

Hierarchical Inconsistencies: A Critical Assessment of Justification

Juozas Kasputis, Institute of Advanced Studies Kőszeg (iASK), Polanyi Centre, Hungary juozas.kasputis@iask.hu

Abstract

The existential insecurity of human beings has induced them to create protective spheres of symbols: myths, religions, values, belief systems, theories, etc. Rationality is one of the key factors contributing to the construction of civilisation in technical and symbolic terms. As Hankiss (2001) has emphasised, protective spheres of symbols may collapse – thus causing a profound social crisis. Social and political transformations had a tremendous impact at the end of the 20th century. As a result, management theories have been revised in order to deal with transition and uncertainty. Francis Fukuyama's (2000) approach is supportive of hierarchical organisation as the best solution when facing a 'disruption'. The notion of *Homo Hierarchicus* has been based on, allegedly, rational presumptions. This paper contributes to the discussion on hierarchy within contemporary organisations. It criticises so-called 'natural' and 'rational' necessities justifying hierarchy. A key issue identified by the paper is the formalisation of language in claiming value-free knowledge and 'detached' observation as the basis for neutral rationality and aspired efficiency. This should be seriously reconsidered as hindering rather than aiding understanding of social complexity. All in all, *Homo Hierarchicus* appears to be misleading rather than helping symbolic sphere or construct.

Key words: Rationality, bureaucracy, hierarchy, complexity

JEL: B50, M14, Z13

1. Introduction

The most usual definition of management mainly refers to an act of making a decision in accordance with the interests and goals of certain organisations. It means that 'organised' people can be divided into two major groups: ones who make decisions and others who implement decisions. Even the simplest kind of organisation indicates the presence of hierarchical order which ensures that decisions are smoothly (as much as possible) implemented. There are diverse and complicated forms of organisational hierarchy including many chains of middle-management with various levels of autonomy. Hierarchy is a formal structure of organisation maintained by officially-approved rules. A fundamental slogan of hierarchical management is 'efficiency and more efficiency'. The efficient organisation is supposed to achieve the maximum results at minimum costs. Not surprisingly, a formal structure needs a formal language purified from all the imperfections of ordinary language, like vagueness or ambivalent interpretation. Guidance and commands must be produced and feedback reports must be delivered through formalised lines – which should guarantee the most accurate content of information is transferred. Mathematics is a scientific instance of formal language. So it is not a coincidence that management within hierarchical organisations is permeated by quantitative techniques. But do they provide adequate assistance? A

mathematician has the privilege to be engaged primarily with abstract concepts and patterns on a theoretical level. So even, physicists, as scientists studying natural phenomena, are not completely satisfied with the assistance of mathematics. The formal language can be helpful but its rigour has not been always adequate to study phenomena which do not easily surrender to formal treatment. Rather a more poetic practice may be more relevant. This is Bohr's advice to Heisenberg (1971), and Manin (1981) shares the same sentiment. Hankiss (2001) also has implied that 'compatibility of mathematics (and human reason behind it) with the universe is questionable' (p. 196). Dyson (1979) has brilliant memories of how discussions among physicists and mathematicians proceeded under Oppenheimer at Princeton. Social phenomena are more complicated than natural ones, nonetheless social sciences are invaded by formalisms in no less a way. Leontief (1982) has expressed major concern regarding too much applied mathematics within economics. Formal approaches have introduced fatalistic and static notions into social sciences, absolutely ignoring human values and indulging in 'routinised' procedures. Bourdieu (2004) alleged that too many mathematicians retreated to social sciences in search of safe shelter, due to their inability (or possibly incompetence) to secure an academic career in theoretical mathematics. However, social sciences were institutionalised just at the end of the 19th century, later than the natural sciences (Wagner, 2001). It is a common practice in methodological disputes to juxtapose social and natural sciences. The impressive success of Newtonian physics has established long-standing standards for scientific method. However, Russell (1956) has pointed out the opposite case where social theory induced a breakthrough in natural sciences – Darwin's theory of evolution. Many contemporary social scientists enjoyed introducing evolutionary ideas from biology into the social sciences in order to oppose mechanistic trends. An example is evolutionary economics in contrast to conventional equilibrium economics – which is overly captivated by mechanical models of rationality and perfect information (Metcalfe, 1998). So-called Neo-Darwinism has thrived by coupling social and natural sciences thanks to complexity and evolution theories (Khalil and Boulding, 1996). Russell (1956) indicated that Darwin himself could not derive evolutionary theory from the previous achievements in the natural sciences. For example, geology was not developed enough to be finally independent from orthodox theology at the first half of the 19th century. According to Russell (1956), Darwin's theory was no more than generalisation of everyday experience. 'Biological' legitimisation of hierarchy according to the principle of 'survival of the fittest' couldn't derive support from Darwin, who never used this term, it was rather Spencer who introduced it (Le Page, 2008). Later this generalisation was used to disguise certain affirmative values dependent on specific historical context. It could be identified with impersonal hierarchical frameworks of power – though Darwin had actually insisted that cooperative social groups had a better chance of survival.

