we recall such things as cartels, corruption or the inefficiency of free competition. In other words, we do not only find better ideas on the market. We do not only find products that a customer wants, but also products that the company wants to sell. We do not find those products on the markets that are required by the largest number of people, but those that promise to yield the greatest profits and bonuses. It's not about *more public transport!* It's about *more Ferraris*! We are not talking customer value, but shareholder value! That is why it is also perfectly normal for a non-mature product to be launched if, in the course of the sporting competition, this is required to trump the competition. According to a recent study, the world's largest automakers on the US market are already recalling more cars than they deliver—the average recall rate is 142 percent[345]. But when people die[346], as in the case of a type of aircraft brought to market too early, the blessing effect of innovation is no longer fun.

High flop rates in new product launches are not only due to the lack of willingness to study customers and their needs carefully enough, but also to the loud market shouting, or puffery that makes it increasingly difficult to actually communicate saleable products. Another reason why the best ideas are often not available on the market is due to the attempt to keep the not so good ideas via market power or lobbying alive—the fact that there are so many lobbyists in Brussels or Washington today is proof of the desire that better products had better not catch on. The Winner-Takes-it-All principle[347] that has already been discussed once more comes to the fore here: VHS prevails over Betamax, Microsoft Windows over the Apple operating system, and the relatively cumbersome "QUERTY keyboard" over more intuitive key arrangements. Midi, an old-fashioned method of exchanging information between electronic musical instruments, remains the industry standard, but has rarely been able to inspire a musician. The profit economy is doing everything it can to replace the market economy, the latter being more reasonable in human terms, and Austria's current shop opening hours could, against the interests of the vast majority, change. There are many reasons for these developments, except for one: that the customer would have chosen the "better idea".

In addition to the explicitly agreed approach of companies within the framework of cartels (see Case study 19, p. 264), there is a powerful implicit form

of cartel formation: an entrepreneurial decision is simply based on the fact that the competitor does it too. When I ask entrepreneurs why they want to do this and that, I often get this answer from them: our strongest competitor does it too. Alfie Kohn reports that TV stations, in their fight for ratings, tend to imitate each other only to swiftly mask the resulting mainstream boredom of quota TV as unique. Biologically, the explanation for such behaviour seems to lie in a certain presumed or actual intelligence of the herd or swarm which reduces the subjectively experienced risk.[348] Another biological argument is that individual animals are more easily eaten than those in the herd, because in a herd only the last one is killed.[349]

The textbook tells us how important it is to imitate the competition. The corresponding techniques are called *benchmarking* and *best practice*.[350] In every basic marketing course, we learn that the company has to acquire a unique position, a unique selling point, a comparative competitive advantage and positioning. In practice, however, we seem to feel more comfortable in the midst of the herd. An early attempt to deal with the phenomenon of dwindling differences comes from Harold Hotelling,[351] which is why it has been later referred to as *Hotelling's law*. It is based on the assumption that a group of traders who run their businesses in one district of a city each also have a quasi-monopoly: this is because, in addition to the price of the products, the customer also has to bear the cost of travelling and transporting the goods home. However, instead of making use of this advantage by keeping everyone in their own location, each retailer will strive to get closer to their competitors, so as to attract a few customers from the neighbouring district, until they all settle in the city centre. In doing so, Hotelling's law not only explains to a certain extent why shopping streets around the entire world look alike nowadays, but also the principle of mutual imitation and down levelling. And it is the customer who has to pay the price for this, in the case of Hotelling's law in the form of ever longer travel distances, and in daily market practice in the form of products that are always further away from the customer's wishes, but are increasingly closer to what the competitor is already doing, be it retailers, restaurants or political parties: "… each party strives, to make its platform as much like the others as possible."[352] This again has little to do with what we were promised as a life with an alleged diversity of top quality products.

Quantitative Growth is Essential

Let us look into the most difficult question towards the end of this chapter—difficult because, as I have said before, even reputable experts believe that businesses and economies that do not grow have no future. Yes, it seems as if eternal growth does not only exist in the dreams of shareholders but is also transformed into a dream for all people through the advertising agency's endeavours. "We are all afraid of stopping the merry-go-round, whether we view things from the perspective of businesspeople, worker, union leader, bureaucrat, parent, or consumer … Growth, progress, the idea of »more« is so much a part of our consciousness that it takes very little to persuade us that any particular item is something we want or need."[353] We have already addressed the resulting dilemma, and it has been aptly summed up to its full extent by Tim Jackson: *trash the system or crash the planet*. To dispose of the current system frightens us because hardly anyone will want to have another global economic crisis and hardly anyone will question the goal of full employment. And yet unconditional growth is the most ridiculous of all approaches because nothing can grow forever, certainly not in a world of increasingly limited resources, overflowing landfills and exploding populations. Nevertheless, the only value proposition of traditional economics is that the sense and purpose of an enterprise, a line of business and even more so of the national economy as a whole lies in an increase in GDP because this brings stability and full employment to the enterprise, and competitiveness to the national economy.

But let us take a closer look at the arguments put forward in the SHV approach to justify quantitative growth. Accordingly, growth is (1) indispensable to the economy as a whole, for example in order to *accommodate young people who are pressing into the labour market*. Western societies, however, are hardly growing anymore; they are only becoming older and are freeing up their jobs ever later for the younger generation.[354] It is precisely the young people in these societies who do not find a job in times of crisis, as the situation in numerous EU countries has shown. Growth should also serve the national economy, increase the size of the cake and thus *help combat poverty*. However, we have already seen that this could only be true for as long as the wealthy allow some crumbs to fall down from this cake. Moreover, the slogan "global growth to fight global poverty" is hypocritical. The rich West can only live in abundance because there is so much poverty and therefore so little consumption in general and resource consumption in particular elsewhere. We should not pretend that the global fight against poverty is our true concern whilst at the same time hiding the fact that we would have to reduce our own consumption drastically.

(2) *Unemployment resulting from productivity gains must be compensated for by new jobs*, and this cannot be achieved without growth. However, we have largely exhausted the potential for increasing productivity in the production economy. As an office furniture manufacturer told me once: visitors asked him at the sight of a deserted production hall: Why aren't you producing today? While production was in reality running at full speed that day. But in some industries, you hardly need people nowadays—who should you then rationalise away? In Austria, for example, industry does not even employ 20 percent of the overall workforce.[355] Moreover, productivity is more than just efficiency and has direct effects on employment.[356] In the service sector, higher productivity is mostly achieved at the expense of customer and employee satisfaction. The motto is, therefore, that we must work harder in difficult times. The North Americans are doing just that, but there is no effect. Juliet Schor therefore proposes the exact opposite: to reduce working hours gradually in Western economies.[357]

(3) *Special attention must be paid to the large-scale enterprise*, not only because it is the "ideal company"—well known, impressive, powerful—but also because in the event of a crisis, thousands of jobs are at risk.[358] However, in Austria, for example, the proportion of enterprises with more than 1,000 employees is less than one percent. Although these companies directly employ 22 percent of the workforce[359] and, indirectly, perhaps another 20 percent, the goal of full employment rests at least as much on the shoulders of small and medium-sized enterprises.

(4*) Size creates competitiveness*, *which is why business growth is welcome*. However, it is often precisely the size of a company that limits its competitiveness because it loses its proximity to the market and the customer, as well as its flexibility[360] or its ability to act quickly.[361] Because of their relatively higher capacities, larger companies should also have better chances of being the first to come up with new ideas on the market. The resulting advantage, the so-called First Mover effect, is just as controversial today as the faster realisation of new ideas.[362] Even *learning effects* and those of *economies of scale* do not automatically follow market growth.[363] In addition, there are higher complexity costs, which I will deal with in a moment.

(5) *The advantages of a global economy,* in particular the entry into distant markets and the relocation of production to low-wage countries, are *only available beyond a critical size*. However, global sales as well as global production are complex and anything but sufficiently understood topics. Many companies

have to withdraw from foreign markets after years of heavy losses, while some companies, for quality reasons, do not even consider the relocation of production and in many other cases these are being reversed after painful experiences. Hence, globalisation also destroys vast amounts of money.

It is clear that (6) *growth can boost the share price*. This may please the investor, but whether we will all grow as a result remains unclear. (7) *Growth has a motivating effect on employees*. I believe that this rationale is more of a fairy tale circulated by stock market brokers, and, if it were the case, qualitative growth would motivate employees more than quantitative growth. (8) *Growth can trigger a cycle of vanity among managers.* They get more public attention, are more often in the media, increase their market value and satisfy their narcissism - there is no need to argue against this. The situation is similar with a manager's bonus system if it is linked to pathetically presented growth plans and the resulting share price effects.[364] (9) Finally, there is the argument that *the state can borrow more money* if there is a growth-related prospect of higher tax revenues to cover that debt in the coming year. What happens when the state is encouraged to get ever more indebted and to live at the expense of coming legislative periods, we see all too clearly in today's Europe.

Let us take a look at the profit-maximising company and let's do so free of all romantic glorification. The manifesto *is profit* through *sales growth* combined with *cost reduction.* Growth can only be achieved by convincing the customer to buy something, somehow and removing sales barriers at the same time. Under no circumstances may the purpose of the company be disclosed here because the owner's greed for profit would deter the customer. It is therefore important to use the customer and his satisfaction as a pretext. If, on the other hand, we strip the profit-oriented company of this claim of protection, there is no doubt as to how the company will decide: it must sell the cheapest product at the highest possible price. It must demand the highest possible productivity from its employees and suppliers at the lowest possible price.[365] It must exploit the environment to the maximum and make use of the monetary advantages of child labour, misery and dependency if that means that it can save money.

If it has the choice between a legal, but profit-diminishing way and one that is illegal, but profitable, the only relevant criterion is the question of how likely it is to be caught red-handed, multiplied by the costs incurred in case it is caught.[366] In order to master the dual strategy of official utility and unofficial profit orientation, it is particularly important to develop skills in the areas of concealing all these factual methods. It must employ the best bluffers, because

the extent to which it is possible to conceal actual business practices is directly proportional to profitability.

For a profit-driven pharmaceutical company, for example, there is no question of how it will act if it owns a new pathogen and the vaccine against it at the same time. It will, without any hesitation, develop methods to get confirmation from physicians—for a fee—that an active ingredient helps, even if it does not do so, as long as these donations including the possible penalty payments are below the additional profit potential. If we perceive a brutalisation of morals in business life, if greed, dishonesty, corruption, systematic influence, etc. rise, we should not complain about it, because it is only the consistent practice of a modern, rational company, which knows only one value by which actions are measured: profit.

A comparatively disregarded area of the economy is that of *negative scale effects,* i.e. when entrepreneurial or economic growth increase unit costs instead of reducing them. According to Leopold Kohr, societies reach their optimum size with 50,000 – 200,000 people. Man has everything he needs then: inns and pubs as symbols for *social function*, courts and town halls as signs of *political function* and theatres, churches, museums, universities and sports grounds as *tokens of cultural function*. "Societies that grow beyond this number can therefore no longer make a significant contribution to human happiness."[367] They will, in this case, only produce *size-triggered goods* which will help to overcome the disadvantages of larger societies (airplanes, cars, television sets, etc.)—for example, because you cannot reach places on foot anymore. Bulk goods are not necessarily harmful as such; they just do not contribute to human happiness—or in economic terms: the net standard of living does not grow any longer, society only produces value for its own growth, while the costs of governance (police, military, administration) increase disproportionately. Ernst Friedrich Schumacher[368] said, however, that the question of meaningful size is no longer of interest, because today what is big is glorified to a large extent—large and strong nations, companies, plans, economies—that the small is somehow outdated, i.e. small-minded. Man, however, needs both large and small structures. Politics and business, on the other hand, only have eyes for the promotion of the big, the great, the gargantuan, and how we can get there through growth. What is small, with all its advantages—small companies and business units, the richness of small countries, the effect of the small daily pleasures—lies fallow, does not help us on a large scale, is of no interest to the media or business schools and is therefore no longer used. Large companies have always been the enemy of a functioning market economy. Today, they

are one of the main threats to national economies, because we are allowing companies to reach a size where we can no longer *afford* for them to fail, and they are now tumbling back and forth between subsidy infusions from the public sector and fat years of consolidation. From the investor's and bonus recipient's point of view, there can certainly be nothing better than taking profits while the meagre years are bridged by the taxpayer.

Johnson & Johnson pursues a different strategy by operating a plethora of small, largely unknown companies that are by no means staggering. Hermann Simon[369] described the *hidden champions*: flexible world market leaders in sometimes tiny niches that are barely noticed by the public, and who are in a continuous exchange of experience with their customers and who are thriving, even though—or perhaps precisely because—they are small. Global corporations such as IBM or GM have meanwhile understood how disadvantageous size can be[370], as well as the structural constraints it entails.[371] Therefore, a successful company does not necessarily have to become bigger, but in any case, it has to become better,[372] and that is why quantity without quality is the surest way to failure,[373] a literally *pointless* undertaking. Many companies have overcome the drawbacks of sheer size, focusing on what they do best and buy the rest from outside.[374]

Such disadvantages or negative scale effects associated with growth include, for example, the dilution of the company's purpose and the declining identification of employees and management with the company due to the ever-smaller perceived contribution that the individual can make to its success. This encourages the willingness to concentrate on one's own advantage. With the increasing number of corporate hierarchies, the manager will inevitably lose contact with the lower levels. As a result, he feels less and less compelled to distribute the fruits of successful business activity further downstream. In addition, it is becoming increasingly difficult to identify the true *heroes* of success and the reward remains with one of the bosses in the upper echelons.[375] In a traditional organisation, it is the task of the lower levels of clerks and sales staff to keep in touch with the customer. The more layers are put in, the further the management wanders away from the customer; and so, the more delayed, filtered and distorted images it receives of what is happening on the market, the more unreasonably and slowly it will react.[376] The corporate purpose of the customer is becoming increasingly remote and the corporate purpose of an *alliance with the shareholder* is becoming more and more sophisticated and attractive. Competitiveness is decreasing and brings with it all the above-mentioned consequences and downward spirals.

Given the size of the organisation and the anonymity of the people involved, no social control or moral barriers exist anymore. Any measure, however dubious, can now be contemplated as long as it is able to support this unholy alliance. The likelihood of duplicity and cannibalisation is increasing, as we can observe in the present jealousies between Audi and its parent company VW, so that VW is launching precisely those prestigious cars that Audi already has on offer.[377] Such negative economies of scale are probably the reason why, for example, in the 1980s, the large laundry and home care companies were not the first to recognise the customer's need for environmentally friendly products, leaving it to the comparatively small company *Erdal* as a newcomer to the industry to successfully launch a range of cleaning agents under the *Frosch* brand.

However, the company's growth does not just mean a gradual loss of market proximity, customer proximity, flexibility and corporate purpose. Greatness also creates a degree of complexity that, from a certain point onwards, can no longer be interpreted and understood by anyone—we have already heard of the manifold cognitive limitations to which man is subject. This results in a further negative scale effect, i.e. that from a critical size on, the possible attainable advantages are more than compensated for by *complexity costs*. This area of business administration is still largely not understood, apart from the fact that such complexity costs can be assumed to have a negative impact on the competitiveness of a company if product ranges, processes or organisations exceed a critical size.[378] Complexity costs cannot, or only with great difficulty, be identified in the typically existing cost calculation figures, because they are hidden behind the fixed cost blocks[379] and can therefore not be clearly assigned to the originator. On the one hand, they are interlinked with each other in a complex way. Furthermore, they interact with aspects already discussed, such as search costs on the part of the customer or scope effects.[380] For this reason, the mere reduction of the visible lower 5 percent of a complexity-fomenting dimension, such as the product range, the brand portfolio or the branch network, will possibly lead to unwanted side effects. At a macro-economic level, however, the biggest challenge facing us at present is to keep the global economy afloat, at least by trying to understand it in some critical points, and to manage the costs of global complexity, e.g. the reciprocal effects of our collective influence on the planet.

Companies are risk projects—no one knows how things will ultimately end. Growth-oriented companies face disproportionately high risks of failure because they constantly have to break new ground in order to grow, while they

are less and less able to recognise real market needs.[381] But what should we rely on if the random factor far exceeds the controllable portion of the result? On a resounding success or on many small risk projects? Insurance companies know this best because they transfer unpleasant coincidences into acceptable collateral on a daily basis. I have been taught the principle of unconditional risk diversification by the insurance industry: risk reduction takes precedence over turnover! Suppose an insurer lands a large deal and insures an aircraft, a hotel complex, a large operation with correspondingly high premium income. As a leading insurer, he will now—at least if he is *old school*—look for direct shareholdings instead of simply enjoying future premium income. He voluntarily hands over risk shares (costs) including premiums (sales) to a competitor! And he then divides the remaining risk up again in the reinsurance market. He knows only too well that risk diversification and the law of the large number are the foundations of risky business deals.

The state and classical business administration do not seem to know this, however. There, the accumulation of size until foundations threaten to crumble is quite normal. This principle does not apply here: small enough to fail if need be. The principle is that nothing seems to be too big until it fails, contrary to all expectations and despite its sheer impact, and thus suddenly becomes a public problem. Admittedly, the state will now have to intervene and not let this company fall into the abyss with its thousands of employees, regardless of its market legitimacy. But why the state had allowed companies of this size to exist in the first place would be a question of responsibility from which we should not prematurely dismiss the people involved.

With the explanations in this chapter, I wanted to reopen discussion on some of the standard assumptions that we are perhaps all too willing to associate with a deregulated, profit-driven economy nowadays. By considering it possible that an economic and social order based on the primacy of corporate profits cannot and *will not keep* many of its promises, but will rather lead us on the wrong path, we can also get rid of the idea that overcoming them means renunciation and threat. In my opinion, the most important mental step is the clear separation of the *market economy*, which I still consider to be a suitable way of steering our societal concerns in economic matters under clear and uniform rules, from the *profit economy* that merely pretends to be interested in markets, customers and social issues, but actually only serves itself. In the sixth chapter, I will outline the fundamentals of such a market-oriented company.

PART II:

THE PSYCHOLOGICAL PROBLEM

Chapter Four

Satisfaction

In the second part of this book, I would like to increasingly focus on psychological issues and, above all, on the background of the concept of satisfaction: what makes customers satisfied? How is customer satisfaction linked to life satisfaction? How does the concept of customer value relate to our general value system? Is customer satisfaction perhaps just one of those linguistic exaggerations to which performance society may be inclined, while in reality precisely the opposite is the case: customer dissatisfaction is necessary in order not to disrupt the economic growth engine? How can the customer possibly gain more satisfaction from less consumption? What can each of us do to ensure that our daily purchasing and consumption behaviour does not create value for an anonymous investor, but rather creates value for ourselves? And finally, how can we as individuals and as a collective body come closer to Jeremy Bentham's concept of utility, the greatest happiness for the greatest number?

What Is Satisfaction?

What exactly is satisfaction? is a question that is as good as it is difficult to answer.[382] Firstly, there is a plethora of approaches to it: psychological well-being, subjective well-being, quality of life, happiness, etc., to name but a few.[383] Secondly, satisfaction is something rather personal. If we have a somewhat reserved stance towards the lay theory mentioned above, we do not want an "expert" to dictate what we should consider satisfactory and what not. Thirdly, it is not even clear whether satisfaction should be the goal at all. From an evolutionary point of view, life is not about happiness, but about *survival.* In order to survive, we have to change, and in order to motivate ourselves, suffering is almost more suitable than joy.[384] And if it is also about satisfaction, then we have to ask ourselves: what kind of satisfaction are we speaking about and what should it result from? Fourthly, the question of what satisfaction could be inevitably leads us to the demarcation area between philosophy, religion, psychology and economics, which does not make this question any easier to answer. Fifthly, a book on satisfaction in the West can also be seen as cynical towards the world's real problems, like those that subsistence economies are facing. And sixth, we're currently experiencing a happiness doctrine outpouring. We have discovered the topic of happiness as a design element for our life plans because it is not enough to be *only rich*. Active work on the mindset is called for in order to shed your mental rags and become a lucky millionaire.[385] Paul Wachtel regards all of this merely as another facet of a society obsessed with growth, Retzer even as a sign of an ever more moronic society.[386]

What is clear, however, is that the kind of satisfaction we are debating here must be more comprehensive than a mere line-up of possessions and funny experiences. From a purely business point of view, satisfaction is just that and nothing more. People have an insatiable hunger for things and a company's task is to identify, produce and sell these things. Satisfaction arises when all these goods and services are available and affordable; dissatisfaction develops when not all of them are affordable or can be bought, or when during the purchase or use phase something does not work as well as you had originally anticipated. Customer satisfaction and life satisfaction appear to be two different topics,[387] if not mutually exclusive, which Erich Fromm expresses with his two forms of life, to be *or* to have.

According to Richard Ryan and Edward Deci,[388] the many concepts of satisfaction research can be divided into two categories. The research field of *eudaimonic well-being* deals with the root causes of satisfaction and life management, such as self-acceptance, self-realisation or personal growth. The research area of *hedonic well-being*, on the other hand, is more concerned with the concept of satisfaction as such, explains well-being through the achievement of joy, the avoidance of pain and the resulting balance and can, therefore, be related more closely to the concept of economic satisfaction. Satisfaction is perceived as measurable and can be broken down into different domains, such as work, family, health and leisure, finances, and group affiliation.[389] Daniel Kahneman,[390] a representative of this branch of research, proposes inquiring about the spontaneous satisfaction several times a day and to calculate a balance from this in order to record the *experience of* satisfaction. With a question such as "All in all: how satisfied are you with your life: very satisfied... not at all satisfied?" one can measure the *reflective*, remembered or comparative satisfaction. For example, a wealthy citizen could be dissatisfied according to the first method. If, on the other hand, the millionaire in question is to muse about his satisfaction, he may want to consider the fact that he is wealthy and lives in a beautiful house overlooking the sea, and thus come to the conclusion that he is—must be—satisfied. That is why this method overestimates the actual satisfaction of those people who should be happy on an objective, factual basis, and underestimates it among people who should be doing badly according to these criteria.

We would not be ourselves if we did not use this information to turn it into global rankings of happiness. Such international comparisons are even more questionable because some people in certain cultures have learnt not to complain—for example, women in Bangladesh are not entitled to complain, while

men are.[391] In some cultures, it is common practice among businessmen to complain even when business is going splendidly, so as not to arouse the envy of others, or to be able to impose higher prices. However, despite all the methodological weaknesses: the determination of reflective satisfaction is simple and uncomplicated and therefore most of the available data on satisfaction of people around the globe is based on this relatively superficial question of reflective all-in-all satisfaction with life and various life issues. Afterwards, the satisfaction scores and demographic data such as age, income, marital status, health issues, etc. are correlated. As a result, we know which circumstances are strongly associated with satisfaction and to which degree. What one does not experience is the cause-effect relationship of many data: for example, does health cause satisfaction, does contentment cause health, do the two aspects influence each other or are they both part of a higher order variable such as strength of character?[392] In the past 20 years, satisfaction research has virtually exploded and it is therefore neither possible nor reasonable to provide an overview that does justice to the contributions.[393] Most recently, Daniel Gilbert has been trying to do this:[394] Regardless of whether the data is about reflective satisfaction, experienced satisfaction or imaging techniques in brain research, the findings are relatively stable and show that people are satisfied when they live in good relationships, are healthy, socially well integrated, committed to social concerns, can satisfy their basic material needs and are wealthy compared to others. Throughout all investigations the most important factor, however, is strong ties to family and friends.[395] Furthermore, we overestimate the importance of all these factors and underestimate our ability to make the best of given circumstances. In his conclusions, Gilbert recommends not to wait for the big coup that would turn life around for the better, but to understand satisfaction as the sum of small, everyday experiences, like a smile, comfortable shoes, and a bag of French fries. One should also take on a few simple habits: meditate, sleep long enough, maintain and develop social bonds, write down two to three times a week for what one is grateful, or tell someone about it. And one should act altruistically, because: "One of the most selfish things you can do is help others"[396]—we will come back to this sentence several times, because it has the potential to assign the entire neoclassical theory to the museum.

Alas, economists are interested—if anything—in the contribution income and property make towards satisfaction. Following the hypothesis of the invisible hand, these factors should explain satisfaction sufficiently. One of the first works in this respect was written by Richard Easterlin—I have already briefly

mentioned him and the paradox named after him. Easterlin found out that within a society, wealthier people are more satisfied than poorer people, but that "... the positive correlation between income and happiness that shows up in country comparisons appears only weakly, if at all, in comparisons among societies in time or space."[397] In other words, neither wealthier societies are much happier than less prosperous societies, nor does the happiness of a society increase over the years, even though prosperity increases. Easterlin interprets his discovery in such a way that one can compare oneself within a society at a certain point in time and this leads to a positive correlation between income and satisfaction within the individual society. However, if such comparisons are not available—for example comparisons with another society—or if overall prosperity increases over time for most people with whom one makes comparisons, the relative position is either not ascertainable or constant.[398] As a result, there are countless studies on the subject and they all demonstrate that, firstly, social comparison processes, the relative position one takes in relation to one's reference groups, have a greater influence than absolute income—let's remember the study by Solnick and Hemenway, but also the *paradox of competition*—and secondly, that there is no further increase in satisfaction beyond a certain level of income.[399]

Critics of satisfaction research argue that nowadays an army of scientists is compiling what can be easily read in the works of most scholars and great thinkers of all eras such as Buddha, Epictetus, Confucius, Aristotle, Marx, Keynes, Thomas Aquinus, or the mystics around Augustine. In addition, this presents us with another excellent example of *lay intelligence*—which the public has already known for a long time. In 2010[400] Emnid conducted a survey in Germany on behalf of the Bertelsmann Foundation, and came to the following conclusions: 61 percent of respondents believe that growth does not automatically increase the quality of private life, and across all educational levels Germans believe that health, social relations and the environment are far more important for their own satisfaction than the desire to have more money and property. Another 88 percent think that the current economic system does not pay enough attention to environmental protection, the prudent use of resources and social balance in society. Only one in three believes in the self-healing powers of the economy and the majority are convinced that growth and environmental protection are compatible with each other if politics only wants them to be.

Republic of Korea [401]

The Republic of Korea, also called South Korea, is considered a prime example of the blessings of capitalism, globalisation, growth and poverty reduction. The Asian peninsula is now one of the 40 most important economies in terms of the usual economic benchmarks—an undoubtedly remarkable achievement considering the difficult political situation with its Northern neighbour and the disastrous conditions following the Korean War. In the OECD education study[402], the country regularly proves to be a exemplary student. Almost two-thirds of the population aged 25-34 have a university degree—according to this study, in Austria it is 21 percent. How does everyday life in Korea look like and to what extent do the findings of satisfaction research flow into it? From the portrait of their country by my South Korean students:

Theoretically, a working day of nine hours applies, but in practice, it is often considerably longer because, as in other Asian countries, it is considered impolite to leave the workplace before your superior. That is why it is almost impossible for anyone to do their shopping during the week—it is usually done on Sunday, if you don't have to work there as well.[403]

South Koreans make considerable comparisons with their peers and have a strong fear of appearing poor or unsuccessful and descending in the social hierarchy. It is not uncommon for parents to use their savings to buy expensive branded clothing for their children, which they cannot really afford. At the same time, Koreans feel a strong pressure for conformity, so that the adolescents equipped with the hottest designer jackets look more like soldiers in their uniforms than members of a free and colourful consumer society. The hard-earned money is spent to look better off, but in the end, everyone is the same, only at higher costs—the competitive paradox.

In South Korea, education is everything. Everyone pursues the goal of sending their children to study at one of the most prestigious universities. To do this, however, they must have been among the best in one of the best middle schools, and they must have been among the best in one of the best primary schools. So, the pressure to perform begins already in childhood. It is also a competitive advantage to have completed a semester abroad. This again puts the financial possibilities of parents to the test. They have to work harder

and borrow more in order to maintain their status and finance the education of their children.

When asked, what is most important for being happy, South Koreans at the age of 9 state the following: family: 54 percent, money: 3 percent. At the age of 17, money is already 20 percent and family only 15.

Sadly, South Korea also regularly leads the OECD statistics in three other areas, namely diminishing solidarity among people, dissatisfaction in life and the suicide rate.[404] Students agree: the capitalist system in their country has defeated poverty and yet made people increasingly unhappy.

Case study 12: Republic of Korea

Satisfaction as the Result of Comparisons

Satisfaction is nothing absolute,[405] as neoclassical economics will have it. We do not have fixed ideas and preferences in our minds, they change daily, hourly or even by the minute. Satisfaction arises in the course of *comparison processes* between two mobile values: what we expect and what we accomplish.[406] The literature available today on the subject of assessments being tied to contexts is so overwhelming across all disciplines that it is surprising that most companies are still looking for something like the *objectively better solution*. Even the simplest forms of our perception require context. We have already discussed the mechanism the feeling of hunger is based on. When we drive from sunlight into a tunnel, it is not objectively dark but relatively to the brightness outside. If we just come out of the cold, everyone seems to be feverish when touching their forehead. If we have just drunk something sweet, something less sweet seems relatively tasteless. When philosophers ask what truth is, they come to the realisation that truth is bound to reference systems. When we are asked what our satisfaction level is in our lives, we compare, and then perhaps say: *relatively high*! There is almost no comprehensive theory in psychology that can do without the question of reference values, which serve to assess judgments and actions.[407] Behavioural oriented approaches of the economy are also increasingly seeking to integrate this relativity aspect.[408]

Thanks to William Powers, we are able to combine such diverse skills as temperature and taste sensations, and more complex abilities such as learning a

motion sequence or evaluating products in an approach based on reference values.[409] Powers reminds us first of all that we learn about the result of an action not from the action itself, the *output,* but from the resulting perceptions, the *input*. For example, if you tune your violin, it is not your hand tightening the string that tells you whether you were successful, but the ear associated with the *input*, which registers the change in pitch and gives the hand the decisive hint to continue or stop when a certain reference range is reached.[410] "Behavior is the control of input, not output."[411] But because feedback about our behaviour is as ubiquitous as the air we breathe, it seems to merge with behaviour and we come to believe that we control our *actions*. Secondly, Powers suggests that simple feedback loops are organised in a higher order, meaning that the sense of taste, the evaluation of a product or the learning to play an instrument follows the same basic principle of a *hierarchy of controlled quantities*. If we move downwards along this hierarchy, we learn how something is done, if we move upwards, we learn something about the *why* of our actions.[412] Each reference signal is the output of a control system of a higher order. Thus, the human motive system can be sufficiently displayed and all higher motives are ultimately rooted in survival-relevant quantities—a self-contained, self-referencing system.

If the *comparator* signals a significant deviation of the sensor signal from the *reference signal*, we act (*effector function*) until this deviation is eliminated. Nerve systems, however, do not constantly strive to reach a target value. They react only beyond a critical deviation, which appears biologically advantageous. It is less complex, allows us to act in a manner that is part of our range of behaviour. Procedures such as sexual intercourse are only conceivable when all the necessary components converge at a certain point.[413] Consequently, we are not a little hungry, thirsty, ready to reproduce or sleepy all day long, but we can concentrate completely on another activity until the *zone of tolerance* is exceeded, even when we are a bit hungry. Then we bundle our energies, eliminate the deviation, and eat a little bit more to build up a reserve, in order to be able to devote all our attention to another activity afterwards.

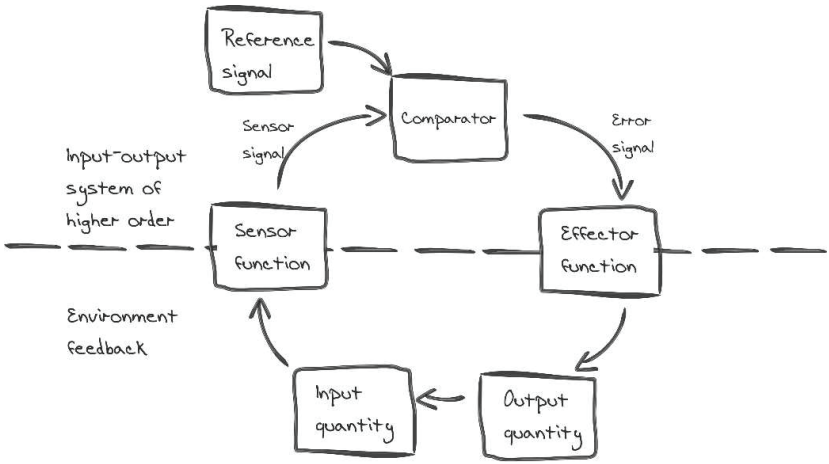

Figure 9: Basic control system unit of a behavioural organisation. Modified on the basis of Powers (1973)[414]

Due to the hierarchical structure of the basic control loop, we can now model comparisons between two signals: like two prices, for example, as well as the comparison of an external signal with an internal reference value—or the comparison of an external price with our internal willingness to pay—and, at the highest level, comparisons between reference values among each other, which is then no longer tied to feedback from the environment—for example, logical and abstract thinking or daydreaming.

Low-order reference signals are relatively firmly anchored or pre-programmed—for example, the feeling of hunger or thirst. Abraham Maslow[415] calls these pre-programmed values physiological motives. Or an external law specifies the expected value, for example the minimum tread depth of a tyre. By contrast, what one can expect from life is the result of mental construction processes of a higher order.[416] Observations about what we have achieved so far, about hopes and fears for the future and about what we believe others have achieved so far, such as a neighbour or a presenter in advertising. Our previous experiences seem to play a particularly important role in this and today's achievements become the expectation of tomorrow: we get used to new living conditions. If we achieve a lot—we hit the jackpot, for example—expectations follow suit and a few weeks later we experience our new financial situation as normal. If we suffer a setback, our expectations also become adjusted: we

adapt to our new living conditions better than the general public would expect.[417] People tend to overestimate both: the lottery winner's long-term happiness and the injured party's long-term misfortune because they ignore this adaptation processes and work with their currently available reference values.[418] According to Philip Brickman and Donald Campbell[419], the effect of habituation is also called the *hedonic treadmill,* in order to lend a name to the illusion that an improvement or deterioration of our living conditions would be permanent.[420]

One proposal on how to neurologically explain (dis)contentment, expectation and habituation is provided by the theory of hemisphere specialisation, according to which, the right and left hemisphere are engaged in different tasks. With regard to contentment, the hypothesis is that the more the brain activity in the prefrontal cortex, the brain layer directly behind our forehead, is asymmetrically left-sided, the more satisfied people[421] are with their lives. The left prefrontal cortex deals with the already mentioned *intrinsic* targets of achievement and the right cortex deals with *extrinsic* targets of avoidance. In the face of negative events, brain activity moves to the right and, as a result of happy events, to the left. According to the aforementioned habituation effect, however, a return to the old asymmetry that we probably inherited to a large extent can be observed after a few weeks.[422]

Those who have the feeling that they have control of their lives, those who act in an *intrinsically* motivated manner, seem to be more satisfied with life than those who feel driven by the circumstances. This does not come as a surprise and corresponds both with the work of Ellen Langer mentioned above and with the findings of other satisfaction researchers, i.e. this feeling of control is one of the drivers of satisfaction.[423] In their contribution to the above-mentioned hemisphere phenomenon, Urry and colleagues wrote: "We suggest that taking an active role in life and appropriately engaging sources of appetitive motivation behaviors that are characteristic of left frontal individuals, may contribute to higher levels of well-being."[424] However, this not only lies in the discretion of the individual, because once a suspicious society has agreed on the primacy of mutual control or the primacy of relative position-improvement, then everyone will have to defend and justify themselves instead of actively shaping their lives.

Apparently, we are more willing to shift reference values towards the pleasant direction than the unpleasant one. James Duesenberry recognised early on that people are rapidly raising their expectations of future income and adapting

their consumption accordingly, while they find it difficult to give up their accustomed standard of living when income declines: they consume almost the same amount.[425] After all, consumption and performance-based societies are not geared towards the question of what has already been achieved, but rather towards the question of what could still be achieved. The social thesis is: only this one more purchase, then I will be happy. And marketers are professionals in raising expectations: *you shouldn't be satisfied with less, you have to have that*, etc. It makes us unhappy to find out that in direct comparison we have achieved less than could be expected. Even if we do everything we can to close the gap between expectation and achievement, we will only achieve the satisfaction that we had already had before.

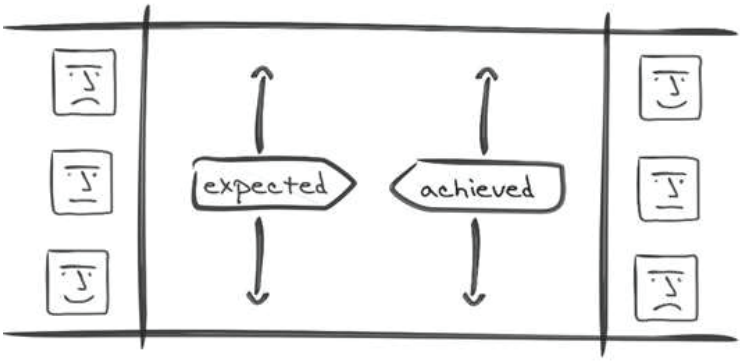

Figure 10: Satisfaction as a comparison between the expected and the achieved

The right side of Figure 10 tries to illustrate that satisfaction arises when we *achieve* what we *expected*. If what has been achieved exceeds expectations, we feel joy. If we achieve less than expected, we feel disappointed. However, the left-hand side of the graph shows us a second way to our (dis)satisfaction: if our expectations rise, we are comparatively dissatisfied with what we have already achieved. If, on the other hand, we lower our expectations, we can achieve satisfaction without having achieved anything specific. We know this feeling of satisfaction or gratitude when we return home from a trip to a poor country and become aware of how well we are *actually* doing, while before the journey we took for granted all the comforts that surround us. Or rather, we did not look at them at all because we did not even notice them; they seemed

so natural to us. We had become used to them. In contrast to such *free* sources of satisfaction, the business community focuses on sources of satisfaction we have to *pay* for and is therefore less interested in illuminating this side of customer satisfaction.

Comparisons *seem* to be more objective when numbers come into play—what did the person sitting next to me pay for his flight, how many cars are in the neighbour's garage, what did I earn in my last job—and less objectively when it comes to qualitative experiences—how nice was my weekend compared to that of my work colleagues. Social comparisons can serve the purpose of learning from others, then we compare ourselves more with those who are somewhat better off (*upward comparison*) or for the purpose of mood repair, then we tend to compare ourselves with people who are worse off (*downward comparison*).[426] In a competitive character, the *downward comparison* already takes on compulsive traits, because it can only maintain its self-image by finding people who perform worse or create conditions under which they have to perform worse, regardless of the costs incurred by the community. Some of our fellow colleagues[427] assume that we rather compare upwards than downwards, but they seem to overlook the second important function of comparisons, which is to manage our mood and feel better; for example by thinking back to an even worse time, by learning from the news how much misery there is elsewhere, or by cultivating our competitive traits, according to which life is all about being better off than others, at the very least.[428]

Why we engage in such far-reaching comparisons against our own interests, why we let advertising make us believe what else we need, why we do not just as often make use of the method of feeling satisfaction with what we have achieved through modesty, gratitude and consciously looking at the amenities we have already acquired, and why we embark almost chronically on the path to dissatisfaction—knowingly or unknowingly—I am going to explain now.

The Chronic Gap

Satisfaction, inner peace, Satori: If a society seeks peace, does it not amount to economic standstill? Isn't the situation in South Korea the one we should strive for, where people first of all give everything to not lose their jobs and then spend everything to not be left behind? On the occasion of a conference on money and happiness a few years ago, I was in a working group and I think it was Reinhard Selten[429] who told the story of two nuns who took part in a decision game and—naturally only from a rational point of view—behaved

paradoxically. When the trial supervisor at the end of the game asked why they hadn't bought the goods, one said: *I don't need them*. This small sentence can make the entire neoclassical theory collapse like a house of cards. An *I don't need this* is not planned, cannot be accepted and therefore neither capitalism nor capitalist marketing can have an interest in people's satisfaction.[430] Not even a veritable flood of publications on customer satisfaction and the wealthy nature of the economy can hide this fact.

As we have seen, the *practical* approach to dissatisfaction is the experience that an event falls short of our expectations or that we want to look at it that way. The *synthetic* way to dissatisfaction is to expect more than we already have. Tim Kasser[431] speaks of a *chronic gap* when the deficit between what has been achieved and what is expected becomes a permanent state. The discontent experienced in this way can also inspire us to change our lives. Therefore, dissatisfaction is not generally good or bad, but rather a question of *what* makes us dissatisfied. We can be dissatisfied with the fact that we still smoke, eat or drink too much, have too little time for family or friends, or neglect the little exercises that Daniel Gilbert advises us to perform. What is wrong with that, as long as dissatisfaction motivates us to change into the desired direction? Even material dissatisfaction can have a positive effect if, for example, we want to feed and build a family. We are then prepared to accept a *debt of satisfaction* now in order to reap the fruits of our efforts in the form of *surplus satisfaction* later. This cannot be reprehensible. What Tim Kasser addresses, however, is an illusory dissatisfaction, the barely perceptible transition from well-founded to less well-founded acquisition-desires. For example, the desire for recognition, the constant comparison with others, expectations fed to us by advertising, i.e. expectations imposed from outside, *extrinsic*, rather than internally felt or *intrinsic*. There we may be waiting for later satisfaction surplus in vain.

When we talk about satisfaction of needs, Abraham Maslow's Hierarchy of Needs[432] comes to mind. Maslow's thesis is that our needs are hierarchically organised and that in the event of conflict of needs, we first meet a more basic need and afterwards a higher one. These need levels are in turn: *physiological needs, security needs, affiliation needs and self-esteem needs*. Unfortunately, Maslow puts an unhappy top on the pyramid, *self-actualisation*,[433] which is then transformed into a modern form of *self-realisation* in the various economics textbooks, and thus Maslow becomes a reference model of material orientation:[434] Only when you have satisfied all your material needs on all levels, will the gates to God or a fulfilled life be open to you.

As a matter of fact, Maslow[435] is a humanist and he is critical of the satisfaction of needs when it is not dominated by an internally guided *real* self, but by an externally directed, *idealised pseudo-self* dominated by praise, power, prestige or status. Moreover, he notes that strong personalities are becoming increasingly less enslaved by this hierarchy and work with other methods such as renunciation, autonomy or reduction of their level of aspiration. This means that the model—and now we perhaps also understand its appeal to business economists better—is a reflection of the weak personality oriented towards the satisfaction of needs, to whom it is easy to promise relief and self-realisation through markets, products and services.

Products signalling status, power, prestige and success are ideal products for the saturated market because, with their increasingly lower functional value, or even precisely because of their increasing futility[436], they more and more try to satisfy the insatiable need for recognition. The resulting prosperity is achieved when you *buy things that you don't need with money you don't have to impress people that you don't like.*[437] An intensively researched area of the chronic gap between the *real self* and the *idealised pseudo-self* is that of *body image*: the difference between what one has subjectively *achieved* with one's appearance, so to speak, and what one *expects* from one's own body. In order to investigate the influence of the media on our body ideal, an experimental group is usually exposed to pictures of attractive models and then their satisfaction with their own body is measured. The control group sees images of normal models with normal weight or fewer body-related images. Women are particularly vulnerable in this respect, especially if their self-esteem is (still) weak, which is often the case with young women. In their attempt to summarise the research results, Groesz and colleagues came to the conclusion that "... mass media such as fashion magazines and television promote, if not establish, a standard of slender beauty that leads many females to feel bad about their weight and shape."[438] This effect of dissatisfaction with the body spreads into a general dissatisfaction with oneself and a decrease in self-esteem.[439] According to the study authors, it is time to confront advertisers and other marketers, who promote an unhealthy body ideal for the purpose of selling products, with these findings.

Body Image and Sports Broadcasts [440]

Hanna Aalto approached me with the idea to write her diploma thesis on the influence of sports reports on body image. There are still relatively few scientific findings on this subject, although sport has become a business that goes far beyond the basic idea of physical exercise. By the way, Hanna comes from Finland and is four-time world champion in aesthetic group gymnastics. In her study, 281 subjects, mainly students from Finland and Austria, were randomly allocated to three groups. Group 1 watched a 3-minute video in aesthetic group gymnastics performed by slender, flexible women. Group 2 saw an equally long video of broad-shouldered male bodybuilders and Group 3 saw motorsport scenes that had no visible reference to the body. Afterwards, they were asked various things, such as satisfaction with their body and their possible plans to exercise more or change their diet.

The results showed that women—as was the case in other studies—were generally more dissatisfied with their bodies than men. The gymnastics video had an additional significant effect on women, as their satisfaction with their own body deteriorated even further. Women also considered changing their diet more often than men. Men, on the other hand, were barely impressed by the videos.[441] All in all, sports reports were less likely to generate dissatisfaction with the viewer's own body than advertising and general media coverage. Other effects that are often associated with sport, such as it being an incentive to lose weight or build muscle, to exercise more or to change dietary habits, could not be observed in this study.

Case study 13: Body image and sports broadcasts

In affluent societies, the declining contentment with one's own body is a well-documented phenomenon. For example, a study carried out in Austria in 2009 came to the conclusion: "In the last 10 years, satisfaction with one's own appearance has diminished among Austrians - people see themselves more critically, barely anyone is still »very satisfied« with himself and now men have also contracted the ideal beauty bug."[442] The Dove brand, owned by the Unilever Group, has not honoured this beauty ideal since the launch of its highly acclaimed True Beauty campaign, which feature normal-weight and slightly overweight models. A global study of 6,400 women worldwide showed that

only 4 percent of women consider themselves to be beautiful, only 2 percent in Germany and perhaps not even 2 percent in Austria.[443]

The dissatisfaction with one's own body generates huge business fields and fuels their future growth opportunities; this is directly linked to the extent to which this chronic gap can be widened. If one starts with the head (nose, hair, lips, eyes...) and moves down across the middle (breasts, muscles, abdomen, thighs...) to the bottom (skin colour, legs, varicose veins, body hair, feet...), one quickly finds out how almost inexhaustible the topic is and how many industries are affected by it: headgear, shampoos, hairdressers, eyeglasses, clothing, skin and wrinkle creams, make-up, dental care, diet programmes, vitamin supplements and nutritional supplements, low-fat products, sunbeds, cosmetics and foot care, exercise bikes and fitness studios, relevant books and websites, watches and jewellery, tattoos and piercings, cosmetic surgery, the shoe industry, underwear, etc. The fact that it is possible to expand this business considerably if you also persuade men to become dissatisfied with their bodies is obvious, even if this undertaking seems to be more laborious than with culturally disadvantaged women. Let us also consider that dissatisfaction with one's own body grows into a general dissatisfaction with oneself, one's self-esteem and life as a whole, then we find ourselves in that climate of general dissatisfaction in consumer societies, in which people will want to buy almost anything to lighten up their mood and strengthen their self-confidence.

Social Value Systems

We have talked about values repeatedly, but we have not yet asked what value actually implies. Regarding shareholder value, the matter seems clear: value = increase of money. When it comes to customer value, however, things tend to be somewhat more complicated. In the beginning, there was still a simple overview: Bradley Gale defined the value that a customer receives in terms of quality minus price. However, the more the quality concept evolves into a complex bundle of product advantages the customer receives, and the price concept becomes an equally complex bundle of sacrifices the customer has to make, the more diffuse the value this should result in. Whereas it seems clear that this economic approach to the concept of values[444] has relatively little to do with the socio-psychological concept of social value systems,[445] still there are already some heroic attempts to build bridges.[446] However, we will see that the building blocks for unification are already in place, for example, Powers' hierarchical control system of behaviour management and our expectations and wishes.

Where is the term *value* derived from? In today's context, we understand it as an *assessment* and *appreciation* to distinguish between worthless and valuable things (German: Wert, French: valoir) [447]—*to have value*. Who or what this something is that has value, is what we must determine on our own. Values are something we *choose*, they are never objectively right or wrong because there is no external criterion. Values, themselves, are already external criteria. Even sick people like Hitler were able to sell their value system to people and unfortunately people bought it. Titles like: *A Life Worth Living*[448], *Making a Life Worth Living*[449] or *The Road to Happiness,*[450] however, indicate what value research seems to be about: to lead your life in such a way that it is considered worth living; to find the life plan that leads you to the place where events correlate in the best possible way with your hopes and expectations;[451] basically, it is about what satisfaction researchers also try to find out: identifying the reasons for a happy life and then let ourselves be guided by them.

If our personal life plan matches that of our fellow human beings, then individual aspirations turn into value systems.[452] Does education make you happy? What role do freedom and democracy play in life? Should we admire or pity the owner of a large SUV? Should I regard my colleagues in the company as friends, competitors or enemies? Value systems have both, the potential to make the best of us and strive for peaceful coexistence, and the potential to fuel competition, enmity, strife and war. They are individually and collectively constructed by us.[453] Only the collective body can answer whether an intact environment or volume growth is more important to us and what we put in place of volume growth if we no longer want it.

Figure 11: Values as a city map to *Satisfaction Square*

If we think of value systems as a city map to happiness, and if we can also agree on Bentham's idea of the greatest good for the greatest number as the most meaningful collective city map, then we can, for example, ask ourselves, whether we will reach our destination sooner if we use a shareholder's city map or that of a customer. Naturally, the shareholder promises that, once he has reached Satisfaction Square, he will make sure that everyone else will be able to follow. However, I would not want to rely on that, and also, the figures contradict this, and anyway, why complicate what can be achieved more easily? First of all, let's see that as many customers as possible arrive at Satisfaction Square—and I do not know any one subgroup of a population that would be even approximately as big, no political, religious, or economic movement, because we all are consumers. As we will see from the higher profitability of a customer-oriented company, the chances are good that in the end the investor will also reach Satisfaction Square, at least from a financial point of view.

What dimensions can one identify behind this rather abstract and extensive concept of value in order to grasp it better? Tim Kasser[454] proposes four basic values: security and survival; competence and self-esteem; belonging; auton-

omy and authenticity. He is a disciple of the school of Edward Deci and Richard Ryan and incorporates their idea of self-determination theory.[455] According to this theory, people are led by motives of achievement and avoidance—we have already mentioned this several times. *Intrinsic motives* are an end in themselves and do not require any further justification, they are motivating in and of themselves—for example, if a student attends a seminar out of interest, a customer buys a product that corresponds to his private interests, or an employee feels pleasure in performing his work. Intrinsic motives contribute to *eudaemonic* well-being. *Extrinsic motives,* on the other hand, are a means to an end, they motivate us to act, because we know that this action can later lead to another, separate goal—i.e. if our student attends the seminar to fulfil his attendance rate, a customer buys a cleaning agent which later makes domestic work easier for him or an employee does his job to achieve a certain indicator. Value pioneer Milton Rokeach[456] pursues the same basic idea when he distinguishes between terminal and instrumental values. Shalom Schwartz and Wolfgang Bilsky take this train of thought into their deliberations and develop a two-dimensional value model from it: (1) openness to change vs. conservation and (2) self-enhancement vs. self-transcendence.[457] Morris Holbrook[458] adds—probably also for the purpose of structuring his book on consumer values—a third dimension: active vs. reactive values.

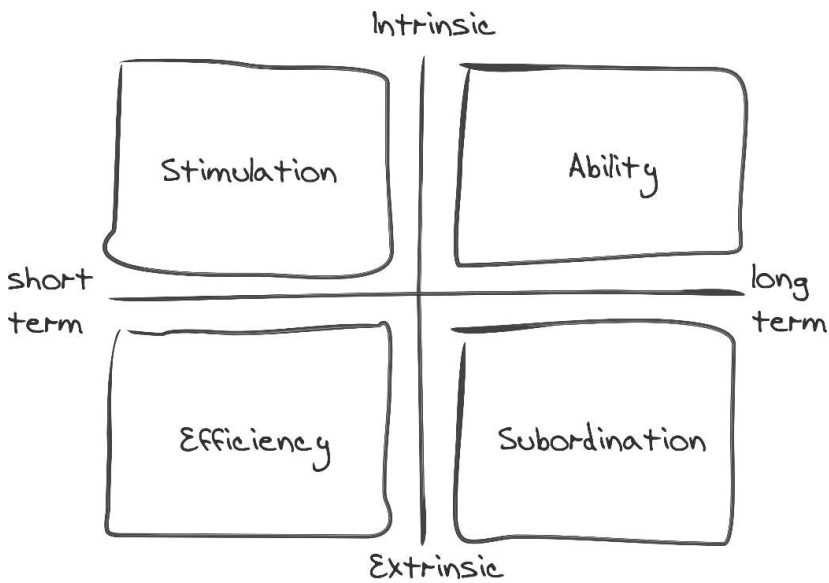

Figure 12: A general value model of four basic values

For our purposes here, we will use a slightly simpler model. The first dimension in Figure 12 follows the question of *intrinsic vs. extrinsic motives*, which is generally considered to be important, i.e. whether we march towards "Satisfaction Square" to our own drummer, because the journey itself gives us pleasure—intrinsically motivated—or whether we experience this journey as *pain and suffering*—extrinsically motivated. The second dimension describes the degree of involvement of *long-term* consequences in the pursuit of our goals, the risk we are prepared to (not) include in our considerations and actions. To put it another way, whether we look only at our here and now—*you only live once*—or include our long-term interests or even take responsibility for future generations. My suggestion is that the four fundamental human values resulting from this are *stimulation, efficiency, submission and ability*. *Stimulation* encompasses momentary joy, excitement, play, curiosity, humour, lust, tension, sex and maintenance of species, distraction and variety, enjoyment and caring for visceral desires. This range of values seems to be most strongly preprogrammed in evolutionary terms because it is based on vital functions such as physiological motives, the corresponding fight-or-flight response, Berlyne's theory of optimal arousal,[459] or the evolutionary advantageous ability of mammals to acquire their skills through play.[460] Let us remember that life is first and foremost about bare survival. The underlying mechanisms are expressed in exactly what we might rashly dismiss as fun society. However, while we may have an instinctively restrained attitude towards pure lust, marketing exploits the full range of these calls for attention, not because the products themselves would be stimulating, but because, on the contrary, they are mostly boring and we would not pay any attention to them at all, if there was not the prospect of one of these pleasures that makes us listen in a reflex-like way, whether we want to or not.[461]

Efficiency shows us another path to satisfaction. Because so many ways to the goal are arduous, but also because nature is radically guided by the principle of economy in the sense of keeping house, efficiency is a second important life and survival principle. It is true that *greed is sexy.* Nature's greed does not only correspond to that of the profit-oriented businessman, it is a universal principle, governed by our para-sympathetic nervous system. Economising, knowing that times are hard or could get worse, overcoming a small problem, bringing a trivial affair quickly to an end, doing something in the face of insignificant but repeated disruptions and in accordance with the principle of frugality, spending as little as possible thereby and conserving resources is efficiency in

the sense referred to here. Money, too, is a resource that we use here as sparingly as possible. In certain circumstances, however, we may be even more bothered by time wasted waiting pointlessly in phone loops or at the cash desk, or thinking about answers to questions we never asked, about ways that we hadn't considered, listening to people explaining things that do not interest us at all, an unmanageable range of products that only differ in nuances and shelf stoppers that run contrary to our values of efficiency.[462] We are therefore naturally endowed with an instinct for or rather against waste. Our instinctively efficiency-based value system cannot be reconciled with today's industrial philosophy of maximum waste. Basically, we have a throw-away society, which *goes against the grain*. Nevertheless, the number of disposable products is still growing: plastic crockery, cutlery and plastic water bottles, razors, lighters, ballpoint pens, diapers, recently also cameras, watches, umbrellas, or garments such as those from H&M. According to Jagdish Sheth,[463] the reason why we buy these products in spite of and contrary to our values of frugality is firstly because the labelling of goods as disposable products should prevent us from identifying waste. Secondly, possible waste is overcompensated for by simultaneous savings potential in convenience, time and money—for example a cheap ballpoint pen, where we do not even have to get a new refill, because it is, in accordance with its purpose, thrown away.

At first, *subordination*—or even more so, subjugation—may sound unattractive but it is not in itself. Even the single-cell organisms had to find a balance between complete isolation and total dissipation in their environment because both would result in cell death. People therefore know that the path to satisfaction *also* means subordination. First of all, it is a matter of identifying one's existence in the environment in the first place. Then the point is to assert one's position within a certain group. Finally, the question is whether and how this position could be improved. Subordination includes subjects such as materialism and financial success, security and risk aversion, status and reputation, subjugation to standards and group pressure, social desirability and recognition, but above all, trust. Because in this case, we are extrinsically motivated, we control these values only to a very limited extent—this distinguishes them from *abilities*—we experience a certain helplessness and know that we cannot achieve our goals on our own, that we ultimately depend on others. At the same time, however, we see these issues as complex too because they have a strong influence on our own future and that of others—this distinguishes them from *efficiency* values. Rapid, minimalist action could have disastrous consequences

here. All forms of impression management[464] and design of the *Ego-brand* belong here. Sometimes we also talk of the *Extended Self* as the positioning strategy of an individual,[465] the Self that we show to other people. This is an example of the fact that, in addition to their functional component, consumption and possessions have a strong social-communicative and, above all, comparative component. To this end, John M. Keynes already distinguished between absolute and relative needs, whereby the former arise and vanish detached from the fate of others, while the latter serve the function of establishing a position within groups and by possessing them, trigger satisfaction in that we feel superior to our fellow human beings.[466] The desire to secure one's position in society through consumption, possession and appearance is probably all the more pronounced the lower one's self-esteem[467] is. Subordination also has a religious component. In view of the complexity of life and the resulting uncertainties, we entrust our fate, in this case, to an almighty authority.

Ability refers to all situations in life in which we have the feeling of being autonomous and guided from within. Here, we are not dependent on favours from others, we are in control. We have already heard that a person's feeling of being in control of his life, destiny, future and satisfaction over long periods of time makes an important contribution to his sense of satisfaction. We have also heard that people aspire to independence because it brings along autonomy and control. The literature speaks of the perceived locus of causality or control.[468] A high degree of internal cause allocation in the case of success and external cause assignment for failure gives us the feeling of not being at their mercy and this again creates satisfaction in *being able to do or master* something. We will now encounter other people with more self-confidence; we will become what we are and no longer have to pretend to be what we are not. Relationships become more unconditional and cordial, because we do not have to use the other person for our own purposes, we can embrace them without ulterior motives. Elisabeth Kübler-Ross writes: "But the most important thing of all is that we learn to love unconditionally. Most of us have been raised as prostitutes. Because it was always said: I love you, »if«. And this word »if« has ruined and destroyed more lives than anything else on this planet Earth ... In this way, we can never develop a sense of self-love and reward. [If] ... we had grown up with unconditional love ... [we] would ...have no fear, no feelings of guilt, no more fears, for these are the only adversaries of mankind."[469] Aesthetics and enjoyment of beauty also belong here, but without the desire to possess things; excellence and quality; harmony and consistency; and what Maslow means by self-actualisation: what people can be, they must be—even

if their ways are very different—musicians, painters, good fathers, athletes, etc. The more we surrender to our skill, sink into it, the more we find ourselves in a state Mihaly Csikszentmihalyi[470] calls *Flow* or *Optimal Experience*.

Whichever of these four basic values we give preference to in a particular situation; it will serve the purpose of achieving happiness and satisfaction directly or at least indirectly. But this does not mean that life is about egocentric hedonism. The rather philosophical question as to whether we achieve more happiness and contentment, if we aspire to this pattern of values above all *for ourselves* or if we apply it (also) to *our fellow human beings* by helping them to achieve a valuable life, remains open. This important, if not all-decisive, question of value research corresponds to Shalom Schwartz's value dimension of *self-enhancement* vs. *self-transcendence*.[471] The neoclassical theory teaches us that economic life is *all about* maximising value for oneself, because this selfish aspiration is an advantage for society as a whole. It may be assumed, however, that such a life in selfish isolation may bring material advantages, but it has little to do with the pursuit of happiness. Muhammad Yunus contrasts the *neoclassical approach* with his *social business approach*, which I will discuss in more detail in chapter 7.

The concept of *neuroplasticity*, which originates from brain research, gives a clue as to why the system of values that a society puts together becomes a self-fulfilling prophecy. The different regions in the brain do not have firmly defined structures and tasks. If a region of the brain is injured or destroyed, other regions can often assume the lost functions. If necessary, the brain forms new cells[472] or repurposes other regions. In musicians, we can observe that the limbs required to play the instrument begin to take up more space in the brain. Those who regularly meditate, modify their nervous system in a very concrete way. A society that trains itself for self-interest trains the brain areas responsible for this in the same way as one that trains itself for mastery and consideration. This is why at a collective level the task can only be to resolutely oppose the economic value theory of the self-serving being and to interrupt anyone who asserts it with: *you may be like that, but I do not want to be like that*. And on an individual level, the task is to train our brains, train our minds. Obstructive emotions can no longer reach us and develop their destructive effect so easily. The concept of neuroplasticity gives the idea of enlightenment,[473] e.g. the aspiration to a state which a saint has already reached, which is inherent in many religions, a new, functionally comprehensible meaning. Similarly, we can train our brains towards materialism. So, at the end of this chapter, let us consider

whether we can reach Satisfaction Square with a materialistic city map, the basic city map of the consumer society.

