

## **The Financialisation of Business Ethics**

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## **ABSTRACT**

Business Schools have become implicated within the widespread demonisation of the financial classes. By educating those held most responsible for the crisis – financial traders and speculators – they are said to have produced ruthlessly talented graduates who have ambition in abundance but little sense for social responsibility or ethics. This ethical lack thrives upon the trading floor within a compelling critique of the complicity of the pedagogy of the business school with the financial crisis of the global economy. An ethical turn within the curriculum is now widely encouraged as a counter-active force. Within this paper, however, we argue that taking this ethical turn is not enough. For Business Ethicists to learn from the financial crisis, the crisis' legacy needs to be taken account of, *financialisation* needs to be taken seriously. Pedagogical reform cannot bracket itself off from the crisis as if it were coincidental with or separate from it. Post-crisis pedagogy must rather take the fact that it is requested now, in light of the crisis, as its very point of departure. The financial crisis must not be understood as something to be resisted in the name of Business Ethics. Instead, the financial crisis must be understood as the very foundation for contemporary Business Ethics in particular and for contemporary Business and Management education more generally.

## **KEY WORDS**

Financial crisis; Financialisation; Business Ethics; Business and Management Education; Critical Pedagogy

## *Introduction*

The once prominent reign of Dionysian self-abandonment has been thoroughly obliterated – the Gods of solidity and permanence have superseded to the throne. The party is well and truly over and we're all now having to clean up after it – repentantly, wistfully, indebtedly. Many of us have no reliable recollection of the recently extinct era of debauchery, and this not for want of moderation during that once fine period of pre-belt tightening boisterousness. This is because most of us simply were not there to partake within, or even to witness, the dancing upon tables, the swinging from chandeliers, the flinging of bottles of champagne against the wall, and the general atmosphere of self-abandoning over-indulgence supposedly characteristic of all but the most recent past. We've heard rumours and we're told stories but long before we have had a chance to gossip further we become quickly distracted by the much more pressing need to redress the aftermath of the legendary bygone shenanigans of yore. The hangover seems to have been generalised to the begrudging all. The intoxication, for its part, was and perhaps will always remain the lot of only a very privileged few.

But where is this privileged few? Who are they? What have they been doing? And how have they been getting away with it all for so long? Corrupt political representatives, myopic financial intermediaries, collusive international trading policies and a generalised ethic of individual selfishness have all been blamed for the contemporary financial crisis. The primary source of culpability, however, is without doubt said to dwell within the cities, upon their stock exchanging floors. Financial traders have become the undeniable villains of the financial crisis. They are lambasted for undertaking highly sophisticated speculative calculations which pay no substantive regard to the material basis of that which they speculate upon. As feral as they are fickle, their misguided myopic speculations have now

been replaced by our painfully illuminating hindsight. The mistakes of the few have become the costs of the many and if there is to be a potlatch of vindictive retribution to match the supposed pre-crisis orgy of wanton exuberance, we can be pretty sure that the traders will be among the first to be thrown off the cliff. Business school representatives, for their part, probably won't be too far behind.

In place of the post-crisis apocalypse willed forth by opportunistic filmmakers, hopeless nihilists, closet murderers and adventurous voyeurs alike, however, we have instead become engrossed within a much more sobering period: of financial regulation, on the part of the city, and curricular reform, on the part of the university. The ethical deficiencies of traders are regularly traced back to the lack of business ethics education (e.g. Corbyn, 2008; Caulkin, 2008). Along these lines, business and management students are said to be enthralled by the temptations of finance as they join private equity, hedge funds and finance societies (Jacobs, 2009) rather than political movements or even book clubs. This image of the business and management major as something of a philistine in turn underpins the accusation that business schools continue to offer a 'pedagogy of the privileged' (*The Economist*, 2009) where the time seemed so ripe for a pedagogy of the oppressed. The causes for the financial crisis, on this reading, are primarily seen to lie in a lack of ethics in the financial curriculum, on the one hand, and a lack of regulation due to a generalised faith in the curricular representation of finance, on the other. The university in general, and the business school in particular, are now regularly attacked for sending managers and financiers with MBAs into the world with tools and enthusiasm but without any sense of ethics or responsibility.

The 'academies of the apocalypse' have in some parts responded to this very public lampooning by emphasizing and extending their business ethics offering (James, 2009). Were

there to be more of a consideration of the place of ethics within business and finance, we might well be able to ensure that the current reality of generalised indebtedness may never again be repeated. Indeed, with more ethical engagement all along we might well have ensured that this abominable age of the many being held accountable for the mistakes of the few need never have raised its head in the first place. Such a diagnosis naturally opens up to the suggestion that Business Ethics offers an ideal remedy. A special issue of *Business Ethics: A European Review* on ‘Business Ethics in Times of Crisis’ is surely entitled to the pursuit of the much-needed panacea.

Within this paper we resist such a straightforwardly opportunistic rendering of the role of the ethical by arguing, perhaps somewhat counter-intuitively, *against* the idea that the post-crisis times are now ripe for the age of Business Ethics. We make this argument along two core lines of enquiry. In the first section, we review a variety of arguments currently being made as to why the time is now ripe for Business Ethics, understood in a variety of ways. The majority of these arguments articulate a foundational tenet of Critical Management Scholarship, namely, that business and management pedagogy has become excessively functionalist, technical and/or positivist in its orientation to the detriment of an attunement towards its embeddedness in a wider societal context with accordant responsibility. Ethics is seen here as a necessary complement to teaching in business schools in order to create responsible professionals. The remainder of the arguments reviewed within this first section intervene at the pedagogical level by suggesting, in a manner mirroring the literature on Critical Management Education, that it isn’t so much curricular reform which is required, rather, what we need to change first of all is the educational process itself – only then will Business Ethics become a realistic proposition. We suggest that within the curricular,

content-based argument, as well as within the pedagogical, process-based argument, the need for a consideration of *financialisation* is latent yet underdeveloped.