The discussion about rationality and human values in science may also have some implications for management issues. Science is more theoretical and speculative. Management is a more practical activity. The realms of concern in the social sciences and management do not totally coincide, but they do overlap. All in all, the social sciences and management face a common problem of human values – only differently accentuated. Both value-free science and formalistic management are completely idealistic concepts and are not adequate for dealing with reality. Weber (1958; 1965), who introduced an ideal type or archetype of bureaucracy, had recognised the threat coming from 'specialists without vision' within hierarchical structures of power. Normally, all that needs to be done within a neoliberal paradigm is proper constraint of informal imperfections. According to Myrdal (1944), all conflicts of values in social sciences are resolved through rationalisations which bridge incoherencies by belief systems. Absolutely formal management is very rigid and inflexible –

like strict bureaucracy. They are thus doomed to fail when facing new and unexpected challenges in economy, society, politics and within the military. That is unless, following Weber (1965), 'the big question' regarding alternatives are considered.

Management, as an act of making decisions and of organising, is directly dependent on norms and values. Normativity has framed and directed all human actions. A rational machinery of capitalism is trying to tame and to domesticate informal human values in the usual way of 'capitalisation'. But there are different rationalities other than one single 'human reason'. The highly influential rationality of Milton Friedman, that capitalism equals freedom, overthrew Keynes' commitments and 'rationalised' the case for cutting corporate taxes, which significantly improved the position of the '1% in society'. It represents one of the best examples of how zealous commitment to rationality is itself irrational (Stiglitz, 2010). The whole division of human values into formal / informal and rational / arational is inappropriate in the 21st century based as it is on obsolete Cartesian dualism of mind and body. But it is exactly what the prophet of rationality and Rockefeller-type of intellect, Fukuyama (2000), is trying to do. He is a grand thinker, but his inclination to validate the presence of hierarchies by 'human nature' contains a pseudo-religious flavour, as indeed does the fake entity of *Homo Hierarchicus*.

2. The Great Inconsistencies of Fukuyama

Fukuyama's book *The Great Disruption* (2000) is partly a response to rising civil society and new ideas regarding a reconfiguration of organisational frameworks in order to replace hierarchical structures by spontaneous networks having a higher degree of freedom. It sounds like discarding a vertical top-down framework of domination by introducing horizontal, spontaneous network with less hierarchy. This seems very promising and Fukuyama (2000) does not attack that idea straightforwardly. And he is right in his own terms, because this classification of social order (hierarchical order vs. spontaneous order) is endorsed by him personally. There should however be some health warnings in order to analyse Fukuyama's 'rational' proposal, because it hides a rhetorical trap with its arbitrary extreme cases of 'hierarchy' and 'spontaneity'. It is timely to recall Barthes's (1992) advice, '...how absurd it is to try to contest our society without ever conceiving the very limits of the language by which (instrumental relation) we claim to contest it: it is trying to destroy the wolf by lodging comfortably in its gullet' (p. 8). Fukuyama (2000) is very well aware of complex systems and chaos theory which cannot be denied. Self-organised, nondeterministic 'schools' are a common occurrence in the nature. But his universe of norms (Fukuyama, 2000, p. 148) is framing an intentionally-selected piece of reality. It is a very ambiguous framework because this kind of 'selection' is close to an arbitrary 'creation' or 'symbolic construction'. In other words, it is ideological preaching in the name of 'rationality' under the guise of 'objectivity'. This selective interpretation of meaning and manipulative game with causal links, imposes certain affirmative values. Fukuyama (2000) has assigned to social capital all norms which prevail outside hierarchical authorities. Obviously, the idea is to combine social capital and civil society in order to ground and purify the presence of authority. Following Fukuyama (2000), hierarchy is a source of formal social rules imposed by authority (bureaucratic, religious, etc.), and spontaneously-generated norms, which are mostly informal, are inherited. The definition of rational norms has indicated what is wrong with rationality itself – allegedly, these norms are chosen after rational choice in rational discussion. The only discrepancy in this definition is, namely, who sets the terms of discussion. The whole scheme displaying how norms are distributed has merely an illusory appearance of symmetrical allocation. All

arational and spontaneously-generated norms are presupposed to pass a 'filter' of rationality and hierarchy. Alternatives are left aside as rejected and unapproved (or just simply ignored and not considered) until the next 'rational discussion'.