The Materialistic Value System

Extrinsically motivated action does not have the potential to make us satisfied. But there are times, when we all have to do things that give us no pleasure. The question is, however, for how long? I suspect that materialistic values turn us into an extrinsically motivated society and thus make us unhappy. This starts with the fact that the motive of wanting to be rich is, in itself, a paradigm of extrinsic motivation, because money itself cannot do anything. To check this, you only need to travel to a deserted island with a suitcase full of money.[474] In addition, we are required to make subordination the principle of life. As a consequence there is no more spontaneous or purpose-free action, there are no more conversations during breaks, only more *networking breaks*[475], and we only perform when there is a bonus system or praise to be had. We cannot be what we are anymore because we have to constantly check our ranking and impress others. The products we buy no longer have to be particularly meaningful at a functional level, as long as they can trigger envy or admiration and a sense of superiority at the positional level.

But the psychological costs we have to bear are much higher because we are no longer in control of our lives. An intrinsically motivated society follows the path towards satisfaction without detours, it feels joy, and does not need to worry about the yield of its actions because it is already rewarded along the way, because the journey is the reward or at least part of it. Extrinsically motivated societies, on the other hand, unhappily wander meandering paths, waiting for a reward at some point, somewhere, somehow. Robert Lane[476] exhibits the important point in this context: developing countries, through daily hardship over long stretches are led from the outside and are therefore dependent on the exchange of goods. On the other hand, welfare societies, which no longer have to fight for the achievement of fundamental physiological goals on a daily basis, allow friendly relationships to provide more benefits than products and the continuation of a society geared to exchanging goods loses its sense of purpose.

Russel Belk defines materialism as the "… importance a consumer attaches to worldly possessions. At the highest levels of materialism, such possessions assume a central place in a person's life and are believed to provide the greatest sources of satisfaction and dissatisfaction."[477] Tim Kasser combines the two

constructs of *self-determination* and *materialism* and concludes, after a plethora of studies[478], that the price of *materialism is high*. His book, published in 2002 is called, *The High Price of Materialism*. There is no empirical evidence for the materialist's assumption that possessions would satisfy him. On the contrary, materialism makes you dissatisfied. A long-term study comes to the conclusion that first, materialism has a negative effect on satisfaction with family life, and second, satisfaction with family life is by far the most important source of life satisfaction.[479] In another study, materialistically oriented people, compared to less materialistic ones report that they regard financial security as more important than interpersonal relationships, spend more time on themselves and are less satisfied with their lives.[480]

Like Kübler-Ross or Fromm, Kasser identifies a vicious circle that begins with negative experiences in childhood, such as lack of love or poverty. These lead to a state of general fear and dissatisfaction. People are now fleeing into consumer culture because they hope that they can buy security and satisfaction with it. But it does not work: materialistic orientation is a waste of time and money if you try to achieve satisfaction in the process. However, advertising people are professionals in addressing these fears and desires and promote the illusion that money and possessions can buy satisfaction. The vicious circle continues in the next generation because materialistic parents believe that children crave toys; while all they long for is time and (unconditional) affection. Parents urge their children to see their companions as competitors against whom they have to assert themselves or relationships as a market. A new generation of dissatisfied materialists is growing up.

However, it does not only seem that materialism creates dissatisfaction, but also that dissatisfaction increases the general desire for possessions, i.e. our materialistic values and that satisfaction evokes the opposite effect. I do not refer to dissatisfaction with a concrete living condition, for example that the water tap drips, because this makes us want to buy a new one. I am referring to a general, unspecific dissatisfaction[481] and its effect on our level of materialistic aspirations. The question arises as to whether a growth-focused economy must necessarily make people absolutely unhappy in order to increase their propensity to buy, while at the same time the illusion of customer satisfaction must be fuelled, because otherwise people will not buy.[482]

In order to answer this question, let us recall the results of mood research, according to which man strives to maintain a positive mood (mood maintenance)

and to overcome negative moods (mood repair). Accordingly, cheerful individuals should have a tendency to be interested in maintaining the status quo so as not to risk their good mood, while individuals in a bad mood are looking for change to overcome it. In a series of three experiments, Barbara Kahn and Alice Isen could actually prove that when purchasing products, people in a good mood were risk-averse and less willing to try new things if this new thing could fail to meet expectations.[483] Jennifer Lerner and colleagues show that people in a *bad mood* pay more for the purchase of a product than they would charge for its sale[484] and in another study they showed, that bad-tempered participants are willing to pay a higher price for a thermos flask than those who are in a neutral state.[485] A possible explanation is that in a bad mood we concentrate more on ourselves and therefore rate the value of goods higher than when in a good mood. Apparently, the participants in the study were also doing mood repair by purchasing a product at *any given price.* We will follow up with the effect that people sometimes go shopping to overcome their bad mood again later under the term *repair shopping*.

However, the behaviour of the participants in the learning studies also shed new light on the aforementioned *endowment effect* and the hypothesis of loss aversion.[486] For this purpose, let us recapitulate the corresponding assumptions: giving up something is more punishing than winning something adequate. A risk X is more unpleasant than a similar opportunity X is pleasant. If we find out that the price of a product we wanted to buy has increased by X, we are more annoyed than we are pleased to learn that the price of this product has been reduced by X.

According to Lerner, people in a bad mood behave contrarily, the preference asymmetry is reversed and the joy of acquisition suddenly outweighs the pain of loss. However, one of the most important and stable effects of economic decision research, loss aversion, is now beginning to falter. The only plausible explanation I can offer at the moment is that this preference asymmetry in matters of ownership is tied to our mood management. Since people are on average slightly positive, independent of the measurement method, they should, on average, also avoid loss because they do not want to endanger their positive mood: *mood maintenance*. If the mood turns, however, they want to change their status—*mood repair*—and are more likely to become *ownership seekers*. So, we are perhaps not so much concerned with the possible loss of a thing as we are with the associated *loss of cheerfulness* when we are in a good mood and the *restoration of cheerfulness* when we are in a bad mood. If that is the

case, however, the profit economy can have no interest in good-humoured people because they do not buy, as they do *not need* it, as the nun said. Further investigations are still needed as we have insufficient and contradictory data. In a 2012 study, for example, we could *not* replicate the research results of Cryder and colleagues.[487]

But what should interest us even more in this concrete context is the vicious circle which is evoked here. If the empirically, very well-supported hypothesis that a materialistic mindset makes one dissatisfied, and if the hypothesis that dissatisfaction makes us more materialistic can be supported in further studies, then one of them promotes the other in a virtually inescapable self-reinforcing cycle. And now the question arises as to how this downward spiral can be stopped? For the growth fanatic, on the other hand, this question does not arise, because the scenario in which dissatisfaction stimulates buying, but the allegedly mood-raising effect of a purchase fails to appear, which makes one even more dissatisfied, ideally plays into his hands. Only when the customer himself realises that he cannot repair his bad mood through materialism, that money *cannot* buy satisfaction, will he be able to escape this treadmill, or downward spiral.

But why is it not possible to buy satisfaction with money? We already know some arguments: if our income increases, we remain in relatively the same place, as long as the others' income also rises (*positional treadmill*). We quickly become accustomed to new framework conditions (*hedonic treadmill*), and we feel increasingly overwhelmed by new options for action that have been added (*paradox of choice*). We have to devote more time to work and obligatory tasks than to family and friends, and that is why we may finally find that the acquired possession does not bring the expected fulfilment and we feel disappointed.

Kathleen Vohs[488] and colleagues took an interesting approach here: they exposed test persons to unobtrusive money symbols—for example, in a play on words which the test persons had to solve, the word *income* occurred, or there was a poster on the wall depicting *banknotes*—and subsequently recorded their behaviour in comparison to the control group, which was exposed to motives unrelated to money. The hypothesis was that money makes people *self-sufficient*. In an impressive series of experiments on this subject[489], they found that those who had been exposed to money symbols worked longer on a task before they asked for help; provided less help when asked to do so, or when someone had a little mishap; donated less; preferred a greater physical distance from

others; preferred leisure activities that could be pursued alone; and preferred solving tasks alone to solving them with others, compared to control groups. Is that not exactly the puritan citizen who could please the shareholder? He does not ask a lot of questions, does not gossip, works hard and quietly, thinks that everyone should deal with their own problems, is not very sociable and will therefore not stand up for collective interests or show solidarity with others. Changes in character, as pointed out by Vohs and colleagues and as manifested in Case study 14, will certainly have an impact on the culture of everyone against everyone else. If money is the name of the game, we should not be surprised that our cultures suddenly take on and produce peculiar forms: people who recognise a quality of leadership in themselves, because they are smart, friendly and flexible in all respects, clever, always following the latest trends and optimally connected to a network via social media.

Money Priming and Value Systems

Because there is a lot of talk about money in today's media, as in needing to save money, cutting budgets and tightening our belts, we are interested in the effect such reports have on people in the sense of money priming that has been discussed above.

In her diploma thesis[490], Isabela Curbat randomly assigned 60 students from different countries to one of two groups. Both groups had to read a text on cancer research first. Group A learned that cancer research had found out how to prevent cancer by living a healthy lifestyle—they were being *health primed*. Group B, on the other hand, learned that cancer research is experiencing financial difficulties and was at risk if it could not swiftly raise funds—the group was being *money primed*. Pictures were added to both articles in order to reinforce the respective priming. Group A therefore saw a picture of fruit and vegetables and group B a picture of a pile of money. Afterwards, both groups were confronted with different value-related statements with which they could agree with to a greater or lesser extent. In comparison to the *health-primed* group, the *money-primed* students were less inclined to lend money to friends, less fond of sharing what they had, preferred to be alone and to possess things that impress others.

In order to further substantiate these results, Tzveta Yordanova conducted a second, similarly structured study.[491] In order to be able to exclude alternative explanations for different results between the two groups, cognitive

priming of both groups was even closer together. Again, students from different countries were randomly divided into two groups. In a text which both groups were given to read, they received information on the *Erasmus* student exchange programme. The first paragraph of the text provided general information about the programme. The text's second paragraph was also kept as similar as possible with regard to the choice of words in both groups, and in both cases addressed the disadvantages of the programme. Group A read about the long time away from home, the many forms you have to fill in and that Erasmus was a waste of time (group *time priming*). Group B learned that Erasmus was too expensive, that an additional €350 per month were needed, and that the EU even planned to cut the budget—in short, Erasmus was a waste of money (group *money priming*). As in the first study, both texts were enhanced with images, text A with an Erasmus logo and text B with a bundle of money, respectively. Afterwards, both groups were presented with statements in order to uncover their values. Once again, the money-primed group was altogether more *materialistic* than the time primed group. In particular, it believed that ownership is a symbol of success, it was less generous—for example, when it came to lending money or making donations.

Finally, we were also interested in the question of whether there truly is as much talk about money in the media as we claim, and what "much" actually meant in figures. In order to find out, the Austrian media (daily newspapers, weekly newspapers, magazines and television) were analysed accordingly. For each media group, the seven newspapers or channels with the highest coverage were evaluated. In November 2012, each individual product was examined over a period of two weeks using 40 random samples. The position found was then assigned to one of ten categories, depending on the content found. These categories were taken from Shalom Schwartz's theory of basic human values, which we got to know in the last section. At 31 percent, the value range of *power, status, prestige and money* is by far the most frequently found topic, followed by *enjoyment and fun* (18 percent), *security, politics, order and health* (17 percent), *success, ambition and intelligence* (12 percent), *personality, self-esteem, freedom, creativity* (8 per cent), *stimulation, adventure, variety* (4 per cent), *altruism, religion, honesty, friendship* (4 per cent), *adaptation, good manners, self-discipline* (3 per cent), *balance, wisdom, justice* (3 per cent) and *tradition, submission, modesty* (1 per cent).

In order to understand the first category of *power*, *status*, *prestige* and *money* a little more precisely, each content had to be further categorised when it related to *money*. 19.6 percent of all text samples—i.e. every fifth message in the Austrian media—revolved around the topic of money, with companies and the stock exchange the most prevalent and *investments* ranking second. Contrary to our expectations, the category *savings and reductions*—at least during the period under review—with 4.3 percent was *not* among the top ranks. However, the constancy of materialistic content was clearly evident in the media, which, in connection with investigations into money priming, lead us to the conclusion that we were constantly being trained in the direction of self-sufficient loners, who have nothing to give away or lend and find greed sexy. This applies even if you exclude advertisements and just count editorial contributions. At an editorial level, the figure then amounted to "only" 29 percent of reports concerning the category of *power, status, prestige, prosperity and money,* but still 19 percent of reports featuring *money*, and these came from the editorial offices.

Case study 14: Money priming and value systems

In 1968, Norman Anderson[492] asked college students from various American universities which of 555 pre-determined character traits make them love or hate another person. Ranked 1 to 10 (*love*) were sincere, honest, understanding, loyal, truthful, trustworthy, intelligent, dependable, open-minded and thoughtful. The last ranks, i.e. 546 to 555 (*hate*) were deceitful, dishonourable, malicious, obnoxious, untruthful, dishonest, cruel, mean, phony and lying. Erich Fromm devoted a considerable amount of attention to the narcissistic marketing character in 1976,[493] Paul Wachtel dedicated a whole chapter to the narcissistic aberrations of consumer-oriented societies in 1989, and twenty years later Jean Twenge and Keith Campbell[494] published a book, according to which the narcissism of young people has already taken on quite alarming proportions. In a study by the authors, 40 percent of respondents say that self-centred character traits are helpful for survival in a world marked by competition.

But how can young people want anything else when every day they learn from the media that life is all about power, status, prestige and, above all, money? How one rich politician deals with his receding hairline and the other one deals with his wife—the ex-model—while number three is advised by his wife on a daily basis how to arrange his luxurious hair today, and what other events are

happening in the world of the rich, beautiful and powerful? If today's young people in their search for value and meaning in life are no longer told anything essential, they are first and foremost victims of the profit-economy value system. In politics, it is media competence, mastery in self-promotion, fun slogans that have a good media profile, talk-show suitability, acting talent and attractiveness that count.[495]

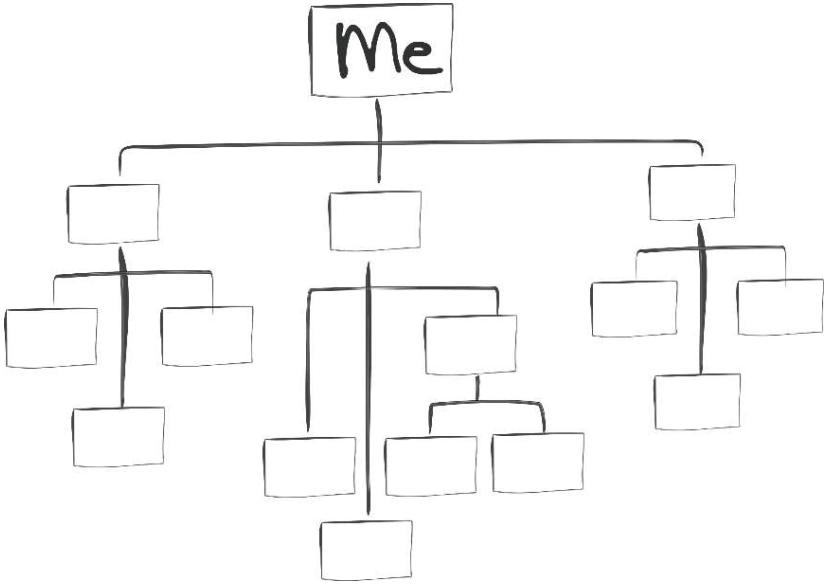

Figure 13: Our future organisation chart

As far as Manfred Prisching is concerned, we have already arrived in the Bluff Society, where anything is possible, provided that you stage-manage yourself correctly, you knowingly pretend something to others and launch your adjusted and trendy self onto the market.496 Even the science and education systems do not want to be left behind in this new battle: "Even where an intellectual potential can be presumed which could at least allow for a detached view of the circumstances, it is adaptation, playacting, the stupid fear of missing something or being too late which triumphs in the end."497 In such a culture, you want to know only one thing: how do I get up there? (
Figure 13). This also makes teaching rather difficult, but above all, it makes living together ever more complicated for us: so many people who take up so

much time and attention from their fellow human beings in order to establish themselves as a brand.

To stage-manage oneself and one's vendor's tray, miss nothing, be there—no, be always at the forefront—also results in another form of cultural contamination. Depending on the counting method, it is estimated that an average citizen of the consumer society today is burdened with at least 1,000 to 4,000 marketing appeals per day.[498] However, we have not yet reached the end of that road as far as *flooding one another with unwanted information* is concerned. For example, the not insignificant *American Marketing Association* (AMA) asked me in an e-mail if I would like to participate in a web seminar where you learn how to trick spam filters of computers. About two years ago a company called Babylon installed an unnecessary browser add-on, I never wanted nor asked for. A short web search after fixing it made it clear: this company is not a company, but nothing short of a scourge. I accessed their website and what did I find in the section *About us*: the company profile—a world-wide leader with great financial prospects, information for shareholders and—of course: a section on social responsibility and how important that is for Babylon.[499]

Competitive companies are ranking societies and crave preliminary results; that brings another set of scourges into the world: rankings, incentives, awards, and contests. As early as 1992, Alfi Kohn realised that nothing was too trivial not to be ranked: "Domingo has surpassed Pavarotti!"[500] He could not have dreamt what would happen only 20 years later in this sector: universities, their programmes and their scientists, their articles and journals in which they are published, cities and their squares or floral decorations, countries and their Pisa skills and academic ratings, industries, companies and their products and employees, musicians and actors, films, commercials, the rich, models, the thousand most powerful managers in the country, the 100 sexiest women and in contrast those worst dressed. Yes, also yacht lengths including owner data, everything is ranked. And let us not forget my favourites: the rating agencies that declare ranking to be a corporate purpose. There is no doubt about it: those who want to draw attention to themselves make a ranking and only a few items that are not yet ranked actually remain. We are looking forward to the ranking of the most stupid rankings.

The twin brother of rankings is our pathological use of language. It seems, that the less things are understood, the more we have to dress them up in fancy language. Elite universities, excellence management, optimal control, maximum fitness, world class manufacture, eternal youth, top performance and the

brightest minds, leading institutes, total quality. It is no longer enough to have a clean vest, it must be super clean. It is not enough to be active, we want to be proactive. We do not really leave our children much room for improvement. Probably all of our children ought to be hyperactive if they are not already.[501] Customer enthusiasm alone will no longer suffice; what we will need in the future is the land of milk and honey on the supply side, and on the demand side the consumption-related 24/7-orgy.

Chapter Five

Paths to Unhappiness

Consumer Decisions

Our decisions of today lead to the quality of life we will have tomorrow. In this chapter, I would, therefore, like to look into the question of how consumers decide, why they go shopping and what tricks marketing has in store to intervene in consumer decision-making processes and sell things that people did not want to buy in the first place. A purchasing decision model, which I developed a few years ago, will be our guideline in this.[502] (Figure 14).

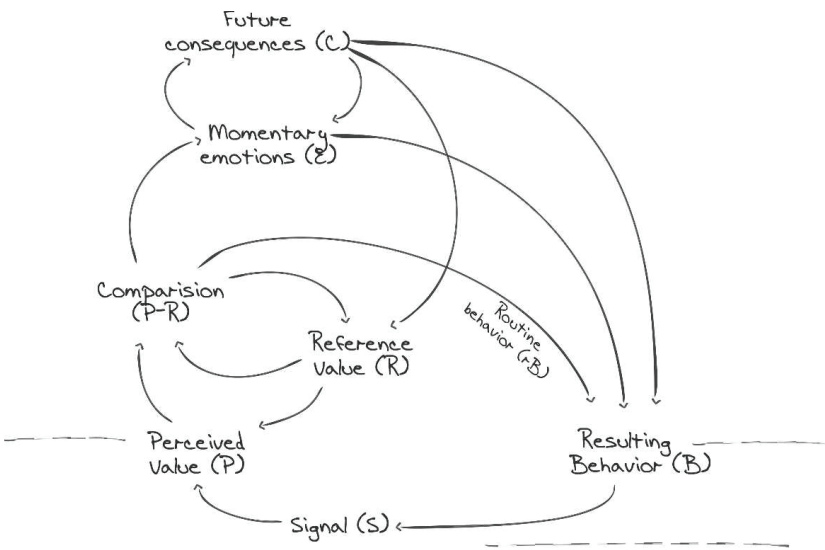

Figure 14: The ECID-model based on Kraigher-Krainer (2007), p. 28 and (2011), p. 191

The model is based on the hierarchical model of behavioural control presented on p. 134. For reasons of clarity, the hierarchies are not displayed here—they are hidden behind the *reference value* [R] so to speak. Below the dotted line is the environment, which provides feedback about the consequences of an action in the form of *signals* [S]. The signals are translated via our senses[503] into internal signals, here called *perceived value* [P].

How can those *comparison processes* be modelled? I have already mentioned them several times (see also Figure 10, p. 136) as they are apparently of such outstanding importance in the formation of (dis)satisfaction, for example in the context of consumption. For the purpose of opinion formation, an internally stored reference value [R] is activated. In the case of a physiological motive,

the physiological *reference value* is called up—for example, the target value [R] of blood sugar—and compared with the *perceived value* [P] of blood sugar [R-P]. We realise that we are hungry. In the case of price perception, the internally stored target price is called up and *compared* with the perceived price [R-P]. If two products are compared with each other, one serves as the perceived value and the other as the cached reference value. In the context of holistic perceptions, e.g. in an ongoing political discussion, more complex associative networks or hierarchical schemes are activated in the brain as *reference value* [R]. Then we are also talking about *associative priming* of the brain (see also Case study 14 just discussed).

This cycle can be set in motion by an external signal, for example, when a certain product attracts our attention at the time of purchase. But it can also be triggered from the inside, for example when we want to buy coffee and now limit our perception to finding coffee. Therefore, an arrow from *reference value* [R] also points to *perceived value* [P]. It symbolises our ability for conscious, selective and expectation-driven perception.

If the *comparison* [P-R] results in the *perceived value* [P] corresponding to the *reference value* [R] within a tolerance zone, a corresponding behaviour programme is triggered, symbolised by the first arrow pointing directly from the comparator to the *resulting behaviour* [B]. This behaviour is also called *habitual* or *routine behaviour* [rB] and controls our daily behavioural repertoire over long periods.[504] On the surface, habitual behaviour is very economical, because it requires almost no cognitive effort and therefore consumes little energy and it also keeps the bottleneck free for the *exceptions to the rule*. Such exceptions are indicated by a significant deviation of *perceived value* from *reference value* [P≠R!]. We experience such a deviation or disorder in the form of a specific emotional reaction: surprise. Surprise has two basic qualities: positive and pleasant or negative and disappointing.[505] Surprise interrupts our routines and indicates that we should now switch to the more laborious process of deliberate judgement because something in the external world is no longer in line with our internal models of it.[506] However, we often maintain our beloved habits even if our emotions already tell us that a certain reference pattern [R] should be brought up to date or called into question. We tend to do so particularly when a surprise is unpleasant and disappointing and we don't feel much like looking into the matter in more detail.[507]

The arrow from the *comparator* [P-R] to *momentary emotions* [E] leads us into this conscious sphere of our perception and to *decisions* in the proper sense.

Decisions are made in a close interplay of emotions (degree of *momentary emotions* [E]) and cognitions (*future consequences* [C]) —in the sense of the hedonistic approach already discussed. Let us also remember the idea of acting on the basis of intrinsic vs. extrinsic motives. As purely emotionally controlled beings, we would turn to everything that is pleasant and avoid anything that is unpleasant. Emotions provide us with the energy to act—attention or rejection—they are to a certain extent our *accelerator pedal*[508]. But we also have a *brake pedal*, our cognitive system, which warns us of the unpleasant future consequences of an action. It not only slows down *intrinsically motivated affectionate* behaviour when this behaviour conflicts with other goals, such as the purchase of a bar of chocolate conflicts with our long-term goal of losing weight and the resulting possible regret after consuming the chocolate. It also slows down *rejection or escape behaviour* if the present execution of an unpleasant action brings advantages in the future or if its non-execution could lead to later regret—e.g. the purchase of everyday goods or the dragging home of a crate of beer. In this case, we act in an extrinsically motivated way.[509] Our cognitive system also tells us whether future consequences of an action can be reasonably evaluated or whether additional information is needed.

The two arrows, which in Figure 14 point from *momentary emotions* [E] and *future consequences* [C] to *resulting behaviour* [B], symbolise the resulting four basic types of decision making in Figure 15: *impulsive behaviour* [iB] (intrinsic no negative future consequences to detect); *frugal* [fB] (extrinsic no negative future consequences to detect, unless we do not perform the action); *mimic* [mB] (extrinsic, future consequences cannot yet be predicted); *extensive* [eB] (intrinsic, future consequences cannot yet be assessed).

Being hedonists, we want to get *unpleasant, extrinsically motivated decisions* over and done with. In the case of frugal behaviour [fB], where we do not perceive any future risks, we can therefore buy with minimal effort and see to it that we settle the matter using financial, cognitive and time resources as sparingly as possible. This category includes activities such as the purchase of detergents and cleaning agents, shoe polish, batteries or refuelling your car. The corresponding *basic value* (see upper part of the quadrant, but also Figure 12, p. 182) is *efficiency*.

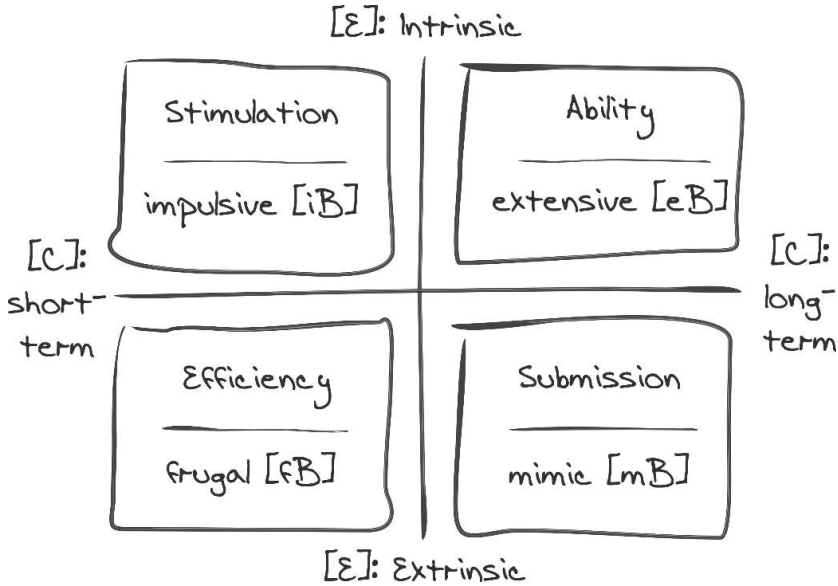

Figure 15: Basic values and basic types of decision-making

In the case of unpleasant but also complex decisions, however, a quick and ill-considered purchase could lead to later regret, which as hedonists we tend to avoid even more than the reluctance we feel at the moment. In this dilemma of moods, we are looking for a trustworthy solution: a strong brand, a solid business, advice from friends and advisors. This reduces the decision-making process and at the same time it limits the range of possible undesirable consequences the higher the level of trust in our source of information. At the same time, however, we subject ourselves to rules and systems that we do not exactly understand and that we therefore have to trust—that is why *mimic behaviour* [mB] is also part of the basic value of *subordination*. Typical examples are insurance and banking products, household appliances or winter tyres.

In the case of pleasant or *intrinsically motivated buying decisions*, on the other hand, we do not experience a mood dilemma because the decision-making process itself is seen as interesting and full of relish. However, in the case of *impulsive behaviour [iB]*, this will not last long, because there is not much to decide—unless there are conflicting goals. Typical impulse products are magazines, journals, flowers or sweets, the basic value is that of *stimulation*. More complex products, which we buy with intrinsic motivation, trigger *extensive*

buying behaviour [eB] in us. We now show a high willingness to compare offers on the market, to study specific advantages and disadvantages and to form our own opinion instead of relying on others to do so. We find this form of decision-making behaviour, for instance, for holiday trips, cars, furniture and television sets. In this state we feel that we are in control, which corresponds to the basic value of *ability*. It is the type of purchase that comes closest to the *homo oeconomicus*. It is also important to consider what Ryan and Deci[510] found out: that intrinsically motivated, self-determined behaviour requires not only *willingness*, but also the corresponding *ability*. For this reason, intrinsically motivated buying actions run the risk of becoming extrinsic if the decision-maker lacks the cognitive resources for a *masterly* decision, if time pressure is added or, as the studies by Iyengar and Lepper[511] mentioned above show, if a variety originally experienced as pleasant is becoming excessive and therefore ultimately discourages or causes us to abandon the decision-making process.

We draw *reference values [R]* from the area of genetically pre-programmed target values, from our past experience, from the know-how of others, from media reports, advertising or deliberate confrontation with facts. Therefore, one arrow leads directly from the *comparison process* [P-R] to the reference value (e.g. advertising) and a second from *future consequences* [C] to reference value (formation of reasonable expectation). This is how our expectations for a product develop (guarantee expectation, features, usability, durability, price thresholds, range of functions, etc.). Therefore, if marketers in their efforts to sell as much as possible, promise customers more than a product or a service can achieve, dissatisfaction is more or less inevitable. The reference value is driven up during the buying phase, but not reached in the subsequent consumption phase. Mental processes *after the purchase was made* are also adequately illustrated in this model: if a product (*perceived value* [P]) corresponds with our expectations (*reference value* [R]), we are satisfied with the result and return to the state of habitual behaviour [rB]. If the product does not meet expectations, we are disappointed and will engage in causal research: did the salesperson wrongly advise me? Have I been too hasty in my shopping? Is the issue too unimportant to follow up?[512] If the product, however, is better than expected, we will conversely experience a feeling of pronounced satisfaction and our attachment to the brand, to the business, to the seller will be cemented.[513] But at the same time a process of habituation will commence in which today's over-fulfilment will become tomorrow's day-to-day life—let us remember the

above mentioned hedonic treadmill, symbolised by the arrow pointing from *comparator* [V-R] to *reference value* [R].

I have briefly outlined the model here in order to use it as a guideline for discussing marketing practices that we as customers should be aware of, and to differentiate more clearly between spontaneous buying, and that where we may only be victims of entrepreneurial desires for sales and fall into the clutches of marketing.[514] I proceed according to a simple purchase phase model, according to which we are confronted with advertising messages first and before any intention to buy. Afterwards I deal with the basic motives for going shopping. Then I describe the temptations and illusions in the course of the purchase process itself and, finally, I discuss the time after the purchase was made. The letters in square brackets refer to the corresponding area in the last two figures.

Before Purchasing

Our perception system [P] is highly selective. According to Franz-Rudolf Esch, only 0.04 percent of all information from the outside world reaches our consciousness, while the remaining 99.96 percent is not even perceived at all, and if it is, it is processed habitually.[515] For this reason alone, it is relatively well-established that homo oeconomicus purported by the economy would be unable to make decisions due to the flood of data, and would probably even be incapable of surviving.[516] Jack Trout and Steve Rivkin propose three filter systems to protect us from information overload: first, we expose ourselves to the information selectively by, for example, switching off the TV set and taking a newspaper to hand. Second, we focus our attention on certain items in the newspaper and ignore others. And third, tomorrow we will have forgotten 80 percent of what we have read so attentively.[517] But there are many other filters. Our senses can only capture a small fraction of the available information—the eye, for example, can capture perhaps 2 to 3 percent of the available electromagnetic waves, namely, those from sunlight.[518] Or we selectively process information according to our existing suppositions, wishes and concepts—we prefer to hear what we want to or expect to hear [R]. Likewise, we recall stored information selectively and contextually—for example, if we are in a good mood, we have more access to positive memories[519]—we have already talked about the phenomenon of cognitive priming. Understanding the diversity of products and services offered on the market *in actual fact* means first and foremost understanding what *we do not* perceive, filter out, forget or currently can-

not access. This is especially true in this age of *hopeless information overload*[520] accompanied by a declining interest in information because the products are becoming increasingly *similar*.[521]

Advertising Psychology

According to the neoclassical model, advertising puts the customer in a state of perfect information about all the products and their characteristics on the market, which, as we have just seen, is clearly nonsense. The media critic Neil Postman provides us with insights into the actual function of advertising today and also into its history: in 1704, the first three *paid advertisements* appeared in America in the Boston News-Letter in the form of typographical advertising. One offered a reward for catching a thief, the other a reward for returning an anvil, which had obviously been stolen as well. The third advertisement offers for the first time something for sale: a property. In 1768, an advertiser described that if people lose their front teeth, they can now, for the purpose of looking and speaking better, be restored in the form of false teeth that would look exactly like natural teeth.

With the turning point from text advertisement to illustrated potpourris around 1900, Postman envisaged the end of a serious, information-linked economy. Advertising became a mixture of in-depth psychology and aesthetic theory and reason had to retreat to other spheres. The rest is handled by television advertising, which—in keeping with the medium's character—has practically nothing to do with information. There is only music, drama, image, humour and celebrities that are mixed together to form a non-committal entertainment cocktail, which for Postman represents the most serious attack on the capitalist idea since the publication of Karl Marx's *Capital*.[522]

Today, we differentiate roughly between four sources from which a customer receives answers to the question of what to expect from a product [R]: (1) retrieval of *internally stored information* and previous experience with the product or brand; (2) *company-driven* information such as advertising, public relations, sponsoring, sales promotions, personal sales; (3) *media-induced* information such as the (hopefully) unbiased article of a reporter on a product or the reproduction of reports that he received from a test institute such as the VKI[523] in Austria or Stiftung Warentest in Germany; (4) *exchange of experiences* with other customers, be it personal conversations, internet forums or purchase evaluations in the web.

In the dilemma between the clamour of the market on the one hand and a customer overloaded with information on the other, the interest of the advertising industry is almost unlimited, as how to open *the gates of a customer's perception*[524] [P] and direct it towards the advertised product. At the moment, advertising's greatest hope lies in *brain research* and *neuromarketing*: a pitiable professor of neurophysiology "bemoans" that advertising agencies, publishers, industrial customers and market researchers are already knocking down his door.[525] Conversely, he is only too happy to offer his knowledge as a consultant. But what can one do as a customer, how can one protect oneself against so much unsolicited information?

First of all, it is important to distinguish between *push* and *pull media*. The Internet is an example of a *pull* medium: if you do not request a page or information, you do not have to deal with it.[526] The same applies to the newspaper, which you can put aside or you can leaf past an ad. It is more difficult with push media such as TV and radio—you would have to switch to another programme or do some household chores while advertising is aired. But one cannot escape the sound, especially if the stations turn up the volume during commercial breaks. In addition, the stations are trying to match their commercial time slots, so changing channels will not do much good. Or the news that you are actually waiting for is broadcasted at variable times, so that you would miss it if you did not stay tuned. It's just as difficult to escape poster advertising because you cannot simply look the other way when driving. Fortunately, advertising calls, spam mails and advertising text messages are still legally restricted in the European market. In the USA and Canada, however, you must register if you want to be left alone also as a consumer. In some Asian countries, students tell me, it is not unusual to have to *decline* up to 10 advertising calls a day. You can attach stickers to your post-box, indicating that you do not want to receive any advertising material. However, whether the postman follows such wishes in his intention to get rid of the circulars is another question altogether. For this reason, there are containers in many apartment buildings that patiently swallow unread bundles of brochures.

If you as a customer have found a solution to a rather trivial problem, e.g. a laundry detergent, then you may even have an ally in the advertising industry: the market leader. Its strategy is to encourage you in your routine behaviour [rB]: in the ecstasy of oversupply of brands and information, he presents you with an easy-going patent solution: *Persil – and you know what you get*. Hans-Joachim Hoffmann[527] calls this strategy sedative: Routine is supposed to be reinforced and a corresponding routine [rB] or frugal [fB] behaviour is to be

established, so that customer behaviour can be perpetuated without guilt. The brand's dominance should dispel any doubts that may still exist. Naturally, it is different for the competitor, whose task is to *break down* your routines [V≠R!]. Your former ally will also want to disrupt your routines if he wants to sell a product more often or at a higher price. Then the function of advertising is to change existing conditioning and open up new mental drawers. The unexpected, going against our habits and our existing reference systems [R] ought to create new associations (tea as a thirst quencher), make the product more valuable (prestige, new and improved properties), or it should condition new groups of people (toys for fathers) or to new situations (ice cream in winter).[528]

There are many products where product-related messages can hardly disturb our routines. On the other hand, we are susceptible to anything that deviates greatly from the average level [P≠R!]: to be loud in quiet surroundings or whispering when before there was yelling. Anything that is abnormal, large or flashy or blinking causes the desired *orientation reaction*[529]. A TV commercial in which the soundtrack is played backwards will be remembered better than the original [P≠R!]:[530] Moving things are more interesting to us than static objects—we have specialised receptors in our retina for it.[531] Bright red stripes disrupting an advertisement or the packaging attract our attention as well as things that seem impossible—a man who is stuck on the ceiling upside down, held only by the new superglue. Words sometimes have the potential to also attract our attention. Magic words of marketing are, for example: *now, new, only for you, only for a short time* and are particularly popular in direct marketing and on packages. The goal is always to signal a deviation from the norm and thus create something surprising [P≠R!]: You must not miss this! On the other hand, that the customer gets the impression that he is not missing anything if he neither looks nor listens, must be avoided.[532]

But is it at all possible to avoid the manipulation attempts of advertising by not looking or listening? Unfortunately not! Sigmund Freud compares our nervous system to an iceberg, of which perhaps one seventh is accessible to our consciousness [E↔C] whereas the rest is not. So, if you say "I deliberately did not look", it simply means that one seventh did not notice anything. Vance Packard[533] is one of the first to warn against the *hidden persuaders* of the advertising industry on our unconscious. It is therefore only natural that horror was triggered by the press report of a businessman named James Vicary, who in the 1960s allegedly was able to prompt people to buy more Coca-Cola and popcorn in the break of a feature film simply because he inserted very short, subliminal frames with messages like *"Eat Popcorn!"* and *"Drink Coca-*

Cola!". Later, he admitted that the story was invented and a publicity stunt, with which he wanted to draw public attention to his specialised advertising agency.[534] Science calmly turned away from the topic. It had better not. After all, advertising has the most effect when we believe that we are not listening. Robert Zajonc[535] discovered that the continuous presence of a thing or message is enough to positively influence our attitude toward it—he calls this phenomenon *mere exposure*. A billboard in front of which we leave our car every day, a colleague or even words can become more appealing just because we are frequently exposed to them. We generally like what we are accustomed to—which makes new brands appear as suspicious as people from foreign cultures. Advertisers know about the power of mere presence, whether the product is good or not: it's about the critical number of contacts, constant background hammering of advertising, and one's *ceterum censeo*. The constant bombardment of young and malnourished top models must logically lead women of normal weight to sooner or later feel fat and old when 30, even if they have never consciously dealt with the question of how they would like to be (see Case study 13, p. 140).

Further findings about subliminal perception come from an instrument called tachistoscope. This device illuminates packages or advertising messages for fractions of a second. You can set the exposure time to such a short interval that most subjects are convinced that they have not seen anything. If you project a figure on the wall, many test persons will *guess* this figure correctly, even though they have not seen it consciously. Our physiological needs also contribute to this: hungry people recognise food earlier than those with a full belly [R→P]. After 100 milliseconds, the first impression of a face is practically finished and is rarely revised.[536] The device is used for the analysis of advertising messages in order to be able to better analyse the process of the emergence of perception, the so-called *actual genesis*: what first suggestions does the poster trigger? Right or wrong? Positive or negative?

Obviously, not only is the subliminal message itself effective, but also the subliminal components of an inherently superficial message. For example, a man in a lab coat with medical equipment in his breast pocket makes us assume that he is a doctor—especially if he is called *Dr. Best*. In accordance with our acquired submission to authority,[537] we willingly adopt what he recommends, even though we do not know why. It is also certain that we—especially women—show a reflex-like reaction to everything that has a childlike quality. Women react to a baby without being aware of it in the following way: first, they bring their face to a distance of about 30 cm from the baby's to be clearly

seen. This is followed by rhythmic nodding movements, raising of the eyebrows, a high pitched voice and an increase in the pulse rate. We show very similar reflexes to young animals which display big eyes, a disproportionately large head, clumsiness, a snub nose, bulging forehead and rounded features.[538] Such *key stimuli* release ancient patterns of behaviour which the advertising industry knows about and has been using for a long time to sell us that new super practical cleaning rag.

Psychologists and marketers also regularly study people's eye movements when looking at advertisement designs, new packaging variants or when walking through a store. In the case of looking at an advertisement, we generally follow the acquired reading behaviour—e.g. in Western cultures from left to right and from top to bottom, e.g. in a *Z-shape* or *F-shape*. In addition, images are perceived as preferential to texts and the centre of an image rather than the edges. Faces are preferred over objects or eyes over other parts of the face.[539] Through this *eye-tracking* process advertising agencies want to know whether the most important elements of the advertising message—the brand and the headlines—are viewed. If not, the ad is redesigned and the brand label is moved to a different location, for example, where it is more likely to be perceived. Nothing is more frustrating for an advertiser and, therefore, more threatening for the agency than when customers can remember a campaign, but not the advertised product or brand—which can easily happen when a celebrity is used in advertising, because he attracts all the attention.[540]

We have already heard and seen it in the figure [E↔C] that the only way to our mind [C], if it is not busy with something else, is through our emotions [E]. We have also heard that the specific trigger-emotion is that of surprise (joy vs. disappointment) which interrupts any other activity and thoughts and draws our attention to a certain stimulus.[541] Robert Zajonc[542] tells us why it has to be like this: the brain area responsible for our emotions, the limbic system, developed long before the neocortex.[543] A stimulus must first pass *through* the older limbic system in order to enter the newer cortex. Advertising professionals know only too well that if their message cannot generate a primary emotional reaction of surprise, it will largely go unnoticed. They are therefore masters of emotionalisation.

The most tried and tested topics have always been sex (*sex sells*), humour, happy people, the good ol' times and childhood memories as well as harmonious relationships or celebrities. Or whole dramas revolving around a product, similar to a theatre play: after the first *surprise*, *suspense* is built up and we

ask: what will happen next? How can that go together? Where does that come from? Where does it lead? Finally, there is resolution and relaxation.[544] Humour works in exactly the same way. The punch line represents the resolution; it is the moment of highest attention.[545]

Anxiety, fear-appeals and the resulting negative surprise can also have an effect. As hedonists, however, we are more open to positive surprises. In addition, we build up a positive, not negative anxiety-related associative priming [R] of the brain towards the brand. In the 1990s, Benetton suffered this painful experience when it came up with the idea of attracting attention to its brand with dying HIV patients, bloodstained soldiers and image-hungry reporters, while at the same time glossing itself with a social touch. There were lively public discussions about this *new advertising style*; the profit-enhancing effect, however, failed to emerge because the associative tendency which ultimately remained attached to the brand, was predominantly negative.[546]

Because humour, surprise and a pinch of sex correspond to our basic value after *stimulation*, people, especially children and adolescents, like to expose themselves to such advertising impulses voluntarily and unwittingly.[547] We confuse advertising with entertainment and therefore turn off our otherwise well-functioning reticence when someone wants to talk us into something.[548] But advertising is supposed to sell, must sell and does sell reliably, otherwise it would not exist. For a TV commercial, the world's best directors, cinematographers, film companies and computer animation artists are employed to amaze the customer for 30 seconds and then almost certainly sell him something. Advertising today originates from the already discussed necessity to create demand. Only customer *dis*satisfaction sells and this cannot be achieved at the level of physiological motives alone, because, as soon as they are met, one often depends on the stimulation of psychological needs.[549] That is why advertising in affluent societies must first and foremost tell us what else we want to have in order to nourish the *chronic gap* between what has been achieved and what is expected [P≠R]. And it is already doing this in itself, and the media landscape dependent on advertising revenues also contributes to it.

Brand Building and Brand Delusion

Building a brand means branding a nameless product, similar to cattle that are *branded* with fire to show: this is mine! Brands can also be registered in trademark registers to facilitate the enforcement of corresponding property rights. Owning a trademark can have a number of other advantages for the owner:

brands have a concrete value that can be quantified in monetary terms[550], you can sell products at a higher price and they serve as a platform for new products. They allow for simultaneous processing of several submarkets under different brands and they create the prerequisites for retaining customers and differentiation from the competition. Brands offer the customer orientation on the market, quick identification of the favourite product and often even a prestige benefit.[551]

Building a brand originally meant bringing a superior product onto the market, making the decisive difference to a competitor's products clear and the product recognisable through the brand. Since the 1940s, this decisive difference compared to the competitor in the customer's perception has been referred to as "*unique selling proposition*" or USP for short.[552] The claim must be one that the competition cannot make and which, at the same time, reliably motivates the target group to buy.[553] The company's claim to superiority continues to be the customer's claim to the best product [R], and the product currently in use may only trigger chronic dissatisfaction. Brilliant market launches have achieved such a strong position that the product category and brand merge with each other. We say *Hoover* and mean a vacuum cleaner, *Aspirin* when we're looking for a painkiller[554] and *Kleenex* when we want to blow our nose with a paper handkerchief.

However, we have already heard that products on the market are becoming increasingly similar and it is therefore difficult to achieve differentiation at the product level. And once you have found a USP, it may only take a few months until the competition has compensated for the lead. For this reason, brand managers now use psychological differentiation independent of the product. "*The hidden persuaders* gain in importance through emotionalisation, aestheticisation and experiencing the brand" writes Franz-Rudolf Esch: apparent quality beats real quality. He cites the comparison between Pelikan and Montblanc as an example: Pelikan wins the product test, Montblanc in customer perception.[555] And if there is no more emotionalisation or aestheticisation available, then we position the brand as crazy, as nonsense—coined as *marketing bullshit* by Boush and colleagues[556]. In a world where so much nonsense is spoken, one can try to sell even more nonsense as the difference that truly makes a difference. This gives young people the opportunity to experiment with different forms of self-promotion.

What else should one say about the product if there is nothing left to say, because there is no difference worth mentioning? And if there were a difference,

would the customer even listen to the noise of this flood of brands in which he drowns while every single one of them shouts: "Buy me!"? In addition, there are thousands of people who surround him and want to position themselves as a unique brand; political parties and religious communities, charity organisations and offices, football clubs and umbrella organisations, research institutions and technology centres. In this *Babel of brands*, it was not easy for Dietrich Mateschitz to set up a new global brand called Red Bull. Mateschitz, however, soon understood that the classic media route is not only far too expensive, but also hopelessly congested. And because there is not much to say about the product anyway, it is enough to position the Red Bull logo where people are still looking with enthusiasm: on sports fields and racetracks, at the most spectacular events and the craziest stunts. This still costs breath-taking sums of money—reportedly 20 to 30 per cent of the company's turnover, which is passed on to brand maintenance every year - which would, however, just fizzle out in a traditional way. Felix Baumgartner's leap from the stratosphere under the main sponsor Red Bull was said to have been followed by around 1.5 billion people in the world and cost a rather modest 50 million euros.[557]

"A brand is a name that influences customers",[558] often this just means to be preserved in the memory of as many people as possible and to be quickly retrievable or available as a reference value [R]. Tversky and Kahneman speak of the *availability heuristic*: what comes to mind quickly must be of significance.[559] What comes to mind quickly is familiar to us—see *mere exposure effect*—and what is more familiar is more agreeable. The ideal brand also evokes other relevant associations in our reference system [R] and paves the way for a positive development in our brains. However, as we will soon see, the mere fact that a brand name can be retrieved from memory is enough to make us believe that a product is *objectively* better.

One way of examining the effect of brands on customers' judgements is to make use of the method of a *blind study*.[560] In this method, products are presented to customers for evaluation without any reference to the brand. Afterwards, it is possible to examine whether the customer, for example, recognises his favourite brand, whether the product evaluation corresponds with the brand image, or whether the product assessment in the blind test corresponds to that in the full test. In an early trial,[561] 326 beer-drinking households were provided with beer varieties without brand reference. Respondents assessed different brands and their product properties as very similar, with exception of the carbon dioxide content, and could not identify their favourite beer and therefore

rated it no better than any of the other products. A week later the study participants received the same set of beers, only now the original labels and crown caps were displayed. All beers were now given a better rating, ratings were consistently more varied and the respective participant's favourite beer was invariably ranked first. The study-authors concluded that the customer does not evaluate the product, but rather the marketing measures of the breweries. Another study produced similar results:[562] in a blind test, 51 percent of respondents preferred Pepsi-Cola and 44 favoured Coca-Cola. If the brand was visible, only 23 percent preferred Pepsi and 65 favoured Coca-Cola.[563]

Every now and then I do blind tests with my students to show them how much our imagination affects our evaluation of a product. No matter whether it is beer, soft drinks, biscuits, potato crisps, energy drinks, perfumes or chocolate: allocation of samples to quality levels, price categories or brands is just mere guesswork. In the summer of 2011, however, I wanted to investigate the matter a little more systematically and, for this purpose, together with a group of students, I carried out an appropriate study among end users (Case study 15).

With Closed Eyes ...

The research questions of our experiment were: (1) does higher availability or retrievability of a brand from memory have an influence on product assessment? (2) If so, is this influence different in different sensory performances? (3) Are people who classify themselves as experts in a field more immune to such judgments than people who describe themselves as amateurs?

Each test person was presented with a series of products for evaluation. A small card in front of the product also gave the name of the brand. Two rounds of five product assessments had to be carried out, one taste test with potato chips per round, a hearing test with a piece of music, a tactile test to feel the quality of a T-shirt, a smell test using a wad of cotton moistened with deodorant, and a visual test by presenting various image sections of a car (rear-view mirror, interior decoration, door handle, seats). In a second round, the same series was repeated with the reference product. The sequence of the test items and the order of the brands were systematically varied. What we confessed to the test persons only later was that we had used the same samples in both rounds, first with the real brand name and then under a false brand name. The real brand names were Ralph Lauren

(T-shirt), Kelly's Chips (crisps), mp3 (piece of music), Adidas (deodorant) and BMW (car). All of these brands were available on the Austrian market and well known - brand recall ranged from 82 (Ralph Lauren) to 99 percent (BMW). The brands we alternatively used were Ted Baker (T-shirt), Dandy's Gourmet Chips (crisps), plj (piece of music), Isana (deodorant) and Tata (car). These brands were not available or hardly known in Austria, their brand recall ranged from 5 (Isana) to 22 percent (Tata). In other countries, however, these were well-established brands. By always using the same product, actual differences between products could be ruled out. Due to the systematic variation of sequence, order effects could also be excluded. The only real difference, therefore, was that the one time the product carried a brand name that was familiar in Austria and the other time a brand name that was virtually unknown. Those few persons who during or after the experiment suspected that we had used the same products twice were eliminated from further data analysis and replaced by new participants. In order to do so, test persons had to disclose their assumptions about the purpose of the test at the end of the tests.

176 respondents, gave five assessments, one per sensory perception, resulting in a total of 880 individual assessments. Participants could choose the better-known brand (let us call it A), the less known brand (called B), or rate both as equivalent (A=B). The *right answer*, so to speak, would be that both are always classified as equivalent because it was always the same sample. Then the distribution would be A: 0%; B: 0%; A=B: 100%. With *pure guesswork*, the assumed distribution would still be: A: 33%; B: 33%; A=B: 33%. The empirically established evaluation, however, for all sensory perceptions is A: 46%; B: 25%; A=B: 29%. Looking at the five sensory perceptions separately, there is a significant preference for the more well-known brand in each of the five assessments. Ironically, this is especially true for visual perception, e.g., the sense we subjectively trust the most - *I have seen it with my own eyes*: the preference for the familiar brand is: 57%; 16%; 27%.

Since blind studies are sometimes criticised for combining users of a product group with respondents who have no experience with such products,[564] we were interested in a third research question: whether test persons who classify themselves as experts are more accurate in their judgement. In fact, across all sensory categories, experts differed significantly, but their judgments were even *worse*, as their assessments were even more strongly guided by brand availability: (51%; 22%; 27%) than those of amateurs

(42%; 27%; 31%). At the level of individual sensory assessments, subjectively perceived expertise seemed deceptive, above all in the area of taste (48%; 35%; 17% for experts vs. 40%; 27%; 33% for laymen).

It is thus confirmed that we do not (just) assess product quality, but also familiarity with brand names. All the senses are susceptible to it, perhaps visual sense even more than the other sensory perceptions. This is proven by the fact that all known brands were automatically significantly more likeable to participants than their less-known counterparts. People who see themselves as experts ought to be even more sceptical of what their senses tell them about alleged differences in quality, especially when it is a matter of product *tasting*.

Case study 15: With closed eyes …

In view of such results, one could certainly argue that it is people's own fault if they believe everything. One could argue that even if the enjoyment is just imagined, it is still greater for branded products. And when you know of people's gullibility for brands, you must understand, that marketing people see this field of activity as their favourite playground where money can be earned so easily without any improvement of the product: "The brand is the most important issue!"[565] So if you want to enjoy advertising in the future, you know the price you pay: simply because a certain brand name seems more familiar to you after an advertisement, you are prepared to pay up to seventeen times more than for the store brand,[566] in order to buy a supposedly better product or just the hottest brand.

Why We Shop

Why do we go shopping in the first place? The simplest answer is, of course, that we need a product or service triggered by a gap between our expectation and our achievement (see Figure 10, p. 136 and [P-R] in Figure 14, p. 163). As long as this gap is narrow, we will often do nothing at all, depending on individual relevance and information: [P≈R!]. On the one hand, the gap between expectation and achievement is widened by *need recognition*, when consuming a product when it no longer functions or never functioned properly: [P] goes down—or by *opportunity recognition*: our expectations of a certain product increase because a better solution comes onto the market or because we are

influenced by advertising: [R] is moving up. A change in living conditions can affect both [P] and [R]: a new income situation: we earn more or become unemployed; an already purchased product requires the purchase of complementary products or accessories: the protective cover for the new smartphone, for example; or demographic changes such as a baby in the household, the growing interest in fitness products with increasing age or the search for a bank near our new home.[567] We have already seen that both forms of gap formation [P≠R], wear and tear of a product as well as higher expectations, can be natural components of a consumer society that wants to maintain and further improve its standard of living.

Both forms are also *deliberately* promoted by marketing: *need recognition* through premature ageing in its different variants (see p. 263f), through pseudo-innovation or by tips on how to use a product more lavishly in order to have to buy it more quickly; and *opportunity recognition* by promoting comparisons with others or using psychological tricks of advertising and brand *delusion* as discussed above. Both of these factors initially create dissatisfaction and, subsequently, an urge to overcome our daily routines [rB] and to close the dissatisfaction gap by buying them. In the case of relevant products we even expect lasting satisfaction so that the purchase will not only eliminate our dissatisfaction but result in a satisfaction surplus. But let us remember, above all, two illusions discussed in this context: (1) In the case of social comparisons, the *positional treadmill*, the illusion that *only we* improve our position and (2) the *hedonic treadmill*, the illusion that our demands of today will remain constant in the future and not adapt to a new situation.[568]

But we go shopping also for entirely different reasons, which I would like to point out here. To do this we have to look again at the two factors of present emotion [E] and future consequences [C]. We have already heard that the two forms of avoidance-oriented buying, *frugal* [fB] and *mimic* behaviour [mB], respectively, are usually not associated with pleasure; they are rather carried out in order to avoid negative future consequences [C], they are *extrinsically motivated* (see p. 144 and p. 166). *Impulsive [iB]* and *extensive [eB]* behaviour, conversely, have intrinsic qualities, they reward us directly while performing an act, so there is no need to *justify* it further. They either stimulate us directly or relate to one of our central life themes: travelling, decorating our house, car, hobbies etc. *Extrinsically* motivated shopping corresponds to the mechanics of closing the gap between what is expected and what has been achieved: concrete demand, finding a store to meet the demand, purchase, use, and disposal. Extrinsically motivated customers minimise the planning process, the collection

of information, access routes, the number of shops visited or the time spent in a shop. However, if we take a closer look at intrinsically motivated shopping, we realise that there is no concrete demand, nor is there any particular pressure to come home with a particular product or solution.[569] We go shopping without being able to name a problem, wander through shops to gather ideas. We are relatively well informed. Maybe we also have subscribed to a magazine on the subject, which we have studied carefully and in addition we use the internet extensively as a source of information. When we arrive at the shop, we are likely irritated when a salesperson asks us what we are looking for, because we might not be looking for anything at all. Even if we spend a lot of time in the shop, make intensive comparisons and finally do not buy anything, it does not bother us because we have spent a pleasant time on our *excursion*, in contrast to extrinsically motivated shopping. Because of our good mood, we are also more open, interested and friendly than those customers who have a job to do.

There is evidence that people in consumer societies are less and less willing to shop.[570] This is probably due not only to the overwhelming complexity and variety of products and to the increasing aggressiveness of marketing, but also to the general tendency towards extrinsically motivated societies, where we no longer define ourselves by *who we are*, but by *what we have*. The motto of modern consumer society is*: I buy therefore I am!*[571]

Let us take the example of *positional* buying motives—wanting to have something, because *relevant* others like a colleague or neighbour have it. This motivational situation stems not directly from a desire for a product, but from the fear of losing our position and falling back in relation to others. We do not buy because a product is important to us per se or gives us direct pleasure. We buy out of a separate motive: compared to others we want to be in a good or at least not in a a worse position. Robert Skidelsky[572] distinguished between so-called *bandwagon goods*—products that we find interesting because others have them and *snob goods*, products that are interesting because others do not yet have them. Whereby sooner or later these goods will degrade to *bandwagon* goods the more people have them. Another category ist *Veblen goods,*[573] goods that are *conspicuously wasteful*: the more pointless these are, the more interesting they are to us—an off-road vehicle in the urban plains, domestic workers who have obviously nothing to do or shopping with friends, where the question of the price of a product is conspicuously not asked—perhaps the most extreme form of *pathological consumption*.[574] This category includes the trophy from the last big-game hunting as well as the trophy wife[575]—and today probably

also the trophy husband: expensive, beautiful, bought, and otherwise conspicuously useless.

	Intrinsically Motivated Purchase	Extrinsically Motivated Purchase
Need	No need required as a trigger, nor is there a compelling need to solve a purchasing problem	Purchase arises from a gap in the above sense; purchase should result in a quick solution
Purpose	Shopping as an end in itself: window shopping, idea shopping, consumption fantasies, read special magazine, surfing the web	Solve a concrete purchase task, solve a problem in the shortest possible time
Unplanned Purchases	Deliberate exposure to marketing stimuli; can result in unplanned purchases	Unplanned purchases occur when additional requirements are brought to mind in the store
Sacrifices Made	Time spent, cognitive effort or switching costs are not perceived as sacrifices because the purchase is self-rewarding	Time spent, cognitive effort or switching costs and purchase price are considered as a sacrifice
Basic Attitude	The longer the better - similar to other leisure activities	The shorter the better - as with all unpleasant activities
Mood	Positive, attentive, open, curious, accessible, trusting, creative, holistic	Negative, conservative, sceptical, focus on immediately available information

Table 1: Intrinsically and extrinsically motivated shopping

We have already discussed the fact that we experience bad mood as an unpleasant state and will therefore take measures to resolve it. *The buying motive is mood repair*: when we go shopping in order to escape from grey everyday life or when we want to treat ourselves to something after a frustrating experience—in the literature also called *repair shopping* or *retail therapy*.[576] We are just as unaware of this buying motive as we are of our willingness to pay more

than necessary for a product, just to dispel our bad mood. In saturated markets, however, there are numerous opportunities to generate additional sales if we are pushed from a state of satisfaction into an *extrinsic mood*. If you keep setting the bar higher, without people being aware of the hopelessness of their efforts, they will need ever more money and work harder still to compensate for frustration through consumption. A reverse buying motive is that of a *reward purchase*, where we buy something because we have reached a certain goal—for example the reward convertible car, which customers buy around the age of 50,[577] after the family budget situation has eased.