It is in this regard that we make the turn towards the second core section of our paper which opens with an introduction to the concept of financialisation and underlines its importance to the post-crisis predicament of Business Ethics. We outline how the university, never a stranger to finance to begin with, has become increasingly enthralled by it. It now finds itself financialised, guided by the twin hazards of risk and investment. That, in turn, impinges upon the Business School and the curriculum and pedagogy to be found within it. Financialisation brings an ethics of its own – it encourages certain forms of behaviour whilst discouraging others. Students, in particular, are encouraged to relate to their education as an investment in their human capital. Business ethics cannot meaningfully oppose or circumvent such financialised ethics with an ethics of its own – it must rather understand itself as at best derivative of this more fundamental condition of existence.

The discussion section of the paper suggests that one's relationship to the process of education, just like one's relationship to the content of the curriculum, is *pre-constituted* along a variety of financial nexuses which *condition* business ethics, in particular, and business and management education, more generally. Only by acknowledging these nexuses as conditioning of both educational content and the educational process, we argue, can business and management studies hope to learn from, and respond to, the financial crisis. We conclude, therefore, by arguing how it is only by taking our bearings from the ways in which finance conditions the contemporary university, and the study within it, that we may start to think about the possibilities for Business Ethics, or anything like it, in times of crisis.

## 1. BUSINESS ETHICS *AGAINST* THE CRISIS

### *Professionalism, Financial Literacy and Case Study*

Within a recent *Harvard Business Review* collection entitled *How to Fix Business Schools*, Podolny argues that management educators have “provided students with many technical skills, but they appear to do little, or nothing, to foster responsibility and accountability” (2009b, p. 7). His recommendation is that business schools should “focus more on integrating the soft focus on values-based leadership with the hard focus on details”, and that they “must stop fostering the belief that an MBA program’s primary goal is to augment students’ income” (2009b, p. 7-8). Business schools, he continues, have “largely ignored the teaching of values and ethics” (2009b, p. 64) and so it is only with a focus on becoming less trade based and more professionally oriented that hope is to be found (Podolny, 2009a). This argument for making management a ‘true profession’ is shared by Khurana and Nohria (2008). Professions, they argue, “forge an implicit social contract with other members of society”, their proliferation will “curb misconduct because moral behavior is an integral part of the identity of professionals” (2008, p. 70-72). Khurana and Nohria are in agreement here with their graduates (Wayne, 2009) on the value of proposing a ‘hippocratic oath for managers’ (Khurana and Nohria, 2008, p. 72-73), and this notion of professionalization as ethical vouchsafe echoes across the remainder of the HBS (2009) response to the crisis.

This is by no means the first crisis that business school representatives have found themselves having to respond to, of course (see Khurana, 2007, see also Leavitt, 1989; Mintzberg, 1996; Pfeffer and Fong, 2002; Willmott, 1994). The relatively short shadow cast by the Enron and Worldcom crises (see *Organization*, 10(3); *Critical Perspectives on Accounting*, 15(6/7))



ensures that only those with the shortest of memory spans can fail to experience a strong sense of déjà vu in hearing these more recent calls for professional reform (e.g. Ferlie, McGivern and de Moraes, 2010). Then, also, business schools were blamed for producing managers that liked playing around with numbers but had little interest in or capacity for ethics. As Ghoshal put it, “by propagating ideologically inspired amoral theories, business schools have actively freed their students from any sense of moral responsibility”, thereby “converting our collective pessimism about managers into realized pathologies of management behaviors” (2005, p. 76-77). For Ghoshal the problem lay specifically with the scientization of management theory, whereby a particular determinism led to the evacuation of any space for moral or ethical action in management practice. On the other side of the Atlantic, this critique was echoed by Bennis and O’Toole (2005), who equally blamed the ‘scientific model’ for the business schools’ malaise.

What solutions were offered back then? Again, for many (e.g. Pfeffer and Fong, 2002; Bennis and O’Toole, 2005; Ghoshal, 2005; Ferlie, McGivern and de Moraes, 2010), the way out for the business school was for it to transform itself into a professional school. Bennis and O’Toole turned towards the humanities and proposed that the “entire MBA curriculum must be infused with multidisciplinary, practical, and ethical questions and analyses reflecting the complex challenges business leaders face” (2005, p. 104). Ghoshal similarly proposes a look outwards, towards the social sciences, in order to “reengage with the scholarship of integration, application and pedagogy to build management theories that are broader and richer than the reductionist and partial theories” of previous years (2005, p. 87). Nevertheless, despite the warnings made by these scholars that the reparative endeavour entails more than simply “adding courses in the humanities” (Bennis and O’Toole, 2005, p. 104) or “the

tokenism of adding a course on ethics” (Ghoshal, 2005, p. 88), the business school now finds itself, once again, amidst a crisis.

Either the call for professionalization has not been compelling enough, or else it has already been received loud and clear, and yet has had no significant impact. Either way, the argument for managerial curricular professionalization has been lost in the case of Enron. Perhaps the reasons for its having done so are not merely coincidental. Tinker (2004) has already challenged the merits of business school professionalization itself with specific recourse to the Enron / Arthur Anderson case. Critiques of professionalization rarely figure within the contemporary analysis of the ethical failings of the business school and, on the rare occasion where the virtue of professionalization is questioned, the scrutiny very quickly gives way to a focus on ‘leadership’ at the expense of business ethics (Barker, 2010). The category of the profession, and its’ supposed improvement, has failed to offer a sufficiently compelling response to the challenges of the financial crisis.

