

August 10, 2013

Economic Inequality, Business and Capitalism Workshop at Academy of Management

The workshop began with an introduction by [Hari Bapuji](#) that explained the reasons for organizing the workshop (e.g., rising income inequality becoming an increasing concern, lack of business research on the topic, mobilize research and teaching resources, etc.). Four research briefings were made as follows:

- Lukas Neville on [the negative effects of economic inequality on individuals and organizations](#)
- Victor Cui [on how high levels of income inequality decreases innovation](#)
- Nathan Greidanus on [the effect of economic inequality on entrepreneurship](#)
- Bruno Dyck on [the need to rethink management theories](#)

Following the presentations, the participants gathered around two large tables to discuss various issues. These tables were broadly labeled Micro (issues of inequality that affect individuals and groups within and outside an organization) and Macro (issues of inequality that affect organizations and other higher analytical levels). The following notes capture the discussion at the two tables.

MICRO - Why do individuals tolerate inequality? When and why is it considered to be fair?

- **Discounting effect:** People underestimate the power of structures in shaping their own outcomes
- **Better-than-average/Lake Wobegon effect:** Sure, inequality is bad for most people – but *I'm* not most people.
- **Mobility:** Inequality is fair if there is still the ability to rise through the ranks (if anything, equality might be *unfair* for not recognizing differences in skills and aptitudes)
- **Entitlement:** Sense of excessive deservingness (generational; cohort effects?) Again, contributes to the sense that you will be on the right side of the rich-poor chasm eventually.
- **System justification:** “The Working Poor” (book). System justification, victim derogation
- **Organizational values:** Organizational cultures can either celebrate and reify inequality (Walmart), or stress equality (Winco, Woodmans, Wegmans, SAS).
- **Cultural values:** Power distance, stereotype content and ingroup/outgroup relations can emphasize distinctions and differences between those at the top and bottom of the distribution (also see Monopoly ‘rules of the game’ study).
- **Careers:** Career fields, hiring networks and interviewing practices can discount the merit of those who are at the bottom of the distribution.
- **Specialization:** Extremes in job specialization (along with up-or-out career paths) can make people feel qualitatively *different* from others and legitimate economic differences
- **Reference points and social comparisons:** Who do we compare ourselves to? It is easy to underestimate the degree of inequality when residential segregation keeps us from seeing how the other half lives.
- **Historical comparisons:** Do we focus on other countries or our own history? Recent history or distant history? (One participant said: It’s easy to gloss over modern inequality when comparing with a history that used to involve, for instance, slavery!)

- **Permanence:** Are inequality levels presumed to be temporary and part of an economic transition? Is there intergenerational mobility?
- **Entitlement and equity sensitivity:** Are those at the top of the distribution convinced they got there through merit? Do they care about the distribution for others?
- **Cultural values:** Role of luck and fatalism, vs. agentic ‘Horatio Alger’ type beliefs about people’s own role in their outcomes.

MICRO - What are the overlooked consequences of inequality for organizations?

- **EVLN Model:** Those at the top of the distribution express dissatisfaction with exit or voice; those at the bottom can choose only loyalty or neglect. Upward voice is stifled in situations of extreme inequality.

MACRO – Do Management theories currently address EI?

- Mainstream organization theories tend to ignore EI
- Alternative theories might not be scalable; *Do they need to be scalable?*
- In terms of capitalism, we can consider sustenance vs. acquisitive (varieties of capitalism)
- Base of the pyramid theories? Is it enough to simply treat the poor as consumers?
- Possibly draw on ecological based models and Ecosystem theories as a possibility to explain inequality. David Sloan Wilson, “Evolution for everyone” a book written for non-natural scientists.
- Land and soil as a limited resource; Stacey Jackson and carbon emissions and economic growth.
- Bruno Dyck’s textbook that takes a mainstream/multi-stream perspective and allows students to ask who they are and what kind of managers they want to be.

MACRO – Can we as researchers or educators discuss EI?

- Business schools tend to ignore EI, possibly even dissuade individuals from talking about it.
- University of Leicester is designed to be a radical utopia, with many confused undergraduates.
- Will mainstream management publish inequality research? Perhaps EI is where sustainability was 10 years ago. Special issues and other outlets starting to open up.

Following the small group discussion, a representative from each table shared with the large group the key points from the discussion that took place at their table. During this process, the need to make teaching and research resources available was highlighted by the participants. For some research resources, please see [here](#).