As mentioned before, the profit economy strives for privatization first and for scarcity later so that goods and services can be transformed into profitable "innovations" instead of unprofitable public goods. In addition to this approach, which lobbyists take care of, one can also psychologically reduce the abundance of existing products. The buying motive of *hunting for the scarce* is usually triggered by messages that are likely to depict an item as either valuable and scarce or of limited availability. Pretty much every one of us is susceptible to the *scarcity principle*, which says that "... possibilities seem to be the more valuable the less attainable they are".[578] In the profit economy this principle is successfully used to stimulate purchases before we even consider buying something: the last property on the south-facing slope—especially if there is supposedly a second prospective buyer—the device, which unfortunately is already sold out, but then there is still one in stock or the patented formula, a special active ingredient, which is only available from XY and will only be available from XY in the future. Time limits are also based on the principle of scarcity. The customer is given a period of time within which an offer applies. Or there is no deadline at all; you have to decide literally on the spot: the door-to-door salesperson is only in the area right now. Or, unfortunately, it is already too late for a great form of investment; with the next call, a practically out-of-breath vendor advises the customer to invest very quickly. Additionally attached hints like *while stocks last, only this week*, or *only two per household*[579] eliminate our last doubts and we think we have to rush there immediately. They give us the impression that half of a city's population is already underway and at the same time they provide legal protection for the dealer. As the term *snap* (up a bargain) already suggests, we are now in a state similar to that of a fish in a feeding frenzy, "*snapping*" at our fishook. Just as the fish finds itself hooked afterwards, many a buyer at home wonders which devil may have hooked him while shopping.[580]

For some people, going shopping is more of a leisure activity whereas for others, it is something to be dealt with quickly - the distinction between intrinsically and extrinsically motivated shopping is a personality trait. *Recreational shoppers* accept longer journeys than *economic shoppers,*[581] they spend more time in the shops, are more willing to pay a higher price and stay in the shops even after they have made their purchases in order to experience new fashion trends, collect ideas, get inspired, see what is new and generally orientate themselves. They also enjoy combining these activities with social activities such as meeting friends or the other sex.[582]

Even someone who generally does not engage in shopping can experience a strong ego-involvement when it comes to a buying topic that is related to his values and interests. Sometimes we expose ourselves to temptations, even though we do not have the money to actually acquire the goods—we let ourselves be guided by *fantasies.*[583] For example, we go to a boat show and dream of owning a boat. However, we are probably not aware that such fantasies have an influence on our reference values [P→R] and therefore also a concrete price: when we wake up from our daydream, we are probably a little unhappier because we perceive a greater gap between our desires [R] and our actual lives [P].

I have already mentioned that originally markets were not mere places for the exchange of goods, but also fulfilled an important social function. Today, shopping centres take on this function to some extent, although in an ambience that sometimes needs getting used to and at the price of destroying village structures. However, if we ignore these social aspects of markets when deciding *where to shop*, it is the motivational situation that controls our preference for a particular distribution channel. Extrinsically motivated customers are primarily guided by convenience aspects: proximity, traffic situation, parking spaces, connection to public transport, the possibility of making all purchases under one roof, manageable assortment, brief waiting times. Business concepts saving time and cognitive effort in this case are far more appealing to us than the complexity of long shopping trips through several shops. Under certain circumstances, we may not even have to leave our premises because the *market comes to us*—for example in the form of a door-to-door salesperson, insurance consultant, catalogue or, today especially, in the form of e-shopping.

Such frugal approaches to problem solving [fB] are incomprehensible to intrinsically motivated customers. They expose themselves gladly, consciously and for a long time to the market offer. This can also lead to conflicts if, for

example, a young family pays a visit to IKEA: the intrinsically motivated woman finds furnishing extremely exciting and would happily spend the whole day in the shop, the extrinsically motivated man finds it more interesting to have a coffee and the child prefers to play. Let us remember, however, that in addition to *wanting*, intrinsic motivation also requires *being able to* and that intrinsically motivated action can easily be disrupted, for example by nagging children and listless men. That is why IKEA offers a restaurant for the man and a playground for the child—now the woman can furnish and fantasise in peace.

Before we go into the shop, I would like to briefly address the *budget planning* process. According to the hypothesis of *mental accounting,*[584] it is assumed today that consumers control their expenditure planning by assigning expenditures to *accounts* such as house, clothes, food/drinks, children, summer holidays, etc., but usually only mentally. In general, however, we overestimate our ability to handle budget management in our minds.

Other planning errors arise from the fact that we are happy to let small amounts of money such as for a daily coffee fall through the cracks, although such amounts can add up to impressive figures over the year. We also tend to forget to set up an account for extraordinary expenses such as concert tickets, a broken home appliance, a jubilee celebration or a gift for a milestone birthday and therefore tend to spend too much.

Finally, we notoriously underestimate the time required for such purchases. Therefore, we should consider time reserves in our purchase planning and set up a separate account for out-of-town purchases or define existing accounts more broadly as well as more generously.[585]

Arrival at the Point of Sale

Once we have reached the point of sale,[586] we are confronted with a plethora of techniques which, of course, serve the primary purpose of boosting sales. I would like to concentrate on three topics: *store design*, the *process of predicting the consequences of a purchase (simulation)* and *psychological pricing*.

Store Design and Buying Impulse

Hans-Georg Häusel[587] explained to us what happens when a customer is about to enter a shop. Business premises are an unknown and foreign territory for us and thus seem threatening at first. We instinctively experience a reluctance to

enter. Architects remove such obstacles and reduce our *fear of the unknown* by extending the pavement's structure into the shop, avoiding all forms of thresholds and steps, or planning passages as neutral zones, as no-man's land. Shops also appear less threatening if you can see what to expect from the outside through large windows, e.g. bright rooms, friendly service, interesting objects and other customers. Wide entrance doors, lots of space, a nice greeting or stimulating shop furnishings are further factors that serve to make us curious.

Once we have decided to enter the shop, we are welcomed by the store architecture, which leaves nothing to chance. The redness of meat is enhanced by light as is the greenness of the cucumber. Customers ought to look good in the changing room; again this is achieved by the use of light. Our sense of smell also plays an important role—the smell of fresh bread stimulates the purchase of bread and fresh air increases the perceived excellence of a shop,[588] while stale air indicates to our unconscious to leave the place.[589] Things get more difficult with music; music cannot possibly suit everybody's taste and sometimes it even gets on our nerves—just think of the two months before Christmas—and then it rather hinders sales.[590] Silence is not to everyone's liking either. Selecting the right temperature is also a difficult topic. In winter, customers come to the store dressed in winter clothes, while employees do not wear them. In the summer, many a European has caught a cold in a radically chilled shop in the USA. It is also interesting that people neither like overcrowded nor empty shops;[591] overcrowded means obstacles for our shopping and is therefore seen as unpleasant, particularly under time pressure, whereas empty implies that a shop is not popular and therefore possibly not attractive—we have already talked about the intelligence of the herd.

Each shop has high turnover and low turnover zones. The former are the main routes in a shop, external corridors, sales areas to the right of the customer flow, access areas which the customer approaches or automatically sees, aisle intersections, checkout areas and zones around transport facilities such as lifts or stairs. Areas with low sales are, for example, central aisles and dead ends, entrance zones that have to be passed quickly, sales areas to the left of the customer flow, rooms behind the cash desk and floors above and below the ground floor.[592] At least in the case of right-handers, a store layout that leads consumers clockwise through the store seems to result in more product perception and thus more purchases.[593] So-called *customer flow studies* determine the flow of customers through a store, the length of time spent by the shelves and the number of product contacts. Special consultancies install additional lighting and eye-catchers in dead zones to lure the audience there. Goods are

grouped thematically so that a customer's purchasing logic is met. This should stimulate additional purchases, for example by the placing of savoury biscuits in the wine department.

According to Häusel, men spend 30 percent less time in a shop than women and also spend about 30 percent less money than women in a similar situation. Men are more likely to experience stress caused by boredom, unwillingness and tightness when shopping, and therefore pay more than women because they do not compare prices carefully. Men are generally more in line with the extrinsically motivated *economic* shopper who wants to minimise the effort involved in purchasing and ideally carry out their purchases on a routine [rB] or frugal [fB] basis. But there is also a *tendency towards new frugality, simplification of life and mental convenience*[594] that goes beyond the gender aspect—and, as I said before, it has to do with the customer's ever diminishing desire to shop and promotes our fundamental value of efficiency. Instead, we use schemes [R] and reel off our largely automated programme [rB] if a problem already has a solution—Robert Cialdini speaks of the *click-whirr* principle, comparing it to a camera: when pressing the release button it activates a certain behavioural sequence. Daniel Kahneman calls it *system 1 decisions,*[595] and research on consumer behaviour classifies this type of behaviour as *habitual* or *routine purchases*.

Admittedly, routine purchases do not in any way correspond to the image of the enlightened customer making purchasing decisions with caution and bearing in mind factors such as the country of origin, the price category, environmental compatibility and cultivation methods. But let us recall the study by Julia Eisschiel (see p. 31) and how dramatically the decision time increased with each additional product feature: from 5.2 minutes (group 1) to 8.1 minutes (group 2) to 17.8 minutes (group 3). Usually, we simply do not have that much time and therefore Cialdini is right: we would not accomplish anything significant if we even tried to be homines oeconomici.[596]

Where exactly the boundary between routine [rB] and frugal [fB] behaviour runs is difficult to say, because even with a routine purchase short orientation reactions are to be expected. But some important reasons why we orient ourselves and do not show flawless click-whirr behaviour are the problems that prevent us from making routine purchases: a product is no longer in stock, we can no longer identify the product because of redesigned packaging, other customers or the media rated a product unfavourably—e.g. via product recalls for example, or possible health hazards—suddenly the purchase is contrary to

other goals we have set ourselves or the children do not like the product. Let us not forget, however, that routine purchases do not necessarily mean that you always buy the same *brand*, because routine purchases are linked to numerous subroutines: customary package sizes and types, use of special offers, pathways through the store, key stimuli such as "organic" etc. That is why, even if we change the brand at every purchase, we still buy mainly habitually or frugally: it is also a routine purchase, for example, if we always buy the beer on offer, independent of the brand.

Hofer-Aldi : The Frugal Company?

One company that perhaps understands the customer preference for shortened purchasing decisions [rB, fB] better than any other is the food retail chain Hofer (or Aldi in most European countries). By clearly positioning itself as a discounter from the very beginning, the company saved the customer a lot of time and effort in thinking, because the daily comparison of prices between different providers is no longer necessary - you can *rely* on the favourable prices of Hofer/Aldi. Hofer/Aldi also offers the familiar product in the usual place, no matter which branch you enter. The discounter's branch network is meanwhile densely woven, eliminating the need for long journeys and today one can also find chilled articles such as dairy products, meat and sausages, which originally were not on offer, and forced the customer to visit other grocery stores, increasing the cost of shopping and thus for a long time represented the weak spot of the Hofer/Aldi concept. The arrangement of products is easy to understand, you can see over most shelves and the products are clearly priced. Aldi's product range policy is particularly interesting: they offer only about 1,000 articles in the food sector, mostly store brands.[597] Thanks to many years of experience in the field of food trading and production, they can now offer customers goods that meet their requirements adequately.[598] Similarly to Stiftung Warentest, Hofer/Aldi undertakes the task of selecting the appropriate variety from five types of raisin, thus saving the customer the torment of choice.[599]

Fresh and fast-moving sales are staged by constant re-stacking. Fresh produce is out of stock when it is out. For durable products there are hardly any supply problems. Customer and company agree: Hofer/Aldi swiftly guides the customer through an uncomfortable shop, thereby increasing the rotation of goods and the freshness of perishable goods as experienced by the customer. The customer wants to leave the store as quickly as possible—the

company has largely adapted to the customer's mentality. Customers are guided through a narrow assortment of low complexity. Hofer/Aldi also benefits from this lower complexity through lower complexity costs, and these savings can be passed on to customers in the form of even lower prices, which in turn reduces their cognitive effort. Hofer/Aldi thus lives up to one of the seven universal principles of customer orientation: "Narrow your offerings: Simplify your customer's purchasing decision by offering fewer options. Less is more."[600] Less is not only more, but much more! The customer saves money, cognitive effort and time, which can be used more sensibly. The company systematically reduces the customer's *total sacrifice*. Both benefit from this and the business model can be called truly economical.[601]

Case study 16: Hofer/Aldi: The frugal company

The respective stimulus that triggers such routines and subroutines is called the key stimulus. We infer from the existence of the key stimulus that other properties are present without further examination. That makes us susceptible to false arguments. Ellen Langer, whom we already know from the concept of *illusion of control*, in a frequently cited experiment, together with colleagues, did the following experiment:[602] Students in a queue in front of a photocopier were to be persuaded to let a colleague advance. If the number of copies that this colleague had to make was low (5 pages), the request was likely not to be accepted if this colleague did not give a reason, even if it was a phony one (... because I have to make copies). Our corresponding internal script is evident: no reason, no favour. On the other hand, if the number of copies was high (20 pages), the students concerned switched on their thinking apparatus, as it were, because the consequences [C] were likely to be dire: now the phony reason did not work anymore, but a reasonable justification (... because I'm in a hurry) did. In a state of low relevance and correspondingly routine or frugal behaviour we are therefore susceptible to *placebo information*, as Langer calls it. In that case, organic food is automatically healthy and expensive is automatically good.

Danone made use of the phenomenon of placebo information for their products Activia and Actimel for a long time pronouncing in the advertisement scien-

tific research and the Ministry of Health.[603] The customer does not really listen—yoghurt is hardly ever one of life's central topics—and therefore cleverly chosen stimulus words such as *science* and *ministry* are enough to infer a positive effect of said products on our health. However, this is no longer possible—the EU has put a stop to advertising supposedly health-promoting effects of products.[604]

The Actimel and Activia test weeks are still allowed in Danone's click-whirr programme, however: customers get their money back if they are not satisfied with the product after two weeks. Our corresponding internal script reads: whoever refunds money must have a functioning product, otherwise everyone would return it. I looked at what exactly you would have to do if you really wanted your money back: you would have to collect the original vouchers, put them in an envelope together with a short explanation for your dissatisfaction, include your bank account number, frank the envelope and send it to Danone Vienna, in order to get a reimbursement of as much as € 7.56. In order to double safe-guard and reinforce the impression that these test weeks are extraordinarily attractive, the refund is limited to a maximum of 16 servings, as well as limited in time and limited to one pay-out per household.[605]

In contrast to Aldi/Hofer, most retailers seem to think: the worst that can happen is a customer who knows exactly what he wants,[606] or even someone who enters the store with a shopping list,[607] purposefully tracks down his products and disappears quickly. A resulting formula of trade is that turnover is *frequency* (of customers) times *product contacts*. Turnover therefore means not to support or promote frugal or habitual behaviour but disturb it whenever possible [P≠R]. In a meanwhile, in an insolvent retail chain the employees were purportedly instructed to regularly rearrange the products in order to disrupt the customer's routine processes and force him to look for them. This is, of course, nonsense, because "... consumers go shopping not only with a money budget, but also with a time budget, which should not be consumed by annoying searching."[608] It is also popular to offer the products that the customer will probably demand, such as meat and sausage products, at the farthest end of the store in order to steer them past long lines of unneeded products in the hope that additional product contacts and thus additional sales will be the result. In this way, we have to follow the so-called *racetrack design* in a shop: we have already found the product we were looking for and now we want to move to the cash desk quickly, but customer guidance in a store forces us to follow a serpentine pattern through almost all the aisles, and pass by almost all product groups.[609] IKEA has obviously overstated this principle to such an extent that

under pressure from customers, doors had to be opened to shorten the route to the cash desk. The resulting mixed form of influence by the trading company on the customer flow is also called *loop layout*.[610]

If the store managers succeed in disrupting our routine processes or if we are not bothered by disturbances, because we do not find the purchasing process disruptive, a behavioural programme develops which is called *impulsive buying behaviour* [iB]. It stems from our desire for stimulation and began its triumphal march in America with the conversion from service shops to self-service shops. Now it was no longer a question of defining a precise need to the merchant waiting on the other side of the counter. It was now more a matter of customers who literally bathed in products already handily packaged for household use. And it was a question of how unplanned additional sales were generated. Originally, it was thought that any unplanned purchase of a product ought to be an impulse purchase. Therefore, an interview of the customer before and after the purchase should provide sufficient information about the number of impulsive purchases. Wrigley, an American manufacturer of chewing gum, had the justified suspicion that chewing gum is an impulse article and therefore commissioned Hawkins Stern[611] to investigate the subject of impulse buying. Stern defined impulse buying as an interruption of the normal shopping pattern [P≠R] and a subsequent emotion-driven [E] purchase without cognitive [C] participation. He also identified three other forms of unplanned purchasing, which, strictly speaking, should not be interpreted as impulse buying: (1) *reminder impulse* buy—you see a product in the store and remember that you needed it; (2) *planned* impulse purchases—the store serves as a shopping list, for example, with regard to the question: what shall I cook today? (3) *suggestion* impulse purchases—one discovers a new product, but purchase of said product is not impulsive [iB] but, for example, extensive [eB]: thus a *buying impulse* does not necessarily lead to *impulse purchases*.

Regardless of whether a purchase results from a buying impulse and of what type, one thing is clear: once the customer has entered the shop, as many impulses as possible must be created and at the same time buying resistance must be eliminated as much as possible. So that the customer does not rush through the aisles, so-called shelf stoppers are used: piles, crates, secondary placements and special items that are positioned in front of shelves and intended to slow down customers. Or free product samples are distributed; in addition to an impulse to buy, we unconsciously feel a moral obligation to buy the product because we have learned to respond to a gift with a gift in kind.[612] In this phase great importance is given to product packaging.[613] The industry invests huge

sums of money in shape, colouring, labelling and function of its packages according to the latest psychological findings to make them more attractive. According to Vance Packard[614] "… the average woman needs exactly twenty seconds for each row in a self-service store... if she's not dawdling; therefore, well-designed packaging must hypnotise a woman similar to the light of a torch dancing up and down in front of her eyes."

A speed brake that no one can get past is the cash desk. Because we now have to wait, our gaze begins to wander, we are more susceptible to buying impulses, and the accumulation of impulse articles in the checkout area is correspondingly dense: chewing gum, chocolate bars, magazines, flowers, etc.

As the research results from Case study 2, p. 32 clearly show, when buying food, the customer is caught in a dilemma between the careful purchase of what one expects to consume for oneself and the family and a reasonable effort for the procedure. What a commotion there was in February 2013 when products with beef filling contained traces of horsemeat. Similar to the financial crisis of 2008, the entire fuss could be commented on in this way: the only surprising thing was that somebody was surprised at all that the content of our food does not correspond to what is written on the label. In any case, the situation was quickly resolved: manufacturing and trade companies were the *victims*. Some Romanian *scoundrels* were to blame, and—as we already suspected: the *customer*, he always wants the cheapest product. However, illegal fraudulent labelling is not necessary anyway as there are so many legal and politically sanctioned forms to do so. Heraldically crafted quality seals and reliable keywords lead us to believe in official tests that verify excellent quality. Happy animals grazing on lush meadows smile at the consumer, even though in their entire lives, these animals have never eaten a blade of grass or had any reason to be happy. Denominations of origin such as "Greek sheep's cheese" are still permitted even if the milk of Bulgarian sheep is processed into cheese in Italy. Products may have a "glutamate-free" sticker if the product in reality legally contains glutamate, etc. With these inexhaustible opportunities to mislead customers every single day in a completely legal way, it is easily admitted that the illegal sale of horse meat as beef was an unnecessary slip. However, the crucial question of how the customer will be able to accurately classify the actual quality of daily consumer goods within a reasonable period of time in the future remains unaffected by this issue and therefore is still unresolved.

It is well known that we tend to shop too much when hungry. A corresponding study with individuals of normal weight showed a positive correlation between hunger (time span since the last meal) and *over-shopping* (how much more is bought than planned).[615] Why is that so? First, our selective perception [R→P] is responsible for this. We have already heard that we perceive food more quickly when we are hungry. Secondly, the selectively perceived objects [P] are overvalued in the following comparison with the current physiological state as reference value [R]. Now, we can no longer carry out our routines peacefully because we are constantly interrupted by positive emotional surprises [E] and impulsively put one product after the other into our shopping basket. From this, the simple recommendation can be deduced that you make purchasing decisions ideally in a state with little need: buy food when you are fed, buy drinks when you are not thirsty, order the awning in winter, do not book a holiday when you would like to give up everything.

Considering Future Consequences

So far, we have only dealt with purchasing decisions that are either carried out routinely [rB] or, controlled mainly by our emotions and lead to either emotionally negative, minimalist research [fB] or to emotionally positive impulse reactions [iB]. But we are not just hedonists, we are able to take into account the future consequences of our current actions. To a certain extent, we do this even in the case of frugal buying behaviour because we would not display this behaviour at all—hauling a crate of beer home—if we did not know that a later reward or relief will be waiting for us—enjoying a cool beer in the evening. And we would give in to any impulse if we did not know the possible negative consequences of such actions in the future. In principle, it is only pure routine activities [rB] where future consequences are not at all taken into consideration.

Humans thus possess the crucial ability not only to assess the immediate hedonic consequences of an action, but also to *simulate* never experienced consequences of an action by combining elements from previous experiences in a new way.[616] This ability to anticipate is an evolutionary quantum leap, but unfortunately it is far from perfect: we are not particularly good at predicting future events and the resulting actual satisfaction.[617] We will go into the reasons for this in more detail when we discuss the post-purchase phase.

One can envisage this simulation process as such: by means of [C] we can imagine a certain consequence of an action and then use [E] to find out what

this consequence feels like.[618] If we have acted out all conceivable consequences (therefore the direct feedback loop between [C] and [E] in Figure 14 and have not experienced any significant negative feelings, we conclude that we will not regret our action at a later time and nothing stands in the way of its execution. On the other hand, if a certain scenario triggers negative feelings in us, then we may experience inner conflicts or refrain from taking action. This is the reason why I have compared our cognitive system [C] with a braking system: It acts as a brake for a purely hedonistically oriented approach and represents our future interests.

If we are motivated to approach a decision by means of clear and therefore elaborate thinking, we are talking about *extensive buying behaviour* [eB] and this requires, as already mentioned, apart from intrinsic motivation [E], the subjective perception of future consequences [C]. The literature also speaks of *subjectively perceived risk*[619] or *anticipated regret*[620] of a certain behaviour. We speak of *subjectively* perceived risk because a risk potential that is not perceived is not taken into account and because different people classify the same facts as being of very different risk. Gardiner Morse[621] provides examples such as children climbing on crates to snatch sweets and teenagers not protecting themselves during sex and performing breakneck tricks. One sometimes gets the impression that they *consciously ignore risks*. A possible explanation for this could be that those brain systems which balance risk and reward are not yet fully developed. The prefrontal cortex plays an essential role in decision-making processes, as we have already described, and is not fully developed until after adolescence. Until then, its connection to other parts of the brain is *under construction*, so to speak. If this explanation is correct, then youth, by no means, *ignores* risk but does not (yet) *see* it in the way that adults do. Let us also recall Paul Slovic's studies and how different experts and amateurs rate risks associated with the operation of a nuclear power plant. Many of the environmental problems facing us are of similar nature. They are largely invisible to the eye—including the mind's eye—and seem correspondingly harmless. What could possibly happen?[622]

Thus, this is not about the preference of *objective* probabilities intensively researched by Amos Tversky and Daniel Kahneman, e.g. a loss of x Euro with a probability of y percent.[623] Rather, it is about the question of how we actually arrive at a *subjective* estimate of the probability of y, the risk of an incorrect risk assessment, the second order risk, the meta-risk. Probability data such as "You will enjoy this hamburger with a probability of 83 percent and it will cause stomach cramps with 37 percent probability" are rarely available. We

have already heard how a statistician proceeds: he takes a sufficient number of *representative* observations from the past. We do the same, but with low precision:[624] We recall diffuse memories, ask other people about *their* experiences, listen to what the seller tells us—but perhaps the seller will not tell us the disadvantages of the product—we just *google* a bit; all in an attempt to transform *uncertainty* into *risk* and then estimate its probability.

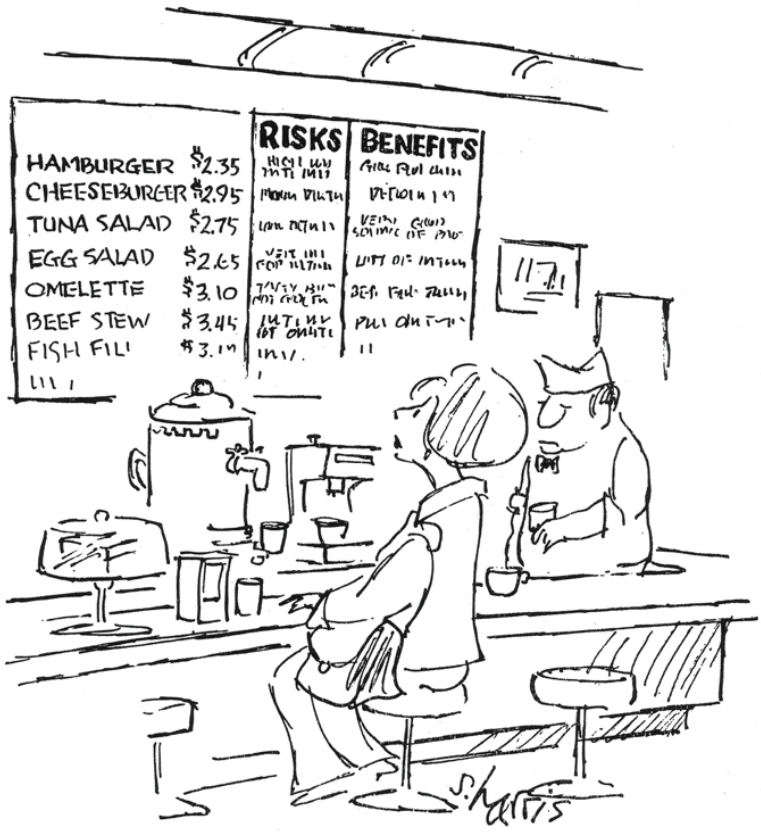

Figure 16: Risk perception in a fast-food-restaurant, Sidney Harris, ScienceCartoonsPlus.com

For example, what are we supposed to do if a salesperson appears on our doorstep to tell us that terrorism is the new great danger, but fortunately, you can take out this new and unique terrorist attack insurance now? To put it according

to prospect theory, this salesperson would be telling us: High probability or p=0.8, and that means the odds that we will become victims of a terrorist attack at some point are 80 percent. If we are inclined to consider the seller's idea at all, we have to gather information from somewhere about what the odds being the victim of a terrorist attack *truly* are. We might suspect that the seller exaggerates in order to sell his product. On the other hand, we would perhaps also admit that terrorist attacks are often heard of in the media and let us not forget 11th September 2001—we all still have those images in mind. We would perhaps say that we do not live in the United States or Afghanistan or ask ourselves whether we know someone who has already experienced something similar,[625] or whether we have been able to find something equivalent in the newspapers. Whatever considerations we take into account, no matter how intensely we investigate this problem, our risk assessment will always remain subjective and more or less *probable*. Whether the purchase of a terrorist attack insurance has paid off is something we will "know" only after we have died from the attack.[626]

Therefore, when observational and empirical values are missing or at least incomplete, we feel that we cannot reasonably estimate the future consequences [C] of our decisions and actions, and this triggers a need for sound *risk assessment* in us. For example, we are afraid of paying too much (*financial risk*), or of ultimately not needing the product (*functional risk*), that we are ridiculing ourselves (*social risk*) or that the product has side effects (*health risk*).[627] The methods we use to better *simulate* what future consequences a purchase is likely to have include more careful *preliminary planning* of a purchase, the willingness to visit *multiple shops* as well as more *distant shops*, a *more systematic collection of data* and information*, observation or questioning of other customers* and observation of *behaviour within the herd*, consideration of *customer referrals* on the Internet, the *use of warranties*, *smaller test purchases* or just *renting* something for the time being to see whether a purchase makes sense, to decide for *the better known brand*, etc.[628] The most powerful risk reduction strategy by far is *trust*.[629] In this case, we do not try to understand the facts ourselves, but find someone else who understands the facts and is at the same time credible: "If consumers deem the evaluation of products too complicated, the mind reduces the possibilities, filters out unknown things, and the customer lets other, supposedly more competent people decide."[630] "As relationships develop and trust builds, risk will decrease."[631] We will come back to this type of buying, *mimic behaviour* [mB], in a moment.

How does a vendor behave in such a situation? When it comes to complex products and services, it has to be said that the customer usually has been dealt a worse hand, because he has to face an army of technical and legal experts. Generally, there will be a large *information asymmetry* between supplier and customer. A customer-focused provider will not take advantage of this fact because the trust of the customer is too important to him. A self-serving provider, however, will not hesitate to take advantage of it.[632]

Before I talk about methods and measures to be careful of, I would like to discuss a perfectly acceptable method of reducing risk: *voluntary* guarantees that go beyond legal obligations. A *return guarantee* gives us the chance to try a product and return it in case of dissatisfaction. Often, this is accompanied by a *money-back guarantee*. You will not just be offered a voucher, but the purchase price will be refunded. These guarantees relate, above all, to our anxious question of whether a product can be used at all as we had *envisioned* it. The *best price guarantee* is also widespread. We are often afraid of buying a product in order to discover later on that the same product is sold cheaper elsewhere. *Durability guarantees* are intended to exclude the risk of an unexpectedly early defect of the product. There is nothing wrong with these guarantees; they can be signs of an entrepreneur's customer orientation, although they must, of course, ultimately pay in the form of additional sales that would not otherwise have been made. From a customer's point of view, however, there are two things to consider: first of all, return, exchange, complaint, etc. are always associated with effort that we may not be able to afford in the end—see the extreme example of Actimel/Activia above, which could therefore also be called a placebo guarantee; and secondly, guarantees still have a "price": they keep our brain busy even after purchase, instead of taking a final, conclusive decision.[633]

Let us now move on to the less pleasing techniques of disrupting, deceiving or suppressing our intention of making a well-informed decision. When we leave the level of routine behaviour [rB] and move into the sphere of conscious thinking [E↔C], we are not only entering the field of activity which challenges the brain and requires it to consume a lot of energy, we also enter a bottleneck of the brain because our capacity for consciously solving problems is limited. This is probably one of the reasons why our brain deals with the daily business preferably in the simpler regions. Studies show that this bottleneck can be overloaded with information which is *irrelevant* to the task at hand, so that clear, future-oriented thinking [C] is disrupted or made impossible.[634] Studies have shown that people who would normally consider future consequences

while making decisions (e.g., for a healthy fruit salad rather than a chocolate cake) tend to change their preferences when cognitions are blocked (for example, by having to remember a long number). They now decide impulsively [iB] for what they actually prefer—chocolate cake—while the authority responsible for future consequences [C] is busy with another task.[635] According to Boush and colleagues,[636] marketing is often all about blocking the consciousness bottleneck by *distraction*, so that the customer *cannot* think about the consequences of his purchase.

If the customer is still in doubt, you can play down possible negative consequences of a purchase [C]. The fear of weight gain is already being quashed with *You Are Worth It, Indulge-Yourself, No Sin, 0% Fat.* Smoking is presented as freedom and enjoying alcohol is sociable, while it would be antisocial not to drink. Deliberate suppression of information and dissemination of half-truths, however, are particularly contemptuous of customers. The customer is no longer given the chance to decide for himself from his already disadvantaged position whether he wants to independently buy a product with all the consequences this entails. Today entire armies of lobbyists are employed in order to keep unacceptable products on the market against all common sense, to undermine the customer's right to impartial information, to weaken the protection of his privacy or to conceal information which is highly relevant for the decision-maker. Economists disguise this phenomenon with the seemingly harmless term *market failure*. In actual fact, we are talking about disinformation, which is not only tolerated by politics, it is also tolerated by decision research, which turns a blind eye and prefers to deal with the non-committal subject of *predictable irrationality* rather than the unacceptable subject of *induced irrationality*.

In order to distinguish *sincere information* policy from misleading practices, David Boush and colleagues ask the following question: "Is this how a skilled communicator would communicate to customers if he or she really wanted people to learn the truth, the whole truth, and nothing but the truth?" If the answer is *no*, the company's information policy must be considered *misleading*.[637] However, the problem is not solved if a company provides or has to provide all the information (see Case study 2, p. 32) thus overtaxing the customer. In Austria, there is a law stipulating that all important contractual terms and conditions are to be handed over to the insurance customer upon delivery of the policy. You receive 40 pages of legalese in small print, but nobody reads them anyway, because it is impossible to understand. Such provisions there-

fore promote paper consumption rather than transparency. While I was downloading software recently, I had to click the *accept button* of the Terms and Conditions seven times. It would have taken me many hours to read through it all, they could have planted any kind of commitment in them. Purchasing this software would have been virtually impossible without trusting in the good intentions of the software manufacturer or a law which hopefully protects me from abuse.

In addition, there are the so-called *credence qualities*[638] of a product, which cannot be established at all or not without unreasonable effort, even after the purchase of a product: is the bread truly organic? Is the doctor well versed? Is the pilot well rested? Are the side effects listed on the package contents of this medicine true? Or even: should I take out an insurance policy against terrorist attacks? In fact, we often have only two options: paralysis through analysis or trust. This brings us to the last type of purchase that has not yet been discussed: *mimic behaviour* [mB]. Most people do not have a particular motivation problem when they are about to buy a car, but I have never heard anyone say: today is a good day because the agent will come to help us take out an insurance policy! For example, private supplementary health insurance can amount to a purchase price similar to that of a car. Which method we use is therefore not only dependent on the scope of a decision, but also on how much we enjoy the decision-making process; mimic purchasing decisions are precisely decisions that are *unpleasant* or *uninteresting* [E] and which are difficult to assess regarding *future consequences* [C].

More often than not, we are unable to assess the consequences of our purchasing decisions. The products are becoming ever more complex, the range of products is increasing and the differences are becoming ever smaller. Information overload in irrelevant areas is paired with disinformation in relevant areas; thus the customer begins to block information even before he has learned anything significant. If the problem to be solved is also uninteresting, the customer will look desperately for an agent to help him out of this dilemma instead of trying to get to the bottom of the problem alone. However, an agent also has rather limited information available. He, too, cannot say whether the health insurance will ever pay off or whether the share price will actually rise. At the very least, however, if he thinks and acts in a customer-oriented manner, he will make every effort to find the best solution *for the customer* and not the best solution *for the agent*. In any case, customers are willing to pay a higher price for knowledge and expertise if they do not have to search for it in test journals or rush from one shop to the next and in that way can bring the matter

to a quicker conclusion. Customers know only too well that searching generates costs that can quickly exceed the benefits of a product—we have to consider that for *extrinsically* motivated purchases the search effort is added to the costs in contrast to *intrinsically motivated* purchases (see
Table 1, p. 182). Customers are therefore looking for someone who has an intelligent answer to the question: *what would you do in my shoes*?[639]

Trust is not a nice atmospheric accessory, it is the oil in the gears of society, the glue that holds it together and makes it efficient, because it protects it from paralysis. Trust is not just an invention of social romanticists, but one of the oldest rules of smart merchants. Peter Drucker keeps repeating his message like a mantra: trust is the core of any business activity. The profit economy, on the other hand, tramples this trust underfoot and finds a world full of self-optimisers more interesting. The financial crisis was the message to all of us to start backtracking right away. I am, however, under the impression that since then we have been working more resolutely to build a society of egotists, to enter into the blessed age of mutual suspicion in which no one is able to act anymore.[640] We have to take things as they are and learn to become a little more suspicious every day and with every purchase experience, to be less naïve than yesterday. After all, once a nefarious vendor has found out the deplorable state his customer is in—time pressure, cognitive overload, lack of interest, continuous background noise, information deficits—he will ruthlessly exploit his favourable position.

In today's eagerness to deregulate in order not to stand in the way of any business activity and, God forbid, to be seen as a hindrance to growth, customers are left out in the cold. Joseph Stiglitz[641] clearly described the fact that we have to cope with the damage—and not only the "simple-minded" customer alone—the financial crisis has impressively shown and described that it affects us all. And here I am talking about financial damage only, not even social damage.

It is no coincidence that banks, insurance companies and the real estate industry often play a central role in economic crises. Due to their high level of complexity and the resulting overtaxing of customers—understandable when even the experts are out of their depth—all these transactions represent classic *mimic decisions*. They cannot be made without trust and are easy to abuse when we trust. Insuring shipments at Lloyd's used to be a noble handshake-quality business. Banks always have enough money at their disposal to give their branch offices a trustworthy and respectable image.[642] In the real estate sector, for a long time the motto was: business is ruined when the reputation is

ruined. Meanwhile, there is snowball-like growth in structural sales for all three sectors, and many European composite insurers have more people in the field than in their entire offices. Advisors are the hub of business activities when it comes to mimic decisions. Therefore, I will now turn to research results that shed light on the question of what makes an advisor—and this, of course, includes the advisor in a shop—credible and trustworthy.

First of all, I would like to emphasize that it is not just the advisor, who actively tries to win our trust. He would not be very successful if, we as customers did not look for trustworthy sellers in the first place. Studies of the financial sectors[643] regularly show that clients *prefer* to consider their *personal consultant* as a friend rather than as the seller of financial products or an intermediary of a property who is paid for striking a deal. All too soon, customers interpret a seller's signals as "evidence" of an imminent friendship. In a recently published study series, Janet Schwartz and colleagues concluded that patients who trust their dentist, experience an inner resistance to seek a second opinion in order not to endanger the *harmony of the relationship*—even if they would advise a friend in the same situation to seek a second opinion. However, their desire for *harmony* and *trust* may cost them dearly in the form of more expensive and less durable dental work.[644]

Sellers like to present themselves as teammates. Some say they will go and talk to their boss to negotiate a special price—whereas in reality, they just go to have a cup of coffee. They side with us, turn us into allies.[645] Or they dress the sales pitch up as a *counselling interview* and accordingly also call themselves consultants instead of sellers. This makes the customer feel more at ease, because he does not have to be so careful. He believes that it is all about realising a *common* goal and forging a long-lasting relationship, where misunderstandings can be easily resolved at a later point.[646] However, it ought to be clear to us that in an excessive willingness to shift a sales pitch onto a level of friendship, we hand ourselves over to a potential opportunist and thus open the door wide to the fraudulent side of relationships based on trust.

The fragility of a cultural heritage like trust is that it can be abused, while mistrust almost always confirms itself. If we leave the question of whether we want to be a trustworthy society to the free play of market forces, we will always end up with a society of distrust.[647] In an economy based on mutual trust you do not have to write these lines and life is easier and more profitable for all parties.[648] In that case, this book would not exist, but it is what it is.

Humans and animals can learn to behave in a certain way by observing their fellow species and imitating their behaviour.[649] The term *mimic* comes from the Greek word mimeĩsthai—and has two meanings: (1) imitate or mimic each other—I call this the *similarity phenomenon* when two groups of people become more and more alike, i.e. as in the example with Hofer/Aldi where the company and its mental models become more and more like the customers'; (2) act through facial expressions and gestures as if we were like the other—in the same way as *mirror-and-matching*[650] from NLP (Neurolinguistic Programming) where one only pretends to be like the other by *mirroring* the other and imitating his gestures, in order to manipulate him.

If the person who is observed is successful with his behaviour, for example by being rewarded for what he does, then imitation of this behaviour by the observer becomes even more likely.[651] Furthermore, the willingness to imitate the model person increases with certain characteristics, which we now want to deal with in more detail because models must be suitable for identification. Successful sellers know that their behaviour and recommendations are only adopted when they are *fit for identification*.

Of course, we would prefer to know a good friend or a nice colleague who is competent enough, as a consultant. However, such persons are not always available. Klaus-Peter Wiedmann and Gianfranco Walsh write about the acquisition of real estate: "Observation shows that friends and acquaintances are more likely to be used as a source of information, presumably because of their high credibility ... although friends and acquaintances are generally not considered to be excessively competent."[652] Accordingly, we have just identified two key factors that are crucial for adopting the behaviour of others: *credibility* and *competence*. The ideal model person is therefore the good friend, who is also an expert in this matter. As we have just heard, this ideal figure is hard to find in real-life. So now we depend on the advice of a seller; knowing that he will hardly be impartial as such—*every hawker hawks his wares*[653]—and that it is his job to sell us something and not to just *advise* us noncommittally.

Let us begin with the assessment of a consultant's competence. Since we find ourselves mostly in the inferior position of being the person seeking advice, we cannot judge competence directly otherwise we would be experts ourselves and not in need of a consultant. Key stimuli that promise to provide us with information are: possible *professional authority*,[654] —expressed with a self-confident demeanour, or the way questions are answered, or if a salesperson frequently has to call in at head office, or a white coat with white slippers,

which suggest someone who knows medical issues; *formal training criteria* or evidence of success[655]—a diploma, for example, hanging framed on the wall of a physiotherapeutic practice or the neatly hung and clearly visible advertising awards in an agency; the *experience **of** the consultant* - how long a person has been doing this job or whoever else he is advising; *experience **with** the consultant*[656]—how satisfied we have been with his performance so far; or, *recommendations from friends and acquaintances*.[657] Advisors are happy to be recommended to friends or relatives. This is natural, permissible and even an important motive for customer-oriented behaviour on the part of consultants: especially in rural areas, where things spread rapidly. But there is also something compulsive about it, because it almost seems like an insult to a friend to brush off the recommended seller.[658]

The other factor, *credibility*, is closely linked to *sympathy,* and sympathy is at least as important in sales as the product. But what makes sellers likeable? An essential factor seems to lie in the seller's *similarity* to the customer, no matter whether this similarity refers to interests and hobbies, profession, origin and marital status, number and age of children, opinions and attitudes, religion and lifestyle, patterns of consumption or simply facial expressions and gestures.[659] In an earlier study concerning this subject, a saleswoman is asked to offer cleaning kits for tape heads to people who have just bought audio cassettes. She pretends (a) to be similar to the customer (I use the same tapes at home) vs. dissimilar (I use different cassettes) and (b) as an expert (she explains how to use the cleaning kit) vs. non-expert (she does not know exactly how the cleaning kit works, but everything can be read in the instructions). If the seller is *competent*, she sells to 66 per cent of the customers (vs. 22 per cent), and if she pretends to be *similar* to the buyer, she also sells more (55 per cent vs. 33 per cent).[660] In a recent study, 79 percent of customers who asked for an mp3 player bought a device when the consultant subtly *mimicked the customer's* language and behaviour. Of those customers who were *not mimicked*, 62 percent bought. The customers are also more willing to listen to the advice of the salesperson and rate the salesperson and even the shop better than the non-mimicked customers.[661] In special courses, salespeople today are trained to adapt their posture, tone of voice or expression to those of the customer—above referred to as the technique of *mirror-and-matching* in contrast to the *similarity phenomenon*. Those who are really interested in the customer's problems will become more and more similar to the customer. Those who find

this too tedious, on the other hand, can book a course in Neurolinguistic Programming (NLP) or in pantomime, where they learn to *simulate* their interest in the client and their similarity to him as convincingly as possible.

Another sympathy factor which ought not to be underestimated is *physical attractiveness*. It makes people seem more talented, friendly, honest and intelligent and this benefits not only political candidates, actors, job applicants, celebrities and defendants, but also consultants.[662] The reason for this may be aesthetics or that we automatically attribute more positive traits to attractive people or even motives of prestige—let's not forget the trophy partner.

It also seems to be quite disarming when the seller *compliments* us. "We all have a phenomenal weakness for compliments."[663] Robert Cialdini reported that one of America's most successful car sellers, Joe Girard, attributes his successes to this little habit of his: he tells his customers that he likes them. For example, on occasions such as Valentine's Day or New Year's Day, he sends a postcard with his congratulations on the back, while on the front, the words *I like you* and his signature are already pre-printed! Finally, I would like to remind you of the *mere exposure* effect, which not only benefits brands but individuals as well. We like what we know and therefore choose the political candidate whose face is more familiar to us. And the same applies to sellers.

Psychological Pricing

Many economists and managers believe that a market can be adequately understood when taking into account the two parameters of quantity and price. We have already talked in detail about the corresponding *maximisation of choice* on the one hand and the *greed is sexy* attitude on the other. This does not mean that the price is irrelevant for the customer. A low price[664] does play an important role, for example, if the buyer lacks purchasing power to consider a more expensive product; if the buyer cannot or does not want to recognise any differences in quality; or if the object of desire is already anchored in the customer: the customer has, for example, opted for an iPhone XY and is now looking for the cheapest offer on the Internet. In these cases, the invisible hand of the market (see Fig. 1, p. 12) can be a useful tool. It is possible to monitor over several months which quantity increases result from price reductions, develop *price-sales functions* and determine whether demand reacts strongly, i.e. *elastic*, or weakly, i.e. *inelastic* to price changes. But even under these clearly defined conditions, customers do not necessarily react to price changes in the spirit of the invisible hand, i.e. with increases in demand in the case of price

reductions and decreases in demand due to price increases.[665] Price reductions can also trigger demand-dampening suspicions: that quality, for example, has been reduced; that the company is struggling with sales problems; that a model change is imminent; or that it is better to wait for further price reductions. Luxury goods are also losing in prestige value.

The reverse *sales-enhancing* effect of price *increases* has already been observed in products such as electrical appliances, tights and nasal sprays.[666] Alternatively, the customer does not react to price changes at all, because he does not notice them; because he avoids the effort that would be associated with a change in behaviour; because the competitors match their price changes; because he has no choice but to purchase the product—for example, a commuter who has to drive his car in order to get to work, no matter how high the gasoline price is; or a customer who is contractually bound.

What is available in our internal memory as a *reference value [R]* for prices before we even plan a purchase? Price research distinguishes between *explicit price knowledge*—i.e. checking the knowledge of prices of specific products with the customer—and *implicit price knowledge*—what else a customer can report on prices on the market: whether the last purchase was a special offer; which upper and lower price limits appear acceptable to the customer; how often promotional prices are available in a product category; or how large the price differences are in different stores. In general, our *price knowledge* is extremely weak, and specifically in the case of rarely purchased goods or if we are satisfied with the current supplier.[667] This leads to the paradox that we cannot fall back on internally stored prior knowledge, particularly at times when it would be important, because expensive and rare goods or technologies have just been introduced onto the market and are waiting to be purchased. But even with daily purchased goods often more than half of the customers cannot give any price at all and if they do, they usually estimate it too high.[668] The best results are achieved with frequently purchased products and strong brands, when the product is often advertised in a price-oriented way, when the customer has just purchased a product or is planning to change brands or when he thinks that the price serves as a quality indicator.[669]

Prices are probably the most convenient search feature. In contrast to many other product features, prices can be compared quickly and objectively and they are credible and, as opposed to the promises of advertising, they are simply fact.[670] If our *motivation for buying [E]* is low or even extrinsic, we tend to interpret almost every feature from the price, because it is so convenient

and promises time saving as well as cognitive relief. Greed is sexy for us, but not necessarily because we want to save money, but because we have to come to a decision quickly. If we cannot identify any significant differences other than the price, the purchase is reduced to identifying the cheapest product. Retail adopts this position and in turn reduces its offer to the price factor—we are in the self-reinforcing process of the downward spiral towards homo frugalis (see Figure 4, p. 28). *Money priming* plays an important role in this spiral. I have already reported earlier on the research results of Kathleen Vohs and our own studies, according to which our polarities are reversed already by subtle references to money and we are becoming less social but more independent and try to cope on our own for a longer period of time. Nowadays, shops are full of price tags. It can therefore be assumed that when we enter a store, we adopt this *self-sufficient* attitude of money-primed people. For the operator of a *self-service store*, this can have the intended effect: the customer speaks the same language, the price language; he does not ask a lot of questions; he tries to manage on his own and helps the shopkeeper to save on staff. What works well in the grocery store because there is little to ask anyway, sometimes becomes a desperate hunt for a knowledgeable employee in the consumer electronics business or in the DIY store and is, in the case of a bank, probably a completely misunderstood transfer of the *greed-is-sexy* concept, signalling to us with customer-machine-zones, that we ought to be self-sufficient and refrain from bothering the clerks.[671]

Since we are not calculating machines, a price is not just a sequence of digits for us. Before we have a glimpse of what the product is all about, we begin to interpret prices. This is also familiar to the store operator, and price labelling is no longer used to communicate a product characteristic, but rather it is staged. This results, for example, in the following two effects:[672] *price rounding effects* arise because the trade uses mainly *odd* (e.g. €9.99) instead of *even* prices (e.g. €10,-) and the customer correspondingly purchases odd priced goods more often. There are three possible explanations for the higher attractiveness of odd prices: (1) Consumers tend to round prices down, not up; (2) consumers read from left to right and therefore start with a lower figure; (3) consumers cannot store the total number, only the first part of it. Added to this are *price image effects*, i.e. odd prices are interpreted as hard-calculated, whereas even prices are interpreted as an indication of high quality.[673] In any case, when it comes to round figures, retailers fear the risk of exceeding a price threshold and corresponding sales losses.[674] For this reason, most of our stores now have only *odd prices*, i.e. prices just short of major round figures. For

vouchers or discounts, however, the higher-looking round figure is used. *Price colouring effects* are visual effects such as a red price tag, the choice of certain fonts and font sizes, verbal additions such as *dream price, hit, lowest price, knockdown price*[675] or appropriate comments of the seller. They all have an influence on our price perception. The presentation of special offers also falls into this category and because we have a particular weakness for special offers, I would like to take a closer look at them.

When a customer sees a reference to a special offer and cannot draw a comparison with an internal reference price, he usually relies on the advantageousness of such promotions and a price check will likely not happen, although the objective price advantage may not exist at all.[676] "The mere presence of a discount symbol triggers a reaction in the brain that diminishes rational judgment."[677] Although special offers include not only loss-leader prices, discounts and rebates—e.g. in the case of cash payments—but also financing models, extended warranties and free maintenance,[678] I would like to concentrate on special price discounts and deal with the topic of financing later on.

A decisive influence on the perceived attractiveness of a special offer seems to be that we fear that a price reduction will also buy us a loss of quality, so that we would only buy *cheaper* but not at a *favourable price.*[679] If, however, we find out that a product is from a seasonal clearance sale of branded goods, direct sales ex-factory, the sell-off of a carpet retailer due to the closure of the shop, a thank-you from the newspaper to its loyal readers, an auction product or from a bankruptcy estate, or the sale of very slightly damaged top-quality products—then we believe that we can realise the vision of a super product at a super price and therefore any further comparison with regular products is usually ceased immediately—as we now believe that we know exactly *why* the product is so cheap. Accordingly, we consider special offers to be more attractive if they are of established brands—*factory outlets*—or if a specialist shop is clearing out and not the discounter who does it all the time anyway.

That the goods priced out on the shelf as special offers are still charged at the normal price when scanned at the cash register, that large promotion signs are attached to the area of the shelves, which do not refer—as the customer believes—to the goods immediately below, or that the removal of the special offer price tag reveals that the normal price behind it is not any higher, sometimes busies consumer protection programmes, but also testifies to the fact that when customers see a *bargain price tag* they are forthwith gullible prey.

So far, we have mainly talked about effects in the course of price perception: the *perceived value [P]*. I would now like to go into psychological price effects in the course of *comparisons [P-R]* of this perception with *reference values [R]*. Let us first look at the comparison of a price perception with an external reference price. We depend on such comparisons, especially if we lack the necessary internal price knowledge and, as we have heard, this is usually the case. Then I would like to look into the process of formation of price knowledge and the possible comparison of an external *price perception [P]* with an *internal reference price [R]*. Kent Monroe[680] provides an empirically well-supported *theory of reference prices*, a similar train of thought can be found in prospect theory.[681] "The core of the reference price theory is the proposition that a customer's reaction to a price depends not (only) on its absolute value, but on the difference to a price anchor that serves as a reference value."[682] Research into the customer's price perception is thus an empirically particularly well-supported example of the meta-phenomenon that *all* perception is relative. It refers back to reference values and therefore "… it should be realized that a number of psychological and other contextual factors may lead to a perception of price by the buyer that is different from the perception assumed by the price setter."[683]

Robert Cialdini[684] retells a story of the brothers Sid and Harry which was originally reported by the author Leo Rostan. In the 1930s, they ran a tailor's shop in America. Harry sat in the workshop and Sid sold at the front of the salesroom and acted as if deaf. A customer was interested in a suit and Sid asked his brother back in the workshop: How much is this suit? 42 bucks! Harry yelled back. How much?? 42!! And Sid tells the customer: you heard it: 22 dollars. Some customers could not put their money on the table fast enough, grab the suit and fly the coop before Sid realised his "mistake".

Prices are figures and figures alone are meaningless, until we translate them into our internal reference system in order to give them meaning. Numerous studies have shown that many years after the currency changeover to the Euro, people in the eurozone still face considerable problems with it because customers have to convert the euro price into the old currency first and then convert this amount into something meaningful. It is the *frame of reference*[685] that makes a price meaningful: this amount corresponds to a lunch, a beer, a monthly burden of so many per cent of my income or so many euro per washing cycle, which in turn corresponds to half a litre of milk. There is no *meaningful* perception without internal reference or *reference values [R]*. However, when we have little experience, this is done rather clumsily and in a costly

way. We are accordingly susceptible to *external reference prices* [R], as Sid's trick shows.

According to the decision model on p. 163, Harry sets the anchor price or a *reference value [R]*, whereas Sid delivers the (significantly lower) *follow-up stimulus [P]* for the following *comparison [P-R]*.

Similarly, products at eye level tend to be perceived first and therefore set the price reference value for subsequent perceptions. If expensive products are stored there, our perception reports back on much cheaper products by roaming the higher or lower shelves, as when we had started with the cheapest offer as a reference [R] and then would have come across more exposed, more expensive products.[686] Trained salespeople therefore first present the most expensive products, for example, sell the suit first, afterwards the shirt, the tie and finally the socks. If products are positioned in the checkout area they seem relatively cheap in relation to our total expenses. We just act as if the air conditioning for our new car at €1,200 were a take-away item, compared to the ca's price. High "recommended retail prices" have a similar reference effect: they make the actual selling price seem cheaper.[687] We go to another shop if we can get sneakers for €65 instead of €70, but not if we could save the same €5 when buying a TV for €800.[688] One can generally assume that the higher the amounts to be gained or lost are[689] the more *indifferent* we become, because we think in relations and not in absolute numbers.

In the case of *price changes*, the old price is used as a reference price and the new price as the perceived price. Apparently, the gradual *increase in prices* is seen as more painful than raising the price in one step, whereas *decreasing the price* in small steps triggers a feeling of pleasure each time and is therefore preferable to a price reduction in one step.[690] We experience a price increase from €8 to €9 to be higher than one from €48 to €49—which is true in relative terms. *Previously valid salesprices* are prices indicating that other prices on the product or the price tag, which are then crossed out, are not valid. We automatically assume that the crossed-out price is the *old price*, while the not-crossed out—and obviously lower price—is the *current* price. Thus, the was-price becomes the anchor and in relation to this we form our judgement. We are so susceptible to this technique of price staging by the retail trade that even legislators in many countries are forced to prohibit the abuse of was-prices: stating a was-price is only permissible if this price has actually been valid over a longer period of time. However, if this price is only feigned, we speak of a *ficticious price*. However, as staff in a bookstore told me the other day, this

rule is not observed, at least in the shop where she works. In any case, there are no legal consequences as long as there is no plaintiff.

We also use shop fittings and product presentation for anchoring. First of all, the sumptuous furnishings of a bank branch, the expensive design of a fashion shop and the elegant presentation of a piece of jewellery in velvet bedding in a jeweller's shop lead us to set the shop's *price image* high.[691] In comparison to this, we are surprised that we can still afford the product on offer. In the junk shop, on the other hand, we might reject the same product at the same price as too expensive.

Finally, if we have concrete figures and price knowledge, then we are talking about *internal reference prices*. But how do we get to know about prices and conditions? Probably the most powerful learning factor is that of constant background information and *mere exposure*—a company *is ramming* its *super prices* continuously *into* our minds via television, radio, brochures and shop design to such an extent that at some point we will classify the shop as inexpensive even if we have not even made a single price comparison. However, if we finally compare prices and come to the conclusion that a product is cheapest in a certain shop, we tend to *generalise* these findings to the whole product group or the entire shop. An important role is played by so-called *corner* or *key articles,*[692] i.e. articles the prices of which are more likely to be perceived by the customer and then used as an indicator of the price-worthiness of the entire shop. It is practically impossible for the customer to compare all of the thousands of products in a store. Marketing science concludes that it is advisable to lower those price components that are particularly well observed and to increase those less noted accordingly.[693]

If a customer experiences that he has bought at a reasonable price by fulfilling [P≈R] or even exceeding [P≠R] his spontaneously developed or already internalised price expectations, he feels confirmed or *rewarded* in his behaviour and it solidifies itself in the form of *routines* [rB]. Now he always goes to the store where he gets daily discounts on those weekdays, or buys clothes in the off-season, always picks the same subjectively cheap brand or package size and has the impression of being an attentive, price-conscious buyer.

Two important internal reference prices are the *minimum price* below which quality doubts arise and the *maximum price* to protect against price gouging. If the price is outside this range, the product is eliminated. A further classification, for instance, into cheap, normal, and expensive, takes place within this

range.[694] Mail-order catalogues, brochures or websites provide us with additional *external reference prices* [R] to help us in this respect.[695] These basic categories of *willingness-to-pay (WTP)* give information about the price range a customer is willing to accept. However, they are also an indicator of a product's subjective benefit as perceived by the customer (see also p. 246). Clever salespeople first ask what you would be prepared to spend on a product. This maximum willingness to pay is important in terms of turnover and profit for several reasons: firstly, the seller can thus sound out the customer's purchasing power and his or her appreciation of the product. Secondly, indoctrination of the stingy customer causes the seller to think that he is probably only interested in the lowest price, while the customer's actual willingness to pay, to the seller's surprise, is perhaps much higher. Thirdly, the seller does not want to deter the customer with an offer that is completely overpriced and make him turn away. Fourthly, he can now experiment: for example, if a customer who wants to buy a toaster for about $200 the seller can either show him all the toasters in this price category and the customer will buy a toaster for about $200. But he could also, very cautiously, show the customer something "exquisite" at $429 to push the price anchor, and then the customer will most likely leave the store with a toaster at around $300. Moreover, all toasters suddenly sell better because they are cheaper than the luxury toaster.[696] "In this sense, it can be quite useful for a supplier to have some expensive articles on stock, although they are rarely sold."[697]

We are not supposed to even notice price differences within the zone of tolerance [P≈R] so that they do not lead to a change in demand.[698] However, once the zone of tolerance [P≠R!] has been exceeded, the price change tends to be perceived as greater than it actually is.[699] The customer reacts first by positive or negative surprise *[E]* and then with more differentiated *price emotions* such as envy, anger, stress or euphoria, pride, or well-being.[700] His price rating changes and triggers a corresponding *behaviour [B]*, which is aggregated in the form of sharp fluctuations in demand, while we become ever more indifferent the more the amounts increase—let us remember Parkinson's law of triviality as well as prospect theory.

Price is also of considerable importance in a social context. We have already talked about the snob's desire to have products that are known to be expensive to show off his prosperity. In such a case, a socially perceptible price reduction would of course have sales-inhibiting consequences. We also learned about two categories which are suitable for this purpose: *snob goods* and *Veblen goods*. Both of them lose their demonstrative function if they are bought by

numerous other people from the relevant stratum or even by people from lower strata. In this case, the price of the product that is far above all standard reference prices is desirable, provided that the relevant others know about it. In keeping with the nature of the matter, you have to dig deeper and deeper into your pockets for those products that go beyond all normal conceptions in order to generate admiration or envy in others. A watch for €5,000 was once fit for this purpose, whereas today you would probably have to part with €50,000. The price is used as an estimator of rank in society, while the basic benefit of the product is only marginal. The higher the price, the higher the rank, the higher the psychosocial product benefit. The same applies to shops that are known to be extremely expensive among the relevant others, where said persons go shopping in a demonstratively lavish way and conspicuously refuse to ask for prices—some of these shops would also be demonstratively irritated if one even intended to do so.

Let us now turn to the cognitive dimension, the possible *future consequences [C]* of a purchase and the role of prices. I have already reported on a price-related risk component: our fear of paying too much for a product. Even with the best of intentions we cannot possibly internalise the prices of the entire market. Such a concept triggers anticipated regret, and is to be avoided and is, therefore, sometimes counteracted in advance by suppliers with best price guarantees and money-back guarantees. We do not take small-scale expenditure relative to our income into account, because the possible remorse is negligible. Larger investments, on the other hand, increase perceived risk to a relevant level and we will be more likely not to get carried away with an instance purchase in the form of *impulsive behaviour [iB]*, but rather reduce price risk by building up price knowledge. However, it is not the high price per se that gives rise to fears of price remorse, but the possibility that price differences with other suppliers will reach impressive sums of money. Since the formation of price knowledge in the case of extrinsically motivated purchasing decisions causes search costs, we will probably not build up price knowledge ourselves in this case, but delegate the decision to someone we trust, i.e. decide *mimically [mB]*. We remain the awkward beings who seem overwhelmed by the simplest steps in the decision-making process, but we save ourselves the search costs. In the case of an intrinsically motivated purchasing decision, however, we will demonstrate *extensive behaviour [eB]*, build up respectable price knowledge, and be relatively sure not to experience any price-related negative surprises after the purchase.