Perhaps taking a leaf out of the *Rich Dad, Poor Dad* (Kiyosaki, 2002) school of hard knocks, others have underlined the general need for greater financial literacy. This argument holds that everyday financial savvy will serve to disarm the most insidious effects of finance, in so doing underlining how financial techniques are morally neutral, holding within them the capacity to be put towards either good or bad. Erturk et al. (2007), however, point towards the limits of this ‘democratisation of finance’ argument by highlighting how financial products are often deliberately confusing and the context is similarly opaque. And so, in another case of history perhaps repeating itself, the business school curriculum has again given pride of place to the taking of a case-study approach to curricular design, in this case for the sake of getting to the bottom of the causes and consequences of the financial crisis (e.g. Alfaro and

Kim, 2009; Nichols and Chen, 2010). Whilst the case study has its advocates (e.g. McWilliams and Nahavandi, 2006), specifically in the case of business ethics (e.g. Falkenberg and Woiceshyn, 2007), it has also had its critics (e.g. Starkey and Tiratsoo, 2007), some of these quite adamant (e.g. Mintzberg, 2009). In the absence of any general agreement as to what needs to be done to the curriculum, another strand of argument suggests that a pedagogical reform-based response to the crisis offers a more meaningful alternative to curricular reform.

### ***Pedagogy, Responsibility and Regulation***

Rather than understanding the financial crisis as the outcome of the *absence* of something that now requires insertion into the curriculum, others have diagnosed it as an outcome of a misguided educational *process* and thereby advocate pedagogical reform. It is here that Critical Management Education (CME) (e.g. Willmott, 1994; French and Grey, 1996; Currie and Knights, 2003; Sinclair, 2007; Vince, 2010) shows its potential. Although recent reconsiderations of management education (Pfeffer and Fong, 2002; Mintzberg, 1995; 2009) have stressed the damaging effects of linking degree schemes to graduate salaries as well as the negative effects of narrow technically driven teaching, Contu (2009) argues that these critiques are still based on a functionalist framework that fails to address ethico-political issues sufficiently. This necessarily reflects on the educational process, as management is here still implicitly cast as technical expertise that may be ‘transferred’ in a conventional education setting, as opposed to a view more aligned with critical management studies that views management as relational knowledge embedded within a specific ideological, socio-political and historical context (see also Willmott, 1994). Following critical pedagogy (Freire, 1972; Giroux, 1984), therefore, CME underlines the need for classrooms to be founded upon

principles such as collaborative critical enquiry (Grey et al, 1996), critical action learning (Willmott, 1994) and reflexivity-based teaching (Ford et al, 2010). Students are hence accorded an active role in shaping and filling in the curriculum as well as reflecting on their lived experience as managers, workers and consumers. These very principles have been recently posited as potentially meaningful responses towards the financial crisis in the context of business education.

A recent issue of the *British Journal of Management*, for example, offers ‘a post-crisis critical reflection on business schools’ (Currie et al., 2010) by reflecting upon critical pedagogy, critical management studies and critical management education. Here we find a number of suggestions that involve adapting the pedagogical nature of business school teaching, such as Antonacopoulou’s (2010) suggestion of phronesis as an alternate pedagogy and Vince’s (2010) reflection on the role of emotion and politics within MBA teaching. These suggestions certainly fall into the category of pedagogical reform, though this special issue also carries within it suggestions for the reform of the business school curriculum such as Tourish et al.’s (2010) call for more critical leadership education. Here as elsewhere, there is a vacillation between suggestions of more ethical things to teach and more ethical ways of teaching. The *International Journal of Management Concepts and Philosophy* (Haynes, 2010), for its part, makes calls for more regulation (Bannister, 2010), more responsibility (Machold and Huse, 2010), and an intensification of critical management education project (Saren, 2010), all in an effort to circumvent the wreckage of the crisis.

Perhaps the most expansive collection of business school based reflections on the crisis to date is offered by a special issue of *Critical Perspectives on International Business* (Cairns and Roberts, 2009). There, Weitzner and Darroch (2009), for example, suggest that “the

current crisis cannot be understood without seeing how financial innovation fundamentally changed the financial system of the USA and consequently for those financial systems connected to the USA – essentially the globe” (2009, p. 6). The authors here usefully point out that financial innovation has reshaped the financial system, arguing for the need to pursue in-depth knowledge of the nature of this reshaping. Rather than exploring in more detail the machinations of financial innovation, however, the contributions collected within this special issue revert to the twin response of regulation plus ethics as a remedy for the greed of bankers. What we propose instead is to further explore the way in which finance not only represents a province of the economy and economic activity, but also represents a logic of its own that has had far-reaching consequences, within university teaching not least of all.

### ***Beyond Content and Process***

How can business and management education respond to the financial crisis in such a way as to not reproduce its complicity with it? The analyses considered so far offer a series of incomplete responses to this question, incomplete precisely because they locate themselves at one of two extremes, thereby neglecting to consider what these two extremes share in common. On the one hand, a focus on professionalization draws attention away from the specifics of finance; a focus upon financial literacy, on the other hand, draws attention away from the way in which financial expertise thrives upon the systematic exclusion of the general population. The ‘more case studies’ argument, finally, continues to attract a prohibitive share of detractors. In the pedagogical-turn also analysed above, we have seen a variety of proposals, which, whilst compelling, bracket the classroom out from a whole host of financial considerations, which we discuss in the next section.