Within a hierarchy the authority 'makes a rational choice' from an available 'pool' of spontaneous and informal norms. The definition of rational choice is inconsistent due to an inability to define exactly what is meant by 'rational'. More than this, Kagan (2009) has pointed out that a popular definition of a rational decision asserts that it is the best means of gratifying a wish based on a conclusion derived from the gathering of an optimal amount of information. This abstract definition fails to stipulate the best means of gratifying a desire or the meaning of an optimal amount of information (Kagan, 2009, p. 169).

The presence of a sovereign authority presupposed the dialectical tension between 'rational' and 'arational', like the one in the paradox of the Master and Servant relation introduced by Hegel. The major idea behind this paradox is that Master and Servant cannot exist without each other because they fulfil each other's existence despite hierarchical conflict. Fukuyama's (2000) four-quadrant matrix has reduced a complex world into a picture with fixed and polarized categories. It's a partial world view and a perfect example of 'applied metaphysics' as warned of long ago by Marx (1937 [1847]). Following him, everything which is reduced to logical categories is an abstraction of social relations. Fukuyama's (2000) approach has become entangled with his own religious sources, even though exclusively referring to Max Weber. It seems that Fukuyama (2000) has attempted to extend a Weberian framework to current social issues, but this intellectual jump from the end of the 19th century has been revealed as naïve 'Americanism' with self-confident superiority. The most explicit of Fukuyama's (2000) examples of social disruption are from non-Puritan areas like Latin America or Southern Italy (pp. 17-18). Puritanism, in his sense, is a bridge transferring informal family values into external formalised activities – such as doing business. Fukuyama (2000) had intended to present a softer and more flexible version of 'Newtonian mechanistic' top-down organisational structure. The 21st century represents quite a challenging time period for that kind of hierarchical organisations with deeply ingrained formal routines. For example, management theory has been seriously considering biological metaphors for organic bottom-up organisations. So, in order to counteract anti-hierarchical trends in management theory, Fukuyama (2000) has saved his own 'biological' argument for *Homo Hierarchicus* – 'people by nature like to organise themselves hierarchically' (p. 222). The main idea behind this statement is transmitted in strikingly 'obvious' terms: dominance in hierarchy increases levels of serotonin in the brain, according to studies of chimpanzees' competitive sexual selection and their fights for alpha-male status. Fukuyama (2000) has equated it to the similar impact of antidepressants known as SSRIs (selective serotonin reuptake inhibitors), with brand names like Prozac, Zoloft, Celexa, etc. Besides that, he has claimed that higher status within a hierarchy brings a better emotional reward because recognition is supposed to be one of the basic social needs for human beings. And this is the point where Fukuyama's (2000) *Homo Hierarchicus* project starts to fall to pieces before reaching the final stage.

3. The Problem of Prediction

The explanation of phenomena in causal terms has always persisted in the realm of cause-effect studies. It has become a formal way of 'doing proper science'. Effectively, revealed causal links enable us to predict future processes or to retrodict into the past – but this is only a part of the story. Prediction and retrodiction have remained as ideal forms of scientific activity, even while still not fully realised throughout the sciences. The overwhelming success

of Newtonian physics, for a while, had provided a universal paradigm to be followed by all scientists. But later discoveries in the natural sciences, especially in biology and chemistry, were not completely affirmative with regard to this mechanistic approach. Human behaviour, as a social process in general, does not follow certain 'laws', though some regularities and patterns may exist. Besides which, even physics (including thermodynamics, quantum mechanics and complexity theory) does not wholly rely on Newtonian and Cartesian premises. Predictability assumes controllability, such as an ability to control future events and prevent crises. But the historical record of successful social predictions is not impressive. The problem is not precision itself, but the whole concept of cause-effect. The expectations built on past regularities and routines cannot help to avoid huge disasters and failures in the future. The mechanism of cause-effect works pretty well in mechanics. However the decreasing power of the church and religion has empowered a new secular theology of amelioration – a progress. This way of reasoning presupposes a developmental pattern of growth towards 'higher' social forms. The dependence of the current state on a previous one means the ability (or, at least, the aspiration) to predict a future state. This is the backbone of the linearity concept or, in other words, reversibility.