Price perception is also related to quality perception—an example of this is the previously mentioned lower price limit, below which we do not trust in product quality. If we are unsure about product quality, then we experience a risk which we try to reduce by classifying the expensive product as qualitatively better.[701] The more important good quality is to us, the less experience we have, the less frequent a purchase. The more inconsistent the products are and the higher their prestige value, the more likely they are to be used as a quality indicator. In addition, there are factors such as time pressure, self-confidence, convenience and purchasing power of the customer.[702]

Robert Cialdini[703] tells us another instructive story: the owner of a jewellery store, just before setting off on a journey, instructed her employee to reduce prices for some of the slow-moving items. When she returned from vacation, they were sold out completely. She was surprised, asked the employee and learned that she had misunderstood the order and raised the prices. The manager of a large furniture chain told a similar story: a lot of lamps from China could not be sold for €49 apiece. He raised the price to €149 and, lo and behold, the lamps sold. The perception of higher product quality associated with the higher price can even trigger a placebo effect, so that the cheaper product actually "functions" worse. For example, those respondents who bought an energy drink at a bargain price and took it while solving a puzzle, did poorly while those in the control group that had to buy the energy drink at the normal price fared better.[704]

But perhaps these are one-off stories and the rule of thumb, *higher price = better quality,* is a clever and sensible shortcut for the customer in our world of oversupply. There are even vernacular sayings such as *Quality has its price!* or *What costs nothing is worth nothing!* Most empirical findings point in the opposite direction. Eitan Gerstner's study on this topic dates back a relatively long time.[705] He correlated product tests carried out by a special magazine called Business Guide with the official prices of products. In 12 to 28 percent of the product categories examined, a price-quality relationship was actually evident, but not in the others. But has the situation changed in the meantime, or is the situation in Europe[706] different from that in the USA? Recent studies, also from Europe, confirmed the results of Gerstner in many instances. Admittedly, such investigations can be criticised. For example, quality is certainly not what a test institute understands by it, but something personal or something that applies to one market segment, but not to another. It may also be in the interest of test institutes that the price alone is not sufficient information; otherwise no one would buy test reports and magazines. The prices used in such

studies are usually not the current market prices. Prestige effects are not taken into account either. In addition, one of the studies[707] showed that usually the customer in actual fact receives higher quality from an offer if he chooses a relatively expensive product, so the price can at least be used as a quality indicator to rule out poor quality.[708] All in all, however, it can be deduced from these studies that it is recommended that the price should not be used *rashly* as an indication of quality, but as what it is: the amount of money to be paid.

One area that should concern us much more as part of our research into pricing psychology is the topic of customer loans—especially after the experience of the financial crisis in 2008—i.e. the moment when we *actually pay* for a purchased product. Paying less today means having less money in your pocket tomorrow.[709] With instalment payments, leasing financing, bank loans, overdraft, credit cards or free products for contract renewals, customers now have many opportunities to purchase a product even if they do not have the money to do so. On the trade side, it is usually the customer-friendliness of such payment facilities that is stressed.

With each repayment obligation we issue a bond on our future income. Such decisions generally have a huge impact on our future. According to the decision model used here, our brain goes a little *haywire* on credit issues. The emotional system of *instantaneous joy [E]* reports "*Wanna have!"* while the cognitive system of *future consequences [C]* is jamming on the brakes and reporting back: *not affordable!* Companies know that this price-related rational aspect costs them a lot of money and therefore, according to the motto "*buy today, pay later",* lure customers into such"bargains"; if this attitude is not already a general position of consumer-oriented societies, which even goes so far that we consume and pollute without restraint and present our children with the bill at a later date.

As a matter of fact, we actually ought to be *debt avoiders*. In a related study, decision-makers were presented with 16 models according to which they could *consume* and *pay* for a one-week and a two-week holiday over a period of four years. The most attractive pattern for respondents is that of *paying* for the longer holiday in the first year, for the shorter one in the second, *spend* the one-week holiday in the third year, and the two-week holiday in the fourth. So they are saving the best for last. The most unattractive option is: spend two weeks on holiday, then one week on holiday, afterwards pay for the shorter holiday, and finally for the longer one. The authors interpret this preference pattern in such a way that it is preferable to get past the pain of payment first, and enjoy

an untroubled consumption later.[710] And if we ever run into debt, we are supposed to deal with it professionally: analyses from the 1950s and 1960s lead George Katona to the conclusion that (1) customer loans are valued by customers, (2) most customers carefully budget their debts and (3) consumer debt hardly destabilises the economy while it contributes significantly to its growth.[711]

The economic reality of recent years, the actual behaviour of customers and their great willingness to take on future suffering for the purpose of immediate consumption, however, have disabused us swiftly. Or at least the profit economy has managed to reverse our preferences in this respect. Most over-indebted households in the European Union are in the United Kingdom.[712] In the euro area, household over-indebtedness is particularly worrying in the Netherlands, followed by Cyprus, Portugal and Spain.[713] In addition to these European countries, critical over-indebtedness with all its well-known consequences continues to apply—particularly to the USA.[714] Studies on this increasingly important aspect of pricing psychology, however, are still largely absent.[715]

The careful consideration of the possibility of borrowing money is in itself a sensible idea, for example to help young families build a future or to spread the burden of large purchases over a longer period of time. Beyond a customer's common sense, reputable banks represent a second guarantor that a credit applicant does not exceed his capacity in this difficult task. According to microeconomic theory, a customer should reduce his expenses proportionately when entering into future payment obligations. In the course of a well-considered investment this will also be clear to the customer. But if a bank employee is under pressure to sell, he will end up being a bad advisor. The customer is now in an unfavourable position in many ways. Firstly, he tends to place more trust in the advisor than is appropriate—we have already talked about a person's longing to blindly trust in an advisor, *mimic behaviour [mB]* and that a customer's *desire for harmony in a relationship* can cost him dearly. Secondly, this trust is no longer justified if the advisor thinks less about serious collateralisation of loans and more about his requirements and commissions. Thirdly, the emotional system [E] constantly interferes as we try to grasp a clear thought [C]. Fourthly, customers are generally poorly informed about the nature of loans and the behaviour of interest rates. The understanding of fixed repayment instalments is relatively poor. In the case of flexible loans,[716] however, comprehension is virtually impossible. Customers also do not know that they may possibly enter into two purchase contracts, one with the retailer and

another one with the bank which grants the loan; that they may be able to withdraw from the purchase of the product, but cannot or only after high cancellation fees, withdraw from the loan agreement. The effective annual interest rate is often talked down or concealed but amounts to over 20%.[717] They rarely consider that a *customer loan with 0% interest rates* does not necessarily mean that the loan is free of charge, because there may be handling or processing fees or an expensive payment protection insurance policy, or what a tidal wave of additional costs may build up in the event of late repayment: interest charges on arrears, lawyer's fees, confiscations. And fifthly, according to the current state of research, it is assumed that credited consumer spending is closely related to available credit resources: the more possibilities trade, banks and credit card organisations offer to buy on a credit or leasing basis, the more the impression of inexhaustible financial resources is created. It is therefore not surprising, for example, that people spend more when they can pay by credit card than when they have to pay in cash.[718] The more credit options are available the more is bought and the greater the gap between purchasing behaviour and income—not to mention unexpected events such as unemployment or illness.

But how do we get into the *debt trap*, what is going on in our heads? It is clear that a profit-oriented businessman will do everything possible to ensure that a customer does not leave his shop without a product. If the customer lacks the necessary money for cash payment, credit solutions are offered. To ensure that the customer is not immediately irritated when thinking about a debt, according to Lisa Bolton and colleagues, this businessman is engaged in *debt relief*.[719] A high amount to be paid once and immediately seems less viable than small monthly instalments—we can imagine how to cope with them if we use our monthly net income as the *reference value [R]* for example. The pricing of a product with a cash payment of €1,000 in 36 monthly instalments of €30 or even €1 *per day*[720] gradually reduces our subjectively perceived stress or *pain* during the decision-making phase. The opposite seems to be the case with *actual cash flows after the purchase*: a large payment *hurts* us less than many small ones.[721]

Dilip Soman and Sara N-Marandi[722] therefore recommend that all price information be minimised accordingly. Expensive products should be broken down into product components in order to make them appear tolerable in relation to the reference value of our real income. A high total price—for example, a car with additional features—may well be shocking at first, as this drives the reference price up. In view of the wonderful vehicle standing in front of us, at a price which seems uneconomical to us at first, we find ourselves in exactly the

very dilemma that the seller can skilfully exploit. The car almost belongs to the customer already—let's remember the *endowment effect*—after that we consider the basic price and feel like we lose all of the additional features; but at the same time we also experience a feeling of happiness that we are still in control, we have not yet completely lost out. Each of the extra features listed in detail has long since ceased to mean that we can buy them, but that we will *lose* them if we have to do without them. And because we are bad losers, we will eventually give in to the *what-the-hell effect* of our brain and want to have that ride as it stands before us in all its splendour. If the car salesperson then offers us a purchase on a leasing basis, there is no stopping us.

A further trick in *debt relief* is the fact that most credit card organisations nowadays state a minimum payment—usually 2 percent of the amount owed. Navarro and colleagues[723] calculated how dramatically the interest rate service is growing when repayment is delayed. In actual fact, credit card companies only really earn money when the customer makes extensive use of this option. Simply mentioning the possibility of a minimum repayment amount is sufficient to boost the desired effect: to curb repayment morale. The explanation for the effect lies (among others) in the fact that this ridiculously small amount, with which we might have paid off our debts only after decades, drastically lowers the *reference value [R]*, so that any repayment above it seems almost heroic. At the same time, a lower repayment amount reduces our *current pain [E]* and the system responsible for *future consequences [C]* does not even speak up, because—as already mentioned—it can be assumed that hardly any customer can calculate the consequences, i.e. the interest to be paid on such flexible crediting. Navarro et al. mention that this minimum amount could also be interpreted as a *recommended* repayment or an implicit repayment *standard*—a customary sum. A proposal to the British Parliament to raise the repayment minimum to at least 5 per cent failed in 2009, which is not surprising in view of strong lobbies such as banks, credit card institutions, trade or credit collectors in the land of the City of London.

Conversely, banking institutions or credit card organisations can, by specifying excessive maximum withdrawals or an excessive purchasing or credit line as a *reference value [R],* make the amount actually withdrawn and the subsequent overdraft appear like a trifling sum. Or the amounts are interpreted as *official* certificate of our fantastic future income potential issued by a competent financial institution.

How do we deal with debt? According to the goal achievement hypothesis, the closer we get to achieving a goal, the more attractive it becomes. Accordingly, we should also relish the growing settlement of repayment obligations.[724] In view of the many credit options, however, customers are finding it increasingly more difficult not to lose track. According to Keith Wilcox and his colleagues, precisely those who consider themselves to be sensible and *self-controlled* are at risk of over-indebtedness: they bid higher prices at auctions, buy more expensive products and spend more per month than those who are already sceptical about their ability to keep themselves in check.[725]

Those who have already accrued debts in this flood of purchasing stimuli need professional help from a trustworthy, state-approved service that is offered free of charge.[726] Firstly, they run the risk of quickly rejecting their intentions to reduce debt. This trick of our brain, aka *what-the-hell effect*, has so far been investigated mainly in connection with eating habits; it can induce a smoker to throw overboard his goal to never smoke again after just one cigarette. Similar factors could also play a role in financial decisions![727] Secondly, in the case of multiple indebtedness, we tend to reduce the loan with the highest rate of interest last and start with the smallest amount—apparently we prefer to reduce the *number* of credits rather than the *sacrifices* to be made each in order to regain a sense of control.[728] Thirdly, any debt restructuring automatically means—ironically, of course—new debt. Of course, there are countless financial service providers of different origins on the market who are only too happy to take over such services at any time, but who can and should we trust?[729] Fourthly, the efforts of consumer protection organisations to educate debtors about the nature and details of loans are insufficient. Rather, customers must be informed in a clear and concise manner about the motives of moneylenders for the purpose of acquiring consumer goods, and he must understand that this is frequently not the result of customer orientation. Only then will he systematically reconsider his behaviour.[730]

What pricing techniques is profit management currently working on, and what can we expect in the future? Prices at the Cola vending machines will be tied to the outside temperature and the analysis of our surfing behaviour will provide information about whether we are coming from a competitor's site, in which case the lower price will be given.[731] If an Apple user browses the online shop, he is offered a higher price, as he is considered to be financially stronger and less price-oriented. By means of *dynamic pricing*, online traders change their prices on an almost hourly basis, because they link them to competitors' prices. One no longer has to meet in back rooms to negotiate price agreements.

It is the algorithm in the computer[732] that takes care of price harmony and ensures that the greatest possible producer's surplus is achieved (see Figure 20). That is the future, even if its details remain unclear. Only recently, an internet provider A put its price at 99.8% of provider B who at about the same time put his price at 127.1% of provider A. Consequently, the two "bots" looped up to a price explosion and an ordinary book at Amazon cost $23 million in the end.[733] Apart from such mishaps, the marke's hand is "more invisible" and the price is "fairer" than ever before. The good old price on the basis of careful commercial calculation, however, does seems ancient in comparison.

Customer can also "upgrade" in the race for the lowest price. Anyone who passes on retail prices to appropriate price platforms can collect bonus points.[734] Decide.com offers an algorithm to calculate the best time to buy, if we hand over part of our price savings. Amazon offers an app that suggests a price when we scan the barcode of a product in a store, while sites like snipme.de in turn lure us with a service monitoring Amazon's prices.

Our smartphone ought to sound the alarm as soon as we are tempted to say to the moment: "*Ah, linger on, thou art so beautiful!*" It is intended to bring us back to the here and now of consumer society, because it knows that we have been wandering around the city for two hours already and it is therefore time to visit a café close to our current location, where we must not miss the special offer of coffee and a piece of cake. Meanwhile, Google tracks our surfing habits and uses them to appraise our wishes and needs long before we even become aware of them. If Google should have missed something, we can enter our wishes in the browser which immediately searches the Internet for the cheapest offer and orders right away. Same day delivery to our home and automatic debiting from our account ensure a smooth replenishment of products, a deficit on our account, on-time appearance in person at our workplace and our eagerness to do virtually anything to balance our account. Once this is done, Google starts again, locates, orders and delivers on the same day. The perpetuum mobile of consumer society is finally within reach and its ultimate goal seems to be the fully automated acceleration of quantitative product throughput and global collapse.

The Post-Purchase Phase

Our decisions of yesterday affect our quality of life today. Ideally, a product that we have chosen surprises us time and again, repeatedly creates intrinsic enjoyment of use and thus contributes to a perceptible increase in our quality

of life: we would not want to do without it ever again.[735] Or the product reliably helps us to do an unpleasant job more quickly and effortlessly or to avoid future suffering: it turns out to be extremely practical. If, however, our efforts to achieve such post-purchase satisfaction with as many purchasing decisions as possible are clouded, played down or infiltrated by the motive of profit maximisation, it becomes more and more likely that we are not satisfied with the result of our decision, because although ever more is promised [C→R] fewer and fewer of these promises are kept [V]. Meanwhile, we have accumulated so many things which did not live up to their promises that we have to outsource their storage to specialised service providers until we can finally write them off psychologically and throw them away. We also outsource the satisfaction that we hoped for and did not materialise. But how can a customer protect himself against such developments which are directed against his own interests?

Predicted and Actual Emotions

We have already said that our brain is engaged in an inner dialogue between the system of *momentary emotions [E]* and the cognitive system of *future consequences [C]* and can thus develop future scenarios. The cognitive system provides the scenarios, the inner images and their probabilities—quite roughly of course—but it cannot predict how (un)pleasant it would be if said scenario were to occur. This contribution is provided by our emotional system [E], which, in turn, cannot deal with the concept of *future*, because it only works in *the here and now*. The results of these simulations are stored as a reference value [C→R] and then serve as expected consequences [R] of the outcome [P] of a purchase [B].

One can already guess from the following description the reason why we are bad forecasters; A paper by Kahneman and colleagues served as inspiration for the next figure.[736] It is entitled *Back to Bentham*—remember the formula of the greatest good for the greatest number as a guideline for the concept of utility. I think it provides the reasoning why forecasting is so difficult and why we are poor forecasters as a consequence. The authors criticise that contemporary economic discourse, with few exceptions, revolves around the benefits before a decision is made—the rational agent already has all the facts on the table before making his decision and therefore there is no need to examine how he actually fares *after* a decision. But what is really going on when we make a decision?

According to Figure 17, a product initially provides an *instant utility* that we experience as a direct consequence of our purchasing activity. But many products also provide us with *extended utility*—such as a holiday that we will continue to draw on for a long time because we reminisce about it, show photos to friends and tell stories. At some point the question of planning our next holiday will come up and we will be strongly guided by our memories, i.e. by the *remembered utility*. This results in the *predicted utility*, which turns into the *expected utility* and this in turn is largely responsible for how positively or negatively we experience the current benefit after the purchase and during consumption.

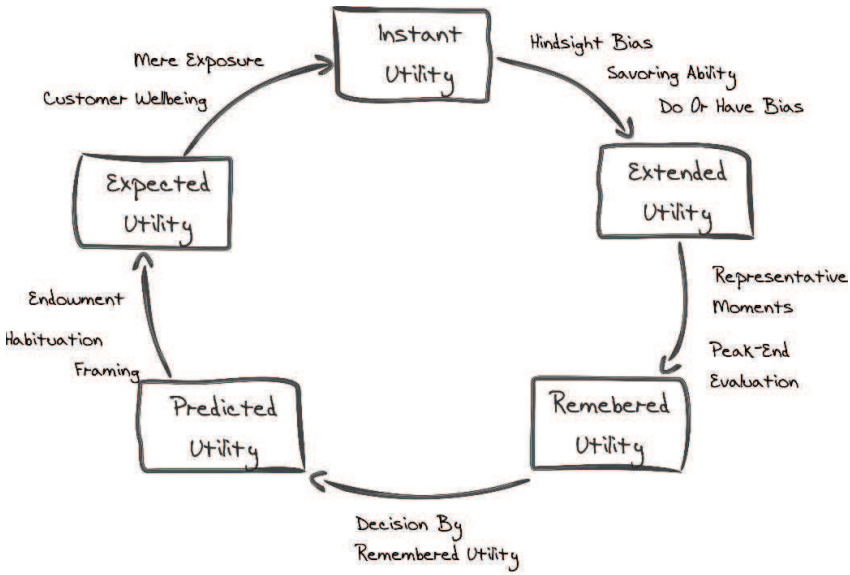

Figure 17: Utility circle adapted from Kahneman et al. (1997)

All five aspects of benefit contribute to how satisfied we are with our purchasing decisions in retrospect and what forecasts will result from this *for the next round*. For example, some people can better savour than others[737] or experiences often give more pleasure than objects.[738] Such effects should have an impact on the extended benefit. The predicted benefit of a purchase depends on what memories we have of the last purchase. However, these memories are only fragments of the actual event at the time; our utility forecast will be accordingly fragmentary. Kahneman and colleagues propose a *Peak-End* rule:

Depending on (1) how fantastic the *greatest* experience on holiday was or how painful the *worst* moment at the dentist's was and (2) how each story ended, we will have different memories, which will have a decisive influence on the predictions we make. In addition, in our forecasts, we tend to overlook the factor of habituation.

We will go into all these aspects in more detail, but first let me give you an example of how faulty our forecasts tend to be. Dan Ariely[739] asked people what percentage of their active income people would need in retirement and most of them answered: around 75 percent. He then asked them how they picture their life in retirement and estimated the necessary money for these aspirations at around 130 percent of their active income. Finally, he asked how they came up with the 75 percent and participants answered that this was the number given by financial advisors. When financial advisors were asked they claimed they came up with 75 percent because most clients had this figure in mind. And yet it must be stressed that our willingness not to convert money immediately into pleasure, but to put it aside for a period of time, which may not be until 20 or 30 years from now, testifies to man's considerable capacity for the delay of impulses in support of future directed planned behaviour.

Two authors who deal intensively with the topic of *emotional prediction errors* are Daniel Gilbert and Timothy Wilson.[740] In a relatively recent article entitled: *Why the brain talks to itself: sources of error in emotional prediction*[741] they summarised their research findings as follows: as we have already heard, scenarios in a simulation probably develop in the *prefrontal cortex*. If these regions are damaged, man is often trapped in the *here and now*, the language of our current emotions. We use emotional predictions—they call them *premotions*—as a means of appraisal of actual emotions that we will experience when a situation occurs (see also my explanations on p. 193) and the interaction [E↔C] in Figure 14, p. 163). The most important prerequisite for an appropriate premotion is to call up the *appropriate content and framework conditions*. If the presented situation actually occurs, then ideally exactly these conditions should prevail. As an example, Gilbert and Wilson cite the idea of someone imagining going out to have a piece of cake. To his mind comes the picture of him walking to the café to eat his favourite dessert, a chocolate cake, on a sunny day. This feels great and he decides to do just that. The emotional prediction is not correct, however, if the content of his idea —the chocolate cake is sold out—or the framework conditions—it is pouring down—change.

In addition, we make *four specific errors* in our forecasts—the first three relate to the *remembered utility* mentioned above: (1) All our predictions are based on *memories*. Those who have difficulties in remembering the past also have difficulties in predicting the future. But even if we have a good memory, we will remember emotionally coloured parts of an experience more vividly. So when we imagine how bad it is to miss a train, we do not remember the sum of such an experience, but rather the one case in which the whole thing ended in a disaster. In our simulation we will therefore overestimate the negative consequences of missing a train. (2) For each event remembered, we will, above all, have access to the essence of the event. For example, if we were able to simulate the last visit to the dentist accurately, the simulation would take as much time as the event itself. Therefore we have to reduce our experiences to essential episodes. Or we have the impression that certain sequences of the event were unimportant while they actually had a great influence, or we thought they were important while they had no influence on the result. (3) We tend to remember the *outcome of past events* while we evaluate future events more on the basis of *starting conditions*. We are also hardly aware that our *demands* have changed in the meantime and will change tomorrow—remember the hedonic treadmill. (4) Finally, we overestimate the importance of *comparisons* in simulation. People who have to imagine eating a potato chip think they can enjoy it more if there is a sardine tin next to it rather than a bar of chocolate. But the difference is insignificant if people have to do it in the experiment. The authors sum up: "When the human brain talks to itself, it does not always tell the truth."[742]

But right now, let us not only be concerned with the question of what the brain says, when it speaks to itself. During a simulation we also want to know what marketers or hectic decision conditions tell us and what conditions can lead us to abbreviate, distort the simulation process or even nix it completely—do you, for instance, remember the *scarcity* trick and what it does to us?

Richard Harrison and James March[743] suspected that in the course of such simulations we tend to set the reference value [R] too high and are therefore often disappointed by the result of our decision [B]. This applies in particular to the effect discussed as *winner's curse*[744] i.e. if people are to acquire an object of uncertain value in mutual competition—for example in the context of auctions—whereby the curse consists in the fact that the person who ultimately succeeds in buying the object at the auction is the one who most overvalues the object. Peter Polte[745] described the case of the auction house Koller in Zurich, which sold all goods of the renowned dealer in antiques *Arts et Decors*,

because the latter was closing his shop for good. The objects could be sold *well above* the prices in the shop where the customer could have bought them in peace and quiet. Anyone who joined this melee wanted to prey beyond all logic. He sensed the chance to get that exclusive second-hand price but ended up paying a *hunting surcharge*.

Don't believe that such a thing might work with the "irrational end consumer", but never in business! Three respected media managers, the heads of US broadcasting companies ABC, NBC and CBS were competing for the right of first broadcast of the film *The Poseidon Adventure* via an auction procedure for the first time. ABC ultimately won the bid for a much inflated $3.3 million. The supposed "winner" drew the consequences and announced that ABC would never again participate in such auctions, while one of the "losers", Mr. Wood of CBS, recapitulated the outcome: Initially, we had quantified the value of a first broadcast. But then bidding started and I finally went up to $3.2 million. When ABC outbid me again, more than anything, I felt relief. The loser of the fight was ultimately the winner.[746] So even in business and even if, by means of simulation and calculation, we can predetermine a value ceiling; the framework conditions of an auction eventually push us into the clutches of the curse.

To make reasonably accurate emotional predictions possible, we need the right framework conditions: time, serenity and focus. We do not always find such conditions, especially not at an auction. That is why we should avoid hysterical events and scenarios in general, because there is always the risk of acting rashly and coming to regret our actions later. In sales talks, too, it is often a matter of preventing a simulation in the first place—*this is the last property, there is another interested party, you have to decide immediately*—by exerting pressure and thus promoting the *winner's curse*. According to David Boush,[747] the simulation process is influenced in such a way that images about the negative consequences if he does not buy or correspondingly positive images if he buys are conveyed to the customer. Since customers are often unable to create suitable scenarios for complex decisions because they lack experience and knowledge, they are of course receptive to such images supplied from the outside. Errors in the emotional prediction process are virtually pre-programmed. When it comes to the language and images of advertising, we always walk happily on a sunny day surrounded by satisfied people into a café where there is an endless supply of chocolate cake; and if it should be sold out, it is only to give way to something even more delicious. So, if we already have a tendency to set our expectations too high and look at the future through the rose-tinted spectacles of advertising, it is advisable to lower one's sights somewhat [R].

We should also check whether the offer remains attractive if we (1) look not only at the moment when we receive a product, but also at the time afterwards, (2) take into account the fact that this new situation will become normal after a few months, and (3) have deducted the overestimated significance of comparison processes—including social comparisons.

Emotional Prediction with a Laptop

In her diploma thesis, Dandan Zhang[748] investigated how well people who did not own a laptop could predict what they would particularly appreciate (about it) if they had one. Zhang formed two groups of 30 students each, which differed in that the members of the first group all owned a laptop and the second group did *not*. She conducted in-depth interviews with all 60 students and applied the so-called means-end analysis,[749] in which the respondent in phase 1 must state the product attributes, in phase 2 the resulting positive and negative functional consequences of each attribute, followed by phase 3, the psychosocial consequences and phase 4, the resulting effects of them on the quality of life in relation to the person's value system.

As the results showed, non-owners paid more attention to hedonic aspects such as weight, design, display, while owners placed more emphasis on functional attributes such as battery life, service or speed. On a *functional consequence* level, this led non-owners to overestimate a laptop's role in status, enjoyment of its use as a communication tool, and to underestimate its instrumental utility as a tool that saves time and makes it easier for students to accomplish their tasks. On a *value level*, non-owners overestimated the laptop in its function as a link to other people (belonging and subordination) and as a means of entertainment (stimulation) and underestimated its function as a reliable working tool (efficiency).

Since the two groups could not be formed randomly, of course other interpretations are possible. Still, one of them is the not incongruous explanation that, in the course of simulations, potential customers tended to overestimate the hedonic, transient aspects of these devices such as their aesthetics, prestige and entertainment value and to pay too little attention to the things that actually play a decisive role on a day to day basis: reliability, speed, durability, stability or convenience.

Case study 17: Emotional predictions with a Laptop

Impatience is one final aspect that I would like to touch upon briefly. People are impatient in the short run and patient in the long run. They prefer to receive €10 immediately even if they could have €11 tomorrow. If they are to receive €10 in one month and €11 a day later, they can wait another day.[750] One possible explanation is that the immediate consequences are dominated by the system of *momentary emotion [E]*, which is responsible for the here and now and is processed mainly in the limbic system—we have described the relevant actions as *impulsive behaviour [iB]*. This brain region is also rich in dopamine; a substance which in turn plays an important role in our reward system,[751] while disorders in the release of dopamine are nowadays associated with addictive behaviour.[752] The system of *future consequences [C]*, on the other hand, is patient. It tries to make our impulsive stirrings more planned by slowing us down. It recommends that we wait for the better product until it can be delivered and do without the one that is in stock and could be consumed immediately but has disadvantages. Or it advises us not to buy anything and rather save for our pension. It also slows down our reach for the cigarette packet and reminds us of our New Year's resolutions. Which instance will gain the upper hand seems to depend strongly on our current physical needs.[753] A heroin addict showing severe withdrawal symptoms and craving will engage in severe battles, while the same person will find himself in a completely different world after administering the dose required by the body, as soon as the limbic system withdraws, and will now regret his behaviour in consideration of his future plans. We are in a dilemma "... between *knowing* what's best and *doing* what's best."[754] In this context, Loewenstein and Schkade[755] distinguished between a hot and a cold state as a source of emotional prediction errors. People in a cold state cannot imagine what it will be like when they get into a hot state, when they are really hungry, thirsty, angry, sexually aroused, or in pain. Conversely, in a hot state we cannot imagine that sooner or later we will *cool down* again—in the ecstasy of love almost everyone believes in eternal love. The authors explain this mutual inability to emotionally anticipate the other state with the fact that our memory is good at storing images, words, melodies or meanings, but bad at storing visceral experiences such as pain or thirst—we therefore describe pain in analogies such as *small pinpricks* or a *hammer that hits the same spot again and again*. A recommendation in view of this inability of ours can only be that we should avoid anything that could have long-term consequences when we are in a hot state. And in a cold state we should correct our simulation—in this case, upwards: we will be in more pain than we thought, just as we will cause more pain to other people. We will be less heroic when it comes down to it. We will be able to resist the addictive substance less than

we suspect once we are in a state of physical desire. We will be less rational in sexual arousal than we now believe. And we will certainly be more controlled by our limbic system than we think as soon as we fall in love with the object of our desire.

Customer Satisfaction and Customer Loyalty

The simulations in the course of a purchasing decision process are saved as *reference values* in the form of *expected consequences* [C→R]. If this process leads to a *purchase* [B], the *actual consequences* of this purchase are revealed to us in the *perceived value* [P]. If the result meets our expectations [P≈R], we are satisfied. If the perceived value [P] differs from the expected value [R], then [P≠R!], and we experience a *post-purchase surprise*[756] which is pleasant [P>R!] or disappointing [P<R!]. Today, customer satisfaction researchers more or less agree on this.

As we will see in the following chapter, most companies significantly depend on customers who return to the shop and buy again. In this context it has proved useful to distinguish between satisfaction (the chosen product meets or exceeds our expectations) and loyalty (we buy a product or brand repeatedly or visit a store again and again).[757] These two dimensions result in the pattern shown in Figure 18. Consequently, a customer-oriented company must strive to get people to return by offering product service bundles that make a noticeable and lasting contribution to the customer's life satisfaction (see *core cell of the customer-oriented company*). The problem however, is that customer satisfaction explains not more than one quarter of if and why the customers return.[758] Let us ask why this is the case!

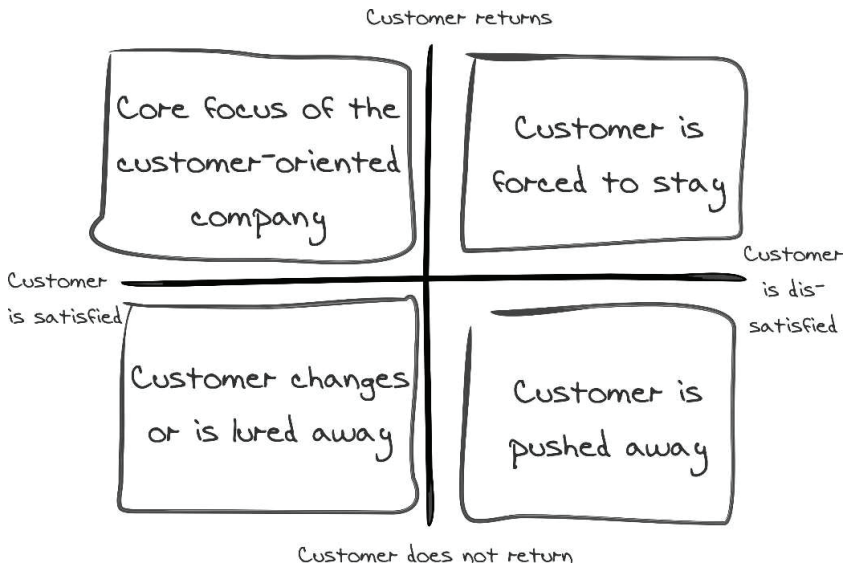

Figure 18: Customer satisfaction and customer loyalty

Companies inevitably lose customers—see *the customer changes or is lured away* in Figure 18. Customers can lose their purchasing power. If a problem is solved successfully, there is no further need for a solution and the customer will no longer come—the consulting business sees itself in a dilemma in this regard and may therefore be tempted to create three further problems in the course of the solution of one in order to stay in business. The customer can also give up habits such as smoking or lose interest in a hobby. He may move to another area or country. Customers are getting older, their family situation is changing, and they are changing their opinions and reference groups. Sometimes customers do not come back or come less often because they are looking for variety. Finally, another important reason for customer migration is that customers could find an even better solution to meet their needs: a competitor meets the demand even better in terms of costs, benefits or both. In all of the cases mentioned, customers are satisfied with the company and yet it cannot bind them permanently.

Another cell that is not surprising is the one where the customer is dissatisfied and therefore switches to a competitor or no longer buys a product out of disappointment (*customer is pushed away*). The product does not work as expected or—more likely—the company provides inadequate services or cares

little if the customer is dissatisfied or complains.[759] Or the customer has a very specific problem, but the company can or wants to offer only a standard solution; the customer has the feeling that they are hardly or not at all taking care of his concerns; or a customer actually planned to buy the product in question, but it is not available or currently out of stock. Perhaps it is no longer recognisable to him because the packaging has been redesigned, the product has been made unnecessarily complicated or other new purchases have become necessary because the entire system has been changed. If a company has customer profitability data and determines that a customer is no longer profitable, it may desire the customer's migration.

The fourth cell is the one that is most important in our context: *customers are forced to stay*, even though they are not satisfied. This is where most energy is spent in the profit economy—economics calls this constellation *market failure*—such as the creation of a dominant position through monopolies or quasi-monopolies,[760] multinational corporations and company mergers, cartels and price agreements,[761] quality agreements or the employment of lobbyists who influence the laws for the benefit of their clients. All these measures serve exactly one purpose: to prevent the customer from saying *no!* Other methods to limit the customer's free choice include the *lock-ins* already mentioned, as well as the deliberate build-up of *switching costs*—severe consequences are imposed when withdrawing from a contract or when changing systems.

But customers also manufacture these constraints for themselves, so to speak, by not wanting to give up their loyalty to an agent, a shop, a brand, a package form or size or a certain shopping time at the drop of a hat and thus accept a product that actually causes dissatisfaction. Three groups of customers have been identified in a relevant study: the (1) *happily inert* ones who are aware of their unsatisfactory situation but find it too cumbersome to change it, the (2) *unwittingly inert* ones who are not even aware of their dissatisfaction until a researcher addresses it and the (3) *concerned inerts* who are worried and want to change, but they are not able to do so.[762] Addictive substances such as alcohol and cigarettes lock us into a similar compulsion to buy, but also prescription drug abuse, computer games, gambling or compulsive shopping have the potential to deprive us of our freedom of choice and force us into a buying behaviour of which we know that it will make us unhappy ultimately because we cannot or do not want to say *no*.[763]

The conscious development of *switching costs* for the purpose of customer loyalty is a popular marketing topic today. Burnham and colleagues "complain" in a paper that companies find themselves in a so-called *satisfaction trap* because they believe that product quality and service are the only ways to retain customers. As an alternative, they suggest confronting the customer with high switching costs in order to deprive him of the desire to make a change. Switching costs are "*… the onetime costs that customers associate with the process of switching from one provider to another*."[764] They propose three methods in order to increase them: (1) the increase of *financial switching costs*—the customer has to pay something and/or loses financial advantages; (2) increasing the cost of the *change process* by requiring the customer to spend as much time and effort as possible; (3) building *emotional discomfort* that the customer may feel when leaving the company when having to abandon existing relationships with the people, the brand or the old routines.[765] The more complicated a product is, the less experience a customer has, the more risk-averse he is and the greater the time pressure, the more effective these measures will be. This brings us back to the type of buyer with *mimic behaviour [mB]* and his longing for harmonious relationships, whenever things become too complicated for him.[766]

A psychological phenomenon, which seems worth mentioning here, because the customer locks himself into it, is the so-called *sunk-cost* effect. Take, for example, a rented apartment in which you have lived for years and into which you have already put a lot of money. Now a colleague comes to you and informs you that he knows an apartment of the same size and appearance, costing the same amount, but with a more beautiful view and is also closer to your workplace. It is not unlikely that you will refuse this offer on the grounds that you have already made significant investments in your current home. In line with the utility theory, however, you should *not* consider such *sunk costs*, because despite everything the other apartment is better and the invested money is gone anyway.[767] The economist Richard Thaler gave another example: you buy a pair of shoes. At home you realise that the shoes are uncomfortable. What are you going to do? Thaler suspects that the more expensive the shoes were, the longer you will try to wear them. This may make sense, especially if you save yourself the purchase of another pair. But even if you no longer wear these shoes, you will keep them in your closet, and the more expensive they were, the longer they will be there. You won't throw the shoes away until they've been *mentally depreciated*.[768]

Similarly, we drag ourselves to a football match, even if it is pouring outside just because we've already bought the tickets. If we had not bought tickets, we could make ourselves comfortable at home, which we would much prefer. Or, full-price subscription holders are more likely to appear at events than those who paid a reduced price, and coaches prefer to use their expensive players over their cheaper ones.[769]

The more recent a transaction, the *less mental depreciation* has been made, the more painful it is to face sunk costs and the more we will fight them. For example, 60 percent of respondents to a study said they would attend a play even if they had caught a cold if they had purchased the ticket the day before. In the control group, which is told to imagine having purchased the ticket six months ago, only 30 percent would attend the performance with a cold.[770] Of course we also think of such investments already made in relationships, systems and habits when changing companies or brands, but we had better not. We should start from scratch and only compare the future cost-benefit aspects of different vendors. We shouldn't get psychologically locked in because of sunk costs!

The profit-oriented approach aims to channel more and more products through the market in order to fuel the machine of growth and deliver returns to shareholders. In this chapter, I have discussed some techniques to support this approach. I hope that I have succeeded in contributing to a more conscious examination of the topics of purchase and consumption. Perhaps it will now become clearer that profits as a corporate purpose may be in the interests of the shareholder, but not in the interests of an individual consumer, or in the interests of society or the environment.

Understanding these techniques to better protect oneself against them is one thing, to face consumption for the sake of consumption is another. It is this attitude that gives meaning and purpose to the intention of *mindful consumption*[771] and thus dissolves our fear of losing quality of life or lacking something essential if we did just that.

This brings us to the third section of this book, in which I present solutions and ways out of this prison, into which the idea of self-interest has locked us. I will start by comparing the profit-oriented shareholder value company with the market-oriented customer value company and then formulate two goals and propose measures to achieve them. These two objectives—not exactly undemanding but at the same time imperative—are (1) reducing consumption while

fully balancing satisfaction in the West and (2) combating poverty in developing countries while simultaneously reducing the global footprint.

PART III:

SOCIO-ECONOMIC APPROACHES

Chapter Six

Customer Value Management

Where the hell would we be if everybody said: "Where the hell would we be?" and nobody went to look, where the hell we would be, if we went?

Kurt Marti[772]

In the first part of the book, we paid almost undivided attention to the *profit economy*. Its proponents are concerned about only one thing, which is already expressed in its name: profit as corporate purpose. A *market economy*, on the other hand, is about the customer and the benefits that a company provides for him and thus for parts of society. Customer benefit legitimises a business. Countless small and medium-sized companies and even some of the large companies have committed themselves to this corporate purpose as a matter of course and live the corresponding value system on a daily basis.

However, we have also seen that such an entrepreneurial self-conception, however self-evident it may seem, can be no longer taken for granted. As it seems to me that the profit virus has already reached pandemic proportions, as if there were no alternatives at all. This chapter tries to demonstrate that there is a wide range of alternatives. I would like to show that the *market approach* has developed as well, that it boasts numerous methods and advantages. At the same time, I also want to soberly outline and give reasons for the diminishing relevance of the customer-oriented company.

Having dealt in detail in Chapter 3 with the phenomena of free competition that do not lead us into a better world by the invisible hand, we can now also discuss: why a customer-oriented company often does not succeed in a market in the long term, *despite* its numerous advantages; why free competition and market mechanisms obviously fail in this respect too, and why their alleged self-healing power has not yet materialised.

Customer Value Approach

In my opinion, anyone who invests in a company because he wants to become rich or even richer, is not an entrepreneur, but a speculator. He might as well go to the casino to multiply his money, and so he would, if the chances of money growth were higher in a casino than on the market. I wonder what this has to do with entrepreneurship.

An entrepreneur has a completely different perspective. To my mind he is not the young entrepreneur—or as we say today: the *start-up*. From my perspec-

tive, he is not one who launches innovations onto the market before the competition does. For me, an entrepreneur is not what Schumpeter alludes to: a modern war hero who destroys—because destruction is already aimed at a competitor, an enemy and his Achilles' heel, at *puffery* and *Machiavellian gestures*, and not at solving a problem. For me, this personage is more what Peter Drucker calls the *entrepreneurial personality* than an *entrepreneur*.[773]

For me, an entrepreneur is a very *curious* and *creative* person. Because he is *curious*, he walks through the world alertly, is interested in it, its problems and shortcomings, and lets himself be touched by them. Equally important, however, is his will and ability to develop a solution to these shortcomings, in other words his *creativity*. An entrepreneur, for whatever reason, cannot but carry his genius into the world regardless of profitability. Countless useful and free services, programmes, information and ideas available on the Internet for free show that people want to be useful even when they cannot expect profit. According to the value system of the profit economy, however, such a thing is unthinkable; an idea is only good as long as it generates profits, while all other ideas are not even worth pursuing, no matter how useful they would be for humanity. They must die the death of all non-competitive returns on investment.

An entrepreneur does not think in terms of profit. He wants to solve a problem and also knows how that could be done. This is hard enough. If he also has commercial talent, then this is certainly a particularly fortunate and rare coincidence—we will hear in detail from Muhammad Yunus, one of those gifted people who combine all three abilities: being touched by other people's problems, developing an idea for a solution and then founding a company that is capable of surviving. Many entrepreneurial personalities cannot do that—just think of the so-called *fate of the inventor*. If the inventor lacks commercial skills, he can always team up with someone else who will take care of the commercial side of things. This is to be welcomed, because in this way society can benefit from an idea which otherwise it would be deprived of. However, one should not confuse or equate the involved profiteer with an entrepreneur.[774]

If, on the other hand, the entrepreneur himself possesses the ability to implement his approach in a market economy, the *idea or vision he wants to bring to life* will be the most important driving force behind any further events. He devises a business plan to find out whether an idea is marketable, identifies customers who are willing to spend enough money on the product or service

so that, as an entrepreneur, he can cover his costs plus future business risks and does not slip into the red. He then organises resources, people and money to bring his entrepreneurial idea to life. If he still has the necessary *inner urge*, he finally launches his innovation—a machine, software, a service, a product, a business process, a management style, a store concept, a transport idea, etc.—onto the market.

A society interested in its own further development focuses on the problem-solving potential of its entrepreneurs. It respects and promotes the beneficial contribution of an idea before any profitability. It implements this either as *social innovation* on the part of the state or as an NPO or supports its *market-economy innovation* in the form of an enterprise. The profiteer, on the other hand, blindly and compulsively bets on "creatively destroying" everything that hinders him in maximising his profits and if he does not succeed, he will speak of stagnation and a reform bottleneck. He destroys the good ideas along with the bad ones as long as money can be made by doing so, and finally he destroys society, and may even be celebrated as an entrepreneur for it.

As we will see in detail later on, there is sufficient empirical evidence that companies that focus on the value a product has for the customer (customer value—CV) perform better than companies with a profit focus (shareholder value—SHV), even in terms of profitability. This may sound paradoxical at first, but it is as it must be, because the profit-maximising shareholder is a parasite—or as Franz Müntefering once put it so aptly: a locust. In his insatiable urge to make money, he exploits the company and is long gone—often along with the symbiotic top management—when the media reports rumours about the company being in trouble. And if the media do not report, brokers in Wall Street or in the City of London will decide which company they intend to *sink* tomorrow: another company with a business idea that by any means may have been feasible has been successfully drained.

Where do *profits* come from and how shall they be allocated later on? They result from the turnover (Figure 19) minus costs (light arrow). They can be used to build up *reserves* (for risk coverage), for investments, or simply to service *manager bonuses* and *dividends* for *shareholders*. The more these two groups extract from the company, the less money there is for *investments* or the creation of *reserves* - the most important measures to ensure a company's ability to survive.

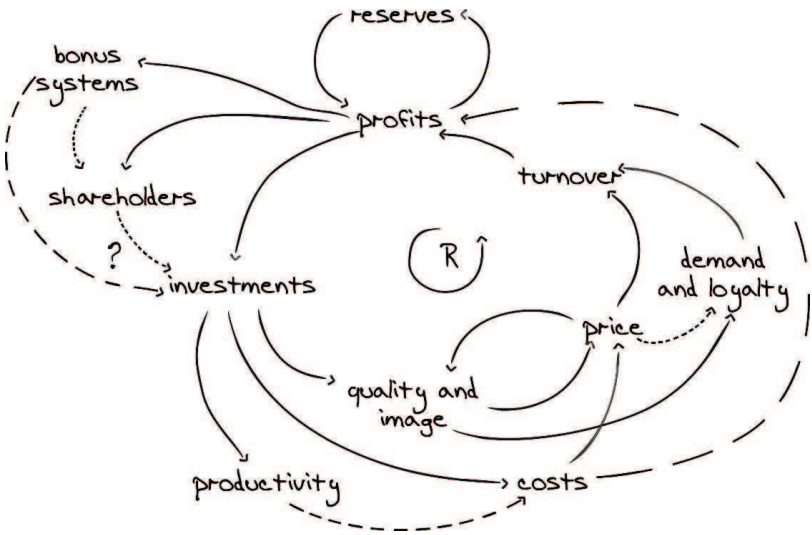

Figure 19: A simple model of profitability

An investor who is oriented towards long-term returns from a company he knows in detail or an owner would choke off his own air supply if he were to eviscerate the company[775]. This, however, is exactly what vagabond investors feed on in a partnership of convenience with the equally vagabond management. *Investments* increase *costs* and thus initially reduce *profits*. This too is not immediately attractive for the disloyal shareholder or bonus recipient and will therefore be tendentially avoided. However, investments are the lifeline of a company because they can increase *productivity*, which in turn brings costs down in the long term (lighter arrow). Relatively "cheap" *investments* to increase *productivity* are all attempts to squeeze out more of employees, customers and suppliers—aggressive sales, less time for the customer, temporary work, appeals for more economising, control systems, renegotiations with suppliers. This can also reduce costs and increase profits in the short term. After that, however, the pendulum swings in the other direction: control creates unproductive bureaucracy and less time for the customer and from the feeling of being exploited stems demotivation and declining loyalty, decreasing *quality*, loss of *image*, which again generates necessary price reductions, and in turn results in *declining turnover* and, finally, a decrease in *profits*. This is particularly true when the employees not only have the feeling of being exploited, but also learn how much "those in the higher echelons" earn. But the speculative

investor does not care because he only has to make sure that the reserves are dissolved quickly so that he can sell his shares profitably afterwards.

Genuine, sustainable and apparently expensive *investments* in the continuous improvement of product and service *quality* perceived by the customer, again, increase the employees' identification with the company and improve the company's image. Perceived *quality* and *image* have a direct positive effect on *demand*. Although higher *costs* require higher prices, these are more than justified by a disproportionate increase in *quality* perceived by the customer. One arrow points from *price* back to perceived *quality*, because, as we already know, customers often use the price as a *quality* indicator. In addition, *image* effects arise alongside the price. However, a higher price also tends to reduce *demand* (lighter arrow; but let us also remember the numerous exceptions to this rule). Just as decisive as current demand is demand in future periods, for which we are laying the foundation today through above-average *quality* and the resulting *loyalty* of our customers. *Revenue* is derived from the product of requested *quantity* and *price* and, in turn, increases the *profits* that await further allocation.

The customer value concept is very old—and yet as a research discipline, it is still in its infancy.[776] It represents business by handshake between people who know each other and are aware that they will meet again. It remains the standard model for many small and medium-sized enterprises, it is even the standard model for some large enterprises, as long as they remain immune to an infection by the profit virus. As the aforementioned studies by Hermann Simon and the studies carried out in recent years by my friend and colleague Georg Jungwirth on the subject of *hidden champions* show[777], these are often family-run businesses that do not think in quarters but in generations. Their business considerations focus on the customer, with whom close personal contact is maintained at all levels. Entrepreneurial decisions are guided by the principle of long-term competitiveness and not by the desire for spectacular expansion plans and maximum quarterly profits. Consequently, investment in research and development is three to five times higher than the industry average. Media hype is not important or even harmful, because one is a *hidden* winner and not a rumbling pompous busybody.

The decisive factor here is the *loyalty effect*, which we will discuss in more detail later: from the employees up to the top management everyone feels personally connected to their employer and people often work in the same company during their whole working lives. Accordingly, staff turnover rates or

sickness rates are low, customer relations are stable and the willingness of all parties involved to enter into a close emotional relationship with the company is correspondingly high. The management is loyal and committed to its employees even in times of crisis. Often these companies are located in rural areas, where you encounter each other every day, in the company or in the coffee house, as a colleague or relative. Investments can usually be covered from cash flow and reserves. Growth, if any, is self-financed and if the *hidden champions* ever need interim financing through banks or investors, they take a very close look at these money lenders. They do not carelessly throw company shares onto an anonymous stock market which then dictates to them how to run the business. Only when they are caught up in the fairy tale of rapid and wondrous growth do these businesses get out of control. Then it's: *Let's go public!*

What is a *customer* anyway? The shortest definition I know comes from Peter Drucker who defines "… a customer as a person who can say no."[778] This is primarily the person who consumes a product. Most companies have more than just final customers, because first the product must reach them, for example, via trade. Nevertheless, the pivotal point is the end consumer, because if he says: *No!* the trade will also say *No!* sooner or later, and then the OEM will say *No!* to its suppliers.

In today's *everyone-amazes-everyone society,* it seems natural that the customer concept should experience a similar fate as the marketing concept. Whether you visit the Austrian tax office or a service centre of the German Federal Employment Agency, you are now called a customer, regardless of whether you could possibly say *No!* or not. Fans of process management are discovering the internal customer and by this they mean a colleague who is to continue to work on the achievement accomplished by you. Patients are surprised to hear that they, too, are now called customers. In line with this trend, students can increasingly see themselves as customers and demand adequate entertainment for the course fees paid—or not even paid in countries where education is free of charge. And should they not be able to say *no* to the final semester exam if they are not in the mood? This customer concept as ultimate proof of applied modern organisation theory does not interest us here. Let us therefore return to the real economy.

Customer value is the balance of joy minus suffering, or as they say today, the *benefits* the customer receives when purchasing, using and disposing of a product or service minus the *sacrifices* he has to make in the process. Since the customer always evaluates a service relative to its alternatives (including non-

purchase), customer value can be described as the *subjectively perceived ratio of benefits and sacrifice of an offer relative to other offers on the market*.[779] Of course, the customer sets up this equation according to his subjective perception and not in the way the company sees or wants to see it. It is often difficult for managers to accept that their own assessments become secondary or even quite irrelevant. For this reason—and probably also out of convenience or overconfidence—they often do not ask the customer at all, indeed they believe they know what the customer wants anyway, a *particularly arrogant attitude*, as Robert Woodruff and Sarah Gardial state:[780] They manage the company in accordance with their own *mental models*. They say, for example: *Americans don't drive small cars*. They are thus formally calling on the competition to enter the market—in this case, Japanese car manufacturers to rush into the US market and therefore right into the heart of American industry.[781]

What is not *customer value* by comparison? Of course, there have been efforts to instrumentalise the Customer Value Management concept as part of the SHV concept and as a means of maximising profits for a long time.[782] This is absurd because it is neither possible to maximise two targets at the same time nor to reconcile the interests of a parasitic shareholder with the interests of the actual business activity. On the contrary, the approaches are mutually contradictory, as I have already tried to show in my previous remarks. In addition, two sub-concepts are to be distinguished: value *for* the customer and value *of* the customer. The first is in line with the concept of *customer value*, the latter is the *result of it*. Those who deliver a high customer value to the customer will, in the long term, retain a growing number of customers who are loyal to the company for a longer time, cost less, buy more and talk positively about the company—the customer now also has a monetary value for the company—Figure 19. Here, however, cause and effect must not be confused and one must not think that the value *of* the customer would be the company's goal.[783]

Markets are places where goods and services are exchanged for other goods and services or money. Or to put it more abstractly: markets are places where two (or more) parties come together and each has something of value to the other. An exchange will take place when both feel that they have to give something of value, but that from their subjective point of view they receive something of an even higher value. If *worthwhile* and *worthless* were objective terms, there would be no exchange. As soon as an innkeeper opens his establishment, he must rate the possibility of earning money by catering to his guests higher than sitting together with friends—and many an innkeeper finds himself in a noticeable conflict here. The guests have to think the other way round,

otherwise they would not sit in the inn, but also earn money. So there must be an asymmetry of values and everyone must consider that which the other has to be more valuable than what he possesses, which supports a pluralistic instead of a standardised or trivialised society.

Paul Wachtel, however, adds to the idea of the two parties who can agree on a transaction which is useful to both, the not insignificant thought of the *bystander*, according to which, for example, every car sale in his catchment area also affects this bystander (or his lungs, ears, safety …) as an apparently uninvolved third party.[784] In the traditional market concept, such an indirect (positive or negative) effect of markets on third parties is not yet under discussion. In this way, a harmonious and therefore economically irreproachable transaction between two barter partners can, on a higher level, lead to collective *uneconomy* for many others or even cause the bystander to make the best of what he cannot change anyway and to act like the two barter partners. The market alone does not regulate these *collective interests*, as I have pointed out several times already.

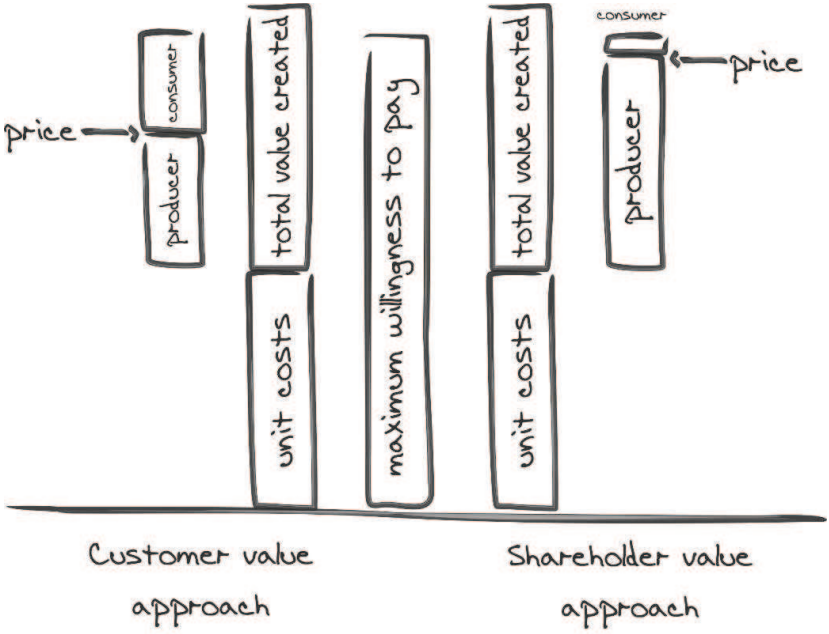

Figure 20: A comparison of the CV approach and the SHV approach based on Schmalen and Pechtl (2009)[785]

How valuable a person classifies a good he intends to acquire can also be expressed in money in the form of the *maximum willingness to pay* as shown in Figure 20. Once this is achieved, the customer no longer finds an exchange valuable—a kind of critical price ceiling. The critical floor price is the *unit cost* of the goods as below these the provider would earn nothing. The task now is to allocate the difference between these two blocks, the *total value created*, to customer and company. The higher the *customer block*, the higher the value of the transaction perceived by the customer. A representative of the SHV approach will try to determine the minimum share of welfare gain at which the customer is just about willing to agree to the exchange, anything else would be theft from the shareholder. As a monopolist or with a corresponding market dominance, he can also enforce this price. If, however, a competitor distributes the welfare profit more fairly, for example the CV-oriented company shown on the left, he will either not close the deal, or he must lower his prices. Alternatively, he buys up the competitor, destabilises him or makes politicians harass him.

	Shareholder Value Approach	**Customer Value Approach**
Corporate Purpose	The Shareholder! Satisfaction through profits	The Customer! Profits through satisfaction
Justification	Prosperity by "trickling" through to all	Prosperity through fairness in everything
Market Situation	Approach for growth markets	Approach for saturated markets
Method	Quantitative growth	Qualitative growth
Use of Resources	Exploitation	Economising
Internal Climate	Competition and fight for scarce resources, fiefdoms	Cooperation and internal fairness, fun at work
Performance Indicators	Turnover, profit, SHV, ROI, market share	Customer satisfaction, customer loyalty, reserves
Macro Parameters	Gross Domestic Product (GDP)	Gross National Happiness (GNH)
Benefits	Simple, one concept for all industries, worked well for a long time	Sustainable, efficient, profitable
Limitations	Welfare gap, environment and culture are lost, ethically questionable, danger to democracy	More complex, against instinct and our impatience, because of long term investment

Table 2: Summarising comparison of SHV approach and CV approach[786]

The CV entrepreneur also retains part of the total value created, namely, that which is necessary for the maintenance and further improvement of his business. He can reinvest this money, for example, in order to further reduce unit costs and pass on the cost advantage to the customer. Or he improves the product so that the customer's maximum willingness to pay increases, which also increases the value that the customer receives. However, he always focuses on two cornerstones: *fairness* and *long-term business development*. Let us also remember that the SHV company must primarily serve the shareholder and the manager from the *producer surplus,* so in the end it has created neither customer value nor company value. Table 2 summarises the main differences between the two approaches.

It is not the aim of this book to explain the CV approach in detail.[787] I would just like to highlight a few basic ideas and focus more on the question of what advantages the approach could offer in the problem areas addressed.

As already mentioned, customer-centred corporate management as understood here is not yet very old. With one exception: Peter Drucker's book *The Practice of Management*, published in 1954 and still, in my opinion, the best work on the subject. It is mostly still valid today—together with the many other books and articles that Drucker left us and which make him the father of modern management. However, at that time growth was not an issue with natural barriers, while today we are increasingly coming up against the ecological, cognitive and sensory limits of the growth model. Therefore, growth could still be imperative for Drucker. Today, on the other hand, we must learn to think differently. But when it comes to responsibility, humanity, target orientation, the purpose of business and enterprise, the dangers of ego management and parasitism or the function of profits, his thoughts are still instructive and topical—more so than ever.

Markets have changed dramatically since then. In addition to the saturation tendencies already mentioned, it is new and global competitors which are targeting our customers, cost-cutting appeals everywhere, customers who can no longer be fooled, who can easily obtain transparency via the Internet and vent their discontent about bad products via social media worldwide, technological quantum leaps that will nevertheless only give us a competitive advantage of a few months. We are familiar with all that and practically every diploma thesis begins with it in order to present the solution afterwards; TQM and QFD, Six Sigma, Lean Management, Outsourcing, Insourcing, Vertical Integration, Knowledge Management, Leadership. We'd rather read ever more books about

the *latest of all the magic formulas of the day,*[788] about the ultimate management of businesses run from within, than feel the desire to go out to the customer in order to better understand him, observe him, recognise him, be quiet, listen and learn about his existing problems.

First of all, some prejudices about the customer-oriented company must be dispelled:

Objection 1: How can you act in a customer-oriented way if the customer does not even know what he wants? *Answer:* The customer knows exactly what he wants, but he cannot translate it into the language of company-specific actions! For example, the customer knows very well that he likes listening to music. But he cannot and does not have to demand the finished product, a *Walkman* or an *iPod.*

Objection 2: Because the customer does not know what he wants, it is our task to surprise him with technical news from our research department. *Answer*: As a matter of fact it would be too easy to outsource this original entrepreneurial task of creative renewal to the customer. But the research department must focus on the values and wishes of the customer and not on the fascination of what is technically feasible.

Objection 3: Customer orientation leads us into the trap of the best product at the lowest price. *Answer*: Customers do not buy products. They buy value relative to the alternatives! (see Figure 20)

Objection 4: Customer orientation means that we have to please every customer, and, at the end of the day, we cannot really do that for any of them. *Answer*: Not all customer groups can be satisfied. On the contrary, it is rather a sign of SHV management if you take every customer you can get; if you fall into the *everybody's darling trap*. The company has to decide which market segment it can serve better than its competitors and then have the courage to serve other market segments either not at all or with a different brand.