Both Klimecki and Willmott (2009) and Nielsen (2010) have underlined the need to examine the relationships between business ethics and finance. The former seek to “stimulate more critical analysis of the financial sector, and of the significance of financialisation more specifically” (2009, p. 120), whereas the latter emphasizes “how the ethics issues of the economic crisis are structurally related to a relatively new form of capitalism, high-leverage finance capitalism” (Nielsen, 2010, p. 299). The shared insight of these studies is that ethical issues are *conditioned by* the era of finance capitalism which we now find ourselves in. It is precisely such an insight which is lacking in much of the debates outlined above. Following this lead, we will consider how finance conditions the business school. Finance, we will show, is not coincidental to curricular and pedagogical questions pertaining to business ethics. Finance is rather the conditioning factor of both. Only by considering curricular and pedagogical questions grounded in this way, we argue, will it be possible to respond to our guiding question in a reasonable fashion. That is to say, *it is necessary to understand how the pedagogical relationship between management educators and management students is conditioned by finance in order to get a handle on the conditions of possibility for anything like business ethics today*. Our discussion of the concept of financialisation in the next section sets about this very task.

## **2. BUSINESS ETHICS *STRUCTURED BY* THE CRISIS**

### ***Financialisation – from Specialisation to Normalisation***

How are we to approach and understand finance and the financial crisis, from the perspective of business ethics, given the hitherto lack of engagement with it bemoaned above? Up until a few years ago the answer would have been relatively straightforward: ask the finance

specialists. The financial crisis, however, as Martin (2009) underlines, brings with it not only a crisis in value production, but also a crisis in expertise. Who today can we trust to speak reliably about finance, given its now widely apparent entanglement with crisis, contestation, and politics? This crisis in expertise folds back most particularly onto the business school: since, if its incumbents cannot isolate finance as an object for reliable interrogation, where, if anywhere, are we to turn? Erturk et al.'s view (2008), echoed by many, is that finance now needs to be approached along multidisciplinary lines. In this sense, the call is to consider finance not only from the relatively narrow perspective of financial specialists, but rather to study processes of financialisation in a much broader sense, including, but by no means limited to: historical analyses of the emergence and specificity of today's finance; "political economy or non-mainstream economics to analyse the quantities, relations and structures which establish the difference of present-day capitalism"; and cultural economy "to help us understand how discourse formats the economy, which is itself partly a performance" (2008, p. 3).

But what is financialisation? A simple and broad definition describes it as "the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies" (Epstein, 2005, p. 3). Erturk et al. (2008) provide empirical evidence for the view that financialisation is becoming increasingly manifest. For some, these recent increases are expressions of recurrent economic cycles (Arrighi, 2010) whereas for others, financialisation "represents the adequate and perverse modality of accumulation of new capitalism" (Marazzi, 2010, p. 66). In the following sections an image will emerge of finance in the university that endorses the latter view in demonstrating that finance already does the work of accumulation in the university.

Meanwhile, the definition above implies that finance is spreading everywhere, that financial logics are becoming increasingly entwined with everyday social interaction.

The quotidian nature of finance has led many recent scholars to develop an approach to finance and financialisation explicitly from the perspective of everyday life (e.g. Martin, 2002; de Goede, 2005; Langley, 2008). The starting point for this approach is to say that finance is pervasive today – that finance needs to be studied beyond financial specialisation. The most obvious way in which we are drawn into finance as a matter of everyday concern is through home ownership via mortgages (see Bryan and Rafferty, 2009; Cooper and Mitropoulos, 2009) and the way in which our pensions are used to trade in stocks, government bonds, and all sorts of derivatives. Marazzi pushes the argument further:

The financial economy today is pervasive, that is, it spreads across the entire economic cycle, co-existing with it, so to speak, figuratively, even when one goes shopping at the supermarket, at the moment when one pays with a credit card. The car industry, to give only one example, functions completely in accordance with credit mechanisms (installments, leasing, etc.), so that the problems of a General Motors have just as much to do with the production of cars as, if not above all, with the weakness of GMAC, its branch specializing in credit to consumption indispensable for selling their products to consumers. That is, we are in a historical period in which the finances are *consubstantial* to the very production of goods and services. (Marazzi, 2010, p. 28-29)

What this suggests is that our interactions with finance are not simply reduced to our dealings in mortgages and pensions, but it is on an everyday basis that we experience finance and that



it imposes itself upon us. Marazzi also suggests that there is a way in which this development has transformed the economy in general, with corporations being concerned as much with finance and interest as with production and profit. All of this also implies that we do not need to turn to bankers and traders first to discuss finance and business ethics.

What are the consequences of this everyday engagement with finance? Martin suggests that our engagement with finance goes further than our engagement with money; where money is “both means and ends of life”, finance “is not simply in the service of accessible wealth, but presents itself as a merger of business and life cycles, as a means for the acquisition of self” (2002, p. 3). Finance imposes a certain logic on our daily lives, one in which the distinctions between business and life begin to blur, and all actions and decisions can be reflected on in financial terms. Martin suggests that this effects a profound change in subjectivity:

How individuals come to think about themselves, take stock of how they are doing and what they have accomplished, and how they know themselves to be moving forward through the measured pace of finance, yields a particular subjectivity (Martin, 2002, p. 9).

Of course finance doesn't leave it to us to think of our lives in financial terms. De Goede recounts, for example, how technologies of credit rating articulate financially correct behaviour, and how they “define and patrol the boundaries between ‘good’ and ‘bad’, financially responsible and financially irresponsible, economic citizens” (2005, p. 11). Similarly, she describes how already in the 18th century, particularly in the writings of Daniel Defoe, accounting emerges as a technology of the self where the “way to self-mastery and good government... is through meticulous bookkeeping” and where the “combination of

calculation and foresight will foster an ethical relation with the self' (De Goede, 2005, p. 35). There are, then, various mechanisms by which financial logics impose themselves and transform the way we relate to and account for ourselves.