The notion of reversibility is borrowed from classical physics. With given laws and formulae, it enables us precisely to retrodict or predict the past or future states of physical processes. In cases where absolute precision is unachievable, it can be replaced by the calculus of probability. One of the prominent model assumptions of this kind is the Markov Chain – a sequence of vectors with probability criterion where each vector in sequence depends only on the previous state. A probability gives a wider account for quantifiable results, but it still retains a restraining power. So, not surprisingly, deterministic predictions or probabilistic calculations are quite useful in sustaining hierarchical structures, because they frame strategical planning and provide top-down consolidation. But social complexity and uncertainty do not surrender themselves to finite formalisms as easily as the theory may lead us to expect. First of all, future oriented calculations and planning tend to disguise the projection of many interests for maintaining power relations within hierarchies. The hierarchical organisation projecting itself into the future needs some sort of 'clarity window' based on rational values. It is like a set of parameters within which the organisation fits itself. And, consequently, each link (or position, or employee) in a hierarchy is granted permission to act within certain limits of responsibility. It gives a false sense of security and consistency because social reality consists of non-linear processes too. This is a precise example of reducing human existential experience into narrow and false symbolic concepts (Hankiss, 2001). In this case the remark of Davidson (1998) is very relevant with its suggestion of the notion of accuracy (meaning 'care to obtain conformity with fact or truth') instead of precision (meaning 'sharpness to minute detail'). Maybe conformity with truth is also unrealistic, even if it seems less dogmatic and not so trapped by perfectionism as precision. In the case of hierarchical organisations, precision and perfection denote the fear of loose interpretation. To put it simply, the precision of formal language is supposed to transfer orders and reports in clearest way without loss of information. But formalisms do not make anything simpler, they compartmentalise reality into fixed concepts with permanent meanings. This kind of affirmative permanence has an ideological or even a theological flavour. It encloses an organisation within restricted forms of behaviour and firm (but narrow) directions for the future. Presumably, evolutionary development favours 'the fittest' capable of exploiting opportunities and calculating possibilities. But quite often the notion of 'fitness' is taken out of context and separated from the idea of adaptive processes. Thus 'fitness' has become a justification for the current state of affairs as a frozen moment in the present. From this point

of superiority, the future is predicted and the past is retrodicted in terms of higher authorities within hierarchical structures.

Interestingly, even though this does not provide a genuine picture of future, it also distorts the past. Critical analysis has suggested that from a historical perspective rational explanation is merely a foundational myth. The modern theology of progress and rationality is a relatively young one and not necessarily indispensable. It managed to become dominant due to the rise of capitalism in the 19th century. A mechanistic world view and large-scale industrialisation have imposed a belief that 'discovered' social laws will pave a way to a brighter future and a more sustainable society with fewer grievances. All that is necessary is simply to follow and obey 'invisible' market forces. In this regard, Russell (1956) issued a relevant warning, 'the same laws which produce growth also produce decay' (p. 81). Supposedly 'discovered' social laws should be better declared as coincident regularities and routines. Holland and Oliveira (2013) following Hume and Smith have indicated the deficiencies of premise-dependant 'systems thinking' thus, '...Hume's stress that what is perceived depends on the habitual dispositions and values of the perceiver, has implications for suggesting that that there is no "value free" social science and while decision makers on markets allegedly have been guided, as it were, by an invisible hand, most of them have been driven by values, beliefs and dispositions less than consciously acquired from life experience and education...' (p. 48). Hoover (2003) has recounted one of the insightful reflections by Isaiah Berlin that human beings tend 'to find a unitary pattern in which the whole world of experience, past, present, and future, actual, possible, and unfulfilled, is symmetrically ordered' (p. 220). Hierarchical structure of organisation, as it is expected, should ensure survival and maintain institutional 'fitness' within an economy. Bankrupt firms usually are explained away in rational terms like miscalculations of management, inability to react to the change of demand, modified market regulation by government, etc. But deeper analysis can reveal the inner self-destructive drive within 'rational expectations'. This is a vicious circle – an irrational adherence to rational value-free modelling. The impressive failure in 1998 of the speculative hedge fund Long Term Capital Management, run by the Nobel laureates Merton and Scholes, has exemplified the inconsistency between econometric predictability and real market fluctuations. 'Scientific method' did not help in managing long-term financial investments. Highly sophisticated mathematical calculations ignored Keynes's claim 'that there was no basis for predicting long-term expectations since these depended on group and mass psychology' (Holland, 2015a, p. 115). Certainly, the 'fitness' of many firms needs to be 'corrected' by external market regulators, for example, tightening the control of the financial sector. Cause-effect reasoning has imposed ideological, socially conditioned and institutional constraints in an unjustified apotheosis of market rationality (Holland, *ibid.*). As a result, the assumptions of 'rational' expectations and 'efficient markets' paved the path to the subprime crisis and the greatest financial disaster since 1929 (Holland, 2015 b).

