The positivist fantasy of MetaCapitalism

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Abstract
The accounting models of measurement are driven by a worldview that privileges the efficient allocation of resources. This view is justified by the scientific claims of objectivity inherent in the Theory of Evolution, which provided the defenders of 'laissez-faire' Capitalism with the intellectual foundations to oppose state interference with market forces, in their pursuit to justify the efficiency imperative. Free markets are problematic because the best outcome is unlikely to be achieved if the efficiency imperative is allowed to dominate aesthetic or human considerations. Economic values have been given overriding priority in public discourse, at the expense of social and cultural values. Art, history and culture are just the obvious victims, to name a few. The ostentatious promise of fair market value with the global implementation of international accounting standards in 2005 may contribute further to the devaluation of anything and anyone who is left to the mercy of markets instability and unpredictability. While there is much debate about the tribulations of the accounting profession, it seems to us that there is little debate about the efficiency imperative as a rationale for accounting measurement. This question is of paramount importance when leading accounting and (their offshoot) consulting firms are obsessed with efficiency, as their sole salvationary promise in a world driven by global capitalism. MetaCapitalism is one such corporate change strategy that may be considered a generic form of such efficiency obsession. The MetaCapitalist theory of accounting espouses a radical transformation of existing corporate structures, characterized by the creation and maintenance of large bases of physical and human capital, to the MetaCapitalist firm - scarcely capitalised, brand focused, highly flexible, devoted to customer satisfaction, and driven by the internet and e-networks. It is our contention to argue that MetaCapitalism is a positive theory of accounting because its ontological foundations are rooted in realism. It privileges a free, objective and efficient market and excludes the possibility of inter-subjectivity between market participants, as well as the influence of societies underlying power relationships upon the market. The long-term poor performance of MetaCapitalism highlights fundamental flaws within the MetaCapitalist strategy and its scientific methodologies of objectivity and empiricism. This paper contends that under the inherent scientific methodologies within MetaCapitalism, physical and human capital, are viewed as unnecessary expenditures that must be minimized at every level throughout the organization. This dominant perception neglects the qualitative value adding virtues of both employees and physical assets to an organisation. The failure to recognise these qualities limits the information available under scientific methodologies to only what is relevant to the short term, which may explain the long term poor performance of firms dedicated to the MetaCapitalist strategy.

Keywords
Positivist, Fantasy, MetaCapitalism

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The Positivist Fantasy of MetaCapitalism

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Abstract

The accounting models of measurement are driven by a worldview that privileges the efficient allocation of resources. This view is justified by the scientific claims of objectivity inherent in the Theory of Evolution, which provided the defenders of 'laissez-faire' Capitalism with the intellectual foundations to oppose state interference with market forces, in their pursuit to justify the efficiency imperative. Free markets are problematic because the best outcome is unlikely to be achieved if the efficiency imperative is allowed to dominate aesthetic or human considerations. Economic values have been given overriding priority in public discourse, at the expense of social and cultural values. Art, history and culture are just the obvious victims, to name a few. The ostentatious promise of fair market value with the global implementation of international accounting standards in 2005 may contribute further to the devaluation of anything and anyone who is left to the mercy of markets instability and unpredictability. While there is much debate about the tribulations of the accounting profession, it seems to us that there is little debate about the efficiency imperative as a rationale for accounting measurement. This question is of paramount importance when leading accounting and (their off-shoot) consulting firms are obsessed with efficiency, as their sole salvationary promise in a world driven by global capitalism. MetaCapitalism is one such corporate change strategy that may be considered a generic form of such efficiency obsession. The MetaCapitalist theory of accounting espouses a radical transformation of existing corporate structures, characterized by the creation and maintenance of large bases of physical and human capital, to the MetaCapitalist firm - scarcely capitalised, brand focused, highly flexible, devoted to customer satisfaction, and driven by the internet and e-networks.