What these reflections also highlight, however, is that financialisation already proposes its own ethics. Where de Goede shows how accounting works as self-mastery against a certain feminized image of credit that was to be defeated by masculine foresight and calculation (ibid.), and where Martin reads books for brokers in which the virtues of humility, patience and diligence are promoted as necessary in the struggle to win over finance (2002, p. 78-79), as finance reaches everyday life these ethical requirements of finance are posed in all areas of life. Martin describes the allure of thinking of the self in financial terms, and the ethics that ensue, as follows:

Financialization promises a way to develop the self, when even the noblest of professions cannot emit a call that one can answer with a lifetime. It offers a highly elastic mode of self-mastery that channels doubt over uncertain identity into fruitful activity. It insinuates the fertile mind in a labyrinth of rules that channel and contain vistas overwrought with information. Paths to action with definable results that clearly distinguish good from bad in measurable terms of success and failure are provided when it seemed that nothing could be done. This is not to say that financialisation occupies all the room of the self or monopolizes the ethical domain, but that its medium and its message make themselves known and heard above the din. (Martin, 2002, p. 9-10)

Finance, then, provides a set of tools to plan ones' life, overcome insecure identities, and decide on paths to take. And all the time it imposes certain distinctions between good and bad, on its own terms. Martin recognizes that financialisation does not completely dominate ethical reflection. The question that follows, however, is to what extent finance has managed to infiltrate our minds and transform the way we think about our daily practices, such as studying and working in the university. What are the terms under which business ethics maybe brought to reflect on the conditioning effects of financialisation? Given that business ethics takes place within the realm of the business school, in turn reliant on the financialised structure of university teaching and research, what scope does it have in questioning financialisation? Illustrative in this sense is the way in which intended income streams in the university shape the curriculum and the research agenda, via taxonomies like the REF and The Times Higher University Ranking. It is only once we begin to understand how the university and the business school in particular is already conditioned by finance in this way that we may begin to reflect on how a business ethics might emerge out of the contemporary business school with a meaningful opposition to finance and financialisation.

### ***The Financialisation of the University***

Lyotard (1984) warns that the crisis of the grand-narrative makes the university more vulnerable to corporate takeover. Later Newfield (2003), in his recounting of the history of the American university, demonstrates how the humanities – at the core of the modern university – were always *already* entangled with commerce, even if they were often also at odds with it. It would therefore be naive to hearken back to a time where finance and the university were separate. The university might well have increasingly become an object for commerce and productive capital but the more recent attention being paid to finance capital

seems of another order. Newfield (2008), for example, analyses how the “culture wars” between business and the humanities in the university in the late 20th century meant that “a new financial language appeared on campus without debate or even an interpretive framework that would help to understand its effects” (2008, p. 159). As a consequence, although “the ‘business’ of the university was knowledge, the university’s financial systems came to loom alongside research results as an index of quality” and “financial accounting became a language of public explanation” (2008, p. 160). Newfield traces the effects of this financialisation of the university, and emphasises that it is precisely because this financialisation is so barely understood that it can proceed so effortlessly.

Similarly, reviewing Bousquet’s (2008) critical assessment of the managerial practices of universities, Cavanan (2009) paints a sobering picture of the state of financialisation in US academia. On one hand, there is a proliferation of managerialism in how the university itself is run. The predominance of an economic logic is irrefutable, and in their management practices we can see that ostensibly public universities begin to resemble privately owned industries. Here we find the extremely highly paid CEOs and sports coaches, coupled with vigorous downsizing and an increasingly contingent workforce. In particular, we can see the development of a structural use of a reserve army of graduate students and recent PhDs for teaching purposes, whose numbers are managed in order to create a situation where supply exceeds demand. This demand, in the form of tenured faculty, is itself ever decreasing.

On the other hand, in terms of investment finance, US universities operate as *de facto* financial institutions with endowments that are comparable in size to those of private equity. Here, the real estate endowments of universities become vehicles for financial speculation, securitisation and lending to students and outside parties (Samuels, 2010a). Additionally, due

to their unique legal status as educational institutions, universities have been able to attract substantial outside investment from alumni and benefactors, who are often attracted by high financial returns and tax advantages. To provide an idea of how truly astounding these endowments can be, consider that Harvard lost 22% of its endowment in the wake of the 2008 financial crisis, a loss that amounted to at least *\$8 billion* (Wall Street Journal quoted in Cavanan, 2009). While Harvard's is the largest investment portfolio in the US, they are by no stretch of the imagination alone in their financial proclivity. In Cavanan's words: "The university, in short, isn't just saying 'Let's pretend we're a corporation'. No one's pretending. The university is an investment firm with a tax deduction" (2009, p. 208).

This American state of affairs might well prefigure that of the UK, where with the arrival of the Browne report at the end of 2010 speculation is extensive on the consequences of upcoming education reforms for higher education in the UK. Europe equally shudders, already involved in the Anglo-Americanization of its university systems with the Bologna process. We can see parallel developments in many countries where public funding for universities is under pressure and tuition fees are on the rise. While much of the debate on educational reforms has focused on the effects that higher tuition fees have on the accessibility of higher education for those less well off or educated at less privileged schools, there has been a dearth of appreciation for the wider influence of finance on universities. The grasp of financial logics is set to increase, with student debt increasing through higher tuition fees and private finance displacing public finance for universities themselves.