4. The 'Rise and Fall' of *Homo Hierarchicus*

For such reasons there is a need also to reassess *Homo Hierarchicus*. Hierarchy does not fit everybody. It is rather an imposed pattern of organisation. Fukuyama (2000) has categorised social norms as formal / informal (rational / arational) to distinguish values which could be helpful in the argument for hierarchies and to understate alternative proposals. But his statements, like assigning informal values to organised crime, or promoting hierarchy as more transparent than networks, do not seem persuasive enough. At least that is the view of this writer. And here come the strongest arguments deployed in various ideological battlefields –

biological and religious ones. Invoked 'by nature' really sounds like an unquestionable ruling by a judge, without any right to lodge an appeal. In biology, serotonin has been identified as a chemical compound within human brains that is considered to contribute to happiness or good psychological well-being. A shortage of serotonin and depression are deemed causally linked in psychiatric practice. Fukuyama (2000) conjures up a double causal link; serotonin and non-depression, non-depression and hierarchy. This series of causal links deployed in a linear fashion is used to build an argument, but it can also conceal serious gaps. For example, the problem with serotonin highlights the challenge of analysing statistical data and interpreting medical research. Selective serotonin reuptake inhibitors (SSRIs) are a very popular group of antidepressants which increase the level of serotonin in the brain, thus presumably curing depression. But there is extremely disturbing statistical data on the extent of the use of antidepressants (not least, it presupposes a distinct market with certain patterns of consumer behaviour), especially in the United States. According to the US National Health and Nutrition Examination Surveys 2005-2008 (by National Centre for Health Statistics – NCHS), antidepressants were the third most commonly prescribed drug taken by Americans of all ages, and the most frequently used by persons aged 18-44 years in 2005-2008. According to Pratt, Brody and Qiuping Gu (2011), who have analysed NCHS data, there has been a 400% increase in antidepressant use in the United States among all ages from 1988-1994 through 2005-2008. Some eleven per cent of Americans aged 12 years and over, take antidepressant medication. Of course, antidepressants are used to treat not only depression but also various forms of anxiety disorders. The problem is on a truly pandemic scale, and if Fukuyama's causal links were to be reversed, it would be tempting to attribute the crisis to a failed model of hierarchy existing within modern society. But there is no need 'to play' under the same (simplistic) principles of cause-effect reasoning. People become frustrated and anxious, consequently many of them search for the easiest and simplest solution in order to counterbalance experienced emptiness in contemporary society (such as Durkheim's anomie). It is obvious that classical hierarchical systems are not the answer to actual social challenges. Troubled people cannot necessarily find a suitable hierarchy to 'fit in'. Indeed, hierarchy itself may be more a problem than a solution. This story of serotonin shows how it is possible to reverse cause and effect in order to manipulate people's minds. As Hume claimed (*An Enquiry Concerning Human Understanding*, [1748]), while we can assume cause-effect, we cannot necessarily prove it. The biological foundations of human behaviour cannot be reduced to a mechanistic interplay in terms of formal models. The defective mechanism cannot be fixed by replacing broken parts or by refuelling. Such a way of reasoning has monopolised decision, disseminating rigid and ineffective patterns of solutions.

But this monopoly of expertise does not ensure the efficacy of problem treatment, despite its veneer of objectivity and rationality. Ubiquitous formalisms may claim undistorted universality, but social complexity (and critical thinking) has eroded this world view. Kagan (2009) noted that 'current obsession with the biological bases for all deviant behaviours or unwanted moods' (p. 54) is due to increasing political power of the major pharmaceutical companies. Kirsch (2014) has made a thorough analysis of pharmaceutical tests for antidepressants. It has revealed many issues at an institutional, and industrial level regarding the regulation of the market, and at a scientific level in terms of research on the use of serotonin. If depression is treated according to a chemical imbalance theory, then a lack of serotonin is supposed to be a primary reason for illness. But there is a wide range of side effects from the use of antidepressants. Sexual dysfunction affects 70–80% of patients on selective serotonin reuptake inhibitors (SSRIs), long-term weight gain, insomnia, nausea and diarrhoea. Kirsch (2014) has indicated that approximately 20% of patients attempting to quit taking antidepressants show withdrawal symptoms akin to addiction. Other issues include