Objection 5: Customer orientation focuses on markets (*market-oriented approach*) and neglects what the company does best (*resource-oriented approach*). *Answer*: This is also a misunderstanding because a company is not competitive if it does not concentrate on those activities and market segments that it masters better than its competitors. Customer value is the intersection of market demand and corporate core competence![789]

In a fabled article, Theodore Levitt[790] described Henry Ford as America's most brilliant and, at the same time, most ignorant marketer. According to Ford, the advantages of mass production must have a place in management strategies, but they must always ultimately be based on the wishes of the consumer. He developed an exceptional production system for market needs. We can surely learn that from him. On the other hand, he gave people nothing but black cars.[791] We celebrate him for his ingenuity with products, whereas in fact he was a marketing genius. We celebrate him because back then he lowered the production price to $500 and sold millions of cars. In fact, he thought that he could sell millions at a price of $500 each and subsequently developed a process to realise this market price. Mass production was therefore not the cause, but the result of his pricing policy, and that again was the result of his observations of the market.

I sometimes discuss with my students whether Ford's insistence on black cars is customer-friendly and the answer is usually that this is a typical case of anti-customer behaviour because it is production-oriented thinking. In my interpretation of customer orientation, however, one can also call Henry Ford's position customer-oriented because Ford envisaged the $500 car, had a clear idea of his customer segment, and therefore did *not* fall into the *everybody's darling trap*, i.e. fulfilling all wishes of all possible market segments, only to make as much additional turnover as possible. He preferred to stay true to his idea. However, this only applies as long as there are enough customers who prefer a cheap car to a brightly coloured car. We will come back to this later, as Henry Ford seemed to have missed the moment when customer preferences had changed.

Case study 18: Henry Ford, pioneer and entrepreneur

So customer value is: *joy* minus *pain* or *benefits* minus *sacrifice*[792]—we will soon see why a somewhat artificial or pathetic language is used here. In Smith's time, there was only one benefit, the quantity of a good, and one *sacrifice*, the price. In the beginnings of the customer value approach—see also the book, *Managing Customer Value* published by Bradley Gale in 1994—the price remains the decisive variable on the sacrifice-side, while the concept of

benefits is already extended to subjectively perceived quality which in turn is manifold. In addition, the aspect of the relative value of an exchange following the model of the invisible hand (see Fig. 1, p. 12) receives more attention. In the years to follow, three important principles of today's idea of *customer value* (CV) develop from this, whereby at this point I would like to leave aside the question of to what degree a company should use or promote these different motives of a customer (for discussion see Social Value Systems, p. 141ff):

The *first principle* is that the *benefits* of the product are not just quantity or quality, but industry-specific, complex bundles of individual product attributes subjectively perceived by the customer. These can be the *quality* of a product or service; a *pleasant procurement phase* (atmosphere in the department store, window shopping, study of travel catalogues...); buying a product that helps us *reduce or avoid later inconvenience* (avoidance products such as cleaning products, insurance, washing machines...), *prestige and status* associated with owning a product (cars, branded clothing, iPhones...), *aesthetic benefits* (good product design, works of art...), the *experiential value* of a product (a smartphone app, a musical instrument...), the attractiveness of a product to make you more *attractive* to the *other sex* (clothing, shoes, hairdresser...), *recognition and attention* of parents, friends, reference groups (use of an environmentally friendly product, brand conformity...), *power* and career considerations (an expensive fountain pen, an SUV...), *impulse aspects* (the immediate receipt and use of a product...) as well as extraordinary *service benefits* (delivery, repair, adaptation to personal needs...). Depending on the industry, many other advantages come into focus.

The *second principle* is that the *sacrifices* to be made by the customer go far beyond the price—again, industry-specific, complex bundles of product attributes as subjectively perceived by the customer. Consideration should be given to *acquisition costs* (cognitive effort in collecting information and comparing products and prices, physical effort, time invested, travel costs, shipping costs...), *setup costs* (studying manuals, assembling parts, finding and downloading the required software from the internet...), *operating costs* (energy, service, repair, number of persons operating a machine, disadvantages of being bound to a product, accompanying insurance...), *disposal costs* (packaging, liquids, poor resale price...), *switching costs* and *opportunity costs* (such as the loss of loyalty points) and *sunk costs* (subjectively experienced losses if one is giving up an object in which one has already invested), *psychological costs* (dissatisfaction and remorse after the purchase, necessary complaints and returns...), *social costs* (loss of status among friends or within the company...),

health risks (medicines, cigarettes...). This list can be significantly extended or adapted to different industries.

The *Third principle* is that the customer does not only *subjectively* and selectively evaluate the benefits and sacrifices—i.e. he cannot see that an Intel processor is installed if he cannot glean this information from the sticker attached and, even if he can, he can hardly come to an *objective* conclusion as to how good or bad an Intel processor is. He will always make such a judgement relative to a *reference value* or framework, like his expectations. These result from his own experiences, experiences of others, above all, however, in relation to the competition. A two-year warranty on a car may have triggered delight just a few years ago. Today, with car manufacturers offering a seven-year warranty, the same warranty period is likely to disappoint him. A competitor's car dealer will, of course, immediately point out that the seven-year warranty includes almost no services. The decisive question, however, is whether the customer believes him, while the view of the car salesperson is more or less irrelevant.

Market research, statistical analyses and strategic tools today allow us to determine such bundles of subjectively experienced benefits relative to expectations and corresponding bundles of sacrifices relative to expectations, in order to ascertain their respective importance and also to offset them against overall values as well as to identify segments with different values. For example, the result can be displayed in the form of a value map (Figure 21).

All the sacrificial components perceived by the customer, if they are important to him, contribute to the vertical position of a product. If the sacrifice to be made is below the expected value, the product is repaired more quickly or delivery is more convenient than expected, or if, for example, the price is lower than expected, the perception of the product slides downwards. If the sacrificial component exceeds expectations, for example, if the effort to identify the best product is high, the product moves upwards—strong brands have the advantage here, among other things, that they suggest less information effort. Similarly, the product moves to the right with each above-average preferential component and to the left with each below-average component.

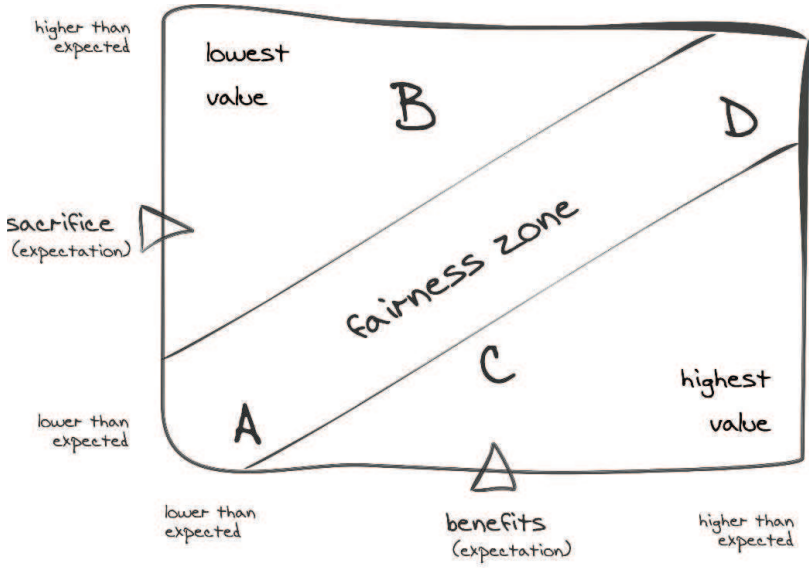

Figure 21: Value map based on Kordupleski and Simpson (2003)[793]

The fairness zone represents the area in which there is a well-balanced ratio between sacrifice and benefit for both exchange partners, from the discount approach at the bottom left to the premium approach at the top right, where the customer has to make more sacrifices than he originally expected, but in turn also receives more product benefits than expected. On the upper left is the unmarketable company or the monopolist and on the lower right the ideal provider, which is difficult to realise in the face of fierce competition. Companies can now determine their position and attractiveness from the customer's point of view relative to the competition. Company A would be your typical discounter, C occupies a middle position and D tries to offer an above-average product for which the customer has to make more sacrifices. Vendor B is in an unattractive position from the customer's point of view. This company could be a SHV-driven company that is defined as one that offers the smallest possible amount of benefit but demands the greatest possible sacrifice from its customers. This is only possible if the customer does not recognise the actual position of B. Therefore, the sacrifice must be trivialised - for example by concealing product disadvantages—and/or exaggerating the alleged advantages of a product—for example its durability or trendiness—see previous chapter.

If one considers just how many components sacrifice and benefit may consist of and that the customer's expectations are subject to constant change, one quickly realises that a consistently customer-oriented company management is not something that just happens or is a consequence of following the motto *We know what the customer wants*. In point of fact, it requires knowledge that goes far beyond the management of financial figures and will not work without a clear commitment from the management downwards and without the appropriate corporate culture. The all-dominant logic in a customer-centred company is a deeply rooted conviction that the customer is the purpose of the company. This first commandment ensures that the manager does not believe that he[794] or his department[795] are the purpose of the company. CV management follows an integrated approach that cannot be applied to a greater or lesser extent depending on the market situation, nor can it be *delegated* to a department within the company, like the marketing department. In the best case, the company has the same values, ideals and mental models as the customer,[796] because"... most customers don't like to be with people who are not like themselves."[797] It is therefore not just about becoming customer-oriented, but how to be like the customer and this can hardly be achieved without a commitment to the customer. I have already described this powerful phenomenon during the discussion of mimic behaviour as a *phenomenon of similarity*, as the desire to largely identify with the customer, to become like him, in contrast to the technique of *mirror-and-matching*, in which one only pretends to be interested in the other person.

A clear understanding of what creates value for the customer is also an important guideline for identifying the right employees and their targeted further training. As we will see later, customer satisfaction and loyalty cannot be achieved without employee satisfaction and loyalty. Employees who like to do what the customer likes to do are automatically more satisfied, especially when the executives are often with the customer, send unmistakable signals about the purpose of the company, classify themselves as relatively unimportant in comparison to the task and decisively oppose internal competition and the formation of kingdoms. But, as Drucker puts it so aptly: "The bottleneck is at the top of the bottle."[798]

I would now like to comment on three theses of the CV approach and justify them: the CV approach is (1) more humane, (2) more environmentally friendly and (3) more profitable than the SHV approach.

Closeness to the Customer means

Closeness to People

A common saying among merchants is *if trust is gone, all is gone*. Today, the costs of the financial crisis 2008 are measured by the estimated amount of money destroyed. I suspect that the massive loss of confidence in the financial sector, the loss of money not yet earned, which will never be earned, confidence that has been recklessly gambled away, will cause many times as much damage. Trust is always mutual, and cannot be expected from the partner while one stolidly pursues one's own self-interest. Customers trust in healthy food, properly maintained aircraft, the competence of consultants, the durability of expensive goods, the honesty of the state, independent media coverage, the good intentions of educational institutions and the meaningfulness of progress. All these seemingly self-evident conditions of interaction with one another and a functioning society are sacrificed as part of the gradual transition to a culture of self-interest. As a market research institute found out in 2012, "... trust... is also becoming a scarce commodity and massive mistrust is becoming widespread" in Austria.[799] A society of mistrust is an *inhumane* society: "Imagine a society in which you can completely trust everyone: wouldn't that be the society with the highest quality of life? And vice versa: a society in which you have to distrust everyone—wouldn't that be the society with the lowest quality of life?"[800] Let us first deal with the customer's trust in a company and then with the trust that a company may place in the customer.

Evert Gummesson no longer considers companies to be particularly trustworthy because they sell under the umbrella of customer orientation and marketing something which is in fact a desperate attempt to dig up good news for investors: *the customer is not as stupid as you think, he is much stupider*, he quotes ABBA marketer Stikkan Andersson. What is therefore important are skills such as a misleading pricing policy; or to stage a charismatic Steve Jobs when he reveals the new iPod accentuated by the mystifying effect of the latest Harry Potter film and a space flight-like countdown; H&M's hysterical pretence when announcing a new, limited edition of fashion articles by designer Karl Lagerfeld worn by Madonna and other stars; or bribery in international business and political influence on a national level.[801] Even cooperation with criminal organisations for the cheap disposal of toxic waste seems to be an option (see also Case study 6). I fear Gummesson is largely right with his gloomy diagnosis and one should advise customers to show a measure of distrust now-

adays. But precisely because the economy is changing in this direction, completely new opportunities are opening up for companies that have retained their honesty: customer orientation that builds trust.

But what about the question of whether the customer can be trusted? Of course, a manager from the SHV school assumes that everyone maximises their personal advantage, including the customer. In reality, however, the customer *still seems stupid enough not to take opportunistic advantage of the trust placed in him.* But this can, and probably will, gradually change and the customer will learn the new laws of business—following the *tit-for-tat* approach. He may not have a voice in the company, but he has a voice on the market and in forming public opinion. Small and medium-sized enterprises often live exclusively off the recommendations of satisfied customers, especially in rural areas. They know that and closely guard their reputation. In a large company, on the other hand, where contact with the customer is delegated to the clerk and sales level and where it is easier to hide behind both urban and international anonymity, there is often a fatal underestimation of the importance of people talking to each other. Added to this is the devastating effect of negative customer comments in documentaries, reports or on the Internet.[802] The customer begins to understand the saying *greed is sexy*, discovers its disgusting side and the desire to play boss and harass the staff. At the retail chain store, he lets them display all possible appliances only to buy from the lowest bidder on the Internet. Such customer behaviour is then quickly scandalised as *consultancy theft,*[803] although it is no more than the perfect observance of the greed is sexy formula. Mutual mistrust builds up and ultimately makes a business idea increasingly uneconomical.[804] Self-interested, *so-called rational* behaviour is only successful as long as one finds a fool to exploit. If, on the other hand, both parties act selfishly, the result deteriorates for both and becomes *irrational* for both—not to mention the cultural collateral damage that society suffers once such a form of coexistence has been established. First, the cunning opportunist will take command and in the end society and the ecosystem will collapse.

If, on the other hand, we return to a code of conduct that is guided by decency, the customer will be the first to accept the offer of mutual trust. Trust is tremendously relieving, even unavoidable—as we have already seen, trust-based, mimic buying behaviour is even one of four elementary decision types. Muhammad Yunus has built over 50 companies based on this principle. The best known of these is the Grameen Bank, which provides small loans on a trust basis and without collateral or lawyers. Even the New York City branch operates profitably and the loan repayment rate is 99.5 percent.[805] In the 1990s, the

US hotel chain Hampton Inn introduced a system whereby customers do not have to pay for their overnight stay if they were dissatisfied with it. Just 0.1 percent of customers make use of it. Joel Weldon offers a similar service by refunding seminar participants if, on a scale of 1 to 10, their satisfaction is less than 7. He estimates that he has reimbursed 0.4 percent of seminar fees over a period of 22 years.[806] Today, companies around the world offer money-back guarantees when customers are dissatisfied, for example, in Boston's LTK restaurants. Such offers are of course not entirely selfless, because a multiple of the reimbursements is earned through more turnover, an increase in confidence and public attention. But this would simply be impossible in a *rational*, self-interested society or if the customer isn't actually offered a high value product or service.

I have already mentioned that satisfied and loyal customers cannot be achieved without satisfied and loyal employees.[807] This is not surprising. The services just mentioned—hotels, banks, restaurants—make it immediately clear that it is above all the employee who creates value for the customer. Frederick Reichheld develops a *loyalty circle* from the cooperation of loyal customers, employees and investors, which creates more and more value for the customer in a reinforcing control loop (Figure 22). Valuable products allow earnings and market share to grow. One can therefore be choosy when *accepting new customers* (see Case study 18, p. 250 and the "everybody's darling trap"). This advantageous income situation enables one to employ the most suitable *employees* for the respective tasks who are bound to the company by the high value offered to the customer and by clear goals. The employees are proud and satisfied. They also get to know the customers and their wishes very well and deepen their knowledge of how to further improve quality and reduce costs. The company can use this increase in productivity to better reward its employees and create excellent work and training opportunities. This in turn binds customers and creates profits that are tempting for investors. And *loyal investors* eventually behave like partners, not speculators, reduce capital procurement costs and ensure that investments can be financed to further increase the value creation potential of the company.

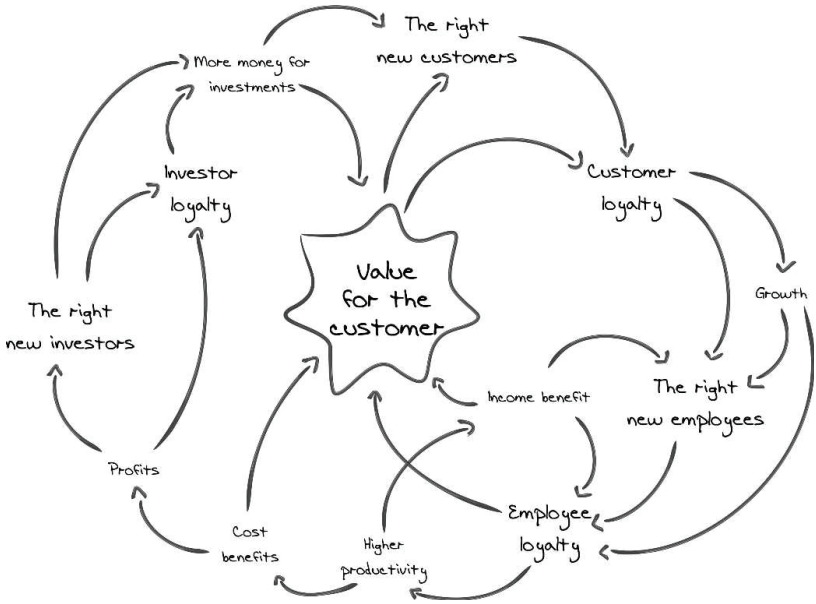

Figure 22: The growth circle based on loyalty according to Reichheld (1997)[808]

This spiral, however, is currently turning in the opposite direction: a poor earnings situation forces you to take every customer you can get—for example, constant sales promotions attract price-oriented customers who are just as quickly gone when later you try to sell them the same product at the normal price. Cost cutting programmes are intended to improve earnings, but above all have a negative effect on employees' identification with the company. Dissatisfied employees create dissatisfied customers and vice versa. Finally, you have to take and hold onto every investor you can get. You have fallen into the trap of the SHV approach and are caught in it (see also Figure 19: A simple model of profitability).

Let us now return to the initial question of this section, why a customer-oriented company approach is more humane. We have already seen the immense contribution that trust makes to social satisfaction. But this trust must be earned. The confidence of a customer is acquired by selling unique, valuable products to him and by actually taking care of his concerns not just seeming to do so. The trust of employees builds up because they work towards a decent goal and because managers exemplify this entrepreneurial attitude on a daily basis. They do not constantly reach into the cash register to take money which

could be invested sensibly. They do not flirt with the investor or mistake their business for a goldmine. They do not need courses in ethics, social responsibility or corporate governance. It is not necessary to explain to them that only the unconditional cooperation within the company will produce an unrivalled performance on the market. They offer their employees a meaningful job, a clear orientation and thus provide an answer to their anxious question: *What is expected from me*? They do not torment the workforce with the latest *key performance indicators* on a daily basis and they are aware that work is fun and allow it to be. Satisfied employees are more efficient, creative and flexible than their dissatisfied colleagues from other companies.[809] They have a higher frustration tolerance, help each other out in critical phases, have fewer sick days and are better rated by the customer.[810] They are *intrinsically motivated*. Customer satisfaction is a goal in itself for them and not the consequence of *extrinsically motivated* achievement of satisfaction indicators or even profit maximisation indicators.

The call for *innovation* is becoming more radical, people are being put under pressure to finally produce an innovative idea product or service. They are lured with bundles of money, which they only get when it has finally emerged from their minds: the desired innovation. Their motivation becomes extrinsic, their mood darkens, creativity decreases, they can only make more associations with money and their *functional fixedness* to the job and the desired innovation become less and less likely the more often and louder someone calls for it. It reminds me a little of Paul Watzlawick's paradoxical request: "*Be spontaneous*!"[811] or George Orwell's paradox of forced volunteering.[812]

The Candle Experiment by Alice Isen and Colleagues [813]

US mood researcher Alice Isen and her colleagues were conducting a series of experiments to find out whether people's moods affect their creativity. In a study, 27 female and male students were randomly divided into experimental and control groups and then again into working groups of 2-4 people. If the working group belonged to the experimental group, it watched a 5-minute excerpt from a cheerful film, while the members of the control group were shown an excerpt from an emotionally neutral film on a factual topic. This method of mood research is called *mood induction*. It allows the researcher to examine how moods affect, for example, attitudes, abilities or behaviours in the subsequent 10 to 15 minutes.

Each of the working groups must then try to solve the *candle task* conceived by Karl Duncker: each working group found a box of tacks, a book of matches, and a candle in front of them. The task was to fix the candle to a cork board above the table in such a way that it will burn without dripping wax onto the floor, all that within 10 minutes. Usually, 10 to 20 percent of the test subjects manage this task. The solution is to use the box in which the tacks are stored for a different purpose and pin it to the cork wall as a holder so that the candle can be placed inside. The creative problem arises because people see the box as a box and fail to see its potential for another use, which Duncker calls *functional fixedness*. The fascinating result: 75 percent of the cheerfully tuned students managed the task, of the neutrally tuned, 20 percent. This statistically very significant difference, together with other studies on the influence of mood on creativity, suggests that people in a good mood are more creative in solving problems. The authors explained why this is the case by saying that positive feelings facilitate access to positive memories in our brain, which are more numerous and more ramified. This allows people to associate more intensively and develop ideas more easily on how objects could be integrated and related to one another (we have already talked about the phenomenon of priming the brain, see Case study 14: Money priming and value systems, p. 155).

Case study 19: The candle experiment

"In today's economy, the most anti-social people rise most easily to the top because it is a question of optimising numerical targets and people are preferred who are »more capable« of ignoring all other goals, be they human, social or ecological.", remarks Christian Felber.[814] The price tag on such leadership logic is immeasurably huge. The organisation learns how to achieve its numerical targets perfectly, but also how to do worse in the *essential* organisational questions: creativity, humanity, customer proximity, friendliness, spontaneity or volunteering. I am, therefore, convinced that a customer-oriented management style is not only more efficient and effective for everyone involved but also more humane and satisfying than the shareholder value approach.

Sustainability of the Meaningful

The SHV approach is the disposable society that has become corporate philosophy—and the disposable society is itself the result of this corporate philosophy: find new customers and if they now are no longer willing to purchase, let them go and find new customers and markets. Buy up competitors and if they become unattractive or have been properly eviscerated, dump them. Hire people in good times, and when they are no longer needed, fire them. Get the customer to dispose of their existing product by hastily bringing an even newer product to market.

The CV approach, on the other hand, lives the *oikonomos*, sets priorities differently and takes care first of what the company already has and only then of what else it would like to have. What it already has are, first and foremost, its employees and their know-how and integrity as well as customers who help to save costs through their long-term loyalty: they help to avoid acquisition costs and reduce transaction costs, come more frequently, enjoy products longer and therefore also try out other products offered to them. And they recommend the company and its products, which does not cost a cent[815], while the dissatisfied customers of the disposable company badmouth it, which costs enormous sums (see Figure 19, p. 242).

Those who are not interested in topics such as market and customer are dependent on blindly feeling their way or at least on the trial-and-error method for the development of new products and their continuous improvement. The flop rates have become correspondingly absurd. If, as a consequence, the market launch of a new product does not work or sales decline, a series of negative activities must be started to boost sales: the sales force needs to serve more customers, displays for retailers need to be produced, delivered, collected and disposed of, brochures need to be printed, delivered to all households and thrown away unread, road shows need to be carted around the country, a television campaign needs to be launched, and yet mountains of unsaleable shelf warmers need to be disposed of. Meanwhile, puffery and cultural pollution are constantly increasing, while existing customers are running away. Isn't this simply systematic waste production under the patronage of the invisible hand?

The greed-is-sexy way of thinking brings with it another flood of problems. The very idea of reducing costs by outsourcing to low-wage countries in order to get onto the market at the very lowest price—this is the only argument for it—is ecological nonsense. Rather, production must preferably take place

where the sales market is. Tomatoes harvested in Spain for the Waldviertel region are a crazy idea if the farmer in the Waldviertel could easily supply fresh, ripe tomatoes, if the supermarket chain bought them. In addition to the systematic production of unnecessary traffic of inferior goods, purchasing power is migrating to Spain, and while we gladly grant today's Spain any conceivable form of economic stimulus, the Waldviertel region could also do with a bit of domestic purchasing power. Retail chains justify their large and cheap approach by stating they not only help the local population save through low prices, but also create local jobs. Critics, however, argue that their mega-markets on the outskirts of the city are destroying small businesses with the concentrated purchasing power of multinational corporations, first Smith's butcher and baker, then the greengrocer, the toy retailer, the chemist, the travel agency, the fashion boutique, next the grown structures of the village, the shops and market places,[816] which were a social meeting point and an integral part of the structure of rural life, and finally also the cityscape. The inner cities now resemble monotonous images of the monotonous shareholder value society.[817]

It is just as crazy to sell to people in affluent societies products from Asia that are so cheap that customers are tempted to buy simply because they cost almost nothing anyway and can therefore be thrown away at any time. While a product should satisfy more than our greed for *bargains*, we have already largely agreed on the primacy of *quantity throughput*—from the individual farm to the GDP-economy we think in volumes. However, volumes mean passing more and more mass through the market and that means more and more raw material consumption on the source side and more and more waste on the landfill side. However, it is precisely this volume strategy that one learns in today's business courses: cost advantages are not achieved by behaving economically together with the customer; rather, they would result from the quantities sold and their disposal as early and as smoothly as possible.

Planned Obsolescence [818]

The 2010 award-winning Franco-Spanish documentary film *The Lightbulb Conspiracy*[819] by director Cosima Dannoritzer explores the question of whether companies deliberately shorten the life of their products in order to generate more sales. She traces this back to the 1920s. In December 1924, all the important producers of light bulbs from Europe, America and the colonies met and founded a cartel under the name *S.A. Phoebius* for the purpose of better controlling production and patent issues. A declared goal was to reduce the service life of light bulbs from 2,500 to 1,000 hours. In 1925, a corresponding *1,000 hour lifetime committee* was established. From now on, the bulbs produced by members of the cartel would be regularly tested for their service life and manufacturers whose bulbs burned for more than 1,500 hours would suffer heavy fines. In 1927, Ford had to take his legendary Model T, *the tractor*, off the market because Alfred Sloan of General Motors found out that planned obsolescence could also be achieved through design changes. Year after year, he released cars with a new look and Model T owners suddenly looked as old-fashioned as their cars. This form of planned obsolescence, called *psychological obsolescence*, was subsequently to become the engine of entire industries.

In the 1950s Dupont developed the nylon stocking. The problem was that it lasted far too long. The technicians were astonished that they first received the order to develop a high-quality plastic thread and then to make it worse. Around the same time a critical book, *Waste Makers* by Vance Packard, was published, who had already written one of the first critical books on marketing: *The Hidden Persuaders*.

However, this does not change much in the current practice of allowing products to age prematurely. A young man whose printer no longer works accompanies us throughout the film. He visits three shops intending to get the printer repaired and receives the same answer everywhere: “It is not worthwhile! Throw away the printer, a new one is cheaper than repairing the old one.” The young man’s internet research shows that the printer apparently has an integrated chip that causes it to stop printing after a certain number of printouts. A Russian IT freak knows what to do and sends the young man a little piece of software that sets the chip in the printer to zero and the printer prints once more. A short visit to the printer manufacturer's website on 7.10.2011 clarifies everything: “for us, the customer will always

be the starting point for all considerations and we will always give top priority to our products' quality and services. We will always be passionate about creating products and services that please our customers and deserve their trust."

In this documentary, Apple does not get away easily either. In 2003, Elisabeth Britzker sued the electronics manufacturer because the battery of her iPod could not be changed. This was the first time a manufacturer was sued for planned obsolescence. Unfortunately, we do not know the courts' standpoint, as the parties reached an out-of-court settlement. Every year, mountains of highly toxic electronic waste are sent to Africa, especially to Ghana, for final disposal. However, since the export of toxic waste is officially prohibited, the goods are declared as used computers and other high technology and as a contribution of the affluent countries to development aid.

Case study 19: Planned obsolescence

We distinguish between three forms of obsolescence: *technological obsolescence* occurs when a newer technology is introduced to the market, for example for electronic products such as computers, television sets or mobile phones, or when the old device no longer works. *Economic obsolescence* should make the purchase of a newly launched product attractive by making the new product more energy or cost efficient—such as household appliances and cars, or, in the industrial goods sector, new machines with lower operating costs. *Psychological obsolescence* occurs when products are subject to fashions, making users look unfashionable when they continue using them. This form of obsolescence is applied intensively in the fashion industry, but also in cars, mobile phones or luxury goods. All three forms can represent meaningful product improvements. But they can also serve to merely stimulate demand by allowing products to age prematurely, limiting their functionality in time, introducing pseudo innovations or withholding an already existing new technology.[820]

Since the fashion industry masters the psychological aging business better than any other industry, it is now also proposed as a model for an innovative economy: "In talking with executives about innovation, we often point to the fashion industry as a model. Every successful fashion company essentially reinvents its product line and thus its brand every season. It repeatedly brings out products that consumers didn't know they needed, often sparking such high

demand that the previous year's fashions are suddenly obsolete."[821] That is what we must understand by innovation today and what Mr Rigby, Mr Gruver and Mr Allen from the consulting firm Bain & Company are training the management of all industries to do.

Planned obsolescence to promote profits can only be described as *completely unacceptable* in a world of scarce resources and growing mountains of waste. However, the SHV approach also considers planned—and as we have just heard, particularly planned—obsolescence as a completely legitimate sales promotion measure and is, therefore, not only uneconomic but also completely unecological. It cares very little about current social needs and their sustainable satisfaction. It wants to maximise machine and human capacity utilisation and if there is a congestion at the machine end because a product is no longer needed, then SHV knows what to do: products are required that *consumers did not know they needed*, or products must not last as long as before, or governments must be convinced that the purchase of stockpiled products should be made compulsory. It is never about the basic idea of business activity or economisation or even prosperity for all. It is unacceptable that with this model of quantitative material throughput, both man and nature fall by the wayside unless we intend to deliberately destabilise the entire planet.

Profit as Purpose and Profit as Reward

The CV approach recognises a company's need to make profits, however, not in order to serve shareholders and top managers, but rather to reinvest the money in the long-term protection of the company and to build up risk reserves. As the chain of reinvested profits, new and improved performance, customer value enhancement, employee motivation, image and the resulting higher margins form a reinforcing loop, it is not surprising that this approach leads to higher profits in the medium and long term than the profit maximisation approach (see Figure 19). The focus is not on undifferentiated volume growth, but on differentiated quality growth, on the actual added value that a product provides to the customer.

We owe our thanks to John Narver and Stanley Slater for one of the first studies in this regard.[822] They interviewed managers from 140 business areas of a large company and concluded that high market orientation always has a significantly positive effect on profitability, while low market orientation can only be expected to generate profitable business under special conditions. Small business units can also generate above-average profits in growth markets if they operate

in a market-oriented manner, while large business units with little market orientation lose profit due to their inappropriate measures in the event of market changes. Lerzan Aksoy and colleagues[823] showed that investing in a portfolio of companies whose customers are satisfied is significantly more profitable than into a portfolio of companies with dissatisfied customers and even more profitable than the S&P 500 Index. Christian Homburg and colleagues[824] showed that companies that know their customers better can set priorities and thus reduce their marketing costs and increase profitability. Dominik Enste[825] found out that privately owned German companies achieved a value increase of 60 percent in the years 2004 to 2009, the DAX-30 companies only half of that. He explained these increases in value with the fact that real ownership obliges, while vagabonding capital does not.[826] In the above-mentioned Strativity Group study,[827] most of the 869 executives reported that they were further reducing their investment in customer relationships. However, those who acted against the trend reported immediately noticeable profitability effects of their investments.

The Age of Customer Capitalism Has Come [828]

Roger Martin criticises the practice of top managers of giving the highest priority to shareholder value, which has been in use for 30 years now. In his article, he compared two SHV companies, Coca Cola and General Electric (GE), with two CV companies, Johnson & Johnson (J&J) and Procter & Gamble (P&G). Roberto Goizueta (CEO of Coca Cola, 1981-1997) and Jack Welsh (CEO of GE, 1981 - 2001) are fervent supporters of the SHV approach. It is easy to explain why: Goizueta was the first American manager to become a billionaire in a company he neither established nor listed on the stock exchange. Jack Welsh's assets at the time of his departure from the GE Group were estimated at $900 million from company shares alone.

The other two companies have a different pecking order: first in line is the customer and last the shareholder, because if the customer is satisfied, the shareholder will also be satisfied: SHV is a by-product of customer satisfaction. In terms of shareholder value, all four companies perform well, but the latter perform better in their respective divisions. In addition, they have significantly better prospects for the future and are less susceptible to crises than comparable companies geared towards growth. They have clear goals; their employees understand better what their business is all about and what is expected of them. Martin gives the example of a recall at J&J, which was

carried out without lengthy discussions, even if it had a negative short-term effect on share prices. Finally, Martin describes the first measures Alan Lafley implemented when he took over as the new head of P&G: (1) Shareholders were informed that some business principles needed to be revised and that time would be required for this. (2) He gave the order to remove all monitors in the head office which constantly showed the development of the company's share price. (3) The bonus system was changed to a long-term orientation. (4) He made it clear that fairness and teamwork were now fundamental entrepreneurial principles.

However, as Martin points out, this works only if top managers were once more prepared to look for and find the real purpose of a company: the customer.

Case study 20: The age of customer capitalism has come!

The fact that SHV companies even perform poorly in their very own desire to satisfy shareholders is the peculiar irony of capitalism but is immediately apparent when one considers that share prices also reflect the expected future viability of companies. The CV company has a substantial future: customer satisfaction, reputation, market knowledge, culture, problem solutions, reserves. These are the pillars of a company's future viability. The SHV company, on the other hand, is operating in the present only. If the continuous cheering expected by the shareholder can no longer be achieved with actual business activity, then the company substance must be tapped. What can you do if you have already fallen into the SHV trap? (see Figure 19, p. 242): (1) All attempts to stimulate sales in the short term through uncoordinated price reductions or price increases, sales promotion measures or aggressive sales inevitably weaken the brand and the value of the product in the customer's perception. (2) Restructuring and cost reduction programmes such as spectacular waves of layoffs or the employment of cheaper workers and wage workers destroy the morale and integrity of employees and have a direct negative impact on customer service quality. (3) The dissolution of reserves or their speculative investment weaken the future crisis resistance of a company, while postponing investments in new or improved solutions has a direct negative effect on future competitiveness.

Sheth and colleagues identified additional cost drivers in the phenomenon of *over-marketing*: *environmental costs*, which take the form of rising delivery costs, *social costs* of exploitative working conditions, *marketing costs* from too much choice, inventory, hectic innovation, advertising, price reductions or unfulfillable promises as well as the encouragement of customers *to engage in debt*, which, however, makes an effective settlement of invoices increasingly unlikely.[829] All this may please the greedy investor, since he does not intend to hold his company shares for long anyway, but systematically undermines the substance of the company. In 1970 Friedman still believed that a manager who did not exclusively pursue the goal of maximising the profits of the shareholder should be dismissed or imprisoned. The data available today tend to point towards dismissing, if not imprisoning as soon as possible those who actually do maximise profits.

It seems to contradict the instinct of many business people that qualitative growth could be possible without quantitative growth. The standard way to become a profitable company is therefore: drive up the volume produced at the lowest possible price, grow big and even bigger, gain sales and market share, increase market power and gain *economies of scale* to further reduce costs, further reduce prices, etc., the so called *volume strategy*. The *quality strategy*, on the other hand, is based on a customer who is not only greedy for bargains but also cares about the value of products.

The PIMS database[830] in its first reading and interpretation in the 1970s also seems to confirm the *volume strategy*: companies that could increase their market share[831] have the best chances of subsequently achieving better profitability figures—so business life indeed seemed to be about market share. Bradley Gale[832] went over the data again and came to a different conclusion. He developed a method to integrate the product quality perceived by the customer into the data structure, and now it became clear what role the market share actually plays: it is the result of a perceived high product quality. If you concentrate on high quality, you increase your market share and keep it for a longer period of time. On the other hand, those who focus directly on market share may initially gain but may quickly lose it again because they are insubstantial. Gale[833] also shook another unshakable standard assumption of business administration: that a company must decide for cost or quality leadership.[834] Gale's analyses of the PIMS database show, however, that those companies with the lowest perceived quality had the highest unit costs and the quality leaders only slightly higher costs than average. A quality leader must assemble more expensive parts and invest more in quality assurance. But those who organise their tasks better right

from the start and concentrate on the right things will later have less to rework, repair, take back, call back, replace etc. and can thus keep the resulting total unit costs below those of the lowest bidder.

The *total value created* (see Figure 20, p. 246) thus increases in three ways for quality providers: (1) the customer's maximum willingness to pay increases, (2) unit costs fall due to better quality and (3) unit costs fall again due to the increasing demand for quality. This lays the foundation for the paradoxical claim that the company that focuses on the customer achieves better results than the company that focuses on itself. It has opened up a wide price range, while the SHV company has to manoeuvre through the already meagre total value created between the narrowing guard rails of somewhat marketable prices for a questionable product and the desires of hungry investors.

Market share or sales are snapshots and tell little about the future of a company. A manager who urgently needs good news for the shareholder will sooner or later come up with the idea of saving on materials and personnel. It may take a few months before the stocks of old products are exhausted and frustration spreads among employees, another few months before the customer notices the deterioration in product and service, and further months until he is sufficiently dissatisfied to look for a new supplier. Only then will it be possible to read from market share and financial figures something that had been started long before (see Figure 23, p. 270). When I show my students this chart, I am happy to tell them: If you have figures on customer satisfaction and the perceived value of your products, you can predict to the controller today how his financial indicators will look in the next period. The industry-specific delays shown in the chart refer to the fact that in some business areas the delay may only be days—a guest who complains about eating may not come back the next day—and in other sectors perhaps years—insurance contracts are contracted for years, for example, and experience shows that insurance and bank customers are relatively lethargic and a lot has to happen before they set out to find a better financial service provider.

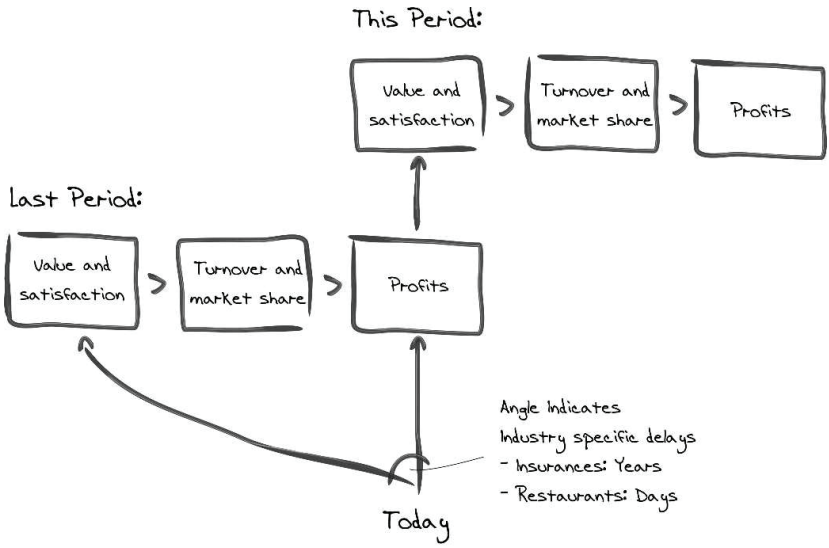

Figure 23: Delays in transforming customer value into market share and profits

Unfortunately, marketing departments often do not have such figures and when they do, it is difficult for them to translate them into financial indicators. As I learned in individual interviews with 21 Austrian executives from management, human resources and marketing in 2006, the Austrian marketers are, as expected, good at operative marketing (advertising, product design, packaging design, brand building, PR work, trade fair appearances, events) but usually know little about the financially expressed benefit of their work and the interplay between marketing and financial key figures.[835]

I have already reported on the loyalty effects introduced into the discussion by Frederick Reichheld (see alsoFigure 22, p. 258). Accordingly, a clearly defined corporate purpose—increasing the value for a certain target group—leads to mutually reinforcing profitability effects between the right customers, right employees and right investors. With regard to profitability, Reichheld argues that loyal customers improve the earnings situation and thus give the company the freedom to treat its employees in a decent manner. The motivation coming from a positive climate, customer satisfaction and above-average remuneration leads to productivity increases which reduce costs. This is a second paradoxical phenomenon of the CV approach: higher wages and salaries reduce costs—

even in the personnel-cost-intensive service sector. Exactly this paradox represents the initial observation of Reichheld. In a study commissioned by a US insurance broker, he was to find out why brokers were unevenly profitable under relatively identical market conditions and encountered the initially inexplicable fact that those who remunerated their employees best also made the highest profits. This cycle of loyalty only revealed itself to him after a more detailed study. When he published the figures, he claimed that a 5 percent increase in customer retention rate[836] could boost customer profitability by up to 100 percent. This, of course, does not remain uncontradicted, because it seems to go against our intuition.

Reichheld explained the higher profitability of loyal customers through a combination of the following five effect groups, which we have already briefly mentioned in the past: loyal customers help the company (1) to reduce *acquisition and distribution costs* (advertising, commissions, initial customer equipment, sales overheads, delivery, etc.), (2) to increase sales (they buy ever more and higher quality products from the range), (3) to reduce running costs (less consulting and support effort, the company learns to better recognise and consider a customer's special wishes). At the same time the customer adapts to the company better, has fewer questions, makes appointments instead of suddenly appearing, knows what is in stock, etc.), (4) to actually achieve the calculated *prices* (while new customers must be offered introductory discounts, credits, loss-leaders or other promotions) and (5) to improve the *company's reputation* through referral (which, on the one hand, is free and more credible than advertising and, on the other hand, attracts customers of higher quality and loyalty).

An integral part of the loyalty cycle is that one does not become dependent on speculative investors. Otherwise, the loyalty cycle stops turning in the positive direction. The investors and their brokers take command and the cycle slowly begins to have the opposite effect. However, the number of loyal investors is declining, making it increasingly difficult to manage listed companies.[837] Institutional investors such as pension funds, investment funds and investment advisors do not regard a share as a document of co-ownership. The computer becomes the decision-making authority for buying and selling.[838] While analysts may still consider the long-term prospects of a company, the brokers who hire them live on commissions, which only exist due to share ownership changes: they earn only if they are unfaithful. They concentrate on temporary exchange rate effects from layoffs or restructuring and thus drive management into a similarly short-term approach.

Loyal investors, on the other hand, understand the respective business, are guided by the company's potential and support the philosophy of mutual loyalty. It is, therefore, no coincidence that many loyalty leaders identified by Reichheld are privately owned or owned by their customers and it seems to escape the acting persons in Europe or they simply do not care what immeasurable competitive advantage they theoretically have, because the ownership conditions here are still partly like this. But once the wheel is reversed, a return is difficult to almost impossible. According to Reichheld, reversing a stock exchange listing is usually hopeless. What remains is the *re-education* of investors already mentioned and applied by Lafley or the active search for investors interested in the business itself.[839] As an example of the latter, Reichheld cites Nike's managers who market their shares as well as their shoes: segmentation of the investor market, identification of investors they want, acquisition and retention of these shareholders.

When the Worse Idea Prevails

Why should an approach that seems advantageous in every respect not prevail in practice over the invisible hand and the law of supply and demand and quickly relegate, and ultimately eradicate, the SHV model?

First of all, the interest of a roving investor is not the healthy, but the volatile company. Why take so much time to build up companies and markets and laboriously explore customer needs when you can make your money so much faster and easier? A rumour spread in the bar of the financial district, a cooperative top manager, a creative broker and a corrupt insider, e.g. a politician who is planning a major acquisition or a health reform or wants to sell state property [840]—and, to be on the safe side, a rating agency intent on setting a self-fulfilling prophecy in motion. This is modern management,[841] everything else is old-fashioned fantasy.

What does this dream look like: the laborious conquest of a market? Frederick Webster asked "old-fashionedly" why such a simple idea as customer orientation is so difficult to implement in practice and identified the following internal company obstacles: (1) The customer satisfaction concept itself is abstract compared to the concrete concerns of production, sales or financial management. (2) It takes psychological sensitivity to understand all the interactions between customers, employees, managers and investors, while production and financial figures speak a clear language. The insecure manager therefore prefers to invest in areas that seem immediately understandable to him. (3) When

someone appears in the company and says that the customer is the most important authority, the purpose of the company, then this screams for the coalition of the other departments against the pretensions of the marketing people.[842]

In addition, there are the aforementioned prejudices about customer-centric management: as the customer does not know what he wants anyway, he would therefore not be in a position to be helpful in product development; this approach would ultimately lead to having to offer the best product at the cheapest price, or to neglecting entrepreneurial core competencies. And let us be honest, what will be more attractive for a manager in the self promotion society: an investor with whom he can enter into a financial symbiosis or a customer who makes demands? The language of money or the voice of the customer? Short-term profits or long-term competitiveness? The fantastic growth plans in tomorrow's newspapers or the inaudible recommendations of satisfied customers? Become Manager of the Year or consistently remain in an inconspicuous market segment? Form old-boy networks or identify and eliminate non-value adding processes? To be among the most important people in the company or to vacate this place in favour of the customer?

In summary, the CV approach may be the best concept for the long-term success of a company that we currently know. But it is also the concept that sounds like a lot of effort and patience are required and is also difficult to sell within the company. Or as Denis Shah and his colleagues put it: "… easy to assert but difficult to build and sustain."[843] For this reason, the path continues to point towards the SHV concept and the profit economy. Customer orientation? A good idea, but, unfortunately, neither economically nor politically feasible in view of the prevailing power constellation. Therefore, today more than ever; customer, society and environment apply. *Please wait!* The next chapter tries to sketch the outcomes of this dilemma by reconsidering our intrinsic values and moving away from the self-interest-maximising profit idea and towards the formula of the greatest good for the greatest number.

Chapter Seven

Ways Out of Dissatisfaction

The only question we consider legitimate is: How can we buy and sell more goods at a higher rate of profit than last year? Whether those goods are actually "needed" by the people or are beneficial to them in the long run is considered irrelevant. In this mad rush for profit maximization, what gets lost is environmental quality, long-term sustainability, and even the health of individual consumers … Meanwhile, marketing experts are busy urging consumers to devour more than they need … The only voice in the marketplace is the voice of profit-maximizing businesses, geared to making sure that the objective of ever-increasing consumption is achieved. This voice follows consumers everywhere—when they are reading newspapers, listening to the radio, watching TV, driving their cars, or surfing the internet. A seamless stream of messages urging consumption keeps flowing every second of their waking hours. Businesses are finding ever smarter ways to grab consumers' attention in every possible situation and persuade them to buy their products. No wonder virtually everyone finally surrenders and makes the purchase.

Muhammad Yunus[844]

In Search of New Goals

As the quintessence of everything said so far, we might be inclined to fall into a state that we know all too well in today's Western societies and that can perhaps be described as fatalism, *powerlessness*, i.e. the absence of any power to transform things. Gigantic global corporations paying homage to the idol of profit maximisation; politicians trapped in their own powerlessness; media that often only strive for profit themselves and are willing to sacrifice independent journalism; teaching and research encouraging the carefree continuation of growth and profits and forgetting about the service to society. This makes it clear that any appeal to existing structures has little chance of success. So let us follow Kenneth Boulding's sarcastic appeal: "So perhaps we should all call it a day and go out and pollute something cheerfully!"[845] And he said this in 1966. Since then, one year after the other goes by and the window of opportunity begins to close, which would have given us the chance to return with impunity from the *hot* state of greed to the *cool* state of planned management of world resources geared toward the well-being of all and future generations, or, as Boulding put it: to finally tackle the change from *the cowboy economy* to *the spaceman economy*.

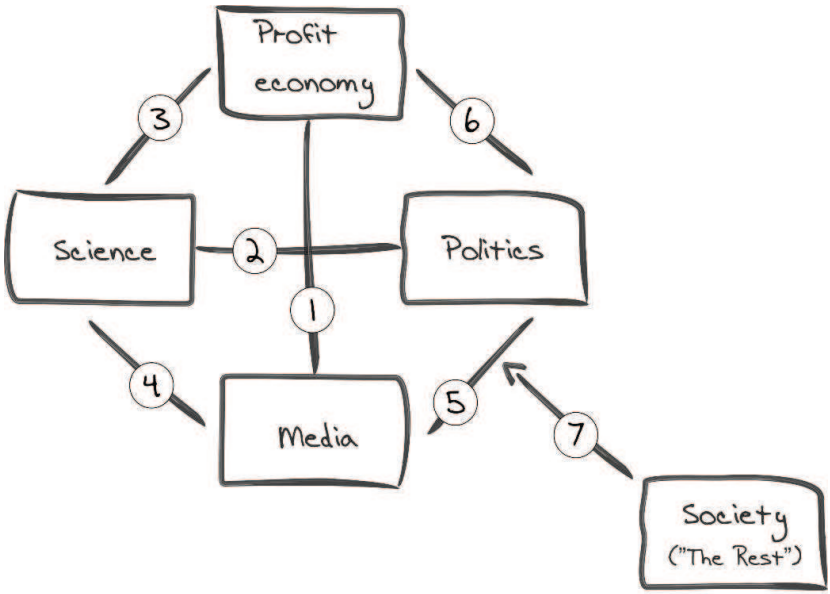

Figure 24: Where should the influence of the economy on society begin and where should it end?

Figure 24 shows the mutual exchange relations between the creative forces of an industrialised post-democracy.[846] The profit economy offers (1) election contributions and party donations, a pleasant life and additional income opportunities during their political careers as well as career opportunities thereafter, for example as lobbyists or consultants, in return for profitable laws and regulations, state subsidies, undisturbed business processes, low taxes, insider knowledge, investor-friendly monetary policy, market liberalisation and corresponding bargains in the course of privatisations. (2) Its managers control the flow of money to the media in the form of advertising money, print cost contributions and media cooperation and expect high coverage and ratings, friendly and money-focused reporting, special reports, key topics and agenda setting, daily stock market reports, the "correct" interpretation of quarterly reports and making sure they are often mentioned and occasionally elected Manager of the Year. (3) The manager gives the scientist third-party funds, consulting fees and a practice-oriented image and in return expects outsourced and inexpensive research and personnel development as well as studies that serve

the respective purpose required, perhaps also a teaching assignment. (4) Politicians direct tax money paid by society towards science—university budgets and research money. In return, the government expects growth ideas and profitable innovations, reputation and appropriate studies. (5) The media offer politicians attention, self-promotion space, friendly reporting and possibly a job if they receive ad placements in return from ministries and state enterprises and in the course of election campaigns are given advertising funds and press subsidies. (6) Scientists too are offered self-promotion and agenda-setting in return for well-founded stories and science shows. (7) For society this conglomerate of interest groups offers increasing pressure to perform on the job, a dwindling supply of jobs, an infinite number of products and declining social benefits, and in return expects the middle class to pay rising taxes, consume in an unrestrained way, buy shares and every few years put their cross in the "right" place on the ballot paper. Peter Drucker asks, "Is there any reason to believe that management in a free society should have any authority over the colleges, over culture and the arts, over the freedom of the press or over our foreign policy? To raise this question is to answer it: such authority would be intolerable."[847] But if that is the case, we are dealing today with intolerable conditions in an unfree society.

If the path to renewal is blocked from top to bottom because the forces there keep themselves in a mutual balance of interests and it is even difficult for them to understand what is so bad about the current system, there is still a second path, from bottom to top, as long as democracy still functions to some extent and as long as the interested citizen is not yet completely in the grip of this feeling of powerlessness. With this book, I try to address the interested and critical consumer, because consumers are the main force in consumer society. If the consumer no longer participates in the illusion of *freedom through consumption*, the greed for profit is undermined and an economy that is useful for the customer is once more given room to breathe. Unfortunately, consumers are poorly organised and their lobbies are far too weak to have a coordinated and guiding effect. However, if this contribution—together with numerous other initiatives that pursue similar goals and make themselves increasingly heard—succeeds in bringing about a small step towards a change of attitude among interested and mature consumers, the idea may soon proliferate and swell to a critical mass.

One of my students from Spain, a country currently experiencing very high youth unemployment, made a sarcastic remark during a presentation: "In Spain, a young person has three opportunities of making a career: to leave the

country by train, by car or by ship". How did we end up in a situation where young people in the midst of a prosperous society must think like this? How can we allow youth unemployment to reach 40, 50, even 60 percent in some regions of Europe? How can we put these young, talented, inquisitive and hard-working people who represent the future of Europe in such a disastrous situation and stand idly by? This is market failure! And here too Kenneth Boulding found the right words: "... a society which loses its identity with posterity and which loses its positive image of the future loses also its capacity to deal with present problems, and will soon fall apart …"[848]

Those of us who stand in the lecture halls of business schools and hear such things must then become meek, because today's business practice raises a number of questions that current business studies are unable to answer. If only the Spanish student had asked how to write a convincing letter of application, reduce costs, increase sales, draw up a project plan or calculate Cournot's point. But he chose not to. He made a sad joke about the situation in Europe. He attacked companies and managers, politicians, the media and, of course, particularly us teachers at business schools, who ought to provide young people with the concepts with which they can best master their professional future and build a meaningful life in an economy that *cares* for humanity instead of crashing it against the wall.

With what kind of economy should we replace the current *un-economy*? A graph published by the WWF a few years ago can serve as a thought grid (see Figure 25).

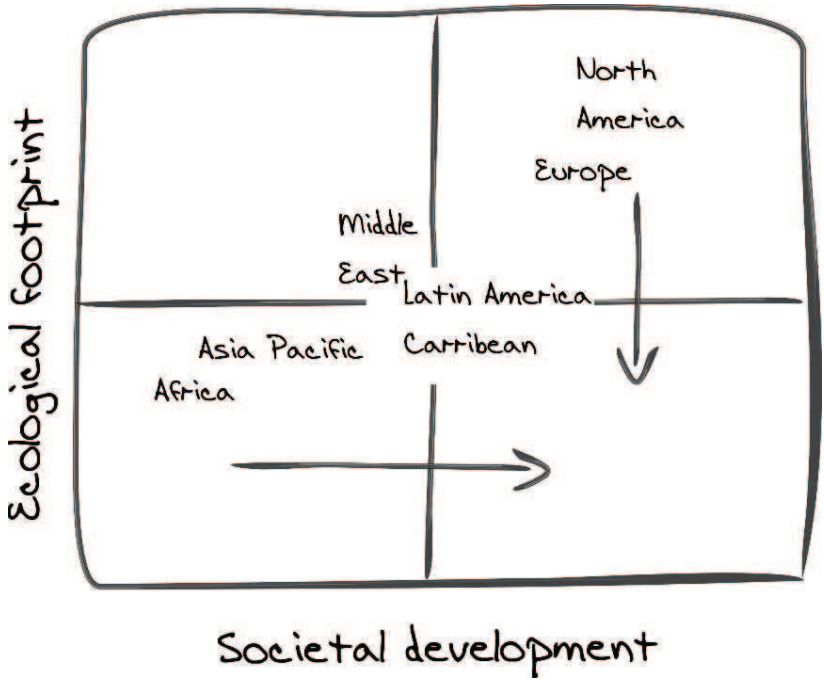

Figure 25: Mandate for a contemporary global economy[849]

A modern economy must be able to provide clear answers to the following two objectives. Objective 1: How can affluent societies reduce their consumption of resources without diminishing living standards? Objective 2: How can living standards in developing countries be raised without increasing resource consumption at the same time? With today's economic models, we cannot answer either of these questions. But we should start immediately to make the necessary paradigmatic changes, which, to some extent, have been around for a while, the top priority of research, teaching and business practice. And I would like to conclude this book by outlining these issues.

Target 1: Transformation of Consumer Societies

Most calls for limits to growth have stressed austerity in one way or another. They call upon us to get off the gravy train, to give up the joy ride, to face up to a world of diminished expectations … So long as deprivation is what is implied … most people will put off recognizing the unpleasant necessity … What we need is an image of an alternative that is not just a bitter necessity but holds

out promise of a genuinely better life … It encourages us to think not of what we are giving up but of new opportunities along a different dimension, which may be more satisfying … Turning … to a focus on the quality of our relations with others; on the clarity and intensity of our experiences; in intimacy, sensuality, aesthetic sensibility, and emotional freedom, we can see how a more ecologically sound society can be a more exciting and enjoyable one as well.

Paul L. Wachtel[850]

The idea of the invisible hand is the work of a genius and has shaped our lives in industrialised societies today like hardly anything else has. It was developed in times of great need and therefore possesses a humanitarian component—it showed people a way out of shameful poverty into the self-confident prosperity of entire nations. It works faithfully and ensures that we have a standard of living today that not even Adam Smith could have dreamt of.

What the invisible hand does not explain is what to do when the prosperity of nations has been *achieved*. Smith may have thought that there is still enough time and left this task to posterity. John Maynard Keynes, another genius of economics, thinks about just that and in the midst of the global economic crisis of the 1930s paints a portrait of the world of his grandchildren and great-grandchildren:[851] The *economic problem* will be solved and for the first time in history people will no longer have to work hard to survive. Three hours of work a day, 15 hours a week should be enough. The time, alas, has not yet come; man must let himself still be guided by selfishness, usury, greed and mistrust for another 100 years, because these alone lead us through the tunnel of economic constraints to the light at its end.

Keynes is right in that the economic problem in the Western world has been largely solved. But Keynes is not right on the 15 hour week, because he could not imagine that today we would not see money for what it is: a means to an end, and that only a few half-wits[852] would still run after money itself before being committed to a psychiatric ward. And yet we can see from his misjudgement what should be done: the abundantly available money ought to be redistributed in a way that it is universally available and therefore not considered special anymore.

At the same time, work ought to be made so scarce that overproduction is no longer *possible* and consequently overconsumption no longer *necessary*. Then we would have solved the economic problem and at the same time the affluent

countries would have made their contribution to diminishing their ecological footprint.

It is unlikely that this will happen if we consider the current balance of power. However, true intelligence does not lie with the experts, but with the interested amateur—in this case, the interested customer—who is also the necessary starting point of a serious marketer. Following this tradition, Jagdish Sheth and colleagues propose not to curb consumption through limitation, regulation and taxation, but to encourage customers to *consume with care* and to "…make a conscious choice about consumption according to his or her values and preference … [It] … reflects a conscious sense of *caring* toward self, community, and nature. This caring translates as an intent to consume in a manner that enhances one's well-being, and is in accord with one's values …"[853] The aim of this book goes in the same direction and attempts to convey to the interested citizen in his role as a consumer how fatal it would be—for him as well as society—to hold on to the growth engine. We must wake up from our consumption frenzy, pause, become aware of the prosperity already achieved and enjoy it instead of letting ourselves get caught up in constraints and the hamster-wheel of consumption. The goal must be to put an end to consumption for the sake of consumption and the shareholder. We must no longer allow democracy to be ruined, the media to be ruled by money; we must no longer tolerate being set against each other on the pretext of healthy competition; and finally we must not turn the planet into a dump where our grandchildren have no chance of enjoying the solution to the *economic problem* or anything at all. In the West the unleashed profit economy, and not the state, have gone from being a solution to being the problem.

What could thus be wrong if we opted for a new economic order, or rather returned to an economic order that we in Europe used to have? The social market economy is based on the following pillars:[854] (1) focus on people; (2) social partnership instead of lobbying; (3) prioritising the consumer; (4) value guided action such as exchange without fraud, respect for the law, an atmosphere of solidarity. What could be wrong about calling for an economy that cares about people and their well-being again, that relies on a broad middle class, that makes people more equal instead of more unequal and thus reduces social problems and costs across the board; an economy that aims at satisfied customers, employees and, last but not least, even satisfied investors?

At which point can we tackle this problem if the overall goal is to reduce resource consumption in consumer societies and at the same time safeguard and

further improve the quality of life? I am moving towards an—admittedly very provisional—attempt to give answers to this, from the general to the specific, by first illuminating the superordinate values, then the level of the individual life plan and, finally, the rather profane daily stumbling blocks of a consumer on the way to modern post-materialistic society.