This movement is charted persuasively by Stefan Collini (2010) in his recent review of the Browne report. Browne imposes a classic neoliberal frame on education in his proposals for higher education in the UK. The student is cast here as a consumer whose 'product' choice

must be the central force in the higher education landscape. In this system, higher tuition fees replace previous government block funding that ensured a minimum level of university autonomy in teaching provision and cross-subsidising. Now, we find a system in place where the money ‘follows the student’, so to speak, which on Browne’s assumptions is supposed to lead to a situation where “student choice will drive up quality” (Browne, 2010, p. 29). This view of the student as a consumer rather than the traditional ‘pupil’ is further expressed in Browne’s conviction that student satisfaction will become the yardstick by which the quality of degree schemes and institutions is decided. Collini rightly criticizes Browne’s assertion that student satisfaction, intended as the main intended indicator of teaching ‘value’, will lead to increased quality and relevance for degree schemes. Collini suggests that short-term satisfaction and the quality of learning should not be equated, and that the more likely outcome is one where quality takes a dive.

This is coupled with assumptions that the cost of individual degrees will eventually be dependent on the expected graduate salaries (which is of course already prevalent in most MBA degree schemes, as lamented by Pfeffer and Fong [2004] and Podolny [2009b], for example). The perceived benefit from studying, in this respect, is then wholly defined in terms of the monetary ‘return’ that graduates have received in terms of salary. Collini criticises the dominance of such economic logic in the proposal of new Higher Education policies over social and cultural logics. We can go a step further in this respect and perceive Browne’s proposals (and the subsequent reforms accepted by House of Parliament) as the further spread of financialisation in the university, tellingly reflected in Browne’s rejection of the graduate tax in favour of a “student finance plan” (2010, p. 35). Collini views this as a glorified voucher scheme where students exchange years of servitude in debt for a marketable investment in ‘human capital’, an investment that is subject to downwards pressures in

academic quality. At the same time, universities come to be perceived in increasingly financialised and managerialist terms.

The university, then, is institutionally governed by finance already. When we place the already-financial tenets of the university of finance against the backdrop of the Browne report, given its drastic cutbacks in the public funding for universities and increases in the funding that students will provide in the form of increased tuition fees, the only possible conclusion can be that the financialisation of the university is set to take flight even further. How is this conditioning the content and process of study within the university?

### ***Financialisation and the Conditioning of Study***

Long before business ethics presents itself to the student as a possibility, the student is already conditioned by finance. In the Browne report, we can see a heavy reliance on the discourse of human capital, where “student choice” for particular degrees is assumed to be driven by future returns in terms of expected graduate salaries. Given that student debt will have virtually doubled from current levels by the end of future students’ studies to £30,000 or more, such a narrow focus on the financial returns of one’s degree choice will increasingly put pressure of those parts of the university that are not seen to represent ‘return on investment’. Where the public university is under threat, and where all universities, public or not, are partaking in a process of financialisation, it is of course primarily the students as customers of the higher education factory that are assumed to pick up the tab. And since students are at the very beginning of their economic lives, and have little in terms of savings to offer, it is mounting student debt that constitutes the principal consequence of these

developments. Student debt is rocketing so much so that there is now even talk of student debt becoming the next big bubble (Samuels, 2010b).

Reflecting on student debt as the new paradigm for university funding, Williams (2006) suggests that this student debt has its own pedagogy.

The new paradigm of funding sees the young not as a special group to be exempted or protected from the market, but as already fair game in the market, before they have developed skills and a purchase in the market. It extracts more work, like workfare instead of welfare, from students, both in the hours they might clock while in school as well as in loans, which are finally a deferred form of work. Debt puts a sizeable tariff on social hope. (Williams, 2006, p. 161)

This premature conscription of the student to the market has a variety of lessons in store: “debt teaches that higher education is a consumer service”, changing students’ attitudes to study and learning; “debt teaches career choices”, evidenced in the continuous rise of business as a favourite course of study; “debt teaches a worldview” wherein there is no life outside the market; “debt teaches a civic lesson” where the state’s only role is to support business; “debt teaches the worth of a person”, measured by one’s financial potential and endowment; and “debt teaches a sensibility or feeling”, with students yearning for a life of pleasure and as little work as possible – just what finance promises (Williams, 2006, p. 163-165).

And yet as Adamson (2009a) warns, we must be careful not to become nostalgic about the demise of the publicly funded university in the midst of financialisation. We must instead



attune ourselves to the way in which student debt has become a major governing force in contemporary capitalism. Adamson views this analogously to Deleuze's well-known assertion that "man is no longer a man confined but a man in debt" (1995, p. 181). Deleuze insists that power in society is changing from disciplinary forces, associated with interiority and total institutions, to what he calls a control society, in which power is more dispersed and coded into a set of activities rather than tied to organisational structures. It is important therefore not to see students as simply one among many groups that have seen the role of finance increase in their lives. On the contrary, the proliferation of student debt has functioned as a vehicle for financial experimentation, in which many of the instruments of financial power have been developed. Adamson shows how Sallie Mae, the American student loans company, has found itself in a rapidly expanding market and gaining lucrative profits. Total student borrowing increased from \$19.9 billion in 1992 to \$50.5 billion in 2004, with no signs of this expansion slowing down (Michael quoted in Adamson, 2009a). While all forms of debt grew in this period, the growth of student finance was unrivalled. Of course, US universities themselves have been complicit in this expansion. Many have provided finance packages for students under the banner of financial aid, and have allowed other private banks and private lenders to operate on university campuses, which has led to an increase in students taking out private loans outside the official student loan system.