increased idealisation of suicide among children and young adults, increased risks of stroke and death among older adults, increased risk of miscarriage or birth malformations for pregnant women. With the added consequence that 'antidepressants increase the risk of relapse after one has recovered' (Kirsch, 2014, p. 132). This analysis has uncovered that serotonin has a shaky foundation. Moreover, it also is possible that the US Food and Drug Administration (FDA) used flawed procedures to approve drugs. While reviewing pharmaceutical trials, Kirsch and his colleagues did not find any significant differences between antidepressants and placebos. More simply, human beings are too complex to be cured by single chemically synthesised switches like selective serotonin reuptake inhibitors (SSRIs). Consequently, Kirsch has proposed a combination of psychotherapy, antidepressants and alternatives such as physical exercises or acupuncture as the best treatment for depression. Antidepressants should be prescribed only as a last resort in severe cases. Thus, the story of serotonin has shown much more complex interactions than the simple cause-effect relations assumed by many in the medical hierarchy.

Similarly, the hierarchical mode cannot be supported by religious, or to be more precise, Puritanical sentiment. Fukuyama (2000) referred to Weber in promoting the importance of Puritanism in establishing market relations and values which are commonly known as capitalism. Its initial economic success, aided by the political and military power of state, has strengthened the global dominance of capitalism. As with any kind of evangelism, capitalism does not tolerate the opposing values of 'alternatives'. Peaceful coexistence does not automatically presuppose tolerance, it can disguise a self-indulgence with a satisfied (or delusional) superiority feeling. The diffusion of 'free' market values has always been conducted within the shadow of religion. In other words, the techniques of conversion were borrowed from religious practices. Even now, the term 'conversion' has strong religious overtones. Moral values do not emerge in a vacuum, even if imposed by certain authorities. In any case, there is a strong tendency to believe that universal values should be cleansed of subjective differences in order to remain objective and rational. Fukuyama's (2000) way of reasoning is permeated with evangelicalism. According to him, and drawing uncritically on Weber, the merit of the Protestant revolution 'was not so much that it encouraged honesty, reciprocity, and thrift among individual entrepreneurs, but that these virtues were for the first time widely practiced outside the family' (Fukuyama, *ibid.*, p. 18). He submits that a more advanced and developed religion (i.e., Puritanism) had outmatched a backward one (i.e., Catholicism). By contrast, Tawney (1956) was strongly critical of Weber, submitting that the Protestant Reformation should not be regarded as a monolithic movement solely responsible for the rise of capitalism.

Fukuyama (2000) goes further with the 'purification' process in his view of how rational / formal values are constructed, deploying the concept of social capital, as 'purification' on behalf of society. For example, informal values are good for maintaining family's bonds, but in public affairs they may result in nepotism. Yet Fukuyama 'restrains' informal values within a double straitjacket. First, as just indicated, he 'capitalises' them under the high sounding label 'social capital', which has advantages and disadvantages. For, by analogy with physical capital, there is a big danger of destructive misuse. Physical capital can be turned into the production of killing devices, while social capital can sustain organised crime or nepotism. Secondly, the label 'capital' itself presupposes the existence and even the necessity of an owner or efficient manager. It is a sin to mismanage capital, which needs a higher authority, and implies the need for a secular saviour and rationality embodied in formal hierarchies. Everything has to be under control. A 'purified' social capital has to be embodied in formal hierarchies for the common good. Fukuyama's (2000) rational procedure of 'purification' therefore should eliminate the deficiency of informal values (social capital). So-

called objective outcomes of this process should gain some sort of universality such as in the hierarchical structures of modern organisations. The problem is that this pattern does not fit social reality. Fukuyama's approach is not convincing because it is constructed on flawed cause-effect reasoning. There is nothing wrong with cause-effect reasoning in physics or engineering, but human behaviour has too much uncertainty. Too big a preoccupation with a cause-effect framework for social reality has something arational in itself. Though Fukuyama (2000) wanted to show that Puritanism was the initial driving force for universal and rational values, the question still remains to be answered: does the hierarchy originate out of a necessity to control a chaos of informal values? Is there any need to 'purify' them? The question is valid, but the answer is complex. For, as Tawney, with reason, submits:

'...The heart of man holds mysteries of contradiction which live in vigorous incompatibility together. When the shrivelled tissues lie in our hand, the spiritual bond still eludes us. In every human soul there is a socialist and an individualist, an authoritarian and a fanatic for liberty, as in each there is a Catholic and a Protestant' (Tawney, 1954, p. 176).