The New Old Value System

The change in values back to a community of solidarity is the great intellectual bracket, the superstructure that guides the transformation. The ultimate goal is the free man, therefore we must first free ourselves from the capitalist grip, pretending that one can buy freedom and contentment with money and possessions, that one rather finds happiness through money than breathing life into the values that create satisfaction directly. It may have been true in Keynes' time that one must continue to rely on selfishness to escape misery. But that is no longer true. Today we can shape our affluent society in such a way that nobody suffers under the yoke of poverty. Although we are constantly flooded with news about money, money and ever more money—see Case study 14, p. 155—this is only intended to keep us in line and rescue the ailing SHV model for yet another quarter. We can always free ourselves from the extrinsically oriented value system of *subordination* and choose the intrinsic value system of our *abilities*, of a free society, which has overcome, even *mastered* this subjugation, which has seen the end of the tunnel and only has to step out into the light. US president Barack Obama did not win the elections by saying: *Yes, we should*! People gave him their vote of confidence because he said: *Yes, we can*. That's exactly what we should do now, everyone for himself and all of us together.

Today we *can* still take the first step from materialistic to post-materialistic society, as was attempted in the 1960s with insufficient determination. We *can* turn away from the *just price* and turn to the *just society* or, as Bentham says, make the *greatest good for the greatest number* happen. We *can*, as Daniel Goleman[855] outlines in the theme of his book, leave behind *destructive emotions* by moving from *greed* to *satisfaction*, from *excitement* to *serenity* and from *strife* to *compassion*.

If we make use of the many findings available from satisfaction research, it becomes immediately clear what this kind of value system looks like. The most important value is an inclusive, solidly united society because strong ties to family and friends, intact relationships and the feeling that as many people as

possible are well integrated in society make, by far, the greatest contribution to our well-being. This creates physically and psychologically healthy societies and anyone who still finds himself on the margins of these societies is entitled to impeccable care and helping hands.

To this end, however, we need a re-invigorated state which, free from individual interests, strives to strike the best possible balance between economic and social concerns; which makes the value system chosen by its citizens the guideline for all decisions and defends this value system with all necessary means. The state also ensures that the available labour force is kept scarce. Because people are less and less in competition with each other, all forms of positional acquisition and, thus, many useless products are eliminated and society immediately consumes less and enjoys more. The reconciliation of interests leads to a middle-class society[856], in which fewer and fewer people feel that they are missing out or are among the losers. At the same time, this society is no longer tired, disgruntled, fatalistic, powerless or, perhaps even worse: loud, hysterical, narcissistic and pretentious. Because the people have regained sovereignty, a growing number of members have the feeling that they can make a difference rather than simply being at the mercy of things. Social commitment becomes a matter of course, regardless of whether you are paid for it or not, whether it is a tiny matter for your neighbour, municipal concerns or the big questions of further development of society, whether it will get you into the media or not. As one is less and less concerned with self-interest, one has more and more time for the other and the only self-interest one pursues is to be useful to the community.

The expert loses the prerogative of interpreting the big questions. He is still needed to work out and report on alternative points of view in the event of specific problems. The prerogative of interpretation, however, is handed back to the sovereign and its democratically legitimised representatives. To this end, direct democracy will be comprehensively introduced—with today's technical possibilities, a walk in the park—so that political representatives do not get it into their heads that they are more than the executive bodies of public interest. Now *nothing* can be important enough that society allegedly has to serve *it*, because *everything* serves society and the goal of the greatest happiness for the greatest number. Anyone who claims otherwise is working to undermine society and its democratic order.

Peace of Mind

The new, great skill that the members of this society acquire is to be in a state of peace of mind more and more often and for an increasingly longer time—you may remember the nun who said: "I do not need it!" In the *growth-oriented* economy, the central skill is to disturb the peace of mind of as many other people as possible whenever possible [W≠R!], thus fuelling dissatisfaction. The new ability of the watchful customer in the new society is to let his peace of mind be less and less disturbed [W≈R!] and to grant the same to his fellow man. Everyone learns this in their own way once framework conditions have been defined by the new value system and it is socially legitimate to strive for it and therefore it can no longer be labelled as anti-social.

According to research conducted by the well-known American emotion researcher Paul Ekman on a Tibetan Buddhist who has many years of meditation practice, the monk possesses far above-average abilities to recognise micro-emotions in other people's faces, to appease aggressive personalities during a discussion and—what interests us here in particular—to display an almost unbelievable serenity. If the monk wants to, he cannot even be shaken by a loud bang, while up to now it was thought that flinching in a moment of shock is a reflex embedded in each of us that cannot be deliberately influenced. Goleman concludes: His meditation exercises seem to make him completely calm, because "... he has a remarkable degree of emotional equanimity. According to old texts, equanimity is one of the fruits of these meditation exercises."[857] And the Dalai Lama, who is very much involved in this research, when asked about his goals, says that he is not interested in spreading Buddhist teachings but in what Buddhism can do for people, especially for those who suffer from the ups and downs of life, and how these people could become calmer.[858] The particularly good news, however, is that equanimity does not develop after many years of immersion, but is already available even for beginners after a few weeks. [859] So if we start to meditate a little on a regular basis, the hysteria of capitalism no longer finds any points of attack, *misses its mark and we do not need it anymore.*

I do not want everybody to start meditating or praying; it is just one of many ways to become more relaxed. Perhaps you would rather focus on the findings of satisfaction research: enjoy everyday pleasures—a smile, a snack, a conversation with a nice colleague—express what makes you happy and what burdens you, get enough sleep, but above all put friends and family far above everything you can get for money. Or you take the findings of body image

research to heart and cease to be overly strict with yourself, becoming more and more impervious to the retouched models who follow us wherever we go. Or you can practice the *Art of Omission* as Roland Düringer does.[860]

However, we can only change our perception by changing our attitude towards the media, that give us our daily dose of profit management (see Case study 14: Money priming and values, p. 155). Everyone has to do this in their own way; I just want to provide a few ideas. Push media (television, radio, posters) are basically more difficult to avoid than pull media (newspapers, Internet). But you can turn a push medium like television into a pull medium by pre-selecting and recording all the interesting programmes and thus cease to be the victim of what is on television right now. You can change channels or even switch the TV off during commercial broadcasts. You can inform the postman that you do not want to receive circulars. And of course you can abstain from information services that distribute largely obsolete messages to computers, laptops and all mobile devices in no time at all, stop them from ringing, whistling, barking or yodelling in a "witty" way.

The newspaper, in turn, allows us to leaf through all those reports on how we could invest or spend our money, which company should be restructured, who was elected Manager of the Year and how the state intends to master the next austerity programme. We also ignore the share price pages or live reports from the world's stock exchanges that are hard to beat in terms of drama and how they are closing in a *friendly*, *nervous*, *indulgent* way, in order to *mercilessly punish* something the next moment. At best it is amusing to read these reports about the spectacle being staged here, although 95 percent of Austrians do not even own shares.[861] Whoever needs the charm of the casino atmosphere, just goes to the casino. But we do not commit speculators to the psychiatric ward, as Keynes supposed, because in a free society one can also devote one's life to mere multiplication of money. If we report back to the media that we have not been reading or listening to these things for a long time, they will ultimately stop bothering us all the time and finally, maybe, even change their programme content according to our new mindset.

We know that constant background advertising works even when we do not listen. We do not confuse advertising with entertainment. We bear in mind that advertising aims to create a gap in demand, while our real task is to keep this gap ever longer closed. We do not miss anything essential in doing so. If something really useful comes onto the market, we will learn about it, while we are not interested in what is so inexpensive or even free, because nothing in the

economy is ever for free. We do not allow ourselves to be entangled in a consumption vortex by an increasingly panic-ridden profit economy that desperately wants to reduce its inventories or in infantile material comparisons with our fellow human beings.

Whatever combination of techniques we personally consider to be the one that helps us most, it will inevitably lead us to realising what *really* counts in life and what does not. First, we unclutter our minds, then our shopping lists and finally we dispose of the branded goods we used to be so proud of and thought would make an impression. We come to the conclusion that the small trick of lowering one's demands leads to exactly the same result as the continuous over-fulfilment of high aspirations—only that we did not spend one cent on it (see Figure 10, p. 136). With the acquisition of equanimity and a fair distribution of wealth, we can stop our biological alarm system. Hysteria, staging, dramaturgy, loud sounds and oh-so-important things no longer fascinate us. We can no longer relate to the former magic words of marketing—*now, new, exclusively for you, only for a short time*. Rather, we keep our subconscious free from this ingratiation, which only tries to disturb our newly acquired equanimity. We act like adults who know that basically they already have what it takes to enjoy the good life.

A New Reference System of Social Comparisons

Social comparisons form part of human nature. They show us where we stand, what others who have already progressed have done—*upward comparisons*—and how those have fared who have not yet come so far—*downward comparisons*. They drive us not to stop, but to continue in our efforts. We only know whether such comparison processes are predominantly useful or harmful when we know the categories in which we compare ourselves.

So far we have mainly talked about comparisons on the *level of possessions* and in the process got to know the *positional treadmill* as a relatively pointless undertaking, because we will most probably only ever end up at the very point in the material pecking order that we initially tried to overcome. We use a poor concept of humans, according to which we are all selfish materialists. We are driven by destructive emotions such as envy when comparing upwards and gloating when comparing downwards. The purpose of downward comparison is to feel better than the other, since you have more, and upward comparison helps you to learn how to acquire *more possessions*. The downward comparison should make us proud and encourage us in our striving to acquire even

more property. The upward comparison should fill us with shame and guilt, since the propertied hold up to us the mirror of what would be possible and how modest our progress has been so far. The poor man becomes a scourge and the rich man a model. The fewer people actually make it to wealth, the greater the feeling that all the others have failed. Pathological behaviours develop, such as the purchase of snobbish and Veblen goods, in order to push one's dwindling self-esteem. Societies start to atrophy instead of growing. Therefore, all great thinkers of all times have warned against such comparisons at the level of possessions. But it is the engine for economic growth in saturated markets and, therefore, a natural, even patriotic duty.

However, we can immediately decide to compare ourselves on another, admittedly more demanding level. At this level, we give priority to social growth over economic growth: *on the level of existence*. It does not matter how much someone has. What counts is how much someone *is*, to what extent he can escape the hamster wheel of possession. What is left of him when he has nothing left? How much he accumulates anxiously and how much he can let go. How interested he is in other people, and how interested he is in his own advantage, in other words, whether he is an economic or a social being.

In a society oriented towards mutual benefit, downward comparison serves the purpose of making people more modest, to lower their demands, to reconnect with life, to overcome hypertrophy, to slow down and to see things that happen every day which give us joy, and which we had frantically hacked down before in our ferocious journey in the hamster wheel. It also serves to engender sympathy and compassion for those who have not yet got so far—such as the person who is still trapped in the hamster wheel—but not out of Schadenfreude or missionary zeal, but out of the desire to help, because this ultimately helps oneself. Downward comparisons motivated by gloating suddenly lose their meaning when we show solidarity and take responsibility for each other by rejecting the doctrine of self-interest as a one-sided and outdated interpretation of human character. Why should I be happy as a social being when the other person is miserable? On the contrary, I am happy for and with the other person, especially when he is doing well, because then I too feel better.[862]

On the level of being, *upward comparisons* serve the purpose of learning from others who are already further along their path to peace of mind than we are. People who have already achieved a high degree of life satisfaction serve as role models. If these satisfied people are wealthy, it is not because of their wealth, but despite their wealth. They have mastered the particularly difficult

task of not losing their satisfaction and humanity while gaining wealth and are therefore also suitable as role models. A merely wealthy person, on the other hand, is unsuitable as a role model. The great *masters*, of course, are those who can be happy and content even in a state of austerity and have largely dissolved the illusion of ego. Most of us, at least I, still have a long way to go to achieve that. But we can work on it and consciously expose ourselves to this upward comparison in order to experience the techniques they apply and which they make available to us willingly and patiently.

Here again we can learn something from the Scandinavians: someone who flaunts his wealth in Nordic countries is embarrassing, uncultivated and primitive. This code of conduct is based on the so-called *Law of Jante*.[863] Why should we not integrate this into our culture? Why should we not be intelligent enough to understand that being constantly kept on one's toes cannot be the solution? Why should we struggle to possess something that our neighbour will sooner or later own and then work even harder? Let us adopt the principle of *Jante* as an intelligent idea for all Western cultures.

In this sense, we reconquer our holidays and customs and do not let them degenerate further into consumer competitions. Christmas is more than an orgy of gifts; Santa Claus is not part of the Central European culture just as Halloween is not, although it may be good for business. The mutual outperforming of wedding parties is an insulting instrumentalisation of this great event by the profit economy. Every festivity has consumption aspects, but it is primarily an opportunity to spend time with friends and family and not to outdo and prostitute one another with gifts and staging. We shall not permit our traditions to be reinterpreted. Let us not support the liberalisation of store opening hours and if it does come: let us consistently not go shopping on Sundays until the *invisible hand of being* reveals its impact. Let us instead go on a trip with friends and family.

Make the Best of Your Money

What we need to do is leave that hamster wheel behind: more money—more consumption—more money; or the growth machine (see Figure 2 and Figure 5). The art is not to become happier by consuming more, because we have been down this road without success for long enough. The art is to acquire *more* happiness and *more* satisfaction with less money and consumption. But how can we do that when we hear a few thousand times a day: *consumption = happiness*?

We are already familiar with the basic problem: money makes us stingy, reduces our willingness to help and increases our preference for being alone. Money is directed against exactly the very behaviours, which, according to all studies, lead to well-being. Elisabeth Dunn and colleagues showed in a study that people who *had to* spend money for a social purpose reported a higher degree of satisfaction and happiness afterwards than those who *had to* spend money on themselves. The authors of the study suggested that one would have to spend about ten times as much to achieve the same feeling of happiness with a purchase for oneself as compared to using it for social purposes. They wondered why people did not do this much more often and asked students for their opinion. A significant majority of respondents believed that spending on oneself made you happier than spending on someone else, and that spending more money makes you happier than spending less.[864] First, we obviously have to learn how to handle money in such a way that we achieve the greatest happiness for ourselves with the smallest amount and in the process even help others; and this is probably only possible if we learn to skilfully avoid the brainwashing in this respect.

The authors of another study refer to our ability to enjoy small pleasures. As it turned out, *money-primed test persons enjoyed* small pleasures less compared to the control group. Researchers explain this phenomenon in such a way that money suggests wealth and abundance of amenities, undermining our ability to enjoy small daily pleasures,[865] and so the more money we have the less happy we are. Thomas Gilovich and his colleagues studied the question of what makes people happier: products or experiences. In several studies, they found out that we get more out of experiences. The authors explained this by saying that we can relive experiences better; that experiences are more closely linked to the central aspects of life than products; and that experiences are more closely linked to our need for social inclusion.[866] As already mentioned, Daniel Kahneman and colleagues[867] spoke of *extended utility*. A holiday trip therefore consists of the joys of planning the journey, the joys of the journey itself and the joys that one has afterwards when one recounts the journey by showing pictures of it. This not only expands the consumer experience in time, but also provides social benefits in all three phases. Another aspect is that experiences cannot be compared as easily as products, which makes it easier to avoid the positional treadmill.

Summarising the findings of the relevant research, we can say that there are a few things we ought to consider if we want to make the most of our hard-earned money, in order to achieve, so to speak, the greatest happiness for the

largest number with the smallest purse:[868] Let us always consider how much social experience a purchase offers. In case of doubt, we prefer to buy an experience with friends instead of a product against competitors. Let us not forget the option of doing something *good for ourselves* by doing something good *for others*: let us donate a small amount, let us rather give gifts to others than buy something for ourselves. Let us not allow money to take us, that makes us lonely and antisocial. And it reflects infinite abundance and thus undermines the very important ability of enjoying and savouring the little things in life, because it suggests to us that there are countless other pleasures in line only waiting for us. Like a child, who, in view of the mountains of parcels under the Christmas tree, tears them open one by one instead of enjoying each of the three parcels for hours and days—perception is always relative!

Understanding Your Purchase Behaviour Ever Better

By paying attention to our peace of mind, the market noise gradually reaches us less. Of course, purchases are not completely omitted or earning money would make no sense. Money and the goods and services it purchases can make our lives much more pleasant. Money can be the source of joy as long as we respect the rules we have just spoken of. It can give us a longer and healthier life, protect us from unpleasant events or make them less unpleasant. It allows us to do a more meaningful job and to have more time for family and friends. But let us remember that we are quite bad at predicting future events and *how* we see them when they arrive in their actual form.

The method we use for prediction we have called *simulation*. In order to arrive at a reasonably accurate simulation, a number of principles must be taken into account. It is particularly important that we are not disturbed in the simulation process by noise, time pressure or other people's talk and we should therefore avoid all forms of staged scarcity of goods, of time or of opportunities. Otherwise, such a simulation will be abandoned or lead to false assumptions and we end up with the *winner's curse*. Another source of prediction errors is the underestimation or neglect of the *hedonic treadmill*, which means that we fail to include in the predicted benefit of a purchase the habituation of our expectations—usually within three to four months. Since we tend to overestimate the hedonic benefits of products and underestimate their functionality, we should make appropriate corrections and never buy products in a *hot state*—especially not hedonic ones. We should run through the scenes we depict in our simulation in several variations, especially in the *worst-case* scenario: what if it rains?

Or the hotel staff is unfriendly? Or we get into the shop and the product is out of stock? Otherwise, the results of the simulation are often incorrect.

As long as we pay attention to our peace of mind, we should be immune to the ultimate product which we must immediately have. We compare ourselves less with other people; we even find the positional quarrels in society ridiculous or embarrassing—Jante! The demonstration effect of goods will therefore no longer impress us and we will be less disappointed later on. We neglect already made investments—sunk costs—we look to the future, feel no remorse, but learn from the past.

But we do take a close look at *opportunity costs.* On the one hand, we tend to underestimate search costs of an acquisition, which is not a bad thing with intrinsically motivated purchases like planning the next summer vacation. In the case of extrinsically motivated shopping, it can spoil our day if we end up without a solution once more; or if, even worse, we come home with a lame compromise solution because we finally wanted it to be over and done with and we now start to feel remorse and anger rises. Then again, the selection not only increases the chance of finding the very best product, but also the search effort and the number of alternatives that we have to reject—and each of these alternatives could later turn out to be the even better solution. After the purchase, we therefore usually feel less secure, less satisfied and more responsible for our decision. Furthermore, we should look at which possible visible or hidden lock-in techniques are connected with the purchase—the subsequent switching costs are cumbersome and therefore often in fact omitted, while they spoil our mood subliminally. Speaking of bad *mood*: do not go shopping in a bad mood in order to *fix* it. You may end up paying too much.

For example, we can learn from the explanations of psychological pricing that we should be careful with loss-leaders and special offers. Shops which we often frequent can be randomly checked for price integrity. However, we do not compare the price of key products that catch our eye, but rather the price of less obvious products and product categories. Or we can check whether the special offer product is cheaper than usual and whether this special price is actually the one shown on the receipt.

According to a GfK study, the share of in-store decisions amounts to just under 70 per cent. More and more consumers no longer base their purchasing decisions on opinions formed at home, instead they prefer to be inspired by the variety of products, the prices or the decoration of goods in the shop.[869] But to

keep our peace of mind, we should not walk around with our eyes open, full of curiosity and use the shop as a shopping list, but make one at home and mostly adhere to it.

Let us not forget that the price is usually not a reliable estimator of quality. Let us also bear in mind, however, that a low price may be associated with unacceptable living and working conditions for people and animals in the production and we need to ponder whether we want to facilitate this. This does not necessarily have to be the case, because very expensive products can also come from a *sweatshop*, as we have seen, and cheap products from a decent production. But it is more *likely* that the €9.99 jeans were produced under inhuman conditions and it is also more *likely* that a chicken for €2.99 has led a horrible existence. Vegetarians who simply do not support today's meat industry in the first place are the ones who can do this most easily.[870]

We live with a *buy now, pay later* mentality. Research, however, suggests that joy would be greater if we applied a *pay now, buy later* strategy. We should therefore consider taking out loans only for unavoidable and large purchases. And if there is no other way, we should be aware that in the *purchase situation* we feel comfortable and relieved by a loan, whereas the subsequent *repayment phase* will be experienced like a never-ending series of pinpricks. We should look carefully at our commitments and be aware of the retailer's motive in offering a loan—perhaps it is not out of customer friendliness but in order to expand business—and we should look at prices not in their piecemeal form but at the total amount. If something is for free, for example, a loan, it is not because someone has something to give away—Niki Lauda also has nothing to give away for free, as we now know—but because the price is included in something else—e.g. a free mobile phone in the two-year contract. We like to lie to ourselves and look the other way, which we truly should not. We must be similarly cautious with external reference amounts such as minimum repayments, maximum withdrawals or credit lines. Those with multiple debts should definitely visit an official debt counselling agency and not go for the "*So what"* effect or be taken in by further money lenders.

In order to understand our buying behaviour better it is helpful to determine the decision type we follow in our purchases: daily consumer goods, summer holidays and a new car, an insurance policy or flowers for our partner. Here is how it works: think of a specific purchase you are planning and then answer the questions in Figure 26:

First, enter which purchase you are planning, what exactly you want to buy or what you want to buy relatively often and put yourself in this buying situation as accurately as possible. Then answer the four questions that relate to possible longer-term consequences [C] of the purchase (Short-Term Long-Term). For each of the four statements, tick whether you would rather agree with the statement ("yes") or not ("no"). Now enter the number of yes-ticks in the total field—your result must therefore be a number between zero and four.

How do I feel when buying: _____

	Yes	No
I can easily make a mistake	☐	☐
All things considered, I stand to lose a lot	☐	☐
Regardless of what I choose, it has considerable consequences	☐	☐
The wrong choice would be very annoying	☐	☐
Total number Yes, short-term long-term:	☐	

	Yes	No
It's great fun	☐	☐
Pleasant	☐	☐
Satisfying	☐	☐
I like doing it	☐	☐
Total number Yes, extrinsic-intrinsic:	☐	

Figure 26: Questionnaire to determine a purchase type

Now determine the intrinsic/extrinsic dimension [E]. Please tick "yes" if you lean towards agreeing with this statement in relation to the purchase you are planning, otherwise tick "no". Finally, transfer the number of yes-ticks: zero, one, two, three or four, into the total field.

Now transfer the values to the graphic below to determine what type of purchase or decision you are likely to make when you purchase what you described in the form above. Then read pages 166ff, to find out about the characteristic features of this type of purchase.

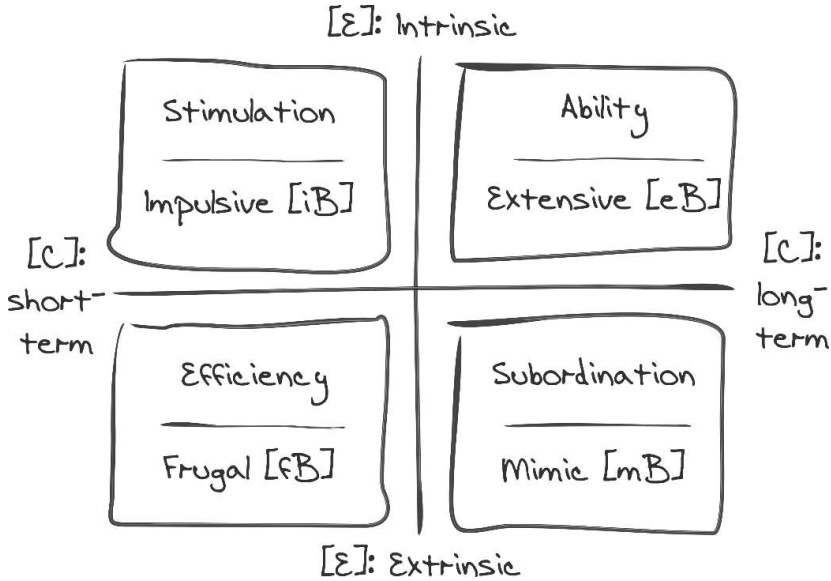

Figure 27: Results grid to determine a purchase type

Let us assume that your result on the dimension extrinsic vs. intrinsic [E] is 1 and 3 on the dimension short-term vs. long-term [C] when considering a certain acquisition. This may be an insurance policy, a change of electricity supplier or the purchase of winter tyres. But perhaps you entered: *renegotiation of credit conditions with the bank* in the line "How do I feel when buying...". You entered this because you have suspected for some time that you are paying too much money to the bank. You can now draw the following conclusions: chances are that you will postpone the matter for another month, another year. But let us assume that you have finally had enough and you want to take the bank to task. While you are still angry when you enter the bank branch because of the bad conditions offered to you, you will, under the impression of simulated elegance and nobility, find that authority and *everything under control* prevail here. The system of values that guides you is that of subordination. Your longing for harmony—including the resulting additional costs—will guide you most of the time. The bank employee with whom you have an appointment will be suitably dressed and appear trustworthy, will happen to notice many similarities between you and himself, and you will believe almost everything he says. Not only because similarity with the seller and the resulting

sympathy are unmistakable signs of an ally, but also because you are actually looking for these signals.

So, if in your analysis you end up in the quadrant of *mimic behaviour* [mB], then prepare yourself mentally as follows: I will be susceptible to the trick of similarity. I will seek harmony. And I will ultimately do what is recommended to me because I will be guided by the system of values of subordination. This understanding will provide you with a better negotiating position and your intention to get more out of your money than before. You will also refuse the access—only now for a short time and exclusively for selected customers—to the ultimate investment because you distrust not only your own current value system of subordination, but also the law of greed. Because you now keep in mind that you have no understanding of speculative investments and that greed satisfaction is initially based on the principle of subordination and ultimately only serves the needs of the stock markets. You are not familiar with this field, no longer want to have to trust blindly and therefore you say "No!".

Seek Customer Orientation, Avoid Profit Orientation

Business-critical remarks in this book refer to the profit-maximising company, which is driven by the SHV approach and mocks the customer, instead of understanding that he is the purpose of the company. Therefore, customers should avoid SHV-driven companies. At the same time, however, I make an equally clear and unambiguous commitment to the customer-driven company because it has the well-being of the customer in mind and sees him as the purpose of the company. Unfortunately, the legal situation does not allow the customer to differentiate between a profit-driven and a customer-driven company. In addition, there are not only pure SHV companies and CV companies on the markets, but many shades in between. What can the customer do in this murky situation?

According to Elinor Ostrom,[871] a rational, self-interest oriented individual will not contribute to community interests unless the group is clear enough to control the individual. The manageability of the group is not defined by the number of members, but by the question of how *perceptible* the actions of an individual are. It is, however, often the global corporations that pay homage to the profit maximisation approach and how are they to be observed or subjected to social control?

Even when hermetically sealed off from the outside world, reports keep leaking out of companies and employees can anonymously report on how they are

treated. You can take a closer look at products and services. But what we need in the longer term to assemble these jigsaw puzzle pieces into reliable images and thus keep companies under observation are powerful internet platforms. The first attempts to scan a barcode with a mobile phone to obtain information about a product and company are already underway. NGOs offer information services on specific topics, such as: *foodwatch.de* on shortcomings in the food industry or *marktcheck.at* with tips and information on sustainable consumption. Or, like *avaaz.org*, you may want to shake up the public conscience and put the decision-makers under observation. Unfortunately, we are still lacking the ingenious minds that will forge these attempts into a conspicuous and unmistakable worldwide information platform. The required ingenuity would consist of collecting the knowledge of thousands of platforms and billions of individual people while simultaneously editing the content—similar to Wikipedia—otherwise it would only be the PR departments who fill the platform with cheering messages. Together with the almost unlimited possibilities of social media, it should therefore be possible to keep even the largest global corporation under continuous observation.

Such a platform would benefit customers by making the structures of the global economy transparent and warning against sweatshop operations. Above all, customer-oriented companies would also benefit because their outstanding achievements are visible to the whole world and their customer orientation will be rewarded and pay off even more than before. The money for this would be easy to find if only the political will were there. Let us take Austria as an example. Here, VAT is the most important source of income for the state, accounting for over 28 percent of tax revenues even before wage tax.[872] This tax is paid exclusively by the end consumer and exclusively in the course of purchases and should therefore—at least in part—also benefit the customer and improve his purchasing decisions, and not, as before, flow into everything but the protection and promotion of the customers' interests.

The establishment and operation of such platforms could be the responsibility of reinvigorated consumer protection associations which, for this purpose and financed by VAT, are adequately funded and hermetically sealed off from the interests of industry and its lobbyists. At the moment these organisations—at least in Austria—are stumbling between existence and ruin. The Association for Consumer Information (VKI) depends on alms from the chambers and could disappear completely from the scene in the long term. In Austria, the Chamber of Labour partly represents the consumers' interests. But this shows just how weak the position of *consumers* (the largest interest group and the

most reliable taxpayer in the country) is when an advocacy group, which is not actually responsible for this, has to take care of *consumers* and has to jump in for humanitarian or other reasons.

Allow me another thought on the subject of rating agencies. What can we do about the fact that dubious characters from the financial districts can threaten a country? For example, we could produce meaningful country balance sheets: are the pensions financed and how are they financed? Financing through private banks, to a large extent, will probably have to be given up on because banks can go bankrupt at any time. Solid state ownership, secured by forests, land, resources, nationalised enterprises, educational institutions, gold reserves or infrastructures seems to me to be meaningful as an assessment criterion for the state of an economy, while national debt in relation to GDP is not. John Kenneth Galbraith, for example, proposes breaking down a country's debt into (1) unnecessary debt to cover bureaucracy and financial interests, (2) necessary expenditures that have no future impact, such as military expenditure and (3) investments that have a positive effect on the country's future viability, such as improvements in infrastructure, health and welfare, education, conservation of resources and autarchy.[873] What I would also be interested in as a citizen: to what extent is my country involved with the profit economy, Goldman Sachs consultants, cross-border leasing, speculative investment of national wealth, tricky outsourcing of debts via dummy-companies? How much national wealth has already been sold and what remains? The idea of the *Balanced Scorecard* developed by Robert Kaplan and David Norton has attracted some attention in business administration. The term is derived from the effort to obtain *relevant key figures* (scorecard) and a balanced presentation of short and long-term aspects of the company *from various perspectives* (balanced!). At the heart is the company's vision. The authors consider the perspectives that are most relevant for the long-term survival of the company: (1) In what condition should we be from the customer's point of view and how do we stand? (2) How should we stand financially and how do we actually stand? (3) In which processes should we achieve excellence and what are we really doing? (4) What do we and our employees learn and what should it be? [874] This or a similar method could be applied to the presentation of the *actual* situation in a country in order to free oneself from the dictates of rating agencies and empower the state to incur debts—but only if they are viable for the future! (Figure 28).

There are many possible solutions, but they take time, especially from bottom to top. In the meantime, only one thing remains to recommend to the customer:

be vigilant, support customer-oriented companies through loyalty and recommendation, and boycott companies that live the principle of mutual exploitation. For example, we may refuse to enter a shop that forces us to walk through on a fixed route. And we should complain much more often—customers complain far too rarely[875] because they are far too indulgent—even towards the intransigent business—and thus give the company no chance at all to change.

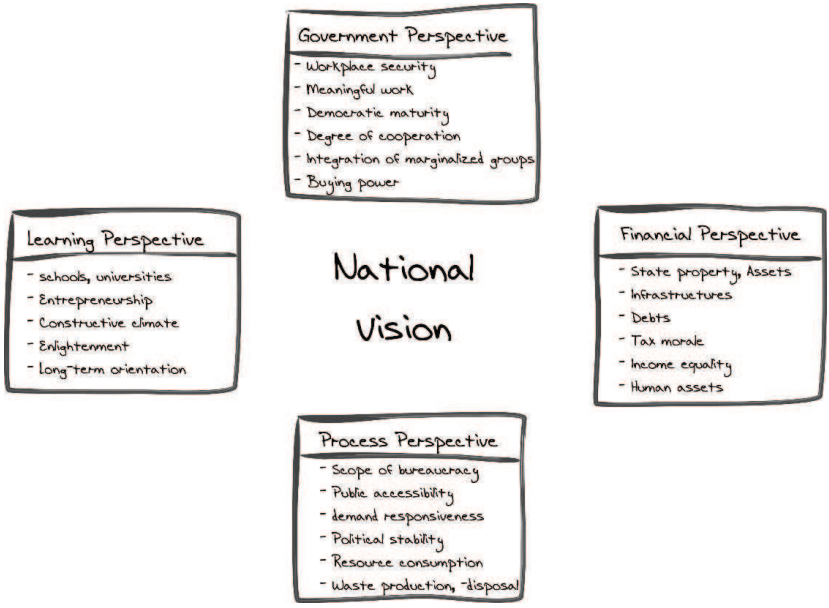

Figure 28: A citizen's exemplary questions on his nation's wealth

We should also keep a close eye on developments in Brussels if we do not want to hand the future of Europe over to the professional lobby and, in the literal sense of the word, be left high and dry. We should also call on the EU to develop and run powerful, efficient and understandable customer information platforms, because the price offered in the shop alone is not enough and the coded and euphemistic information on packages and labels is misleading and too time-consuming, as the study by Julia Eisschiel showed. We should regularly ask what the EU is doing specifically to protect and promote the interests of European consumers, the Union's largest interest group of 500 million people. In 2011, the EU financed around ten percent of its budget, or just under

€15 billion, through taxes on consumer purchases.[876] Expenditure for consumer protection, however, is not found on the EU budget calculator. It is too small an issue. After a lengthy search, however, I found the corresponding annual programme for consumer policy[877] and the estimated budget of €21 million: only 0.14 percent of this income. Why does the new rule of *one euro, one vote*, not apply here too? And the answer is simple: because the budget would then have to be increased dramatically to protect the interests of EU citizens as consumers and because the lobbies have many ideas on how to "better" invest money; because the customer has to line up at the very end of the queue not only with the profit economy but also in the political arena.

Less of everything will be more of everything. The turnaround is inevitable and it will come either welcomed joyfully by consumers because we can only win, or gradually and painfully forced on us by circumstances. Therefore, please do not understand my message as an invitation to sacrifice! What I want to convey with my considerations flanked by many studies is exactly the opposite. We are already so confused by the thousands of daily messages that we believe in the manifesto of the profit economy: that a happy society is defined by its consumption. I only suggest that in the future the customer should be the one to define the rules of the game once more. And according to these rules, the formula *consumption = happiness* no longer applies. Let us rather take two other patterns of thought of the profit economy to heart!

Firstly, let us now become really stingy and spend our money only on something that makes us, *only us*, happy. We have taken the message of the economy to heart and thus now switch to self-interest: we make the most of our money by consuming carefully and by becoming professionals in spending money.

Secondly, let us not wait for the profit economy to gradually make everything scarce that was previously freely available. Let us narrow it down ourselves by making new demands: no credible reference to quality meat from decent husbandry? No! Eat frenziedly? No! Check your e-mails every five minutes? No! Duel with others in dimensions of having? No! Networking instead of relations? No! Keep an eye on our smartphone when talking to our friend? No! Distribute attention indiscriminately and serve the fetish of overproduction? No!

Let us follow Peter Drucker's suggestion: the customer is the one who can say NO! However, it will not even be possible to qualify *no* as hostile to the economy, because there is only one goal for the profit economy anyway: the customer, his satisfaction and his freedom of choice, as they say. In this way, without a guilty conscience and without the slightest sacrifice—with a noticeable improvement in quality of life—we can help reduce the throughput of consumption. Not for others, not out of consideration, but guided by the new egotism of altruism and the logic of togetherness. This is my concern, my proposal, in order to contribute to the achievement of target 1.

Target 2: Transformation of Distressed Societies

In 1930, Keynes wrote that the time had not yet come, that the *economic problem* had not yet been solved, and that man still had to *pretend* for the next hundred years to be guided by self-interest, greed and mistrust—only this would lead out of the tunnel into the light. Because of—or despite—the theory of the selfish man, the West has achieved fantastic prosperity since then. But we should consider at least two aspects before rashly calling for the solution of the economic problem in the West to solve the global problem of poverty:

Firstly, the greed Keynes referred to after and because of the global economic crisis in largely functioning democracies was limited by comprehensive protection of the social partners from attacks and excesses. In the United States of America, the state was first powerful enough to rein in the banks and ensure the redistribution of wealth through taxes. Strong unions took care of workers' rights and John F. Kennedy took care of consumers' rights with the Consumer Bill of Rights.[878] The misery began when the shackles imposed on self-interest were loosened and finally broken, as the state under US President Ronald Reagan suddenly turned from being the solution to being the problem.[879]

Europe first had to overcome the dark period of National Socialism, before a democratic and then also a market-economic system could unfold—and it is fair to say that these systems hold themselves up better than in the USA, namely in the form of a more balanced view on the interests of social partners, at least in some countries. What we can deduce from this piece of history on both continents may lead us to the conclusion that the invisible hand, the greed which Keynes refers to, only works as long as a democratically legitimate state protects the interests of society against its excesses.

Secondly, the solution to the economic problem in the West is based on extremely careless exploitation of resources by a small part of the world's population. The calculation of what would happen if all the people on the planet began to behave in this same way was often made and always leads to the same result: we would immediately fall into ecological collapse.

Nevertheless, as globalisation progresses, the idea of the *selfish spendthrift* is being exported and gradually introduced in countries such as Japan, Taiwan, South Korea, Russia, China, India and South American countries. Since in some of these countries democratic awareness is often still underdeveloped or even non-existent, the greed of the invisible hand meets a vulnerable population and globalisation legitimises exploitation: the law of the invisible hand is a law of nature and is therefore outside the sphere of influence of the acting persons. If this law of nature brings about bitter side effects, then one must accept such effects for the purpose of the long-term construction of prosperity, which, therefore, is in the interest of the citizens. One solution would be to promote globalisation, democratisation and ecologisation of the world in equal measure. But who should do that when democracy is already being eaten up by the power of self-interest in its home countries? So is there a second idea, *a different logic than self-interest*, to bridge the gap between those two thirds of the world who suffer from partly unacceptable deprivation and this one third that live in abundance?

To this end, let us look at the *other* Adam Smith, the one who by no means speaks only of *self-interest* and who—for this very reason—is by no means so eagerly recited: "However selfish man may be, there are evidently some principles in his nature which interest him in the well-being of others and render their happiness necessary to him, though he derives nothing from it, except the pleasure of feeling it."[880] Smith sees in the ability to put oneself in another person's position and to join him or suffer with him, a central human gift that, for example, makes a mother as one with her child and brings forth her unprecedented care. The Buddhist teaching seems to take a similar view when the Dalai Lama says that "... the mother-child bond is a source of compassion and at the same time its natural expression."[881] The paradox that you do something for yourself when you do something for others—*Be selfish by helping others!*—is only seemingly paradoxical because the need to do something for others is as much a part of being human as to do something for oneself. What is more, one seems to be inseparably connected with the other, so that the one who only looks after himself will end up alone and unhappy.

To the further triangulation of the thesis, *Be selfish by helping others!* new findings of brain research are added, namely MRI images of the brain of the already mentioned Tibetan monk during a *compassion exercise* which show quite obvious signs of joy. Daniel Goleman concludes: "Even the act of compassion for the well-being of others creates, it seems, a state of self-enhanced well-being." The finding provides scientific support of an observation that the Dalai Lama has often made:"... that the one who meditates on compassion for all beings is the immediate beneficiary".[882] And not only that! If I am able to rejoice if the other person is doing well, will my striving to be in a good position in the material hierarchy not dissolve into thin air by itself? And with it the suffering—or as Buddhism calls it: the samsara—of the positional treadmill? Does this not justify the idea I am discussing under "A new reference system of social comparisons" (p. 288)?

We have already talked about the difference between self-interest and selfishness, and in the tit-for-tat approach, we have come to know a strategy that allows for both: original willingness to cooperate and at the same time protection of one's own interests if the other proves to be a free rider.[883] As a first step, willingness to cooperate requires approaching others and *showing* trust in them. People usually want to do it and do it, as can easily be shown with the *trust game*[884], for example. They do not want to get the maximum out of it for themselves right from the start but are looking for a fair sharing key—this can be demonstrated at any time by means of the *ultimatum game*[885] and I happily show this to my students on the basis of their own decision-making behaviour in order to shake their belief in the selfish person.

This is where Mohammad Yunus comes in. He argues that the decisive error in economic theory is precisely this inadequate image of the selfish human being, while an economy that also takes into account our need to do something for other people is much larger, more fascinating and more appropriate to the true nature of man. This is how he founded the doctrine of *social business*, a holistic and empirical approach he implemented in many companies which is intended to lead the economy from the errors of profit maximisation back to its actual purpose: Solving the burning problems of mankind, putting the customer back at the heart of the business idea and regaining trust in business life. I would like to conclude this book with an—admittedly very incomplete—account of this pioneer, economics professor, entrepreneur, winner of hundreds of awards, and his doctrine of *social business*.[886]

Muhammad Yunus was born in Chittagong in 1940, studied economics in Bangladesh and the USA and became head of the Institute of Economics at the University of Chittagong in 1972. He became interested in the economy of small rural businesses in Bangladesh. In 1976 he lent 856 Taka—then about 27 US dollars[887]—to forty-two people in Jobra near Chittagong to free these people from the stranglehold of money lenders. He realised how little money can be used to create enormous benefits for many people and began to look into the principle of *micro* credits, which led to the founding of the Grameen Bank in 1983 and in 2006 to the award of the Nobel Peace Prize to both him and the Grameen Bank. The Nobel Prize Committee particularly appreciated the efforts to promote economic and social development from the bottom up,[888] i.e. what we have identified as the remaining option to realign economic patterns of thought. And Yunus leaves no doubt about the power of change from below: Whoever waits until an powerless state or a powerless company changes things will wait forever. It is entrepreneurial spirit, diligence and trustworthiness in each of us that initiates change.[889]

The Grameen Bank lends money to those who are not creditworthy for a traditional bank: poor people, especially poor women. The basis of the business is the firm trust that poor people do not squander borrowed money but use it to free themselves from poverty and settle their debts quickly and reliably. Today, Grameen has about eight million micro borrowers, almost exclusively women. There are branches in many countries of the world. The same business principles apply everywhere: mutual trust, respect for human dignity, but above all the entrepreneur's desire to solve other people's problems instead of maximising his *own* profits. The *Grameen Family of Organisations* has developed from the Grameen Bank. In 2008, there were 25 companies in the telecommunications, food, textile, energy, health, education, and other sectors. The Group's vision is: Improve the lives of the people of Bangladesh, especially those of the poor.[890]

Joseph Stiglitz asks what kind of society this is in which "… our banks and our bankers … did not live up the moral standards that we should hope for, especially in their exploitation of ordinary borrowers."[891] However, as today hardly anyone talks positively about banks, one could come to the conclusion that greed and self-interest are integrated and inevitable components of money businesses of all kinds and that money necessarily spoils the character of the people involved. It is all the more interesting and instructive for several reasons that fate wanted Yunus to try out his idea of a socially valuable enterprise at a bank, of all things, that it is precisely the greed of moneylenders in Jobra which

encouraged him to look for ways out. It shows how differently an internationally active bank can be managed and that we can always and independently of the industry decide what should guide us: the *profit concerns* of a shareholder or the *real concerns* of a society.

I have also written a lot about trust and *mimic behaviour*, especially in connection with financial services, and about how much we long for this trust, how much we are afraid to lose it and how much the financial sector has exploited and ultimately destroyed this very trust. Yunus works in a completely different way: without lawyers, without small print and restrictive contracts, without loan collateral, only on the basis of trust in the customer, which the customer so much longs for and which Grameen Bank earns right down to its last fibre. While probably every qualified banker from the financial district school throws his hands up in horror in view of so much credulity, the Grameen Bank enjoys a loan repayment rate of over 99 percent worldwide.[892] But this is only possible when one person is interested in the other person. The traditional bank follows the *client-stay-away-principle*. Banks are not interested in the customer himself, but in his money. At Grameen, on the other hand, employees visit their customers every week and plan the further use of the money together with them. At the same time, Grameen Bank is an example of how important loans are if they are to serve vital purposes and not merely fuel a buying frenzy.

Customer Value

While most marketers put all their creative power and vast sums of money into the development of still newer desires and needs and preferably address the social classes with purchasing power, Yunus clearly and precisely recognises the core task and legitimacy of a business, namely to find a relevant, already existing customer problem and solve it, preferably with those social classes that are facing *real* problems.[893] Of course, the search for such problems in Bangladesh is easier than in New York City. But precisely because Grameen Bank also operates successfully in New York City, it would be an unacceptable simplification to limit the applicability of the *social business approach* to poor countries. Rather, this approach is so powerful precisely because it not only provides answers to the Target 2 question of a transformation of distressed societies but even offers a new economic approach to the affluent society as well, thus contributing to answering the Target 1 question of a transformation of these societies.

The social business approach is about radical customer orientation. It starts with the question of how to solve social problems using business management methods without falling into the red. Profits are neither intended nor necessary. If a customer's problem is solved without loss, why should the company's purpose not be fulfilled? If one also were to employ some people who were financed by the company, then one would also have contributed to the solution of the social problem of unemployment. It is important to see things this way, because sooner or later we tend to do a little more for our own benefit in addition to solving the customer's problem. But this would undermine the purpose of the company, because it is not possible to maximise customer and entrepreneurial benefits at the same time

Consequently, the *Social Business approach* explicitly excludes the goal of maximising profits or dividends for the owner[894], and gives three reasons for this. Firstly, the *moral argume*nt: it is immoral to make profit from people's misery, to earn from the suffering of others. Secondly, the *pragmatic argument*: under stress, the profit goal will always trump the social goals. The actual goal of the company to create a social benefit is diluted and people in the company are confused as to what purpose they should serve. In times of crisis, such as a recession, it is therefore all too easy to limit social goals slightly in order not to jeopardise profit goals. Thirdly, the *systemic argument*: it is necessary to set up a social business as something completely different from a traditional business, a charity initiative or a mixture of both. Just as you cannot *almost* give up smoking or nibble a little during Lent, you should not even think about making a *little* profit. By excluding profits, this option for action is no longer available and one begins to think completely differently, as in a new world.

The Grameen Bank also dispenses with the myth that poor people are to blame for their own poverty because they do not want to work and simply pour money down the drain once they have some. If you give poor people a chance to improve their lives—this is the new fact that the Grameen Bank is creating—most of them, above all women, will seize this opportunity—let us remember that they embody the principle of charity. They will manage this money carefully, invest it sensibly and repay it reliably. Today, according to Muhammad Yunus, no one can say that poor people are not creditworthy. No one can say that poverty is a problem that poor people create for themselves. Our reflex that misery in poor countries is typical of the character of the people in those countries no longer works. Poverty is a result of the circumstances, the system, the framework conditions that people encounter. Poverty is imposed on people.

Poor people are at least as hardworking and intelligent as rich people. If we change the system and give these people a chance, poverty in this world will end up in the museum and everyone can lead a worthy life, not only the chosen few.[895]

Entrepreneurship

Nowadays, many people say that they do not have time to concern themselves with the fight against poverty, because they have to look after their own profits and therefore leave it to the state to solve the problem. According to Yunus, however, we do not change the system by waiting for the state to take things in hand. We do not change the system by waiting for the one big solution for everyone, but by many people setting up many small companies that solve many small problems and thus achieve many big things.[896] While for Schumacher *small is beautiful*, today it is *micro is beautiful*. An integrated principle of the social business approach in our world of gigantomania is the rediscovery and appreciation of a tiny little problem and its tiny solution. The very term *micro* credit indicates what it is all about. Many small loans for many people have a big impact in total. 27 dollars changed the lives of 42 people decisively, that is the initial observation of Muhammad Yunus. Today, the Grameen Bank is taking millions of families out of poverty and improving the lives of millions and millions of people.[897] This is meaningful management and a benefit for the customer and society. And by appreciating the small again, we do not run the risk of being under the illusion of control over any order of magnitude.[898]

Entrepreneurship is therefore not the big success, eliminating the big problem in a spectacular and media-effective way, because then it will most probably not be solved at all. A company has to solve problems instead of making a profit, and problems can be found everywhere. Entrepreneurship starts with the discovery of a partial problem and the question of how to get it under control. Yunus recommends approaching the problem as closely as possible in order to understand and outline it accurately. This is not possible from the bird's eye view of executive management. You have to take the worm's-eye view, go where the problem is and talk to people. A company is not founded after you have identified lenders, investors and business angels, because they will demand profits, ROI and dividends because they do not make their money available for social reasons. The Grameen Bank started with 27 dollars and today it is an international bank. It would be big enough—if it wanted to—to buy up many a company that is smirking pityingly at it.[899]

For me, Muhammad Yunus is the ideal personification of the entrepreneur that I described earlier: being touched by something, developing ideas and implementing them commercially.[900] In 1976, he recognised the *disastrous money problem* of agricultural workers and solved it by lending them money. He could have donated this trifle to them, but then he would have been a charitable institution. But he wanted to be an entrepreneur and to lend the money returned to him again to other people. He wanted the money to circulate instead of being collected and distributed in a one-way system. In 1996, he realised that people in Bangladesh had no access *to health services* and the *world of information*—he founded Grameen Phone, bringing modern telecommunications to more than 25 million customers. Around 400,000 of them also work as telephone ladies and make telephone calls for those who cannot yet afford a mobile phone.[901] In the future, Yunus plans to use the mobile phone as a diagnostic device, for example to reduce maternal mortality rates in Bangladesh. Grameen Kalyan runs over 50 clinics and today offers basic *health insurance* for an entire family in Bangladesh for around two dollars a year, while at the same time Barack Obama had to deal with the Tea Party movement in the richest nation in the world, who do *not* want basic health care for the entire population. One last company I would like to mention as an example is Grameen-Danone,[902] a cooperation project with Danone, a company I have criticised before for its marketing methods in Europe. Here, on the other hand, Danone has shown itself to be socially responsible. The problem is that people in Bangladesh suffer health consequences such as *growth disorders* due to *poor nutritional conditions*. Grameen Danone produces yoghurt enriched with important nutrients and distributes it to the local population via the Grameen Ladies at the lowest possible price, i.e. without losses. The raw materials: milk, sugar and molasses, come from local farmers and micro farms, which are built up through microcredits. The Grameen-Danone research department is currently working on edible cups in order to get a grip on the *waste problem*.

Whatever the problem, the principle that Muhammad Yunus applies is always the same and the oldest principle of customer-oriented management: recognise a customer's problem and make a business plan for its solution. If you have identified a *real human problem* and not just a *pseudo problem*, there will be no lack of customers. And if the idea is well thought through, then it will not fail because of lack of money for setting up the company. Become an entrepreneur then, employ two or three people and make sure you do not make any losses. Then you have achieved something meaningful in your life. When entrepreneurship returns from hunting for profits to solving society's problems,

society will meet businesspeople again with the respect it takes to make entrepreneurship attractive and turn as many talents as possible into entrepreneurs.[903]

Given the vast number of micro problems that Yunus has solved for the people of Bangladesh and far beyond, he can be considered one of the leading figures in the global business community, as well as one of the great visionaries with an unshakable belief in the solving of problems. Start solving a problem even if it seems unsolvable today, because it may be solvable tomorrow. Even after 40 years, he does not stop working to reduce poverty in the world, fight diseases and give poor people the opportunity to improve their living conditions on a daily basis. Everyone needs a vision. Every company needs a vision. And the corresponding great vision of the world economy must be: no person on this planet must be poor or unemployed.

As in the customer value approach, Muhammad Yunus' companies combine customer orientation and entrepreneurship. The solution of a customer's problem *is* the purpose of the company. Therefore, it is not surprising how the ownership structure of Grameen Bank is regulated: the bank is not only *owned* by the clients, it is also *managed* by the clients.[904] The customers decide what happens —or rather women customers, because Grameen, as already mentioned, prefers to lend money to women, since they apparently feel more responsibility for the family, show more maternal care than men and are therefore more reliable business partners. They have democratic legitimacy, since one chairwoman is appointed to represent the interests of a group of five female clients. The so-called centres are larger units with 50 to 60 women and are organised in a similarly democratic form. If a customer has a request or an idea, she informs her chairwoman and she brings the item to the meeting.[905]

And what does Muhammad Yunus himself own? Nothing! Social business is not about possessions and profits, but about solving a problem that others are unable to solve. Meanwhile, Yunus differentiates two types of social business companies.[906] The one described above is a *type 2* enterprise. Here the aim is to make profits which subsequently benefit the customer directly—as in the case of Grameen Bank—or indirectly via a foundation—as in the case of the Otto Grameen Textile Company. *Type 1* companies, on the other hand, are owned by wealthy investors who have agreed not to make profits or dividends on their investments.

In a traditional bank, the customer stays because of long contracts with small print clauses and high *switching costs* that make switching difficult or impossible. Grameen has no lawyers, no small print, no collateral. There, the customer remains a customer out of her *own free will* since the benefits of the bank are obvious and this corresponds with my understanding of a *free market economy* (see also Figure 18).

Values and the Economy

In Chapter 4, I talked about the human value system and about how values can be imagined as a city map that should lead us to the place of satisfaction. If the city map is incorrect or inaccurate, we will reach this place only by detours or perhaps not at all. We have also heard that an essential dimension of this city map is that *of improving one's own situation vs. self-transcendence* according to Shalom Schwartz. The neoclassical economy focuses on improving your *own situation*, on self-interest: make sure you get the most out of it for yourself, and then you will reach the place of satisfaction in the fastest and most reliable way. If you don't, you act irrationally. We have already seen that Adam Smith does not think this way, and this is also where Muhammad Yunus' value system comes into play.

The textbooks only know one single reason to be an entrepreneur, explains the former economics professor: making money, maximising profits, paying attention to self-interest—I have already discussed this concept in detail as the shareholder value approach. Humans are not robots; they are much greater. Certainly, people can also be selfish. But that is why in economic theory we must not let the other side of man, his great and powerful desire for social embedding and his willingness to be there for the other, waste away completely. We have forgotten that economics is a branch of social sciences and that man is a social being. This view of Yunus goes hand in hand with the insights of Western satisfaction research, Eastern Buddhism and brain research: *Be selfish by helping others!* This is exactly the point of Muhammad Yunus' economic model: the more I make others happy, the more I make myself happy. This is the decisive paradigm shift in the social business approach: start with the other, and it will make you happy. Start with you, and it will make you unhappy.

Of course, this cannot go unchallenged: one can wish for such a selfless world, but man is not like that. Yunus' answer: I am like this! And probably many other people too! But he is less of a theorist, he prefers to go to the people, see

their problems and work on a solution. In this way, he is no longer accountable to us either. He does not have to "prove" through theoretical treatises that man is a social being. He has proven it empirically millions of times. He does not have to write an overview article on the subject of *Trust and its Role in the Modern Economy*. He has demonstrated it sufficiently in daily business practice with a bank built on trust. He has shown how *mimic behaviour* works in practice, not only in Bangladesh, but also in San Francisco, Guatemala or Sichuan. And he has shown us how simple and joyful business life can be when we say goodbye to the free rider model and treat each other with mutual respect once more. Now we will have no choice but to reformulate the rules of economics, to rewrite the textbooks and to adapt our theories to people as they are and not as neoclassical theory and profit-maximising practice would like them to be.

Economy and Education

This is the last aspect which I would like to highlight briefly and which concerns me directly in my profession: what can we teachers at business schools learn from Muhammad Yunus and what can we in the future give to the young people for whom we have assumed such a heavy responsibility? Education is one of the institutions with the greatest leverage for the future viability of societies. It should give young people the tools to think and decide for themselves, to find their personal road map for a fulfilled life. The selfish free-rider is the image of man that dominates business schools, either by teaching that people *are* like that anyway, or at least believing that they *should* be like that. Studies show that young people who are studying economics not only start their studies with this basic attitude, but also deepen it during their studies. They are less cooperative and more prone to free-riding,[907] more willing to lie[908] and become ever more selfish[909] in the course of their studies. If one considers that one's view of the world is formed at a young age, is subject to effects of the self-fulfilling prophecy and that many graduates of business schools sooner or later will assume leading positions in the economy, then they will act in these positions exactly as they were taught earlier and therefore be under the impression of recognising more and more clearly that man can *actually* be reduced to his striving for personal advantage. We lecturers have to take full responsibility not only for this, but also for helping societies of economic free-riders to become real on the meta-level. "One interesting aspect of economics is that the model provides a better description of economists than it does of others, and the longer students study economics, the more like the model they become."[910]

Add to this the erosion of the concept of education, which, in my opinion, is progressing more rapidly at business schools than anywhere else in the educational landscape. What educational mandate results from this? Should we just refrain from education in a broader and deeper sense and limit ourselves to the so-called essential, the tools of the trade and the question of how to move up in the organisational chart on an *individual* level (see
Figure 13) and improve our graduation rates and Pisa results on a *collective* level? Should we check with the business community what kind of "education" is needed at the moment and then hastily create corresponding degree programmes, study courses and presentations? Is it our job to chase the *real* economy or should we think about an *ideal* economy for the future? Are we expected to finally become less theoretical and concentrate on the positional function of education, because it is not about knowledge, but about the somewhat more impressive curriculum vitae, the somewhat more confident self-presentation, about being just that little bit better in this bluff society than all other graduates; in short, about getting the job? And when things get out of hand, and we are almost at each other's throats: is it enough to take a few ethics courses and things are right once more?

My experience in developing and heading a degree programme with a slightly different educational angle in the economic sector, based more on the creation of meaning and social responsibility, shows that many young people are almost starving for more meaning, purpose and social entrepreneurship. In an article, the management and marketing guru Michael Porter together with Mark Kramer, proposed new curricula that essentially deepen everything that is also the subject of this book, such as sensitivity towards resource consumption, marketing which goes far beyond demand generation, the study of deeper human needs and those of marginalised groups, and an understanding of how capital markets can be shaped to create value for the customer instead of value for themselves.[911] Now, what is Muhammad Yunus' message in this regard?[912]

At first glance, Muhammad Yunus' basic educational message does not sound like good news for business schools: always do the exact opposite of what you learned at business school. But the Grameen Bank was created in exactly the same way. The bank doctrine says that one should target the rich, he chose the poor as the target group. Banks locate themselves in city centres, he in the back-country. Banks address men, he relies on women. Nothing at the bank works without collaterals, he does not need collaterals. Traditional banks employ huge legal departments, Grameen has no lawyers—and, with a smile, Yunus adds that this makes life so much easier.[913] Banks make contracts their

basic principle; he builds on trust as a basic principle. Banks want the customer to come to them, Grameen goes out to the customers and is in constant contact with them. Banks are usually in the hands of rich men, while Grameen Bank is in the hands of poor women.

At a second glance, this message is, above all, a disaster for what I would now like to call the Toolbox-Business-School, which primarily distributes "How-To" checklists, invites managers to give guest lectures, so that the students can network right away and works predominantly with past solutions for past problems. We have already spoken at length about the fact that an entrepreneur's job is to make a difference, while the companies, and not just them, in fact tend to become more and more alike—*Hotelling's law*. Business schools continue to promote this trend by teaching what companies do and how they do it—for example through case studies—instead of teaching what they are *not yet* doing. Responsible business schools with a future-oriented and socially relevant research background will also tell their students that things are being handled in this way at the moment, but that they also do not know how many other, better solutions exist, which no one has yet tried out but on which intensive research is being done. They will deem the established recipes, the so-much-vaunted *practice*, to be less important and spend more time sharpening the critical-analytical thinking of the listeners, as well as their powers of observation. They will prepare them for their future task of *creatively destroying* the established instead of just *rescuing it* into the next quarter.

Obviously, we do not provide these impulses for true innovation and entrepreneurship or not sufficiently, because, why else would Yunus ask whether education is not only a way of forming students but also of *de*forming them: if you have enjoyed education, that is fine. If you have not, don't worry about it, because maybe that is exactly why you are doing better.[914] After all, he speaks from experience, since he himself has an education in economics, but no education as a banker; he even suspects that Grameen Bank would probably never have become what it is: a bank beyond all the rules of the industry, if he had graduated from a relevant school. And anyway, he adds, he always does things he knows nothing about.[915] How will business schools in the future deal with a man who, as the saying goes today, has not acquired "job-related professional competence", who does not believe in selfish people but is driven by the idea of improving the lot of other people, who founds companies that neither belong to him nor serve his personal enrichment and who is also economically successful in doing so? I do not think there is a single economic approach that can explain all this, even in part.

The criticism of Muhammad Yunus and his social business approach is, of course, not long in coming, which shows how much he irritates the establishment. He confronts the powerful profit economy with a model that shakes the non-negotiable foundation of profit maximisation and which also seems to work. The profit economy cannot accept this because it is regarded as the only reliable way out of poverty and into prosperity; it practically has a monopoly on it. He says that one can be more successful and useful with a social attitude than with self-interest, and thus challenges neoclassical theory and all its representatives.

He questions the meaning and purpose of business schools by calling on people to do the exact opposite of what they learned there. Of course, this leads to a kind of discourse that I do not want to deal with in detail here. Only this much: neither can the work of a man who has created countless solutions and companies in view of the urgent problems in his country be reduced to the idea of microcredit, nor should an academy be allowed to qualify the social business approach from a well-paid Western audience's perspective without perhaps ever having done a single day's work for the eradication of poverty in this world.