As Adamson (2009b) points out in a more recent paper, the financialisation of student life has affected the fundamental assumptions that are now made with regards to what study is and what it is for. The notion of human capital, as developed within neo-liberal economics, has been central in this. The view of university study as investment in human capital, and thereby the augmentation of one's value in the market, has caused a financial logic to subsume the perceived ends of the university and the study embodied in it. She draws on Foucault's

(2008) analysis of neo-liberalism in arguing that the discursive apparatus of human capital produces the individual as a capitalist of herself, in charge of earning stream-yielding capital that is inseparable of her personhood. This notion, as Foucault points out, is classically neo-liberalist in that it views the individual not as a partner in economic exchange, such as a worker offering their labour power to the capitalist, but as an entrepreneur themselves. In this view, the economy consists of such 'enterprises' writ large, thereby establishing "[the] programming for the rationalization of a society and an economy" (Foucault, 2008, p. 225). For the management of such an enterprise with the aim of maximizing earning streams, a whole host of metrics and quantifying procedures come into play to fix and measure this potential productivity.

In reflecting on the effects of the notion of human capital, Adamson notes that Milton Friedman has long been a critic of government funding in higher education, proposing instead that private investors could drive the quest for enhanced human capital. In order to give form to such investment, so-called Human Capital Contracts are currently used in the US to finance higher education for students. These legally binding contracts make an investor the formal owner of the augmentation in Human Capital, which is seen as representing a value equal to the combined tuition fees paid for a degree. But after all, this 'gain' in human capital is inseparable from the physical person, and as such amounts to little more than "indentured servitude" (Adamson, 2009b, p. 277). This servitude is expressed in the payment of a significant percentage of one's earnings to one's creditor for a large part of one's working life. It is therefore not surprising that we have calculating students in the university today, let alone the business school.

This must be seen as an extension on the financialisation of everyday life. Students enter higher education by committing to serious debt on the back of a narrative of investment in human capital. This debt, we must remind ourselves, is unsecured except for their very physical presence. The collateral is quite literally their self. As such, the educational process becomes lived-in by students as one in which they are not only gathering bankable skills, but one in which they are readying themselves for the labour market. The ‘calculating’ student learns to administer their personal investment of study time and effort with a view to maximising the outcome. That outcome is similarly embedded within financial logics, namely that of a quantitative mark, which allows the student as commodity to be measured, listed and ranked in terms of their worth. In the UK, since the Burgess report on higher education (Burgess Group, 2007) this is also amplified by the pervasive focus on employability in ‘graduate development’.

## **DISCUSSION: *TEACHING FINANCE AS CONDITION***

Given the conditioning of the university by finance, and the production of the student as an entrepreneur engaged in human capital investment, how can we conceive of finance itself as an object of study? We have already argued that the business school must take its ethical responsibility in the teaching of business in light of the excesses of financial capitalism. This means confronting the question of what it means to teach in a business school – this is the question business ethicists must ask themselves today. We know that the business school has traditionally been occupied with the management of work and enterprise. Not only is management now seen as central to any form of public or private endeavour, it is also part of how we conceive of ourselves as subjects. The notion of human capital is radically reshaping

how we see human development and learning – this management is tied up with finance as strongly as any organised corporate endeavour would be. Finance, it seems, is inescapably part of the conditions of study in the business school or anywhere else in the university. The question begs itself – how must we now teach finance and financialisation?

It is necessary to reflect on the virtues of critical pedagogy in light of the specific conditions already discussed in this paper in order to qualify the contributions critical management education can make. We stress that simply adding ‘more ethics’ is not the answer to the current shortcomings of business school teaching. The education relationship is itself irrevocably financialised, which means that loading up the management curriculum with business ethics courses will not unsettle the lessons that students are learning about finance in their daily lives. The notion of ‘investment’ in one’s ‘human capital’ is becoming more widespread, not least because it is strongly resonant with currently dominant higher education discourses stressing “knowledge transfer” and “transferable skills” (QAA, 2010). From the perspective of critical pedagogy, this trope of human capital reinforces what Freire (1972) very aptly refers to as the ‘banking model’ of education. Banking education attempts to isolate consciousness from the world. It immobilizes, fixes, and attempts to be a-historical, un-situated and a-contextual (like finance). Freire’s favoured approach based on his critical pedagogy, problem-posing education, on the other hand, is designed to create students as critical thinkers (1972, p. 66) and “present the situation to them as a problem” (1972, p. 67). Problem-posing education sets as its aim interrogating one’s embeddedness within the world, whereas banking education relies on a notion of stocked knowledge that is propounded by experts to a docile and eager student cohort, to be examined and tested.

From what we have argued above, it can be observed that banking education is already financialised. It demands that the student submit to the established structures to end up with a predefined end-point, a mark or certificate. As its 'return', such an end product provides the justification to the entire process of education. This end product is central to the financialised subjectivity of students, who develop skills to administer their time and effort in ways that are most efficient in obtaining what the market valorises: "the all-important 2:1" (Collini, 2010). Therefore, it is important to acknowledge that critical management education takes shape within a financialised context, and that in order for it to be educational and potentially emancipating, it must engage with this very specific financialisation as one of the conditions of study. Importantly, the notion of the student as consumer is crucial here, which is only strengthened by impending tuition fee rises in the UK and elsewhere. This notion of the student as consumer interlocks with the discourse of human capital to provide a financial narrative for university study which can be framed in terms of investment, risk and return rather than debt, precariousness and study. Such a financialised subjectivity takes shape within the context of an already highly governed and governing university (Case and Selvester, 2002).