The developmental way of reasoning since the 19th century has been captivated by the idea of directional evolution. It tends to assume a coherent direction of change that monopolises foresight by narrowing the range of alternatives. Besides which, it requires a set of criteria to validate a proper or 'higher' phase of development in comparison with the previous one. The directional development supplies a narrative uniting the previous scattered lines of evolution into a single one containing shared aspirational values. It resembles a graphical structure of hierarchy – lower-ranking positions subordinated to middle management, which is accordingly subordinated to superior management, etc. At the highest end of each hierarchy is the head of organisation, who embodies the aspiration for growth and delineates intra-hierarchical relations. But Fukuyama's reasoning about the rise of hierarchy and, respectively, *Homo Hierarchicus* is dependent on 'rational' simplifications. The idea of cause-effect itself isolates explained phenomena in order to avoid complications. It is a closed system of thought mainly preoccupied with closed models in order to be secured from 'distortions'. As a result, the model has been separated from reality, and studied phenomena have been explained endogenously. For example, the notion of 'free market' is explained separately from society and state. In this case a 'free market' has been endowed with its own laws of interaction and evolution – rational expectations, equilibrium, the survival of the fittest, etc. Braudel (1992) following Karl Polanyi has strongly criticised this sort of approach, '...the economy is only a "subdivision" of social life, one which is enveloped in the networks and constraints of social reality and has only disentangled itself recently (sometimes not even then) from these multiple threads' (pp. 225–226).

5. Conclusion

A hierarchical structure for an organisation is justifiable and necessary in many areas of public administration and business. But from a critical and historical point of view, it is not plausible to justify hierarchy on the basis of 'natural' and 'rational' necessity. It leaves out of the picture many creative and productive alternatives of how to organise and manage social activities. The human aspiration to tame Nature has turned into a more ambitious one – to manage uncertainty. But this growth of ambition is not exclusively supported by the increased capacities of human reason. Progress itself does not diminish human anxiety and fear. Much

that is represented as an improvement may only be a more sophisticated way to 'repress disturbing human experiences' (Hankiss, 2001, p. 9). A hierarchy definitely looks like a haven for existential (and professional) security in the face of present uncertainty (which, actually, was never absent). As is emphasised by Hankiss, fear is a major factor in human existence,

'In order to mitigate this fear, human beings and communities have surrounded themselves – not only with the walls of their houses and cities, with instruments and weapons, laws and institutions, but also – with protective spheres of symbols: myths and religions, values and belief systems, hypotheses and theories, the shining constellation of works of art. In a word, with a brilliant construct: civilization' (Hankiss, 2001, pp. 1-2).

A variational evolution has enabled human beings to possess and improve a great variety of ways to organise their activities. A hierarchy is not a unique solution to achieve the best possible result. Human happiness is a vague notion, but the hierarchical structure of modern organisations is not the only mode of management to satisfy creative and socially responsible professionals. Blurred lines between formal and informal ways of management have given a chance to 'hybridized' social activities like social entrepreneurship (Jensen, 2010). There are many common ideas elaborated for both the sciences and management on how to gain more autonomy from formalised frameworks. Interdisciplinary studies may prevent narrowness and short-sighted specialisation. So for the modern organisation, plagued by formal procedures and short-sighted profit seeking, a good option is 'synthetical' management (Fontrodona, 2002). 'Synthetic' functions of management can enable pluralism such as allowing scientific inquiry to be followed; for example, a new business idea could be treated like a research hypothesis. Besides which, management practice can be enriched by complexity theory (McMillan, 2008). According to McMillan, management should treat change as a normal process and preserve the organisation on 'the edge of chaos' 'where the parts of a system never quite lock and yet never quite break up either' (p. 55). It also is important to keep in mind Dyson's remark (1979, 1997) that all quantitative changes in the long run turn into qualitative ones. Hierarchy is neither a natural nor a social necessity. *Homo Hierarchicus*, like its 'cousin' *Homo Economicus*, is just another rational fiction. It may sound trivial but 'trivialities are sometimes not trivial at all' (Hankiss, 2001, p. 271).

Acknowledgements

I am very grateful to Professor Stuart Holland for his comment on the Open Discussion Forum. It was very rewarding to receive a feedback and suggestions for extending the scope of this paper.

References

- Barthes, R. (1992) *Empire of signs*. New York: The Noonday Press.
- Bourdieu, P. (2004) *Science of science and reflexivity*. Chicago: The University of Chicago Press. Cambridge: Polity Press.
- Braudel, F. (1992) 'The wheels of commerce.' In *Civilization & capitalism 15th–18th century (Volume 2)*. Berkeley, Los Angeles: University of California Press.