There is also serious criticism, however, which focuses primarily on the Grameen Bank and the global micro finance industry that developed as a result.[916] Perhaps the most frequently voiced objection relates to the Grameen Bank's practice of granting micro credit preferably to women, because this increases social pressure on them,[917] undermines solidarity in rural communities and is, therefore, ultimately once again directed against women. In addition, the idea was soon imitated worldwide, but not in all the cases were these projects equipped with the necessary social convictions and thus discredited the concept of micro finance. It is also criticised that loan interest rates charged by the Grameen Bank are not exactly low at up to 20 percent. However, one must bear in mind that the current inflation rate in Bangladesh is around 8 percent and that the traditional bank either does not lend money at all to the typical borrower of the Grameen Bank, or, and this led to the founding of the Grameen Bank, at exorbitant three-digit interest rates. One can also discuss how useful it is to seek cooperation with companies that, on the one hand, behave like typical representatives of the profit economy - see the Danone example on p. 190—and, on the other hand, enter into cooperation with Grameen—see Grameen-Danone on p. 309.

Furthermore, one may argue that the idea of social business in the form of *non-profit organisations* (NPO) has existed for a long time. However, Yunus sees some important differences to traditional NPOs.[918] And as far as the business approach is concerned—*No profits, No dividends*—one can also argue that Peter Drucker only deviates from it in that he only grants profits to the company for the purpose of building up reserves and covering future business risks. However, such reserves can be crucial for survival, as Grameen-Danone experienced first-hand in 2006 and 2007, when food prices suddenly rose dramatically and such reserves were not available.[919]

The most significant difference seems to me to lie in the fact that nobody before Mohammad Yunus took such radical precautions to ensure that the organisation does not make itself its business purpose after all, that it does not branch off some money in the end, that it loses sight of its goal of being socially relevant and is increasingly there for itself alone—a tendency that is *also* inherent in the NGO and the NPO. Yunus grants the human desire to do something for *others* an economic opportunity; that is the really decisive difference, the very new one with which he confronts the economy.

He does not say that we should completely banish the idea of self-interest. He just wants a little space in the almost infinite universe of economics. And he is entitled to this space as soon as there is only a slight suspicion that the profit economy will not or no longer lead us into a state of social satisfaction—and I hope that I have succeeded in sufficiently substantiating this suspicion in my previous remarks. What we will need in our future curricula if we do not want to lose our credibility is a Plan B, and this can no longer be denied. Of course, this would be the ideal opportunity to be honest about Plan A and say that crises are becoming the norm, as are environmental problems, mass unemployment, social unrest and wars over the last few resources. And it would be an opportunity to honestly state that Plan A as taught by us is now significantly involved in causing these threats. It is therefore valuable to give the idea of an economy oriented towards shared benefit a chance and to subject it to careful analysis without being immediately labelled a *hopeless world saviour*. In the meantime, universities in Great Britain, the USA and France have set up relevant research centres and their number will hopefully continue to increase.[920]

Yunus addresses two other educational aspects that were a revelation for me. First, he asks how we can prevent students from leaving us with the following bird's eye perspective: I already know everything, I am proud of it and I will now explain to the world how it works. Yet these graduates may be incapable

of making contact with the market, society and its problems and taking the worm's-eye view, which means listening and getting very close to problems and markets. Second, he criticises that business students often think in the following categories: first study at a prestigious university, then graduate there and, finally, find an attractive job as a manager in a large company. According to Yunus, this is not a good message for a business school. A job in a company means taking on tasks and repeating them day after day. But life is different. It means creating things and changing the world. If all that comes out of education is graduates desperately looking for a job, we do not need that kind of education. Such graduates cannot or do not want to do what the "uneducated" women of Grameen Bank have long been able to do: take a small loan from Grameen, set up a small business and be able to support the family. Students should therefore memorise the following formula every day: I'm not a *job seeker*, I'm a *job provider*.[921]

Conclusions

Five Past Twelve

Our society has lost its mind. Everything revolves around the economy. It has become the only criterion, other values ceased to exist. But why do we have to produce more and more, which means more and more waste? There is something perverse about the way humans stand in the world. Because they no longer see the world. Man has lost all contact with the cosmos. They only see themselves and their immediate surroundings. The connection to the big picture is missing.

Interesting to think about. Does society deserve to be saved? That is the key question ... Saying a rescue is impossible, I wouldn't dare. I think of the Bhagawadgita: do what you have to do. Whether the world survives or not is out of your hands.

Tiziano Terzani[922]

It is difficult to skate around Jeremy Bentham's formula of the *greatest happiness for the greatest number* if you want the best for people and do not interpret it as an invitation to fun society or the terrorisation of minorities. Even the profit economy pretends to be working towards this goal; so plausible and irreproachable it seems. But in order to understand what this formula means, I propose to distinguish five proto-states of (dis)satisfaction in Figure 10, p. 136: An emotionally neutral state in which our expectations are fulfilled, since nothing essential is missing; two states that make us explicitly happy, since what we have achieved is greater than what we expected, by achieving a result that exceeds our expectations, or by lowering our expectations and becoming more modest; and finally two conditions that make us *unhappy*, because expectations are higher than what we have achieved, by raising these expectations and thus no longer getting out of life what we are now demanding, or by a downward tendency in our achievements and therefore ever less able to meet our ingrained expectations.

There is nothing wrong with an economy that allows us to live in a state of basic contentment and efficiently rectifies physiological deficits and everyday efforts, while at the same time enabling us to question our consumer expectations and enjoy the material prosperity we have already achieved; an economy which produces solid products that last longer and require fewer resources; because this economy is economic, because it economises and because it pursues the greatest happiness for the largest number. There is, however, a lot wrong with an economy—and this is becoming ever more evident—which wants us to believe that we only exist because and as long as we buy, whose

efforts are shifting from the production of necessary products to the continuous creation of new material expectations. An economy which sees its purpose as persuading us to have ever higher expectations; an economy, which infiltrates and prematurely ages what we already possess. A reasonable person cannot but oppose such an economy, because it is based on the principle of the greatest misfortune for the greatest number, it is uneconomic and leads us towards global bankruptcy.

In order to better understand why the global economy has taken this alarming direction, we have looked at the basic concepts of economics: the *market economy* and the *planned economy*, and we have come to know an economic model that flies the flag of the market economy but is in fact more similar to the planned economy of communism: the *profit-economy* guided by the *shareholder value model*. This concept begins on the drawing board by planning profits for the elites—shareholders and their agents—and then identifies measures that need to be taken to achieve these goals and remove barriers. The products that come onto the market are already so dispensable that up to 80 percent of them never make a profit. Nevertheless, the profit-oriented approach has become the dominant way of thinking at business schools and in companies.

Profit-oriented management is a very simple and perhaps therefore tempting task, since it is, above all, a matter of turning what is manufactured in production halls into money. In deficient societies, you do not have to spend much time looking for needs. Physiological deficits such as homelessness, hunger, thirst or exhaustion signal every day that man has achieved less than his body demands, hence he is dissatisfied. Conversely, in sated societies where man has been able to largely overcome these troubles with the help of the invisible hand, he already has most of what he needs for a good life. It is precisely there, however, that the very prosperity can be found and the money can be sourced that is needed to sell what is produced in the halls, whether there is a need or not. Therefore, in saturated markets, one cannot and will not allow people to fall into a state of *satisfaction*. The purpose of the company is to dissatisfy us first, let us expect more from life than we are getting, so that we can, through gainful activities, return to the state in which we were before. This *hedonic treadmill* has to be fired up with ever new ideas from the marketing departments, otherwise people stop buying, the treadmill comes to a standstill and finally does not spit out money for the shareholder anymore.

It is quite amazing how well the profit economy can hide its true goals behind terms such as customer orientation, customer satisfaction, social responsibility, full employment, efficiency, thriftiness or sustainability. It is really phenomenal that we are now all willing to help serve the few real beneficiaries. The one-percent elite is probably amazed at how profitable and exploitable 99 percent of society still is. We even applaud if we allow ourselves less time to perform our work and "evaluate" each other into paralysis. We buy a few shares, fund shares or get them as gifts in order to learn to think "entrepreneurially" and to make shareholder value a matter of public interest. We stomach the close to zero tax payments of profiteers, while they continue to be provided with subsidies out of our tax payments. And lastly, we see the exploitation of defenceless people in developing countries as satisfaction debt that an economy must, of course, enter into first if it wants to rise to the Olympus of affluent societies.

The machine that legitimises this spectacle is that of the invisible hand, and the god who sooner or later emerges from it is that of *Prosperity For All.* This in turn gives rise to another god, the god of freedom, independence and democracy. Whoever questions the physical laws of this machine is a parasite that bathes in prosperity, but at the same time bites the hand that feeds it and probably wants to lead society back into communism. For these physical laws are too obvious, too historically tested to be questioned: everyone just looks at themselves and tries to put as much as possible into their own pockets. Everyone learns as early and thoroughly as possible how to not only survive in mutual competition, but to trickily overtake the others. Everyone learns how to hide his true goals and deceive his "opponent", how to strictly distinguish between what to say and what to do; how to work on their *appearance*, become a brand, network and form strategic partnerships in the war for scarce resources. And how to ultimately corner the opponent—the customers, suppliers, employees, and finally the fellow citizen—so much that he has no room left to manoeuvre. Growth fanatics would argue that this lack of freedom is actually freedom in disguise, for it is "rational" and leads one out of the tunnel into the light.

Hosts of people have worked on the development and now work on the preservation of this nightmare of the self-interest maximising individual. There is style in saying that something is "rationally incomprehensible" today. We immediately feel the fool's guilt. But the real fool is this rational being, since in the production of goods it exploits everything that does not belong to him and

in the disposal of goods it pollutes everything that does not belong to him. The common property may deteriorate, only private property counts.

It may well be, as Adam Smith believed, that homo oeconomicus at that time had no other choice in his quest for wealth than to give something to others. But he has learned a lot since, especially now that things are getting tight. Now, as John M. Keynes already suspected, he begins to develop semi-pathological traits and becomes a danger to the entire planet. But he will not understand this even if he dies eating the fish he had previously poisoned. And he will not wonder until his grave how much luck the invisible hand truly brought him or whether he should have followed Jeremy Bentham's concept of utility, since he just remains a fool to the day of his death. There is, however, still time until then. So let us go out cheerfully and continue to pollute the commons under the auspices of economic theory and profit-making practice.

We will continue to need *new products and services* in the affluent society as they improve our standard of living or reduce our consumption of resources. We will continue to wear out and therefore replace existing products. However, an economic practice that continues to restrict itself to these two cases and artificially accelerates them is an out of date model dangerous to the public on this limited planet Earth, in the same way as an economic doctrine that no longer feels committed to the goal of serving society and its satisfaction. If we do not want to push the growth illusion of the profit economy even further, our goals, models, value systems and the entire economic logic must be reassessed against today's problems and needs.

It is not a question of becoming aimless refuseniks. It is about redefining performance, but not along the lines of the value system of a competitive profit economy, but along the lines of the value system of a post-material society that proves to be intelligent, thoughtful, forward-looking and responsible. Alongside the dim, free rider of the economy, it is necessary to place a person who knows how to protect himself from exploitation by this free rider, but whose real passion lies in being a lovable person and whose achievement lies in contributing to a society that can live in satisfaction, which is left in peace and protected from the free rider. A a society that clears its mind, needs less and enjoys more, and therefore has an open ear and an open heart for people who remain in abysmal circumstances—in contrast to the competition fanatic who feeds on others' misery. In this society, customers only buy what they need, do as little damage as possible and help to lend globalisation a human face. They continue to compare themselves with others and are dissatisfied because

what they have achieved is not what they expected. Yet not in comparison to the rich and the beautiful, but to those people who have already achieved the goal of contentment, inner peace and personal development in various ways wandering one of the *thousand* possible paths. Together with those who have already arrived in the post-material society, who are already free.

Muhammad Yunus, too, advocates the principle of personal freedom. However, he doubts that the consumption of resources by the West can be reduced in this way. That is why consumption should be limited by a global agreement, just as transport is regulated in the interests of all. I do not share his views on this point. Firstly, I do not believe that such a global consensus is realistic if we cannot even agree on reducing greenhouse gases. Secondly, I see this fatal balance of elite interests, which I sketched out at the beginning of chapter seven and this is why I do not believe in a top-down solution via a regulatory route. And thirdly, I agree with Paul Wachtel: if you confront man with sacrifice, he is afraid of losing something. That is why the aim of this book is different: it intends to show what the profit economy amounts to, that customer orientation is only a make-believe promise in order not to jeopardise profits, and what subtle techniques must be reckoned with today and to what degree these techniques achieve their effect, so that we are all willing to let ourselves be harnessed to a profit cart from which we no longer benefit.

On the contrary, not to put an end to it would bring oppression and sacrifice. Freedom also means to leave the treadmill that someone else has built for us, and to consume only what is of the greatest benefit to us, and at the same time to call on politics at every opportunity to finally take action in this direction. In view of the balance of power I regard this target 1, as I call it, to be best achievable through an in-depth dialogue with an enlightened, intelligent, mature customer who has long suspected that consumer society is leading us into a dead end. The irons which homo oeconomicus has shackled us with can be broken, by citizens and consumers!

I am, however, clueless on the question of meeting Target 2—and Yunus also seems to be at a loss here. How can we combat global poverty and allow as many economies as possible to participate in the solution of the economic problem without, at the same time, accelerating the emerging derailment of the planet? But if we do not stick to Target 2, Yunus rightly points out, it will ironically be countries like Bangladesh that are the first to pay the bill for the consumption frenzy of the West: 20 percent of Bangladesh lies at sea level and is home to around 30 million people. If the rising sea level caused by global

warming should flood this area and make it uninhabitable, this would not only be an unimaginable human disaster, but an economic disaster as well. The country would be thrown back into its original misery and all efforts to gradually reduce poverty—mainly those of Muhammad Yunus himself—would have been more or less in vain.[923] Suddenly globalisation shows side effects that the profiteer has neither considered nor wants to support. Firstly, we should quickly and immediately realise that we are all in the same boat and must therefore assume global responsibility. And secondly, that a global consumer society can never ever function. After all, the *fight against global poverty* should merely serve as a further pretext for the profit economy to disguise its objectives and the danger it presents.

Global emissions of greenhouse gases are today considered the undisputed main cause of global warming. The 1997 Kyoto Protocol sought to regulate it. The largest polluter at the time, North America, never agreed to sign the Protocol. Canada and Japan are no longer participating in the extension originally agreed until 2020 in Doha in 2012; climate protection has become more or less a European issue. Just as fatal, however, and this brings us to the practical limitations of Target 2, is the fact that China, *the* model of increasing prosperity through the global economy, has joined as a new massive polluter and has already dwarfed Europe and even the USA.[924] China argues—not without reason—that the country is undergoing economic development and therefore hardly needs to be more papal than the wealthy nations. Other countries will follow suit, economically as well as in terms of CO_2 emissions. The global profit economy is imprisoning us all in the dilemma already mentioned, in which we, as rational, free entrepreneurs, are forced to soil our own nest under the pretext of supposed reason until we perish. However, all the money elites are now working globally and in concert to reach this point as quickly as possible. Perhaps this is what we mean when we enthuse about the efficiency of the economy, about oikonomos today: it achieves a goal that nobody wants to achieve, only faster.

We are trapped in the over-heated machine of eternal growth and have to cool it down more radically to gain time and delay its meltdown. Because we are using it for a purpose it was not originally built for. This machine served well when it came to eradicating hardship and poverty in the West. It is now obsolete and we should place it in a museum because we need a new machine, as the framework conditions have changed entirely.

The creative destruction of old structures, the inner renewal that Joseph Schumpeter identified as the essence of the economy, refers to the *capitalist machine*. However, it cannot replace itself, step out of itself. No God steps out of it to deliver a new machine. *We* have to build this machine. This new machine is not designed for growth, but for care. It does not produce quantity, but quality. It stops producing when the required quantities are reached and restarts when needed. This machine is built simply enough, so that we know what to do in the event of failure. It manufactures products for the customer, not for the investor. It works almost noiselessly, needs hardly any energy, and is an improvement over its predecessor models especially because, without exception, it no longer produces useless products, it no longer has to.

We already hold important components of this machine in our hands: customer orientation, overcoming the principle of self-interest, the social market economy. However, we can only complete and operate this machine if the consumer requests it, if he deselects the old machine with his purchasing behaviour and if, as a citizen, he demands it from politics. He must want this machine, desire to get it immediately, so that time does not run out.

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Remarks

Preface

1 Referring to the discussion as to whether or not scientists should be released from their political responsibility, see, for example, Mugler (2005)

Chapter 1: Management of Selfishness

2 I have taken the liberty of considerably shortening Heinrich Böll's *Anecdote Concerning the Lowering of Productivity* and transferring it from an unspecified Western coast in Europe to Greece; the country which is treated with such hostility today, where people have dared to try to work in order to live and not vice versa. Now a nervous troika is supposed to put an end to this and expel the Greeks' equanimity, just as the nervous tourist wants to expel the fisherman's unbearable serenity. The fact that contrary to all economic logic the troika makes absurd recommendations similar to the ones of the tourist and is about to nickel and dime Greece to death is perfectly in line with the financial logic of our times.

3 Smith (1776/1991), pp. 351f. This infinitesimal train of thought from Adam Smith's comprehensive work was later to become the basis of economic theory.

4 idem. (1776/1991), p. 65

5 Sterman (2009), p. 170, fig. 5-26

6 We will repeatedly return to the basic principle of relative and dynamic assessments in this book.

7 Jackson (2009), p. 91, fig. 6.1

8 Schumpeter (1947/2005), p. 137f

9 Fischermann (2009)

10 At least in the form in which it was practiced in the Soviet Union, the planned economy system failed. In 1989, Paul Wachtel asked what a planned economy might have looked like if there had been no corruption, cynicism, dictators or information maelstrom. According to Wachtel, a centrally organised economic system could even prove to be advantageous under certain circumstances if all information were to converge at this central point and the wasteful trial and error efforts of the free market economy were thus predictable and controllable. But we do not know whether this would be the case, because only in Chile was such a model marginally tested until Chile's then head of government, Salvador Allende, was overthrown with the help of the USA. For alternative socio-economic ideas see also e.g. Schumpeter (1947/2005), p. 45ff.

11 I prefer the term *"profit economy"* because the concept of capitalism is historically charged and interpreted in many different ways—often as a synonym for the modern market economy. When I speak of capitalism later in the book, I mean capitalism in this profit-economic sense.

12 Steingart (17.12.2011): Attack on the market economy. Trade Journal Online, www.handelsblatt.com/politik/international/kapitalismuskritik-angriff-auf-die-marktwirtschaft/5808584.html, last downloaded on 21/10/2013.

13 Drucker (1961), p. 344, Yunus and Weber, *Creating a World Without Poverty* (2010), p. 57ff

14 Stiglitz (2010), p. xiv, Yunus and Weber (2008), p. 15ff

15 www.reagan.utexas.edu/archives/speeches/1981/12081a.htm, last accessed 29/10/2013

16 Erhard (1964), Erhard and Müller-Armack (1972), Eucken et al. (1952/1990)

17 Today, Scandinavian countries in particular are using the idea of the best possible balance between the interests of business and society. They impose the highest taxes, but are also among the most developed societies in many respects.

18 E.g. Galbraith (1996), Sachs (2011), Schor (1999), Stiglitz (2010), Thurow (1980). Paul Wachtel (1989), even though he is not an economist, he should be mentioned here because of his astute portrait of the *American Way of Life*.

19 There is no shortage of proposals for social cuts, as can be read in the daily press: Combine low-income earners in shared flats to make them taxable, free the first day of sick leave from liabilities for businesses, remove burnout from the list of recognised diseases for early retirement or move holidays to the following Sunday. It seems insignificant that better economic results can be achieved on the European mainland than in the USA or Great Britain (Schor 1991, Schor et al. 2012, Stiglitz 2010; Layard 2006), despite or perhaps precisely because of a 20 percent reduction in annual working hours, or that successful business seems to be more than just working harder than before.

[20] For a literature overview on market saturation, see Esch et al. (2005), p. 18

[21] Opinions on what one needs for a good life, however, vary widely. But apart from radical materialists, it is hard to believe that the mere attainment of certain properties is enough. Skidelsky and Skidelsky (2012) mention factors such as health, safety, respect, personality, harmony with nature, friendship and leisure. I will discuss these and other factors in more detail later in the context of the concept of satisfaction.

[22] Csikszentmihalyi (2000), Galbraith (1958/1969)

[23] Steingart (2011), p. 5

[24] Jackson (2009)

[25] Herd behaviour is, as we will see later, a characteristic behaviour in complex situations. Cialdini (2002) mentions the example of claque, professional applauders, in early French theatre. They are paid to clap enthusiastically in the ambivalent moment right after the end of a play, which results in the insecure crowd being carried away to just such enthusiasm.

[26] Macroeconomics (VWL) deals with the laws of markets and business administration (BWL) with those in companies. Within macroeconomics, microeconomic issues, i.e. issues related to individual markets such as beer, consumer credit or steel, are distinguished from macroeconomic issues such as unemployment, economic growth and inflation. An exact demarcation between the three areas is, however, difficult and probably does not make a lot of sense.

[27] Sheth et al. (2011)

[28] Friedman (1970)

[29] According to Wachtel (1989), the profit-oriented businessman likes to present himself as omnipotent in terms of making fantastic profits for the shareholder, but at the same time powerless in terms of the market mechanisms of the invisible hand.

[30] Felber (2010)

[31] Pfeffer and Sutton (2006), p. 68

[32] I will discuss this phenomenon in more detail later, so I would just like to ask Stiglitz (2010) or Wachtel (1989) what motivation does a manager have when he says: I am willing to perform well, but if my financial incentives are cut, I reduce my performance proportionally. Isn't that the lazy employee who, in the circles of the profit economy, is more likely to be located on the lower levels?

[33] Sherman et al. (2012). It is, however, still unclear whether the work pressure is decreasing upwards or whether people on higher levels can handle it better.

[34] Martin (2010), p. 61

[35] See e.g. Smith et al. (2010) and Khalifa (2004). Frederick Reichheld noted; now management's responsibility lies in acting "in the best-balanced interests of shareholders, customers, employees, suppliers and communities..." You are no longer accountable to anyone and your performance is falling instead of rising. Today, the best balanced interests of those involved circulate as a joke, representing an inefficient system that merely serves itself (Reichheld 1997, p. 196f).

[36] Drucker (1961), p. 36, 61

[37] Soman and N-Marandi (2010), p. 5

[38] Doyle (2008), p. ix

[39] In this respect, the SHV organisation is even supported by respectable experts such as Galbraith (1969), p. 166, (1996), p. 24, Drucker (1961), p. 341f or Katona (1964), p. 65: unlimited growth and constantly rising consumption are generally beyond doubt, even though Galbraith, like Drucker, emphasises the distinction between produced *quantity* and resulting *quality* (i.e. of life). As far as the despondent mind is concerned, at this point so-called initiation events usually take place, at which charismatic motivation trainers explain that the only reason why we are not all millionaires yet is that our minds do not *yet* want to allow it.

[40] Compare. Sorkin (2009). Profit-oriented actors are the first to demonise state and taxes, but they are also the first to call for rescue by the state if business is no longer going well—because after all they are system-relevant. Then the basic rules of a free market economy should no longer apply! We can therefore specify the role of the state in the SHV approach to the effect that the state should refrain from interfering if it hinders profit maximisation, but is expected to intervene and regulate if, for example, profits can be increased by a new law or the costs can be passed on to the general public, subsidies are to be expected or the continued existence of the company is endangered.

[41] In today's business interpretation, the term strategy means ensuring the long-term survival of an organization. For a long time, Peter Drucker (e.g. 1990) struggles to accept this term because of its bellicose nature, but in the end, however, he gives in to the martial language practice customary in management today—see also my remarks below under *Machiavellianism*

[42] When I speak of quantitative growth, I am referring to the usual operating indicators such as sales, cash flow, profits, return on investment (ROI) etc. and the aggregated figures GDP, GSP and GNP. By qualitative growth, on the other hand, I am referring to growth oriented towards human needs: satisfaction of customers, employees, communities, creation of meaning, contributions to social welfare, oikonomos and eudaemonia.

[43] Porter (1996)

[44] See e.g. Capra (1988), Kohr (1983), Schumacher (1993)

[45] Kasser (2002) describes the tragic case of Netscape founder Jim Clark, who regularly revs up his money claims as soon as he has a few million more in his account.

[46] This refers to all payment flows by consumers, offices and companies of an economic aggregation, for example a country, within a certain period, like a year.

[47] www.handelsblatt.com/unternehmen/banken/derivategeschaefte-wie-goldman-sachs-den-griechen-zur-seite-sprang/3376400.html, last accessed 18/12/2013.

[48] Cialdini (2002), p. 129f

[49] See e.g. Bettman et al. (1998), Katona (1953), Rost (2008), Schirrmacher (2013), Simon (1959), Stiglitz (2010), Wallacher (2011).

[50] *Normative* refers to the question of how man should act. This issue has long been in the hands of religion. When about 200 years ago, philosophy disengaged from the pure declaration of God, it tried to deal with the question by logic—for example Immanuel Kant (1975, 244ff) with the *categorical imperative*. Today it is economists like Gary Becker (e.g. 1976) who explain that marriage is not much more than the rational calculation of selfish and clever subjects in partnership markets. If the assertion is empirically untenable, it still remains valid in *normative* terms because it is "reasonable" and also underpinned by fantastic formulas and Nobel Prizes—a classic case of the irrefutable hypothesis—which we still categorically forbid our students.

[51] Rand stands for "Research and Development" and is a non-profit organisation that strives for effective solutions for political decision-makers through objective analysis and stringent research (www.rand.org, last accessed July 16, 2013). The top story at the time of my web visit: "Rand Review: Enemy Within" — "within" here meaning within the US Army, but I didn't take the time to find out exactly who this enemy is. We will come back to different and more recent interpretations of Rand's organisational purpose later.

[52] Neuberger (1985)

[53] Compare e.g. the relevant considerations by Foerster (1993), p. 287ff on *Russells Type Theory* and *Gödel's Incompleteness Theorem*

[54] In my opinion, an essential part of the change in values is to let people experience the new value system in practice: let them hold a few shares and invest their pensions in shares. Thus capitalism becomes a matter of public interest and even the man in the street begins to expect less salary and more performance from himself.

[55] The Latin term *religio* can also be translated as based on something, the availability of a reference system.

[56] Steinmann and Schreyögg (1997)

[57] Weber (1920/2002), p. 170

[58] Fromm (1993), p. 139ff, he adds that Luther's teachings are also damaging to enlightenment and humanism. Luther focuses on work: love and recognition can develop only through work and diligence: now only property, profit and power are sacred. But true love, true Christianity, is, according to Fromm, incompatible with the religion of the industrial era.

[59] Langer (1975)

[60] Vohs et al. (2006)

[61] Boulding (1966), p. 11

[62] Schumpeter (1947/2005), p. 139f

[63] www.ardmediathek.de/das-erste/reportage-dokumentation/der-preis-der-blue-jeans?documentId=11398300, last accessed 9/4/2013. Kik, by the way, is also a customer of the factory in Pakistan, where fire broke out at the end of 2012 and hundreds of people died because there were no protective measures for the workers for such incidents (www.spiegel.de/wirt¬schaft/unternehmen/pakistan-kik-liess-jeans-bei-der-abgebrannten-textilfabrik-produzieren-a-856530.html, last accessed 12/18/2013). The fact that globalisation is also spreading in this sad way and has reached Europe is shown by the fire in a factory in Prato, an Italian stronghold of the textile industry, in which seven illegal workers were killed on 1 December 2013. The media reported on conditions reminiscent of slavery (http://derstandard.at/1385169549666/Brand-in-toskanischer-Textilfabrik-Opfer-wurden-offenbar-ausgebeutet; last accessed 3/12/2013).

[64] Corresponding commercials by the Dutch Ing Diba-Bank are shown on Austrian television, last viewed in March, 2013.

[65] Menschen und Märkte, broadcast on ORF in December 2010, for a similar report by Arte see also www.youtube.com/watch?feature=player_embedded&v=whHx_gWxTp4#, last accessed 17/4/2013.

[66] Compare e.g. Merz (2012), www.spiegel.de/wirtschaft/unternehmen/foxconn-selbstmordserie-erschuettert-iphone-hersteller-a-696511.html and the ZDF-documentary „Ausgebeutet für das iPhone“, as can be seen under youtube.com/watch?v=jMQCbE54_5g, both last accessed 18/12/2013, China Labor Watch (2012).

[67] The price-demand equation or *demand curve* is derived from the metaphor of the invisible hand (see Fig. 1) and assumes that a price reduction increases the volume of goods sold, the more price sensitive the market is or, as they say, the more elastic the demand reacts to this price change. If you also plot the supply curve that runs the other way around (the higher the price, the more suppliers), you will find the fair price at the intersection of both curves. The corresponding diagram is the standard diagram of neoclassical economics.

[68] Compare Pfeffer and Sutton (2006, 2006a)

[69] Eisschiel (2012)

[70] The conjoint analysis determines the significance of product properties by comparing finished products in pairs. In a series of pair comparisons, the customer must tell which of two product variants he would prefer. Then it is mathematically determined which product property had which influence on the decisions of the test persons across all decisions. The advantage of this process is that it is closer to real purchasing decisions than directly asking the importance of an isolated product characteristic like the price.

[71] www.foodwatch.org/de/informieren/ampelkennzeichnung/2-minuten-info, last accessed 10/4/2013.

[72] Parkinson (2005), p. 13f. I can only warmly recommend reading this slim book. Not only does it provide an enjoyable day with British humour, it is also a fine-tuned slap in the face of all those who take themselves rather too seriously.

[73] See also Levitt (1960)

[74] In his books—apparently based on John K. Galbraith—Philip Kotler repeats the proposal to differentiate between needs and wants and hypothetises that marketing cannot create needs, but rather aims to align already existing customer *needs*, e.g. hunger, with a concrete *want*, e.g. a McDonald’s hamburger. However, cigarette smoking is an easy example to show that marketing also creates needs. Another example is Katona (1964, p. 56) and the air conditioning system, where studies showed in 1947 that people in the USA did not want them, even if money were not the issue, whereas today in many countries and especially in the USA it is one of the indispensable things in life. For more extensive discussions see Katona (1964), p. 54ff. The fact that you are confronted with the same advertising message up to 10 times in one evening is not exactly a signal that a company just wants us to know that now it has found a solution for a problem that has been plaguing humanity. In the textbooks, however, communication under the title Communicate Value remains an indispensable instrument because otherwise customers would not know what value we have just devised for them: you could even give something away for free and yet no one would come. That is why communication is so important, they say.

[75] Levitt (1960), p. 50

[76] Drucker (1990), p. 74

[77] Gummesson (2008), p. 327

[78] Doyle (2008), Kotler et al. (2010)

[79] Strativity Group (2006)

[80] ibd. (2009)

[81] Temkin (2010)

[82] ibid. (2010)

[83] Meyer and Schwager (2007), p. 117

[84] Aksoy et al. (2008), p. 105

[85] Pascher (2007, 2008)

[86] Hochreiter (2011)

[87] Dichtl (1998)

[88] FTSE is short for the British *Financial Times Stock Exchange* share index.

[89] Kotler et al. (2010), p. 414

[90] At the time, the US branded goods group Procter&Gamble (P&G) made a considerable contribution to the idea that marketing was primarily for toothpastes and detergents. Ironically, P&G is still - and again - an example of credible customer orientation.

[91] Bagozzi (1975), Kotler (1972), Kotler and Levy (1969)

[92] Peter and Olson (1983)

[93] Comp. e.g. Peters (1999), Prisching (2009), Twenge and Campbell (2009), and advice literature on *The Ego-Brand*, *I-Factor*, the *Art of Self-Marketing*, *Positioning*, *How to Be Number 1*

[94] www.donau-uni.ac.at/de/studium/personalbrandingeducation/index.php, last accessed 9/11/2012

[95] According to Wachtel (1989), the phenomenon of the *Leisure Class* (Veblen 1899/1915) is adequately explained in the free market economy when we consider that the shareholder always demands the necessity of general diligence and the flexibility and mobility of the working class and denounces the repulsiveness of social idleness, but at the same time he is the only one who can escape the rules of a free labour market because only he enjoys the freedom of choosing not to work at all if a supervisory board position appears too stressful.

[96] The *mystery shopping* instrument, among other things, is used to verify that this also happens as prescribed. A fictitious customer enters a shop and examines its employees' behaviour. Mystery shopping can be very instructive because one learns how customers perceive a company; unfortunately, today it is more often than not abused for pure control purposes.

[97] Axelrod and Hamilton (1981), p. 1393

[98] Axelrod (2009), Axelrod and Hamilton (1981)

[99] Pfeffer and Sutton (2006)

[100] Jackson (2009)

[101] Whiteley (1991)

[102] Drucker (1961)

[103] Liessmann (2006)

Chapter 2: Natural Limitations of the Quantitative Growth Strategy

[104] Sterman (2009), p. 272

[105] After folding 40 times approx. 400,000 km and after folding 100 times approx. 850 trillion times the distance from the earth to the sun.

[106] System Dynamics models systems and their interaction with other systems mathematically or by means of appropriate software. Jay Forrester (e.g. 1958) from the MIT (Massachusetts Institute of Technology) is considered a pioneer. The aforementioned book by John Sterman (2009) is a very comprehensive introduction into the topic. One can observe some typical behaviours of systems over time, for instance, that they grow exponentially, aim for a target, oscillate around a target, first aim at a target in an s-shape convexly and then in a concave manner, overshoot a target or first overshoot and then collapse. Many phenomena, especially in nature, can be reproduced by system dynamics, but their interaction with other systems and corresponding feedback effects must be taken into account. For example, certain animal populations are in a *predator-prey relationship* to each other and therefore oscillate: as the fox population grows, the foxes find fewer and fewer hares to feed on, which reduces their population and increases that of the hare until the decimated fox population can find enough food again, which reduces the number of hares in turn, etc. (Watzlawick et al. 1990).

[107] Diamond (2006), p. 79ff

[108] Stephen, Marcus: On Nauru, a Sinking Feeling. In *The New York Times*, 7.18.2011: www.nytimes.com/2011/07/19/opinion/19stephen.html?_r=3, last accessed 7/25/2012

[109] Diamond (2006), p. 114

[110] Meadows et al. (1972)

[111] Meadows et al. (2005)

[112] Meadows et al. (2004), p. 5

[113] Comp. e.g. attac, an international movement campaigning for a democratic and socially just global economy or the New Economic Foundation (nef) in Great Britain.

[114] Felber (2010), Jackson (2009), Seidl and Zahrnt (2010), Wallacher (2011)

[115] Ruzicka (2011), Di Leo (2010)

[116] Comp. e.g. Fromm (1993), Galbraith (1996), Kasser (2002), Meadows et al. (2004), Schumacher (1993), Sheth et al. (2011), Stephen (2011), Wachtel (1989), Wallacher (2011)

[117] Comp. Hänggi (2012), Jackson (2006), S. 67ff, Wachtel (1989), p. 54. Where we actually stand technologically today, I learned in September 2012 in a conversation with the chief engineer of a leading automobile manufacturer, responsible for engine concepts after 2020: the internal combustion engine, which converts fuel into just 30 percent propulsion, while the remaining 70 percent are emitted, will be without alternatives even after 2020. All other drive concepts discussed, such as fuel cells, electric cars, solar and hybrid drives or range extenders, perform better only in terms of operating emissions, but even worse in terms of the overall ecological balance. However, the EU's emission targets in all seriousness relate only to operating emissions. Bafflement seems to prevail in an industry about which another leading technician once told me: *everyone is talking about space travel. But when the automotive industry starts to develop a technology, things really happen*. So much for the current state of humanity's lead technology.

[118] Weiner (1992), p. 159

[119] Kahneman and Tversky (1979)

[120] Comp. e.g. Dörner (1981), Dörner and Schaub (1991)

[121] Langer (1975)

[122] Heider (1958)

[123] On 12.1.2013, Wolf Wondratschek wrote about this in the Austrian daily, *Der Standard*, p. A12 "Coincidence is a child at play. It plays with the thoughts of those who expect something different than the inevitable, the foreseeable, the necessarily everyday things, what is merely reasonable... Coincidence behaves as if it did not know itself that it doesn't exist. It admits to itself that whatever it has to offer, it remains innocent. It pretends to be part of a plan we call fate... It is the lucky ones who believe in chance... Let the dice roll as they please? No. Coincidence? No, no. We just do not understand the law, nor the rules."

[124] See for an overview e.g. Strack (1993)

[125] Bazerman and Moore (2009), Ariely (2009)

[126] On the influence of emotions on management decisions see e.g. Zehetner et al. (2012)

[127] Rust invites us on a cheerful guided tour through the industry (1998)

[128] Banaji (2003), p. 56

[129] Comp. e.g. Foerster (1991)

[130] Adorno (1959/2006)

[131] Schneider (2001)

[132] Slovic (1987)

[133] Which, by the way, is absolutely correct! Every graduate of a statistics course knows that the calculation of the probability of a certain event depends on a *sufficient* number *of representative* observations from the past. Sometimes experts obviously do not *know* what laymen seem to *feel* at least: Intuition beats rationality!

[134] Feynman (1991)

[135] Slovic et al. (2001)

[136] Loewenstein and Lerner (2003)

[137] Comp. e.g. Gigerenzer (2007)

[138] Comp. e.g. Keller and Staelin (1987), Oskamp (1965). A literature overview is offered by Plous (1993), p. 217ff.

[139] Simon und Fassnacht (2009), p. 167

[140] Comp. e.g. Standop (1995), p. 972 or Elster (1998), p. 59. That we can escape this infinite regress in decision-making situations at all is nowadays explained with the interrupt function of emotions. How exactly this works, I would like to discuss later.

[141] Foerster (1993), p. 119

[142] In the preface to Foerster (1993), Dirk Baecker (see p. 17ff) writes of the central fascination of the observer's discovery. Numerous observers from science would prefer to delete the term again and all sciences are touched by it. On the observer problem see also Glasersfeld (1993) or Schmidt (1993, 1994).

[143] Glasersfeld (1986, 1991, 1997)

[144] In his *Copernican Revolution* (Kant 1975, p. 83ff), the great German philosopher Immanuel Kant proposes a distinction between the *world of apparitions* and *the thing in itself* and at the same time thanks the British Empirists and especially David Hume not only for this idea, but also for his awakening from an epistemological slumber.

[145] Popper (1994)

[146] Sokal (1996)

[147] Peters and Ceci (1982), p. 192

[148] "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change." See www.darwinproject.ac.uk/six-things-darwin-never-said; last accessed 7/23/2013.

[149] Dawes et al. (1989), Highhouse (2008), Tversky and Kahneman (1974)

[150] Rosenhan (1991)

[151] Postman (1992)

[152] Fiske und Taylor (1984), p. 88. See also Kuhn (1996)

[153] Foerster (1993), p. 337

[154] Koestler (1989) p. 41 refers to the method in behavioral science. But I suspect that this is a much more far-reaching problem of the sciences *themselves.*

[155] Schumpeter (1947/2005), p. 133

[156] Sterman (2009), p. 21f

[157] Stiglitz (2010), p. 160

[158] Pinzler (2010)

[159] Gummesson (2008)

[160] Broadcast on 3.9.2011 by BBC. A similar TV report is later aired by German ARD

[161] Sterman (2009), p. 6f

[162] www.uni-koeln.de/organe/presse/forsch96/china/index.htm, last accessed 11/12/2012

[163] Plous (1993), p. 217

[164] Comp. e.g. Esch (2007), Lorenz (1979), Schrödinger (1989)

[165] Townsend and Liu (2012)

[166] Loewenstein (1996), Morse (2006)

[167] Cialdini (2002)

[168] Sibony (2011), p. 4: Interview with Dan Ariely

[169] Stiglitz (2010), p. 14

[170] Schirrmacher (2013), p. 42ff

[171] Foerster (1993)

[172] ibid., p. 251

[173] Schumpeter (1947/2005)

[174] Parkinson (2005), p. 72

[175] The presentation of new packaging and advertising concepts is similar to the presentation of football coaches: they are confronted with as many experts as listeners and there is widespread imaginability.

[176] Sibony (2011), p. 5f: Interview with Dan Ariely

[177] Simon (1955, 1959, 1962, 1979). Similar considerations are presented by Reinhard Selten (comp. e.g. Sauermann and Selten 1962)

[178] The assumption that we have at least two such modes of operation, depending on the relevance of a decision, is now more or less agreed within decision research (see, for example, the dual-process models of Chaiken 1987, Petty et al. 1981 or Kahneman 2011). I, personally, assume there are four such "modes of operation" plus habitual behaviour, which in turn has nothing at all to do with *decisions* in the actual sense (see chapter 5).

[179] Freud (1917), p. 3ff

[180] Wachtel (1989)

[181] Dichter (1991), Packard (1978)

[182] Kahneman (2011)

[183] Taylor and Brown (1988), Taylor et al. (2000)

[184] Wilkinson and Pickett (2010), p. 247

[185] I understand that the representation of interests of the economy *must* take this position; otherwise it does not represent its interests properly.

[186] OECD (2011)

[187] According to Wallacher (2011), p. 125ff current economic practice simply violates the 1948 *Universal Declaration of Human Rights.*

[188] Mugler (2005), Schumpeter (1947/2005), p. 213ff

[189] Katona (1953)

[190] Shane et al. (2003)

[191] Drucker (1961), p. 29

[192] ibid., p. 28

[193] ibid. (1990), p. 139

[194] Ben-Ami (2010)

[195] Doyle (2008), p. 105

[196] Jackson (2009), p. 14

[197] Bentham (1789/1823), p. 3f

[198] ibid., p. 8f

[199] Fromm (1993), p. 115

[200] Wallacher (2011)

[201] Flanagan (2011), p. 72ff

[202] Matthieu Ricard in Goleman (2008), p. 140

[203] Fromm (1993), p. 115ff

[204] Andrade (2005), Bosmans and Baumgartner (2005), Csikszentmihalyi (2000), Forgas (2000), Isen (1984), Isen and Simmonds (1978), Isen et al. (1978).

[205] Kübler and Kessler (2003), p. 234. Tiziano Terzani (2008) tells the story of a monk who patiently gives advice to those seeking help. When Terzani asks him where he draws his strength from, he says: I have time, I'm no longer busy with myself. Gilbert (2012) mentions that according to all studies known to him, happy people are also more creative. See also case study 19.

[206] Isen (1984)

[207] Tice et al. (2001)

[208] McClure et al. (2004)

Chapter 3: Value Propositions that May not be Quite Right

[209] Goleman (2008), p. 127f

[210] Yunus (2008), p. 210

[211] Wachtel (1989), p. 284

[212] Johnson et al. (1981), p. 48. Competitions between individual athletes usually work according to the competitive pattern: even if my performance is bad, I win the competition if the other's performance is even worse. In team sports, it is more complicated: the team that cooperates internally and competes externally has an advantage. But it is clear that competition triggers two tendencies in us: (1) Increase your own performance and/or (2) weaken your opponent and/or exploit his weaknesses. Competition is therefore always a bad framework of behaviour when the *overall result* in a company is to be maximised or, in an economy, the result of a nation or, even more aggregated, the result of the planet Earth

[213] Axelrod (2009), Dean et al. (2012), Johnson et al. (1981), Kohn (1992), Sheldon and McGregor (2000). Markus Städeli reports on the master's thesis of Thomas Noll and Pascal Scherrer at St. Gallen University in the Swiss daily NZZ of 25 September 2011. They examined the behaviour of 27 professional traders, who mainly work for Swiss banks, but also for commodity traders and hedge funds. They compared their results with an existing study of 24 psychopaths in German high-security clinics and a control group of 24 "normal" persons. In the prisoner's dilemma game, professional traders were found to be much less cooperative than the control group and did even worse than the psychopaths.

[214] Ohmae (2001), p. 69. Kim and Mauborgne (2004) call it the Red Ocean Strategy.

[215] Adam Smith also dedicates a detailed article to the phenomenon of self-assessment based on comparisons with the neighbour, thereby providing the first comprehensive *theory of social comparison* processes I know of (Smith 1759/1777).

[216] That is why economists are now seriously integrating a *Keeping Up With the Joneses* factor in order to add this facet to their utility function (Abel 1990).

[217] Binswanger (2006), p. 372

[218] Solnick und Hemenway (1998)

[219] A quote, often assigned to Darwin, but in fact by Herbert Spencer.

[220] Kohn (1992)

[221] Comp. Stützel (1953/1979; 1958/2011); also known as the *Fallacy of Composition*. The term *composition* results from the erroneous assumption that a group of rationally acting individuals automatically should act rationally as a group, i.e. in the interest of the group, or that maximum self-interest adds up to maximum group benefit (vgl. Hardin 1982, p. 2ff)

[222] Hirsch (1977), p. 5. Of course, there is also the hope that one does not only move up a bit in one's stratum, but that one makes the big leap into new dimensions, that one earns relatively more than absolutely more, so to speak. Kahneman et al (2006), for example, use this transit effect as an argument. One has to bear in mind, however, that a so-called nouveau riche man quickly adapts his standards and subsequently compares himself with the class he has risen to, and no longer with his former mates—a popular motive in literature. The upper class, on the other hand, has no joy with constant newcomers, because this worsens their relative position. Presumably, distinctions such as Old aristocracy vs. civil servant nobility vs. foot people or just Old money vs. nouveau riche vs. mass stem from such downward differentiation efforts.

[223] Frank (1985), p. 121, Frank (2011)

[224] Kübler-Ross und Kessler (2003), p. 236

[225] What we have called a Pyrrhic victory since King Pyrrhus' dubious victory. However, Pyrrhus realised that he had not actually won and could no longer afford a second such "victory". We, however, largely lack this insight, namely that we can no longer afford to continue our battles.

[226] In Austria we have an interesting phenomenon: some owners of lakeshore properties, which belong to a very small, privileged minority anyway who also largely block the public's access to the lake, are apparently not quite satisfied; yet they backfill the shore with soil to possess even more lake land. An end was put to this mess by means of satellite pictures, otherwise people would have continued their activity, until perhaps all would have met in the middle of the lake to determine that they had lost their lake.

[227] Karbasch (2011). For a relevant study in the USA, see e.g. Gentry et al. (1997)

[228] At the time of the study, spring 2011, these were, simply put, Monday to Friday 6 am–9 pm, Saturday 6 am–6 pm, Sunday was closed. There were exceptions for restaurants and tourist businesses. Similar regulations applied at that time in Germany, Liechtenstein, Switzerland and Italy, but with regional differences. In Slovenia, only some types of shops were allowed to open on Sundays. In the Czech Republic, Slovakia and Hungary the opening hours can be freely chosen by the company.

[229] Tanguay et al. (1995)

[230] Bofinger (2011), p. 32

[231] Kohn (1992)

[232] Doyle (2008), Engesser (2003)

[233] Shah et al. (2006)

[234] Doyle (2008), Kotler et al. (2010), S. 445

[235] Hamel (2011)

[236] Karner (1995)

[237] Porter and Kramer (2011)

[238] Parkinson (2005), p. 14f

[239] Comp. e.g. Drucker (1990)

[240] For example, Wilkinson and Pickett (2010) cite a study according to which NPOs have on average of 11 percent lower costs than FPOs. They draw the conclusion that the efficient management of an organisation is one thing and that business organisation theory is a different one.

[241] Stiglitz (2010), p. 243

[242] Klamer and van Dalen (2002)

[243] The basic rule in the academic world resulting from the nonsense of the importance of the publication list's length is: *Publish or Perish.*

[244] According to Steinmann and Schreyögg (1997), *efficiency* refers to the activity of individuals in an organisation, *effectiveness* to the common organisational purpose.

[245] Rick and Loewenstein (2008)

[246] Ascheron (2007), Martinson et al. (2005)

[247] In February 2011, the then German Defence Minister, Karl-Theodor zu Guttenberg, had to resign because considerable parts of his doctoral thesis were proven to be plagiarism. In his and her defense, chancellor Merkel pointed out that she had not hired him as research assistant. Anette Schavan then Minister of Education a year later finds herself accused of plagiarism as well.

[248] Kohn (1992), p. 48

[249] Herman E. Daly in his preface in Jackson (2009), p. xii

[250] Hardin (1968)

[251] ibid., p. 1245

[252] For the discussion *Public vs. Private* see in particular Musgrave (1959). Priddat provides an up-to-date overview of the current status of the discussion (2008).

[253] In industrial fishing, the motto—also supported by the EU—has long been: deplete stocks! Meanwhile, the EU seems to be showing some insight and issues fishing quotas. On 9.29.2012, the Austrian daily Der Standard reported that fishing quotas not only give fish population a chance to recover but have even improved the profitability of fishing in Europe. Thus the trained capitalist needs to be protected by law from his own greed. The fact that catch quotas regulate one problem in order to create another, namely that of so-called by-catch, merely shows once more that regulations alone remain futile without working on the human dimension.

[254] Cf. Sheth et al. (2011) or. www.footprintnetwork.org, last accessed 7/23/2013.

[255] www.epa.gov/climatechange/science/future.html, last accessed 4/23/2013.

[256] Ostrom (2008), p. 6.

[257] Hirsch (1977), p. 27ff, distinguishes between *material economy* and *positional economy*, with the latter based on the principle that the more others can be excluded from the possession of goods, the more enjoyment those goods provide.

[258] Smith (1776/1991), p. 11

[259] Sheldon and McGregor (2000). See also Case study 4

[260] Kasser and Ryan (1993), Klusmann et al. (2005).

[261] Kasser and Ryan (1996)

[262] For years lobbyists in Brussels have been trying to liberalise drinking water supply throughout the EU and hand it over to profit economy (Lauber 2006). Recently, a first step in this direction has "succeeded" by means of a capital-friendly EU directive, as reported by attac on its website (www.attac.at/news/detailansicht/datum/2013/01/20/attac-unterstuetzt-europaeische-buergerinitiative-wasser-ist-menschenrecht.html, last accessed 4/22/2013). According to attac, the EU also urges countries such as Portugal or Greece to privatise as much as possible, including their water supply (ppp-irrweg.de/index.php?id=12037, last accessed 4/22/2013). According to Yunus (2010), p. 136, in 2010 one fifth of the world's population had no access to potable water; by 2025, the shortage could already affect half of the world's population.

[263] Galbraith (1969), p. 141f

[264] Schirrmacher (2013)

[265] Yunus (2008), p. 207, p. 211

[266] Schirrmacher (2013), p. 61

[267] Goldman Sachs seems to have a particularly "golden" hand. One likes to help a US presidential candidate financially, almost unselfishly, to be on the safe side, both parties (in the USA there are only two political parties, which makes the necessary opportunism cheaper). Then it should be possible to appoint the Minister of Finance in any case. Under Bill Clinton, a Democrat, they served by providing Robert Rubin, while under Republican George W. Bush Jr. GS were able to help out by providing Henry Paulson, who in turn sent Neel Kashkari into the race to distribute a $700 billion public money rescue fund. You can truly rely on Goldman Sachs (comp. Wickert 2011).

[268] www.mckinsey.com/insights/strategy/playing_war_games_to_win, McKinsey Quarterly, March 2011, last accessed 7/20/2013.

[269] Gale (1994)

[270] Galbraith (1996)

[271] I mean literally men because we men, apparently it is testosterone related, are more susceptible to principles such as competition, prey making, risk taking, while women are more guided by principles such as empathy, emotionality, relationship or care due to estrogen (Gray 1998). In this respect, it can be assumed that a society based on self-interest and mutual exploitation is a society developed by men, while a new economy of economising and mutual consideration could be guided by female principles. We will see later that the maternal capacity for love and sacrifice towards one's own child provides us all with the appropriate quality to do something for ourselves by doing something for others and that altruism promotes our satisfaction more than the fearful attempt to get the most out of it for ourselves.

[272] Machiavelli (2011)

[273] Arnim (2001)

[274] 3sat, 20.31.2012, 22:25, Apology of an Economic Hitman - documentary film by Stelios Koul, USA 2008, also see www.youtube.com/watch?v=FfWcZJtP6NI, last accessed 6/3/2014.

[275] Similar findings: Erwin Wagenhofer in his documetary film: *Let's Make Money.*

[276] www.amnesty.at/informiert_sein, last accessed 7/20/2013

[277] Christoph Prantner in Der Standard print edition 7/20/2013

[278] "The American Way of Life Becomes the Global Way of Life" (Kast 2012, p. 165)

[279] Transparency International (2011)

[280] See also Sachs (2011)

[281] This is Smith's original idea in *The Wealth of Nations* as well as Ludwig Erhard's promise (1957/1964) in his book with the same title.

[282] OECD (2011)

[283] Kast (2012), p. 87ff

[284] Stiglitz (2010)

[285] Ostrom (2008)

[286] Referring to the *Occupy-Movement* in the USA.

[287] Current figures on the distribution of wealth in the USA to be found here: Sachs (2011)

[288] Frick and Grabka (2009), p. 55

[289] Fessler et al. (2012)

[290] European Central Bank (2013), p. 73

[291] Galbraith (1996), chapter “The Distribution of Income and Power”, p. 59ff

[292] Smith (1776/1991), p. 513

[293] Der Standard, 7.23.2012, derstandard.at/1342947315776/Warum-die-Schweiz-keine-Steueroase-mehr-ist, last accessed 7/19/2013

[294] Stewart (2012): Wealth doesn’t trickle down – it just floods offshore, research reveals. In The Guardian, 7/23/2012; Online unter http://www.guardian.co.uk/business/2012/jul/21/offshore-wealth-global-economy-tax-havens, last acccessed 7.24.2012.

[295] www.worldbank.org/html/extdr/mdgassessment.pdf, last accessed 4/11/2013

[296] www.format.at/articles/1224/931/331020/die-eurozone-schuldenberg-8-22-billionen-euro, last accessed 5.22.2013.

[297] The Austrian population’s assessment of the future prospects of our youth was recently investigated by market Linz. The opinion of respondents summarised in one sentence: They are in for a poor legacy! www.market.at/de/market-aktuell/news/entity.detail/action.view/key.918.html, last accessed 7/24/2013.

[298] Wilkinson and Pickett (2010), p. 225

[299] Wilkinson and Pickett (2010), fig. 2.3, p. 21.

[300] As we have already heard, according to the very latest figures from the European Central Bank (ECB), Austria and Germany are already further to the right in the graph (more inequality) and should therefore already be confronted with higher social and health problems and costs.

[301] Katona (1964), p. 9ff

[302] Sachs (2011)

[303] Stiglitz (2010), p. 246f

[304] Friedman does not even seem to realise that he contradicts himself, because for him the manager is already a first servant with no rights of his own, an agent of the principal and nothing else.

[305] Sachs (2011), Stiglitz (2010)

[306] Wickert (2011)

[307] Moser and Lietaert (1012)

[308] And yet Stiglitz (2010, p. 294) sees little chance for America to free itself from the clutches of the electoral donors and lobbyists and to return to a vision of all Americans.

[309] derstandard.at/1360161300194/Massives-Lobbying-gegen-Datenschutzverordnung, last accessed 10/17/2013.

[310] euobserver.com/food/113524, last accessed 4/10/2013.

[311] Wachtel (1989), p. 269

[312] Sachs (2011), Schweizer (2011), Steingart (2011)

[313] Sen (1988), p. 271

[314] geert-hofstede.com, last accessed 7/20/2013.

[315] Kohn (1992)

[316] www.stern.de/wirtschaft/news/unternehmen/ueberwachungsskandal-lidl-muss-millionen-strafe-zahlen-638756.html, last accessed 12/22/2013.

[317] But this is not just about the dependency farmers get into when they opt for Monsanto seeds. It is also about standardisation, about the eradication of diversity. Global 2000 and Arche Noah point to the bird's eye view of the problem in an e-mail of 11/8/2013: people in Europe are afraid that the diversity of animals and plants on our planet is going to disappear (ec.europa.eu/public_opinion/fl_379_fact_at_en.pdf), but the EU Commission in its search for a proposal on the EU Seeds Regulation is advised by representatives with a close relationship to companies such as Monsanto, Pioneer, Bayer or BASF (www.alter-eu.org/sites/default/files/documents/Broken_Promises_web .pdf). Therefore, we should not continue to be so “childish” as to want diversity: www.youtube.com/watch?v=hze1gvU-luSU&list=UUMGJYiGyBnQ2pxytuFaFuoQ, all sources last accessed 11/11/2013.

[318] www.fastfoodmarketing.org/media/FastFoodFACTS_Report.pdf, last accessed 11/10/2013.

[319] Exceptions are those media that are sometimes also labelled as quality journalism, where the wall between the editorial and advertising departments remains intact, and those that do not even accept advertisements in order to remain objective, such as the magazine Der Konsument.

[320] Terzani (2008), p. 390

[321] The phenomenon originally referred to as *endowment effect* after Thaler (1980) is sometimes also translated as *property effect* (Simon and Fassnacht 2009, p. 156).

[322] Kahneman and Tversky (1979), Tversky and Kahneman (1991)

[323] Stiglitz (2010)

[324] On April 20, 2010, in the course of an attempt to drill for oil in ever deeper waters, there was a fire on the *Deep Water Horizon* drilling platform, in which eleven workers died. The borehole at a depth of around 1,500 m could not be sealed for a long time. Massive amounts of oil poured out and caused a gigantic oil spill in the Gulf of Mexico, one of the worst man-made environmental disasters ever.

[325] Compare the corresponding discussions at Jackson (2009), p. 4, Sheth et al. (2011), p. 27, Wachtel (1989), p. 87.

[326] Gilder (1981), p. 17

[327] Yunus (2008), p. 209 estimates that 7-10 per cent of China‘s GDP is due to environmental pollution.

[328] For more detailed discussion and alternative measurement approaches see, in particular, Stiglitz et al (2010), but also Jackson (2009), the Henderson Quality of Life Indicators (Kasser 2002), Stiglitz (2010), the OECD Beyond GDP Initiative, diverse publications of the New Economic Foundation (www.neweconomics.org, last accessed July 23, 2013), the NWI (Wallacher 2011), Guidelines for National Indicators of Subjective Well-Being and Ill-Being, reprinted in Oswald (2006).

[329] Brandstätter et al (2010). The considerations of the Bernoulli brothers at that time relate to a phenomenon that we have already mentioned, namely that we cannot well imagine exponential progressions and therefore underestimate them.

[330] Bofinger (2011)

[331] Hutter (1992)

[332] Fromm (1993), p. 87

[333] See specifically Easterlin (e.g. 1974, 2001, 2006), and also e.g. Inglehard et al. (2008), Layard (2006).

[334] Comp. Oswald (2006) and the title of his contribution: *The Hippies Were Right all Along about Happiness*. Wachtel (1989) dedicates some space to the subject. He asks how it can be that this movement goes down without any ado or fuss. There are still all these books about a new age. But today they stand almost without contradiction next to those in which one learns how to become unimaginably rich. Wachtel’s guess: according to the way of thinking of the learned member of a Western consumer culture, the hippies’ expectation is that a revolution in society can be achieved with a few songs and festivals. However, it turns out that social change is arduous. This is why the 1960s movements lost their desire for transformation. In addition, some of the flag-wavers of the movement—in particular he mentions Bob Dylan—find out that being rich is not so bad and that the revolution might as well be postponed once more. Wachtel also claims, however, that an exact study of this movement and its failure is helpful if we want to establish post-consumerist society so as not to fall into the same traps, especially that of becoming a slave to one’s possessions.

[335] On the so-called *Pendler-Paradoxon (Commuter Paradox)* —especially in Germany, country of commuters—see Kast (2012), p. 236f

[336] Sheth et al. (2011). For the sake of completeness, I would like to note that the *marginal utility hypothesis* is not contradictory to the *hypothesis of subjective well-being (SWB)*, because marginal utility can also become negative. The two hypotheses are therefore discussed separately for reasons of contrast only.

[337] Wachtel (1989)

[338] Kast (2012), p. 96ff. Attention deficits now have a name; the corresponding clinical symptoms are called *attention deficit hyperactivity disorder* (ADHD) (Türcke 2012). Bas Kast adds that due to the *information overkill* all of us suffer from in one form or another the formula applies: prosperity = ADHS because more prosperity also means more (over)-information (Kast 2012, p. 203f, in part. graph p. 204).

[339] Iyengar and Lepper (2000)

[340] ibid., p. 996

[341] Binswanger (2006)

[342] Opportunity costs are the sum of all costs of all rejected options. In the simplest case we have two products and we have to choose one of them. If we go to the cinema and find that there are two attractive films on, we have to choose one of them, thereby giving rise to *costs* because we cannot see the other film.