University curricula are no longer informed by disinterested study, let alone critical reflection and resistance, but justify their existence by their ability to 'add value' (Contu et al, 2003). Grey (1994), for example, criticises the ways in which 'career as a project of the self' – in which learning plays a central function – is effectively a new form of self-management that includes new forms of discipline. Learning here appears far from liberating, but instead as a preparation for 'labour process discipline'. Contu et al. (2003) attack 'learning discourse' more directly as one that hides "antagonistic and contradictory organizational and social practices" and monopolizes such terms as "social inclusion, competitiveness, employability,

empowerment and personal development” (2003, p. 931). Learning is here seen to be always already subsumed under an economic rationality of value added and return on investment, and the financialisation of the university only exacerbates this process, as we argued above.

This leads Contu et al (2003) to be what they call ‘against learning’, in the sense that contemporary learning discourse inevitably implies this instrumental rationality. In a reflection on the relation between debt and study, Moten and Harney (2010) argue that learning today is always already entangled with debt and credit, and it is these financial logics that attempt to draw learning into their realm, as we described above. Moten and Harney suggest that (against learning) we can identify the figure of study as one that exceeds and escapes finance. Where learning is always already geared towards an outcome, e.g. a high mark received for an assignment, the credit received from a completed module, or the human capital gained from a degree awarded, study is that which is interminable, that which prizes debt away from credit, makes it unbankable, and thus frees it, so that debt becomes not a burden but a commonly shared indebtedness. Here we don’t find speculation in derivatives, but “debt speculation” as a “speculative mutuality”, a speculation on building sociality out of unbounded debt that does not require payback but only to be forgotten and remembered again. In such an environment, study comes to occupy the place of subversive activity (see also Moten and Harney, 2004).

In financialised education in general, and financialised management education in particular, the trope of Capital is dominant, as we have argued above. It is furthermore reflected in commonly observed tendencies among students to minimize their investment (in terms of academic work), while looking to maximize outcomes, which can be seen as expressive of a financialised subjectivity. Here, outcome is not equated with the students’ learning, but the

quantitatively expressed mark according to which one's performance can be indexed (something which we can also see reflected in the Browne report). We would therefore suggest that, among other things, the struggle to reform education in ways that make it less 'bankable' is one which touches on the heart of financialisation within the teacher-student relationship, and as such is a struggle that is worth undertaking. The same can of course be argued for the myriad other metrics that are rife in contemporary higher education. Nevertheless, as assessment is often at least partially under our control, it is as good a place as any to start. In a very direct and concrete way, this provides a way into teaching finance in a way that touches on its reproduction of logics, motives and subjects.

## **CONCLUSION: *FINANCE AS CONDITION OF BUSINESS ETHICS***

Business schools have been admonished for being complicit in the education of those who occupied central positions in the recent crisis, and also in promulgating a narrow managerialism as a public good. The model of the venerable professional business school as a would-be bastion of self-disciplined actors with a shared commitment to professional values and with a self-regulating apparatus for dealing with aberrant behaviour currently doing the rounds has failed as a response to Enron. It is likely to fail again. Similarly, the proposal of 'more business ethics' in the classroom which has also become predominant seems just as likely to waver, given as it is to leaving the specificity of financialisation to one side in its pursuit of a solution. We have argued in this paper that neither of these responses (professionalization of the institution and ethicalisation of the curriculum) directly tackle and confront the fundamental conditions that have allowed the financial crisis to take place. We

have therefore presented the notion of financialisation, which has to date received little treatment in the business ethics literature, in an effort to redress the balance.

The university is presently too deeply entwined with finance to be able to meaningfully deliver upon the promise of business ethics. On the one hand, ongoing restructuring in universities has placed increasing emphasis on financial dynamics, through privatisation, increased tuition fees and advertising through graduate salaries, among other things. Business schools have proved to be the testing ground for these financial innovations, and as a result they know their institutional continuity to such financialisation. On the other hand, increasing student debt entails a particular pedagogy and ethics of its own – it teaches students to turn finance on themselves by understanding learning as first and foremost an investment in their own human capital. Teaching business ethics does not challenge these conditions. It is only once we take our bearings from how finance conditions the contemporary university and study within it that we may start to think about teaching business ethics, in spite of and against financialisation.

Financialisation, on our analysis, does not equate with a revision of the finance curriculum offered by the business school (although compelling proposals in this regard do exist – see Forslund and Bey, 2009). Nor does it point towards a generalized literacy programme that would seek to familiarize the world with financial terminologies and methodologies so as to bring everyone up to speed on an equal footing. Financialisation here rather means appreciating finance as a central part of our everyday lives – looking at how our everyday lives are *already* conditioned by a financialised logic. In this sense, we argue that business ethics should take its bearings not from the financial curriculum as such, but rather from the way in which the curriculum itself, and not just the financial curriculum, is already



determined along the logic of investment maximization. Education itself, in this sense, can be understood as one investment amongst others – a risky one, for sure, but one for which the rewards might be potentially great. It is the very pervasiveness of financialisation, across our everyday lives, and across the academy and its curricula, which we have provisionally set out to challenge in the name of business ethics. A challenge to the financial crisis, in the name of business ethics, cannot but consider the ways in which finance conditions study as a challenging but necessary point of departure.

This puts questions about the nature of learning (Contu et al, 2003), of study (Moten and Harney, 2010), of education and of grading – that is to say questions of pedagogy, at centre stage in the discussion of the contemporary financialisation of education. We have suggested that instead of turning to the case study we might want to look at critical management education with its focus on the co-transformation of the subjectivity of the student and teacher as co-learners, and that we might turn towards study as a figure resisting the financialised discourse of learning. As a starting point we are proposing here to turn to the study of finance not to enhance financial literacy, but to study financialisation as a condition of study and of life itself. It is only once we study these conditions that we might begin to consider how to resist and overcome them.

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