- Davidson, P. (1998) 'Reviving Keynes's revolution.' In D. L., Prychitko (Ed.), *Why economists disagree: An introduction to the alternative schools of thought*. Albany: State University of New York Press.
- Dyson, F. (1979) *Disturbing the Universe*. New York: Basic Books.
- Dyson, F. (1997) *Imagined worlds*. Cambridge, London: Harvard University Press.
- Fontrodona, J. (2002) *Pragmatism and management inquiry: Insights from the thought of Charles S. Peirce*. Westport, London: Quorum Books.
- Fukuyama, F. (2000) *The great disruption: Human nature and the reconstitution of social order*. New York, London, Toronto, Sydney, Singapore: A Touchstone Book.
- Hankiss, E. (2001) *Fears and symbols: An introduction to the study of Western civilization*. Budapest: Central European University Press.
- Heisenberg, W. (1971) *Physics and beyond: Encounters and conversations*. New York, Evanston, and London: Harper & Row Publishers.
- Holland, S. (2015a) *Europe in question – and what to do about it*. Nottingham: Spokesman.
- Holland, S. (2015b) 'After Ricardo – after Marx – after Keynes: Comparative advantage, mutual advantage and implications for global governance.' *Review of Keynesian Economics* 3 (1) 29-44.
- Holland, S., & Oliveira, T. C. (2013) 'Missing links: Hume, Smith, Kant and economic methodology.' *Economic Thought*, 2.2, pp. 46-72.
- Hoover, K. R. (2003) *Economics as ideology: Keynes, Laski, Hayek, and the creation of contemporary politics*. Lanham, Boulder, New York, Oxford: Rowman & Littlefield Publishers, Inc.
- Hume, D. (1748) *An Enquiry Concerning Human Understanding*.
- Jensen, J. (2010) *Globalizing governance in a multi-stakeholder world: The global prince, merchant and citizen*. Saarbrücken: LAP LAMBERT Academic Publishing.
- Kagan, J. (2009) *The three cultures: natural sciences, social sciences, and the humanities in the 21st century*. Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, Sao Paulo: Cambridge University Press.
- Khalil, E. L., & Boulding, K. E. (Eds.) (1996) *Evolution, order and complexity*. London and New York: Routledge.
- Kirsch, I. (2014) 'Antidepressants and the placebo effect.' *Zeitschrift für Psychologie*, 222 (3), pp. 128-134.
- Leontief, W. (1982) 'Academic economics.' *Science*, 217, pp. 104-107.
- Manin, I. Y. (1981) *Mathematics and physics*. Boston, Basel, Stuttgart: Birkhauser.
- Marx, K. (1937[1847]) *The poverty of philosophy*. London: Martin Lawrence Limited.
- McMillan, E. (2008) *Complexity, management and the dynamics of change: Challenges for practice*. London and New York: Routledge.
- Metcalfe, J. S. (1998) *Evolutionary economics and creative destruction*. London and New York: Routledge.
- Myrdal, G. (1944) *An American dilemma: The negro problem and modern democracy*. New York, London: Harper & Brothers Publishers.

- Le Page, M. (2008) 'Evolution: A guide for the not-yet perplexed.' *New Scientist*, issue 2652.
- Pratt, L. A., Brody, D. J., & Qiuping Gu (2011) 'Antidepressant use in persons aged 12 and over: United States, 2005–2008.' *NCHS Data Brief, No. 76*.
- Russell, B. (1956) *Religion and science*. London, New York, Toronto: Oxford University Press.
- Stiglitz, J. E. (2010) *Freefall: America, free markets and the sinking of the world economy*. New York, London: W. W. Norton & Company.
- Tawney, R. H. (1954) *Religion and the rise of capitalism*. New York: The New American Library.
- Wagner, P. (2001) *A history and theory of the social sciences*. London, Thousand Oaks, New Delhi: SAGE Publications.
- Weber, M. (1958) *The protestant ethic and the spirit of capitalism*. New York: Charles Scribner's Sons.
- Weber, M. (1965) 'Some consequences of bureaucratization.' In L. Coser and B. Rosenberg (Eds.), *Sociological theory: A book of readings*. New York: Macmillan.

SUGGESTED CITATION:

Kasputis, Juozas (2019) 'Hierarchical Inconsistencies: A Critical Assessment of Justification' *Economic Thought*, 8.2, pp. 1-12. <http://www.worldeconomicsassociation.org/files/journals/economicthought/WEA-ET-8-2-Kasputis.pdf>