[343] On this topic see also Broydrick (1996), Chernev (2006), Kollmann and Simperl (2004), Rudolph and Schweizer (2003), Schwartz (2004).

[344] Die Zeit, issue 35/2009, p. 54

[345] www.news.at/a/automobilbranche-mehr-auto-rueckrufe-verkaeufe, last accessed 7/16/2013

[346] Wachtel (1989)

[347] Sterman (2009)

[348] Bauer (1960), Katona (1953), Cialdini (2002)

[349] But this perspective is also used to exercise pressure. One of those keynote speakers at conferences once explained to us participants the *relativity* of speed in an economy that is, of course, changing at a *rapid* pace: two men are on the run from a lion. Suddenly one puts on his trainers while the other asks in amazement: "Do you really think you will be faster than the lion just because you're wearing trainers now?" And the other one replied: "I don't have to be faster than the lion, I just have to be faster than you!" There is something true in this, and it has to do with our relative position in the herd. But how quickly would the meaning of this story change if we heard that it was about father and son or two friends? Would they ever think like that, would they want to think like that?

[350] Critical contributions on Benchmarking can be found here: Campbell (1999) or Pfeffer and Sutton (2006).

[351] Hotelling (1929)

[352] ibid., p. 54

[353] Wachtel (1989), p. 18

[354] epp.eurostat.ec.europa.eu, last accessed 9/22/2013; www.census.gov/population/projections/data/national/2012.html, last accessed 11/20/2013.

[355] wko.at/statistik/jahrbuch/2011_Deutsch.pdf, last accessed 10/17/2013

[356] Manyika (2011)

[357] Schor (1991), Schor et al. (2012). A corresponding initiative was recently launched by the *New Economic Foundation (NEF).* Keynes (1930/2009), p. 199, estimated that the weekly working time still required by 2030 would be about 15 hours.

[358] see the aforementioned too-big-to-fail factor.

[359] wko.at/statistik/jahrbuch/2011_Deutsch.pdf, last accessed 10/17/2013

[360] comp. e.g. Webster (2002)

[361] As we have already seen, decision-making time is not only increasing rapidly for end consumers with increasing complexity, but same applies to corporate decisions. Cf. Foscht and Swoboda (2011), p. 288 ff.

[362] Canbäck et al. (2006), Pfeffer and Sutton (2006, 2006a), Sterman (2009)

[363] Day and Montgomery (1983), Gale (1994)

[364] Malik (2003), Raisch et al. (2010)

[365] In this context, José Ignacio López de Arriortúa, a merciless cost-cutting and savings master, is making the supply industry desperate, first with Opel and then with VW. The Spiegel (32/1997, p. 88) subsequently gives him the title "Würger von Wolfsburg" (The Wolfsburg Strangler). When we talk about the *López effect* in business circles today, some people think of the fantastic cost-cutting potential in procurement and others of the climate, the brutalisation of morals and the negative effects of such a policy on product quality and image (www.faz.net/aktuell/wirtschaft/automobilzulieferer-systemlieferanten-werden-fuer-autohersteller-immer-wichtiger-131806.html, http://www.focus.de/auto/news/tid-26524/ruecktritt-strackes-in-der-krise-opel-stirbt-einen-tod-auf-raten_aid_781564.html, both last accessed 12/19/2013)

[366] According to the economic basic theory of subjectively expected utility—SEU.

[367] Kohr (1983), p. 42

[368] Schumacher (1993)

[369] Simon (1996)

[370] Schumacher (1993)

[371] Karner (1995), (1996)

[372] Drucker (1961), p. 37

[373] ibid. (1990), p. 62

[374] In the 1980s, a corresponding *outsourcing movement* began to take hold. As a result, the so-called *Original Equipment Manufacturers (OEMs)*, i.e. a car brand, nowadays still produce 20 percent themselves, i.e. only what they really can do better than anyone else. The remaining 80% they purchase from suppliers (Vitale et al. 2011). A pioneering article on this topic was written by Prahalad and Hamel (1990).

[375] Canbäck et al. (2006)

[376] Karner (1995, 1996)

[377] I admit, however, that I do not yet fully understand this market phenomenon. I understand when a company tries to cover several market segments at the same time using a multi-brand strategy. For example, Mars Inc. offers Pedigree, Whiskas, Cesar, Nutro and Sheba cat food for various needs and segments. However, there are also companies that, in my opinion, no longer apply such internal competition to different but to the same target group, such as the Saturn and Mediamarkt retail chains belonging to the Metro Group. Here, the use of scope effects is deliberately avoided. Except for a few more or less funny attempts to seem to bully each other in comparative advertising and thus simulate fierce competition, where in reality there is monopoly-like harmony, I have not yet found an economically sensible reason for this business model.

[378] Wilson and Perumal (2010), p. 27ff

[379] Gottfredson and Aspinall (2005)

[380] Broydrick (1996)

[381] Raisch et al. (2010)

Chapter 4: Satisfaction

[382] Interestingly, psychology and marketing developed in opposite directions when conceiving the concept of satisfaction. *Marketing* proceeds quite naturally from the satisfaction-increasing effect of the economy and now begins to timidly discover its dark sides. *Psychology*, on the other hand, was for a long time more interested in human dissatisfaction in order to recently allow for a more positive image of man—at least this is the concern of the representatives of *positive psychology*—cf. e.g. Seligman and Csikszentmihalyi (2000).

[383] For an overview see, e.g. Urry et al. (2004)

[384] Loewenstein (1996)

[385] Angelika Hager published her book "*Nur Idioten sind glücklich"* (Only Idiots are Happy) in 2009. In the Austrian weekly magazine Profil, issue 41 (2012), p. 86f, she spoke of the terror of positive thinking or the feeling-good-at-all-times-industry, to which, along with the luck-mongers, one should give the middle finger.

[386] Wachtel (1989), p. 112. Arnold Retzer (2012) in his book "Miese Stimmung" (Bad Mood) points out that positive thinking can also lead to stupefaction and blindness and that we could hope ourselves to death.

[387] Kraigher-Krainer and Peherstorfer (2010)

[388] Ryan and Deci (2001)

[389] E.g. Diener et al. (1999)

[390] See e.g. Kahneman et al. (2004), Kahneman and Krueger (2006), Kahneman et al. (2006)

[391] Flanagan (2012)

[392] Of course, this does not apply to data that do not come into question as a *dependent variable*, such as age.

[393] For an overview, see e.g. Csikszentmihalyi and Csikszentmihalyi (2006), Diener (2000), Diener et al. (1999), Gilbert (2007), Kahneman et al. (1999), Lane (2000), Layard (2006), Myers (1993, 2001), Nickerson et al. (2003).

[394] Gilbert (2012)

[395] Other important contributions are a politically stable environment, a job, and a sense of control over one's own satisfaction (Reich et al 1994).

[396] Gilbert (2012), p. 90

[397] Easterlin (1974), p. 119

[398] Easterlin replicates these findings several times (e.g. 2001, 2006). Boyce et al (2010) currently come to very similar conclusions.

[399] Kahneman speaks in a TED lecture in 2010 of US$ 60,000 annual gross income in the USA (www.ted.com/talks, last accessed 10/18/2013). Layard (2006), p. 33 estimates the international value at US$ 20,000 per capita income.

[400] Pinzler (2010)

[401] The statements of my Korean students largely coincide over three semesters, but also with Choi et al. and a report by Ha-Joon Chang in *The Guardian*, 1/4/2012.

[402] OECD (2012)

[403] According to the OECD (2011a), South Koreans work 30 percent more than the OECD average.

[404] OECD (2011a), dx.doi.org/10.1787/suicide-table-2012-1-en, last accessed 4/16/2013)

[405] E.g. Kahneman et al. (1997), Solnick and Hemenway (1998). Michalos (1985) offers a review on this topic back to ancient Greece.

[406] François Lelord (2010) in his novel writes about Hector, a French psychiatrist in pursuit of happiness; he is unable to find a seat in the economy class and to his great delight, he is allowed to fly Business Class. He meets another passenger there who seems less pleased. It turns out that this guest was once allowed to fly in first-class and Business Class, by comparison, is thoroughly disappointing. Two people are satisfied or dissatisfied by the same fate and from this Hector derives the first rule at the beginning of his long journey in search of happiness: Comparisons can spoil your happiness.

[407] e.g. A Theory of Social Comparisons (Festinger 1954), Level of Aspiration Theory (Gardner 1940, Festinger 1942), Adaptation Level Theory (Helson 1964), Expectation Disconfirmation Theory (Oliver 1980, Michalos 1985), Motive Theory (Maslow 1987), Field Theory (Lewin 1982), Satisfaction Theories (Easterlin 1974, Schwarz and Clore 1983, 2003), Schema Theory (Piaget 1957), Assimilation-Contrast-Theory (Sherif und Hovland 1965).

[408] e.g. relative income hypothesis and relative benefit function in Duesenberry (1949), Level of Aspiration Theory applied to economic issues (Simon 1955, 1959, 1962, 1979), insights into contextual benefit assessment effects such as reference points, anchoring, framing and focusing (Beckmann and Mattenklott 1993, Bettman and Zins 1977, Kahneman et al. 2006, Kahneman and Tversky 1979, Tversky and Kahneman 1991), or customer satisfaction research (Campbell and Goodstein 2001, Matzler 2000, Matzler and Hinterhuber 1998, Parasuraman et al. 1985, 1988, 1994). Kano et al (1984) differentiate—at least according to the translation from Japanese by other authors—further into *basic* qualities that make us dissatisfied when they are expected but not offered, *performance* qualities that make us all the more satisfied the more they are available and *excitement* qualities that do not make us dissatisfied when they are missing, because we did not expect them in the first place, but they excite us when offered.

[409] Cf. Powers (1973); the model is based on Norbert Wiener‘s (1948) cybernetics; an attempt at integration into behavioural science is found in Carver and Scheier (1990).

[410] The dominant view in behavioural science, however, is that the targeted action itself already contains sufficient indications of successful implementation, most prominently the classical stimulus - organism - response - model, or in short SOR model.

[411] Powers (1973), p. 356

[412] For example, a violinist might ask how to tune his instrument and a lower-order control loop would tell him that the string needs to be tensioned. *How* this is done is answered in the levels below. The violinist could also ask *why* he is putting his hand to the peg, and a higher level would answer that the violin should be tuned. If the violinist should continue to ask *why* the violin ought to be tuned, the answer from a higher level would be: *because we want to learn to play this instrument.*

[413] Kaplan (1972)

[414] Powers (1973), p. 352, fig. 1

[415] Maslow (1987)

[416] Unfortunately, the terms used for reference values have not yet been standardised. The literature talks of, for example, reference and anchor points, beliefs, goals, scripts, mental representations, schemes, levels of comparison, aspiration levels, expectations, attitudes, values, hopes, standards. But they all seem to refer to different levels or even the same hierarchical level so sufficiently described by Powers' hierarchical model (Kraigher-Krainer 2007).

[417] This applies in particular to our everyday experiences. According to Gilbert (2012), a maximum adaptation period of 3 months is now assumed. There are, however, certain living conditions we will not get used to for many years or not at all, such as the loss of a loved one—just think of Josef Schumperter's long suffering after he lost his mother, wife and child in one year; or of unemployment or a serious illness—see e.g. Diener and Oishi (2005).

[418] Brickman et al. (1978). Kahneman et al. (1997) explain this overestimation by the fact that people focus on the process of changing living conditions and not on the final state.

[419] Brickman and Campbell (1971)

[420] Binswanger (2006) discusses a total of four treadmills: the *hedonic*, mentioned above; the *positional*, which we will discuss in a moment; the *time-saving* treadmill, according to which we buy products to save time, but then use these products more often and intensively and the *multi-option* treadmill, which we have already learned about under the term of *paradox of choice*.

[421] The results of hemisphere research usually refer to right-handers.

[422] Flanagan (2011), p. 38ff, Goleman (2008), p. 479ff, Pizzagalli et al. (2005), Urry et al. (2004)

[423] Reich et al. (1994)

[424] Urry at al. (2004), p. 370

[425] Duesenberry (1949)

[426] Wills (1981), Buunk (2007)

[427] Z.B. Duesenberry (1949), Festinger (1954)

[428] Michalos (1985)

[429] Reinhard Selten is a game theorist, Nobel Prize winner in economics and, like Herbert Simon, believes that man can only be rational to a limited extent and that economic decision theory is therefore built on sand.

[430] Kohr (1983)

[431] Kasser (2002), p. 48

[432] Maslow (1954/1987), p. 17ff

[433] Maslow (1954/1987), p. 17ff

[434] I take this from the fact that I know of no other topic—and certainly not a psychological topic—with which business students are as familiar from the first semester on as Maslow's Hierarchy of Needs.

[435] Maslow is considered one of the first representatives of *humanistic psychology*, the only ray of hope in a behavioural theory dried up by behaviourism and cognitive psychology. But Maslow himself later realises how misleading the term seems to be and that it does not promote the intended idea of an altruistic, social and devoted being, but the exact opposite: the idea of the selfish loner (Maslow 2011, p. 5).

[436] Veblen (1899/1915)

[437] According to the Internet, the quote seems to be by Alexander von Humboldt. I first read it in George Katona (1964, p. 57) and it is undoubtedly dead-on.

[438] Groesz et al. (2002), p. 12

[439] According to Etcoff et al. (2004), 48 percent of the 3,200 women from 10 countries surveyed agree with the statement "If I feel less beautiful, I feel worse overall".

[440] Aalto (2012)

[441] In hindsight, however, we conclude that bodybuilding is perhaps not the most suitable sport to trigger identification and the desire for imitation in men; sports such as swimming or basketball might have been more suitable, because firstly, the gap between one's own muscles and those of the athlete is less wide and secondly the goal may be more desirable.

[442] Market (2010), p. 3

[443] See "The Real Truth about Beauty", conducted in May 2010 on behalf of Dove, www.dove.at/de/Tipps-Themen-and-Artikel/Tipps-and-Rat/Die-ganze-Wahrheit-uber-Schonheit.aspx, last accessed 4/9/2013.

[444] See, for example, the literature reviews of Khalifa (2004), Sánchez-Fernández and Iniesta-Bonillo (2007).

[445] E.g. Beatty et al. (1985), Csikszentmihalyi and Csikszentmihalyi (2006), Rokeach (1973), Schwartz (1994), Schwartz and Bilsky (1987, 1990).

[446] Cf. Allen and Ng (1999), Corfman et al. (1991), Csikszentmihalyi (2000), Holbrook (1999), Holbrook and Hirschman (1982), Homer and Kahle (1988), Kahle et al. (1986), Kahle and Xie (2008). In this context, the method of means-target analysis should also be mentioned, which attempts to establish a connection between product properties and consumer values, cf. Gutman (1982), Olson and Reynolds (2001), Valette-Florence and Rapacchi (1991).

[447] Drosdowski et al. (1963), p. 762

[448] Csikszentmihalyi and Csikszentmihalyi (2006)

[449] Urry et al. (2004)

[450] Reich et al. (1994)

[451] that is how Jackson (2009, p. 1) defines prosperity.

[452] Kahle and Xie (2008), p. 575

[453] Berger and Luckmann (1996)

[454] Kasser (2002), p. 23ff

[455] See e.g. Deci uad Ryan (1985), Ryan and Deci (2000a, 2000b), Schmuck et al. (2000)

[456] Rokeach (1973)

[457] Schwartz (1994), p. 24, fig. 1; see also Schwartz and Bilsky (1987, 1990)

[458] Holbrook (1999)

[459] Berlyne (1960)

[460] MacLean (1989)

[461] The fiction on this—mostly from the consulting industry—is practically unmanageable. It is about the secrets of our limbic system, the discovery of hidden places, the mystification of the brand, the staging of metamorphosis and the like.

[462] Fiske and Taylor (1984) as well as Garbarino and Edell (1997) speak of the cognitive miser, Rudolph and Schweizer (2003) or Esch and Rutenberg (2004) of mental convenience. Sheth (1983) criticises the fact that trade is limited to price savings for customers, when people in developed consumer societies often lack time rather than money.

[463] Sheth et al. (2011)

[464] Mummendey and Bolten (1993)

[465] Holbrook (1999), p. 15f, Solomon (1999)

[466] Keynes (1930/2009), p. 197

[467] See also the already mentioned body image research. For information on the positional value of products, see, for example Duesenberry (1949), Galbraith (1969), Hirsch (1977), Jackson (2009), Oliver (1999), Veblen (1899/1915), Woodruff and Gardial (1996).

[468] Heider (1958), Ryan and Deci (2000, 2000a)

[469] Kübler-Ross (1994), p. 81f

[470] Csikszentmihalyi (1990)

[471] Schwartz (1994), p. 24, fig. 1

[472] Brain research has long held that after birth the central nervous system can no longer produce new cells (Goleman 2008, p. 473).

[473] Goleman (2008), p. 60. In Tibetan language called *lä-su-rung-wa* according to Yongey Mingyur (2007), p. 63.

[474] Holbrook (1999a) assumes that only experiences and adventures are a goal at all, while objects are always a means to this goal.

[475] The vernacular offers a rich repertoire of disparaging vocabulary for an opportunist's behaviour. The term networking is supposedly intended to give this trait new charm.

[476] Lane (2000)

[477] Belk (1985) p. 265

[478] Brown et al. (2009), Kasser (2002, 2006), Kasser and Ahuvia (2002), Kasser and Ryan (1993, 1996), Kasser and Sheldon (2000), Schmuck et al. (2000). See also Wachtel (1989), chapter *Vicious Circles.*

[479] Nickerson et al. (2003)

[480] Richins and Dawson (1992)

[481] In research we speak of *mood* when an emotion lasts longer, for example days, and also characteristically can no longer be assigned to a certain event or object. The influence of such moods without reference to anything specific (*extraneous mood*) on our thinking and acting is the subject of intensive research efforts; see for example in an overview Bosmans et al. (2005), Lerner et al. (2004).

[482] Lerner et al. (2004) point out that events that trigger massive mourning, such as the terror attack on the World Trade Center on September 11, 2001, may have a purchase stimulating effect.

[483] Kahn and Isen (1993)

[484] Lerner et al. (2004)

[485] Cryder et al. (2008)

[486] Kahneman and Tversky (1979), Thaler (1980), Tversky and Kahneman (1991)

[487] Fröhlich (2012)

[488] Cf. Liu et al. (2012), Vohs et al. (2006, 2007, 2008)

[489] Vohs et al. (2006)

[490] Curbat (2012)

[491] Yordanova (2013)

[492] Anderson (1968)

[493] This book by Erich Fromm (1993) was first published in 1976.

[494] Twenge and Campbell (2009)

[495] Arnim (2001)

[496] Prisching (2009)

[497] Liessmann (2006), p. 174

[498] E.g. Hackl-Grümm (1997)

[499] www.babylon.com, last accessed 12/19/2012

[500] Kohn (1992), p. 2

[501] Christoph Türcke (2012) indeed detects the hyperactive fidgety-person society, in which, for example, attention-deficit students can no longer listen for 90 minutes without a break.

Chapter 5: Paths to Unhappiness

[502] Kraigher-Krainer (2000, 2007, 2012, 2012a), Zehetner et al. (2011). ECID stands for **E**motion, **C**ognition, **I**nvolvement, **D**ecision.

[503] The nerve pathways leading to the brain include the outer senses of sight, sound, taste, smell, outside temperature, but also our inner senses such as position in space, pain receptors, body temperature, blood sugar, sense of time, etc. The dotted line does not actually symbolise the environment outside the body, but the environment outside the *central nervous system* with the interfaces of *afferent* and *efferent* nerve pathways.

[504] E.g. Abelson (1981), Howard and Sheth (1967), Katona (1953), Katona and Mueller (1955), Olshavsky and Granbois (1979). Recently, the sector of Life Counsellors has also been interested in this powerful behavioural programme, see e.g. Duhigg (2012), Fiore (2007), Grunburg (2010), Hodge (2003).

[505] Derbaix and Vanhamme (2003), Vanhamme (2000)

[506] Also referred to by some authors as unlearning, an important basis for behavioural change and a central topic in knowledge management and organisation theory, see e.g. Argyris (1977), Kriegel and Brandt (1996), Lewin (1947), Schneider (1996), Yunus (2011).

[507] Stiglitz (2010), p. 1, for example, comments on the events of the 2008 financial crisis as follows: "The only surprise about the 2008 economic crisis was that it surprised so many."

[508] Both the concept of emotion and the concept of motive can be derived from the Latin word *movere*, which (also and in particular) means to move *forward*, but also to move *away*.

[509] The neuronal equivalent of the emotional accelerator could be the *nucleus accumbens* and that of the cognitive brake pedal could be the *prefrontal cortex*; cf. e.g. Gilbert and Wilson (2009), Morse (2006).

[510] E.g. Deci and Ryan (1985), Ryan and Deci (2000)

[511] Iyengar and Lepper (2000)

[512] Heider (1958)

[513] Harrison and March (1984) speak of post-decision surprises.

[514] But every day I notice that despite many years of studying buyers, I am far from immune to these techniques.

[515] Esch (2007)

[516] Knowlton and Squire (1994). Interesting hints are provided here by the studies of so-called savants, especially with the ingenious Kim Peek, who also provided the idea for the film Rain Man (Snyder 1997, 2001).

[517] Trout and Rivkin (1996). Antonio Damasio (e.g. 2000) developed the hypothesis of somatic markers: Above all, we remember things that touch us emotionally. And there is truth in that: almost all my students can remember exactly where they were and what they were doing when they heard about the attacks in NYC on September 11, 2001 and I can still remember exactly where I was and what we did when, as a child, I heard about the death of Styrian Formula 1 driver Jochen Rindt. But please do not ask me what I did that night or the next day.

[518] Krech et al. (1992), Lorenz (1979)

[519] Isen et al. (1978)

[520] Depending on the medium, the degree of information overload—the part of information that is no longer consciously used or requested—is now estimated at 93 to 99.9 percent. The number of brands in circulation has quadrupled in the last 40 years—in 2010, 773,744 were registered at the German Patent Office alone; Henkel holds more than 10,000 of them. The number of print ads has doubled within 10 years. Printed knowledge doubles every 4 years—for example, the number of new books appearing on the market every day is estimated to be at least 4,000. Cf. Esch (2001), Gröppel-Klein (2012), Hackl-Grümm (1997), Liebmann (1996), Trout and Rivkin (1996).

[521] According to Esch (2007) Stiftung Warentest rates 85 percent of products as good or very good, thus reducing the customer's need for information, see also Esch et al. (2005), p.18.

[522] Postman (1993)

[523] VKI stands for Verein für Konsumenteninformation. It represents the interests of consumers in Austria and publishes the consumer report magazine *Der Konsument.*

[524] Huxley (1994)

[525] Engesser (2003), p. 69

[526] Apart from pop-ups and other technical intrusive things like my previously described experiences with the AMA and Babylon, against which you can usually defend yourself technically.

[527] Hoffmann (1972)

[528] Buchholz and Wördemann (1998)

[529] „… a reflexive attention to a stimulus …" Trommsdorff (2011), p. 215.

[530] Kroeber-Riel and Weinberg (2003)

[531] For example, a static display set up in a grocery store generates 18 percent additional sales. If, on the other hand, it moves, it sells an additional 49 percent (Foscht and Swoboda 2011, p. 93).

[532] Schwartz (2004)

[533] Packard (1957/1978)

[534] Brand (1978)

[535] Zajonc (1968)

[536] Esch (2007)

[537] comp. Milgram (1974)

[538] Hackl-Grümm (1997)

[539] Foscht and Swoboda (2011)

[540] The use of celebrities, stars and authorities is popular, but also controversial. Felser (2001) and Boush et al. (2009) argue with the irresistible effect of the celebrity's expertise, credibility and visible vitality. The aforementioned attention effect, also discussed under terms such as *vampire effect* and *halo effect*, as well as the often unpredictable further life of the testimonial speak against it—just think of Michael Jackson, Tiger Woods or Michael Jordan, who all had advertising contracts with the world's biggest brands when they got into scandals. The advertising expert David Ogilvy (1984) therefore thinks little of stars in advertising.

[541] Damasio (2000), Ledoux (1996)

[542] Zajonc (1980)

[543] Esch (2007, p. 31) suggests that 99 percent of human genes are identical to those of monkeys. "These stand for instinct and emotions, the one remaining percent for reason or rationality"

[544] Durgee (1988)

[545] Berlyne (1960), Durgee (1988), Kroeber-Riel (1979)

[546] Kirchler et al. (1998)

[547] Hackl-Grümm (1997)

[548] Boush et al. (2009)

[549] Fromm (1993), Galbraith (1969), Kasser (2002), Keynes (1930/2009)

[550] See e.g. www.interbrand.com

[551] Meffert et al. (2002), p. 11

[552] According to Reeves (1963), the term goes back to the American advertising agency Ted Bates & Company.

[553] Related terms are those of brand positioning, comparative competitive advantage or strategic competitive advantage.

[554] In the United States, the pharmaceutical company Bayer failed to have the brand name protected and thus prohibit competitors from using the name Aspirin, which is why Aspirin is now considered a generic term in the United States. A similar fate threatened Rank Xerox in the 1960s through the synonymous use of the terms photocopy and Xerox. The company had to point out in advertisements that Xerox is a company name and therefore may not be used commonly, especially not by the competition.

[555] Esch (2007), p. 34

[556] Boush et al. (2009)

[557] www.faz.net/aktuell/wirtschaft/unternehmen/werbewirksamkeit-red-bull-nimmt-auch-den-tod-in-kauf-11926748.html, last accessed 4/17/2013.

[558] Kapferer (2012), p. 11

[559] Tversky and Kahneman (1973)

[560] See e.g. Allison and Uhl (1964), Brand and Bungard (1982), Breineiser and Allen (2011), Chernatony and McDonald (1992), Makens (1965), Mauser (1979). However, the term *blind study* is also used in a completely different context, if the subject and possibly also the experimenter (*double blind*) in a scientific study do not know its purpose!

[561] Allison and Uhl (1964)

[562] Chernatony and McDonald (1992) p.9

[563] Makens (1965) can show a corresponding brand effect in blind tasting of turkey meat.

[564] Mauser (1979)

[565] Esch et al. (2005), p. 5

[566] Diller (2006), p. 33

[567] Belch and Belch (2004), Brunner et al. (1988)

[568] Tim Kasser (2002, p. 54ff) suspects that the recognition of opportunities and the resulting chronic dissatisfaction is a side effect of the constant confrontation with various forms of idealised images in the media. The official justification is the obligation to inform consumers about new and improved products and financing options. In reality, however, we end up in the two vicious circles in question: the hedonic and the positional treadmill. In this respect, says Kasser, "… the desire for material goods, fame, and attractiveness is like drug addiction, a parallel pointed to by other theorists." p. 59.

[569] Babin et al. (1994), Bellenger and Korgaonkar (1980), Holbrook and Gardner (1998), Jones (1999), Mittal and Lee (1988), Pham (1998), Tauber (1972), Westbrook and Black (1985).

[570] E.g. Kollmann and Simperl (2004), Schwartz (2004), Sheth (1983), Solomon (1986)

[571] Dittmar and Drury (2000), p. 110

[572] Skidelsky (2012)

[573] Veblen (1915)

[574] Schor et al. (2012)

[575] Solomon (2012/2007-edition), p. 475, Veblen (1899/1915), p. 54f

[576] Cryder et al. (2008), Rath and Harter (2010)

[577] Solomon (2012)

[578] Cialdini (2002)

[579] Simon and Fastnacht (2009), p. 168f

[580] Cialdini (2002)

[581] See Bellenger and Korgaonkar (1980), Westbrook and Black (1985) speaking of the hedonic vs. the apathetic shopper.

[582] Solomon (2012)

[583] Holbrook and Hirschman (1982)

[584] e.g. Thaler (1985)

[585] Sussman and Adam (2012)

[586] also Point of Sales (POS) or Point of Purchase (POP)

[587] Häusel (2002). Häusel works for the Nymphenburg Group, a consulting firm for shop design, so it can be assumed that his knowledge in this area is adequately backed up by experience. On his homepage, however, he presents himself as a brain researcher who knows "how to tempt people to buy" (www.haeusel.com, last accessed 12/19/2013).

[588] Gröppel-Klein (2012), p. 661

[589] For information on scent marketing, see e.g. Ebster and Jandrisits (2003), Pollmer et al. (2001).

[590] Gröppel-Klein (2012), p. 660f

[591] East et al. (1994), Gröppel-Klein (2012), p. 658f

[592] Gröppel-Klein (2012), Liebmann and Zentes (2001), p. 551

[593] ibid., p. 657

[594] Esch and Rutenberg (2004), Rudolph and Schweizer (2003), Sheth et al. (2011)

[595] Kahneman (2011)

[596] Cf. Cialdini (2002), p. 140f

[597] Metro Group (2012)

[598] Let us recall Herbert Simon's Sufficiency Principle in contrast to the Maximisation Principle of neoclassic.

[599] Treacy and Wiersema (1997) call this corporate approach cost leadership or process excellence: guaranteed low prices and an offer without frills.

[600] Broydrick (1996), p. xiii. Womack und Jones (2005) talk about Lean Consumption.

[601] What I also like about Hofer/Aldi is what you hear about their treatment of employees and suppliers; they treat them properly and pay punctually and well. Where I think Hofer/Aldi are not consistent is that they obviously cannot quite resist the temptation of the profit economy and stuff all kinds of non-food articles into the shops in order to generate additional business. This has uneconomic consequences that I cannot explain in detail here. Only this much: Hofer's customers trust them almost blindly and if Hofer offers something, then, you can take that to the bank, in terms of both price and quality. However, this is not always the case in the non-food sector. Hofer/Aldi also argued at the time that no advertising was used and that the savings were passed on to the customer. Hofer/Aldi-Süd is now the food chain with the *highest* advertising expenditures. Here they could trade more frugally, save money and invest it in increasingly nutritious and sustainably produced food.

[602] Langer et al (1978)

[603] For example, a scientific study was submitted to the Ministry of Health, which probably everyone can do (cf. e.g. www.profil.at/articles/0450/560/100177/ernaehrung-probiotisch-der-schwindel-essen, last accessed 12/19/2013)

[604] Danone's Actimel and Activia are among the "favourite candidates" of foodwatch.de. After the EU regulation entered into force, they wrote on their website (5/22/2012): "This is the end of health promises: Activia, the miracle product for intestinal regulation, has become Activia, the »creamy« and »delicious« yoghurt. Consumer protests and the European Health Claims Regulation forced Danone to say goodbye to health fraud." Danone has also received the "Goldenen Windbeutel" (The Golden Windbag), an award which foodwatch.de awards for the boldest advertising lie (foodwatch e.V. Berlin, Germany).

[605] The idea of maximising costs for the applicant has been applied by "modernly run" offices, authorities or funds. The effort—forms, correspondence, official visits—is made to seem huge enough and/or the service provided small enough that one subsequently no longer even submits applications because the costs exceed the benefits by far. In order to nevertheless give an impression of "customer orientation", information about the services provided is sent out annually—for example, how much they had to pay for medical and hospital costs for the citizen. How much these citizens have paid in contributions over the year, however, is usually not mentioned.

[606] According to Brodrick (1996), the two most important approaches in retail are: (1) make prices a little lower (p. 17) and (2) make the offer a little larger: if I still stock this product, the customer will come to me (p. 49). However, as we have already seen several times, the decision effort increases with the offer and with it the probability that the customer rejects the decision, does not buy at all and concludes that he is quite satisfied with the old product anyway.

[607] According to Häusel (2002), 70 percent of customers go shopping without a shopping list; according to Rath (2012), women are somewhat more careful than men: 32% always write a shopping list versus 13% of men before shopping for food. Women also tend to make price comparisons before buying food (53% vs. 34%) and are more susceptible to discount tags in stores (53% vs. 40%).

[608] Groeppel-Klein (2012), p. 646

[609] Liebmann und Zentes (2001), p. 549

[610] Zentes et al. (2012), p. 530

[611] Stern (1962)

[612] The principle is called *reciprocity*. Cialdini (2002) shows that people often no longer accept gifts because they already suspect that a moral obligation will result from it.

[613] According to Pepels (2004, p. 433f), packages are inseparable from the product, e.g. shampoos, skin creams or sprays; before using things such as cheese, chocolate or shavers, however, packaging can or must be removed.

[614] Packard (1957/1978), p. 82

[615] Nisbett and Kanouse (1969)

[616] Gilbert and Wilson (2007)

[617] Binswanger (2006)

[618] According to Schwarz and Clore (1983, 2003) we speak of *affect as information* and according to Gorn et al (1993), Pham (1998) or Yeung and Wyer (2004) of *how-does-it-feel heuristics*. Unlike cognitions, emotions work in the here and now. So if we want to know what the future will bring, we try to imagine it and experience the corresponding momentary emotions.

[619] Bauer (1960)

[620] Zeelenberg (1999)

[621] Morse (2006), p. 46

[622] Wachtel (1989), p. 51

[623] Kahneman and Tversky present the subjects with decision problems according to the following basic pattern: Option A: you have a 50% chance to win 1,000 monetary units (in Israeli pounds) with a 50% probability to win nothing. Option B: you will win 450 monetary units for sure. Which would you prefer? (Kahneman and Tversky 1979, p. 264)

[624] But with more intuition, as we can see from the studies by Paul Slovic discussed above.

[625] It is well known in the insurance industry that the willingness to insure increases significantly in the vicinity of damage that has just occurred—a burnt house, a death, a weather fiasco. The costs incurred by the insurer in the event of a claim are therefore offset by the not inconsiderable advantage of an increasing demand for corresponding insurance products.

[626] Stiglitz (2010), p. 249f, admits that man can learn from experience what he prefers in the short term—e.g. strawberry ice cream or vanilla ice cream. However, the essential decisions in life can often only be classified as good or bad later in life and therefore such insights are no longer very valuable unless one believes in reincarnation and in being able to take learning experiences into the next life. The neoclassical economy ignores this fact and claims that such later insights are in some way already present in the decision-making situation.

[627] Cunningham (1967), Stone and Winter (1987)

[628] Gemünden (1985), Kraigher-Krainer (2007, 2012)

[629] Einwiller et al. (2005)

[630] Rudolph and Schweizer (2003), S. 26; see also Beattie et al. (1994), Esch and Rutenberg (2004), Felser (2001), Trout and Rivkin (1996), Turnball and Meenaghan (1980)

[631] Mitchell (1999), p. 174

[632] Weiber und Adler (1995)

[633] Schwartz (2004)

[634] Cf. e.g. Gilbert and Wilson (2007)

[635] Shiv and Fedorikhin (1999), Shiv and Nowlis (2004)

[636] Boush et al. (2009)

[637] ibid., p. 39

[638] The classification of product attributes in search, experience and credence qualities originates from information economics—see e.g. Darby and Karni (1973), Nelson (1970), Weiber and Adler (1995). Two essential and also comprehensible assumptions of the information economy, which are denied in neoclassical theory, are: (1) Humans only collect information about *search qualities* until the costs of collecting further information exceed their presumed benefit; (2) Some information is only obtained by acquiring the product—*experience qualities*—and some are not experienced even then—*credence qualities*. Consequently, market participants have neither perfect foresight on the future nor perfect information on the market. Moreover, the available information is usually asymmetrically distributed between supplier and customer (Kaas 1995, p. 972).

[639] Broydrick (1996)

[640] See also Kotler et al. (2010), Stiglitz (2010)

[641] Stiglitz (2010)

[642] Here, authority is also to be emanated, which also meets our longing for submission and obedience.

[643] E.g. VMDS (Versicherungsmarktdatenservice/Insurance Market Data Service) and FMDS (Finanzmarktdatenservice/Financial Market Data Service), executed by GfK Austria.

[644] Schwartz et al. (2011)

[645] Cialdini (2002) points out certain parallels to the good cop bad cop trick, which we know from crime novels: during the interrogation one policeman gets beside himself and abuses the defendant. The other one calms his colleague down and defends the interrogated. Then bad cop leaves the room—to get coffee—and the good cop—who means well—now appeals to his conscience to confess to what has happened. He would put in a good word with the prosecutor in exchange. This is often the moment a confession is made.

[646] Boush et al. (2009)

[647] Lange (2001)

[648] Wetlaufer (2001, p. 12), for example, leaves no doubt that mutual confidence promotes business: “This concept is so obvious, it does not even require explication”. Reichheld (1997) nevertheless explicates: because companies that tell the truth are rewarded with loyalty from the customer.

[649] Learning psychology speaks of *vicarious learning*, which is why I used to call this type of buying behaviour *vicarious buying behavior* in earlier publications. However, this has contributed more to confusion than to clarity, because the concept of vicarious learning is not sufficiently well established in marketing. Therefore, I turned to another term, which is shorter and - hopefully - also more concise and self-explanatory: *mimic behaviour [mB]*.

[650] Drosdowski (1963), p. 441

[651] What Albert Bandura could demonstrate in a famous experiment with children and a rubber doll named Bobo, see e.g. Hey and Schönpflug (2008), p. 284.

[652] Wiedmann and Walsh (2000), p. 56. By the way, the respondents of this study also conceded the highest competence in real estate issues to the banks (at that time)

[653] Solomon (1986), Turnbull and Meenaghan (1980)

[654] Cialdini (2002); Gershoff et al. (2001), Petty et al. (1981); Wiedmann and Walsh (2000), Woodside and Davenport (1974)

[655] Kleinaltenkamp (1992)

[656] Gershoff et al. (2001), Kleinaltenkamp (1992)

[657] Walker (1995)

[658] Cialdini (2002)

[659] Cialdini (2002), Evans (1963), Felser (2001), Gershoff et al. (2001), West (1996)

[660] Woodside and Davenport (1974)

[661] Jacob (2012)

[662] Cialdini (2002), Felser (2001), Oatley (2000)

[663] Cialdini (2002), p. 222

[664] Depending on the industry, price may also be called interest, rent, lease, entry, premium, toll, fare, fee, royalties, rate (Kotler et al. 2010a)

[665] Monroe (1973)

[666] Simon and Fassnacht (2009), p. 173

[667] Nelson (1970), Reichheld (1997), Schneider et al. (2009)

[668] Lebensmittel Zeitung (Food Newspaper), 43, 10/25/2002, p. 43.

[669] Diller (2008) p. 134

[670] Simon and Fastnacht (2009)

[671] E.g. Soman and N-Marandi (2010), S. 61: the "bad" customer tries to contact our bank employees, while the "good" customer uses the ATM and online banking.

[672] Diller (2008), p. 127ff

[673] Trommsdorff (2011), p. 226

[674] According to Soman and N-Marandi (2010), this fear is justified and round prices actually lead to declines in sales, while Diller (2008) and Simon and Fastnacht (2009) point out that while retailers love psychological pricing, such as charm prices, there is no empirical confirmation of their sales-promoting effect. Simon and Fastnacht (2009), p. 164, consider that this is more of a self-fulfilling prophecy in the sense of the aforementioned *homo frugalis* (see Figure 4)

[675] Simon and Fastnacht (2009), p. 166

[676] Diller (2008), p. 156, Trommsdorff (2011), p. 96

[677] Simon and Fastnacht (2009), p. 160

[678] Kotler et al. (2010a)

[679] Diller (2008) distinguishes between *affordability* (numerator of the price quotient) and *value for money* (numerator by denominator), i.e. taking performance into account.

[680] Monroe (1973)

[681] Kahneman and Tversky (1979)

[682] Diller (2008), p. 123

[683] Monroe (1973), p. 78

[684] Cialdini (2002), p. 33

[685] Tversky and Kahneman (1981)

[686] However, this effect of gradually perceiving goods in less attractive shelf positions as cheaper and thus more attractive is countered by the higher purchase probability of goods which immediately catch our eye because they are placed at eye level.

[687] Kotler et al. (2010a)

[688] Trommsdorff (2011), p. 226

[689] Kahneman and Tversky (1979)

[690] Soman and N-Marandi (2010), Thaler (1985, 1999)

[691] Soman and N-Marandi (2010)

[692] Diller (2008), p. 131, Simon and Fastnacht (2009), p. 166

[693] Simon und Fastnacht (2009), p. 166

[694] Monroe (1973)

[695] May be that is why the McCann-Erickson advertising agency proposed the slogan for the mail-order retailer Quelle at the time: *First let´s see, what Quelle has* (Trommsdorff 2011, p. 89)

[696] Schwartz (2004)

[697] Simon and Fastnacht (2009), *p. 168*

[698] Monroe (1973)

[699] The phenomenon of integrating perception [P] into an existing reference system [R] is called *assimilation* after Jean Piaget; that of contrasting perception with existing *accommodation* (Piaget 1963, Glasersfeld 1997) or *contrast* (Sherif and Hovland 1965)

[700] Diller (2008), p. 98

[701] Monroe (1973)

[702] Simon and Fassnacht (2009), p. 173

[703] Cialdini (2002), p. 20

[704] Shiv et al. (2005)

[705] Gerstner (1985)

[706] Fürst et al. (2004), Schulze et al. (2008)

[707] Fürst et al. (2004)

[708] Diller (2008)

[709] For information on the connection between customer loans and the financial crisis, see e.g. Stiglitz (2010)

[710] Prelec and Loewenstein (1998)

[711] Katona (1964), p. 57

[712] Navarro et al. (2011), Rojas and Montaigne (2010)

[713] European Central Bank (2013), p. 66. Greeks in particular are making use of the possibility of overdrawing their accounts and credit cards in 2009 (ibid., p. 62)

[714] Amar et al. (2011), Bolton et al. (2011), Navarro et al. (2011)

[715] Wilcox et al. (2011)

[716] Navarro et al. (2011). Flexible loans offer the "customer-friendly" option of only paying back as much as you can at any given time. The calculation of the cost of a credit, the price, usually gets out of hand.

[717] www.arbeiterkammer.at/online/raten-abstottern-ist-extrem-teuer-25523.html, last accessed 1/16/2013.

[718] For an overview of the literature on this subject, see Wilcox et al. (2011)

[719] Bolton et al. (2011)

[720] Soman and N-Marandi (2010), Sussman and Alter (2012)

[721] Thaler (1985)

[722] Soman and N-Marandi (2010), p. 278ff

[723] Navarro et al. (2011)

[724] Amor et al. (2011) report about a study according to which those customers of a coffee house who receive a loyalty bonus card with twelve fields, on which two fields are already marked, complete the card faster than a control group that receives a bonus card with ten empty fields.

[725] Wilcox et al. (2011)

[726] To this end, he should take his local politician with him, because he too may urgently need debt counselling. "The cross-border Leasing business model has driven German [and Austrian] local politicians collectively out of their minds." (Zeit Online, 3/12/2009)

[727] Wilcox et al. (2011), p. 79

[728] Amar et al. (2011)

[729] Bolton et al. (2011)

[730] ibid.

[731] Simon et al. (1999)

[732] Klausnitzer (2013), Schirrmacher (2013). The new "gold" is no longer the product, but how much data on the customer, his wishes and his way of life can be collected in order to sell him things that he himself does not know he wants to have in the first place.

[733] www.michaeleisen.org/blog/?p=358, last accessed 4/19/2013

[734] Cf. e.g. barcoo.com

[735] Csikszentmihalyi (1990, 2000), Emmons (2006)

[736] Kahneman et al (1997)

[737] Quoidbach et al. (2010)

[738] van Boven and Gillovich (2003)

[739] Ariely (2011)

[740] Gilbert and Wilson (2000, 2007, 2009), Wilson and Gilbert (2003), Wilson et al. (1993); see also e.g. Baron (1992), Isen and Geva (1987), Kahneman et al. (1997), Loewenstein and Lerner (2003), Loewenstein and Schkade (1999), Mellers and McGraw (2001)

[741] Gilbert and Wilson (2009)

[742] ibid., p. 1340

[743] Harrison and March (1984)

[744] Bazerman und Samuelson (1983), Thaler's (1992) book with the same title *The Winner's Curse*, in part. p. 50ff.

[745] Polte (2004)

[746] Cialdini (2002), p. 322ff

[747] Boush (2009)

[748] Zhang (2011)

[749] aka *laddering*, see Gutman (1982), Olson und Reynolds (2001), Reynolds and Gutman (1988), Valette-Florence (1991)

[750] Laibson (2005)

[751] Morse (2006)

[752] McClure et al. (2004)

[753] See also Baumeister (2002) on the conflict of these instances in impulsive purchasing decisions and the already mentioned tendency to overshop in a hot state.

[754] Loewenstein and Lerner (2003), p. 635

[755] Loewenstein und Schkade (1999)

[756] Harrison and March (1984)

[757] Foscht and Swoboda (2011), p. 238, 244

[758] Burnham et al. (2003)

[759] Whiteley (1991), p. 10

[760] For example, Google has established such a quasi-monopoly on Internet search engines, Microsoft on PC operating systems and facebook and twitter on social media.

[761] This is the case when an entire industry implicitly or explicitly agrees to reduce the services provided—see also the example of *S.A. Phoebius* in Case study 19, as a result of which the customer is forced to stay because a change does not entail any improvement but causes switching costs. In the Financial Market Data Service (FMDS), conducted by GfK, clients in the CEE region were asked regularly and across several countries how likely it was that they would change their main bank within the next 12 months; GfK reported that a change was *very likely* for only 1%, more *likely* for a further 3-4% and *unlikely* for the remaining 96%. This can be interpreted as a sign of high satisfaction. However, it may also be that the customer does not consider switching to be a sensible option, because he assumes that the other bank would not be better either. In addition, of course, there is the customer's inertia and the switching costs he fears.

[762] White and Yanamandram (2004)

[763] According to Dittmar and Drury (2000), studies in various countries have shown that compulsive shopping is on the rise in Western consumer societies and today affects an estimated two to five percent of adults—around 10 million people in the USA and still half a million in Great Britain.

[764] Burnham et al. (2003), p. 110

[765] See also Lam et al. (2004)

[766] For a discussion on the ethics of binding the customer by switching costs see e.g. Smith and Quelch (1993)

[767] Of course, this applies only if one disregards transport costs, time expenditure, replacement, and anything else that can be connected with a move.

[768] Thaler (1999), p. 191

[769] Schwartz (2004). There are numerous other examples of the sunk-cost effect from the consumer sector. But investors also buy shares when the price falls to reduce the average purchase price, or managers try to utilise a machine simply because they have purchased it, which contributes significantly to an increase in demand for demand

[770] Gourville and Soman (2002)

[771] Sheth et al (2011)

Chapter 6: Managing According to the Model of Customer Benefit

[772] Marti (1984)

[773] Drucker (1985), p. 67

[774] The dispute between the Winklevoss twins and Mark Zuckerberg leaves it open to the viewer who had the original idea of building a social network among the students at their university. What is clear, however, is who the profiteer is.

[775] However, as is well known, many owner-managed businesses also perish because the owner takes more out of the company than the course of business allows, while other businesses are only still alive because the owner—and often also his family—are already working for almost nothing.

[776] Korduplesky and Simpson (2003), p. viii

[777] Simon (1996), Jungwirth (2010, 2010a)

[778] Drucker (1990), p. 55

[779] Cf. e.g. Broydrick (1996)

[780] Woodruff and Gardial (1996), p. 52

[781] ibid., p. 22

[782] Koller et al. (2010), Doyle (2008)

[783] Cf. e.g. Gale (1994), Korduplesky and Simpson (2003), Soman and N-Marandi (2010), Woodruff (1997), Woodruff and Gardial (1996)

[784] Wachtel (1989). Growth-critical economists are also proposing a special tax on luxury cars, because the excessive environmental damage caused by such vehicles must be added to the subliminal psychological damage to the environment, namely that every driver of a normal vehicle feels inferior. The same applies to plastic surgery. Cf. Kast (2012), p. 240.

[785] Schmalen and Pechtl (2009), p. 256, fig. 12-1

[786] Similar comparisons are offered by e.g. Shah et al. (2006), p. 115, Day (1999), p. 45 oder Matzler and Hinterhuber (1998), p. 27

[787] An overview on the topic of customer centering is offered by Belz and Bieger (2006), Broydrick (1996), Day (1999), Drucker (1954/1961), Galbraith (2005), Gale (1994), Kordupleski and Simpson (2003), Shah et al. (2006), Webster (2002), Whiteley (1991), Woodruff and Gardial (1996).

[788] Homburg (1998)

[789] Osterloh and Frost (1997), Prahalad and Hamel (1990)

[790] Levitt (1960)

[791] This note refers to Henry Ford's refusal to produce his Ford T in a colour other than black—even though some customers would have liked this—because it would have pushed up production costs and thus jeopardised his vision of the $500 car.

[792] Some approaches also work with a ratio.

[793] Kordupleski and Simpson (2003), p. 185

[794] Drucker (1990), p. 19, 27

[795] ibid. (1954/1961), p. 105f

[796] Woodruff and Gardial (1996)

[797] Philip Kotler talking to Peter Drucker, in: Drucker (1990), p. 77

[798] Drucker (1954/1961), p. 139

[799] Market (2012)

[800] Felber (2010), p. 16

[801] Gummesson (2008)

[802] See, for example, the documentary *Supersize Me* about the fast food chain McDonald or the story of *Dave Caroll*, whose guitar was broken on a flight with United Airlines. United Airlines did not compensate for the damage and Dave Caroll published three songs about the airline, which were watched by millions of Internet users. Other examples are the operators of business-critical websites such as these: ihatestarbucks.com (Starbucks), ihateryanair.org (Ryan Air) or tescopoly.org (Tesco), all last accessed 4/20/2013.

[803] Haedrich et al. (1997), p. 74

[804] See, for example, the business idea of the largely faceless mail order business, where the customer also feels relatively unobserved and begins to maximise his own benefit, which results in unprofitable customer relationships for the mail order company (Reinartz and Kumar 2000)

[805] Yunus (2007, 2010)

[806] Broydrick (1996), p. 21f

[807] Homburg and Stock (2001)

[808] Reichheld (1997), p. 33

[809] Fredrickson (2006)

[810] Achor (2012)

[811] Watzlawick (1991)

[812] Orwell (2007)

[813] Isen et al. (1987)

[814] Felber (2010), p. 23

[815] Matzler and Hinterhuber (1998)

[816] When you come to a strange city, what do you want to see? The marketplace: what people do, how they live, who they meet. The Church: the value system of the people living there. The Town Hall: the political system and how the values are applied. In Bergamo—the ideal city—these three symbols form a harmonious triangle.

[817] Jungclaussen (2010)

[818] Schridde et al. (2013). see also www.murks-nein-danke.de, last accessed 7/23/2013

[819] www.youtube.com/watch?v=zVFZ4Ocz4VA, last accessed 3/27/2013. In the meantime, the story is also available as a book: Reuss and Dannoritzer (2012)

[820] Sheth et al. (2011). But there are probably other varieties. If, for example, the freshly baked bread and pastries are inedible the next day, this is also working well, for the customer has to stop by the shop every day if he wants a crispy roll.

[821] Rigby et al. (2009), p. 80

[822] Narver und Slater (1990)

[823] Aksoy et al. (2008)

[824] Homburg et al. (2008)

[825] Enste (2010)

[826] See also Stiglitz (2010), Wickert (2011)

[827] Strativity Group (2009)

[828] Martin (2010)

[829] Sheth et al. (2011)

[830] In the 1960s, an initiative was launched in America to collect data from business units of various companies and to make this data available to the participating companies in an aggregated and anonymised form. The database is called PIMS (Profit Impact of Market Strategy) and in its heyday, it stored data of about 3,000 business units of around 200 companies. Bradley Gale led this project for some time. He later published a book on customer-centric business management (Gale 1994).

[831] Market share is the volume (units, tonnage) or value (sales) share that a company or brand holds in a defined market.

[832] Gale (1994)

[833] ibid., p. 307

[834] See e.g. Porter (1996)

[835] Similarly: Soman and N-Marandi (2010), p. 4f. A highly recommended book for marketers to close this knowledge gap is Best (2009)

[836] The customer retention rate is simply the percentage of customers from the previous year that are retained in the current year. For example, if there were 100 customers last year and there still are 70 in the current year, then customer retention is 70/100 in percent, i.e. 70 percent.

[837] Reichheld (1997), p. 189

[838] See also Schirrmacher (2013)

[839] See also George (2013)

[840] Cf. e.g. Schweizer (2011), who complains that US congressmen and traders can make a fortune with impunity by using their insider knowledge on upcoming laws and regulations.

[841] Gärtner and Griesbach (2012)

[842] Webster (2002) p. 17ff

[843] Shah et al. (2006) p. 14

Chapter 7: Ways out of Dissatisfaction

[844] Yunus (2008), p. 213

[845] Boulding (1966), p.12

[846] On a global level, we could sum it up with Rothkopf (2008): those ladies and gentlemen who meet once a year in Davos at the World Economic Forum.

[847] Drucker (1954/1961), p. 344

[848] Boulding (1966), p. 11

[849] Based on WWF: Living Planet Report (2006), p. 19, fig. 22

[850] Wachtel (1989), p. 142f

[851] Keynes (1930/2009)

[852] ibid., p. 199: "… semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease …"

[853] Sheth et al. (2011), p. 27

[854] Cf. Erhard and Müller-Armack (1972), p. 21,40, 49, 54

[855] Goleman (2008), p. 28

[856] According to Prahalad (2009), p. 136ff, the goal can only be to move from structures such as the income pyramid, or even the income hourglass, to the income diamond, a society in which the middle class is becoming increasingly broad and poverty and extreme wealth are becoming increasingly rare. Wilkinson and Pickett come to similar conclusions (2010).

[857] Goleman (2008), p. 47

[858] ibid., p. 61

[859] Richard Davidson reports in Goleman (2008), p. 483ff, about research with stress-stricken employees of a US biotech company. After six weeks of meditation (2-3 hours of joint instruction per week over eight weeks, 45 minutes of independent meditation per day, a joint one-day retreat as a closing event), the participants showed (1) decreasing anxiety compared to a control group from the same company and a decrease in negative and an increase in positive emotions, (2) an increase in left-sided brain activity, (3) stronger immune reactions of the body to an infection (in the form of a flu vaccine). (4) These effects are *not* correlated with the duration of the participants' independent meditation. So it does not seem to be the diligence that counts, but the fact that one does meditate.

[860] Düringer and Arvay (2013)

[861] Fessler et al. (2012), European Central Bank (1013)

[862] See also Goleman (2008), p. 131: Matthieu Ricard identifies *envy* as one of the five essential destructive emotions, characterised as the inability to enjoy the happiness of others, while envy is celebrated as an indispensable part of competition in the consumer society.

[863] Yet, the Jante law is now threatened even in Scandinavia under the new pressure to market oneself in order to get a good job, as students from these countries tell me.

[864] Dunn et al. (2008)

[865] Quoidbach et al. (2010)

[866] Carter and Gilovich (2010), van Boven and Gilovich (2003)

[867] Kahneman et al. (1997); see also Figure 17

[868] See more: Dunn et al. (2011)

[869] Gröppel-Klein (2012), p. 646, 664

[870] Julia Schilly in the Austrian daily Der Standard, 22/7/2013: "That's why not all Buddhists are vegetarians."

[871] Ostrom (2008)

[872] Statistik Austria, tax revenue 2011, www.statistik.at, last accessed 3/27/2013

[873] Galbraith (1996), p. 51

[874] Horvath and Kaufmann (1998), Kaplan and Norton (2007)

[875] Foscht and Swoboda (2011), p. 235

[876] http://ec.europa.eu/budget/figures/interactive/index_de.cfm, last accessed 3/27/2013

[877] http://ec.europa.eu/consumers/strategy/ann_work_prog2011_en.pdf; last accessed 7/23/2013

[878] John F. Kennedy, 3/15/1962, www.presidency.ucsb.edu/ws/?pid=9108, last accessed 7/23/2013

[879] Sachs (2011); www.reagan.utexas.edu/archives/speeches/1981/12081a.htm, last accessed 10/29/2013. The infiltration of workers' rights began in the 1981 air traffic controllers' strikes that led Reagan to decree: "… I must tell those who failed to report for duty this morning they are in violation of the law, and if they do not report for work within 48 hours, they have forfeited their jobs and will be terminated." (Nordlund 1998, p. 106). This was the beginning of the end of strong employee representation and a policy of reconciliation of interests in the USA. Margret Thatcher set a similar course in Great Britain during this period.

[880] Smith (1759/1777), p. 1

[881] Goleman (2008), p. 37, see also Yongey Mingyur (2007), p. 16. Similarly Fromm: (1993), p. 139ff, contrasting the maternal element of *unconditional* love with the paternal element of *conditional* love, grace with justice, egotism with altruism, love through performance with unconditional love as attitude.

[882] Goleman (2008), p. 41

[883] Accordingly, Pawlas (2009) points out that the pursuit of one's own goals is not godless and that Smith speaks of an ethically legitimate *self-interest*, but not of an ethically unacceptable *egotism*, as Manchester liberalism interprets it in Smith's work today.

[884] Sibony (2011): The *trust game* works like this: player A receives €100 and now has the option to keep the money or send it to player B, which would quadruple the money. Now B can either keep everything or send €200 back to A. A self-interested player A would say that B would never send back €200 and would therefore rather keep €100 and forego a potential €100. But many players do send the money; they take one step towards the other, trust the other, but at the same time would develop a desire for revenge if the other abused this trust—tit for tat

[885] Frank et al. (1993), Thaler (1992), pp. 21: The *Ultimatum Game* works like this: For example, player A receives €10 and now has the task of splitting this amount between himself and player B in full euro amounts. He can keep everything to himself, give everything to the other person or, for example, keep five euros and give the other five euros to B. If B agrees, the deal is perfect. If B does not agree, both must return their money to the game master. The *only rational solution* would be A: €9 and B: €1. Why? If B does not receive anything, he may reject the deal and A will lose everything. A also knows, however, that B as a rational being will not refuse a donation of just one euro, because otherwise he will act against his self-interest. A must therefore give away exactly one euro, anything else would be *irrational*. In practice, however, division ratios of A: €5-7 and B: €3-5 come out, because people do not want to be unfair and exploitative.

[886] On business models and for market-based solutions to global poverty, see also e.g. Prahalad (2009), Rangan et al. (2007).

[887] Yunus (2007), p. 49f

[888] www.nobelprize.org/nobel_prizes/peace/laureates/2006/press.html; last accessed 7/23/2013

[889] Yunus (2008), p. 199

[890] ibid., p. 80, a list of companies of the Grameen family can be found on p. 78, more examples in Yunus (2010), in particular p. 18

[891] Stiglitz (2010), p. 280

[892] Yunus (2007), p. 70f, 130

[893] ibid. (2010), p. 71

[894] ibid., p. 13ff

[895] ibid. (2008), p. 223

[896] ibid. (2010), p. 95f. For a definition of the entrepreneur, see e.g. p. 25f.

[897] ibid., p. xf

[898] ibid., p. 59

[899] ibid. (2011)

[900] Yunus describes himself as *coincidental entrepreneur* who never intended to run such a large number of companies, but the hardships of the people ultimately led to this—see Yunus (2008), p. 78f

[901] Yunus (2010), p. 18f

[902] ibid. (2008), p. 156ff, ibid. (2010), chapter 2, p. 33ff

[903] Drucker (1954/1961), p. 342ff

[904] Authors such as Felber (2010) or Wilkinson and Pickett (2010) offer overviews and case studies of shared property. They argue more strongly for ownership by the employees. I think ownership by the customer is better. A company owned by clients, with which I have also gained practical experience, is the mutual insurance company (VVaG). The policyholders become members of the association with the conclusion of an insurance contract and the highest body of VVaG is the general assembly.

[905] Yunus (2007), p. 62ff, 235, Yunus (2010), p. 78

[906] ibid. (2010), p. 2, 181ff

[907] Frank et al. (1993)

[908] López-Pérez and Spiegelman (2012)

[909] www.sowi-online.de/sites/default/files/siebenhuener.pdf, last accessed 10/21/2013

[910] Stiglitz (2010), p. 249

[911] Porter und Kramer (2011), p. 77

[912] See especially Yunus (2011)

[913] Yunus (2011)

[914] This is particularly true when someone is obsessed with an idea, and I suspect this has to do with Antoine de Saint-Exupery and his shipbuilding parable, because it may be less about the shipbuilding apprenticeship and more about the desire to travel the world.

[915] Yunus (2011)

[916] See e.g. Klas (2011)

[917] Each borrower must join a group of five women who do not have to guarantee but who will be indirectly interested in the timely repayment of the loan.

[918] Yunus (2007), p. 269ff, ibid. (2010), p. 120ff

[919] ibid. (2008), p. 159

[920] ibid. (2010), p. 159ff

[921] ibid. p, xi

Final Remarks: Five Past Twelve

[922] Terzani (2008), p. 349

[923] Yunus (2008), p. 204

[924] www.epa.gov/climatechange/science/future.html, last accessed 4/23/2013