It is our contention to argue that MetaCapitalism is a positive theory of accounting because its ontological foundations are rooted in realism. It privileges a free, objective and efficient market and excludes the possibility of inter-subjectivity between market participants, as well as the influence of societies underlying power relationships upon the market. The long-term poor performance of MetaCapitalism highlights fundamental flaws within the MetaCapitalist strategy and its scientific methodologies of objectivity and empiricism. This paper contends that under the inherent scientific methodologies within MetaCapitalism, physical and human capital, are viewed as unnecessary expenditures that must be minimized at every level throughout the organization. This dominant perception neglects the qualitative value adding virtues of both employees and physical assets to an organisation. The failure to recognise these qualities limits the information available under scientific methodologies to only what is relevant to the short term, which may explain the long term poor performance of firms dedicated to the MetaCapitalist strategy.

Introduction

Realism assumes an objectively existing world, which is not dependent on our minds, but
nevertheless understood through our perception. Accounting conforms to such a philosophical position with its perpetual inability to account for intellectual capital, which primes it as a positive theory of a social discourse. Its methods and techniques only enforce such a position with their focus on correlating the different objective facts of an observable world that can be measured.

There are many different understandings of what is meant by the term ‘theory’. This paper suggests that a theory is only worthwhile if it provides an understanding of and informs practice (Jary and Jary 1991, p.658). However, there is no one view of a theory that could permit a single, acceptable definition because everyone sees the world and the object under investigation differently (Gaffikin 2004).

MetaCapitalism, which is based on the book “MetaCapitalism: The E-Business Revolution and The Design of 21st Century Companies and Markets” by Grady Means and David Schneider in association with PriceWaterhouseCoopers, is described as a theory of accounting because it provides an understanding of and informs the practice of accounting, though it is not the only theory of accounting. MetaCapitalism is one such corporate change strategy that may be considered a generic form of the contemporary efficiency obsession.

The main tenet of MetaCapitalism is de-capitalisation (reductions within a firm’s plant property and equipment and net working capital) and employee downsizing. De-capitalisation reduces the asset and liability base of the firms, while also (and in conjunction with employee downsizing) reduces the firm’s expense. Nevertheless, since the reduction in firm’s expenses, all else being equal, will increase the firm’s net income and in turn its owners equity, the MetaCapitalist strategy can be depicted through the following accounting equation:

\[ \downarrow \text{Assets} = \downarrow \text{Liabilities} + \uparrow \text{Owners Equity (Revenue – Expenses)} \]

The newly downsized and decapitalised firm then integrates with Value added communities to form supply and distribution networks. These networks are supported and driven by the Internet and e-markets which then leverages human, intellectual and brand capital on a worldwide basis. This is designed to drive new growth and add economic value and wealth for itself as an individual enterprise and the entire value added communities business network. Throughout the book, Means and Schneider (2000, p.90) explicitly refer to a group of firms they believed were leading the MetaCapitalist revolution: Cisco, General Motors (GM), Ford, Honeywell, General Electric (GE), Chase Manhattan Bank, Dell, Sony, Dupont and UPS.

MetaCapitalism is a positive theory of accounting, because it not only correlates different accounting facts about organisations, but it also privileges the free, objective and efficient market excluding the possibility of inter-subjectivity between market participants, as well as the influence of societies underlying power relationships upon the market. Its ontological foundation is positivist realism, where the world is perceived to be full of solid objects that make up reality, and accounted for within our accounting systems and financial markets. It is a scientific methodology based upon
an objective and independent observer (accountants and management consultants), and an empirical epistemology where knowledge is perceived to only derive through the sensory experiences of the different participants within the financial markets.

This paper draws upon such a connection between MetaCapitalism and positivism. Under the scientific methodologies inherent within MetaCapitalism, physical and human capital, are viewed as unnecessary expenditures that need to be minimised at every level throughout the organisation. However, this dominant positivistic perception neglects the qualitative value adding virtues of both employees and physical assets to an organisation and it neglects the anti-competitive practices inherent within value added communities. These shortfalls of MetaCapitalism may explain why the theory is inherently flawed in the long-term. Although the side affects are not limited to corporate downturns with society suffering though reduced divergence between rich and poor and increasing economic instability.

**The Economic Foundations of MetaCapitalism**

As a positive theory of accounting, MetaCapitalist ideology views the world as objective and independent of peoples’ interpretations and behaviours, and its strategic adoption by firms is perceived as being a progressive manifestation of functional progress in system improvements. As Figure 1 indicates, the MetaCapitalist revolution requires an absolute commitment to inverting the traditional corporate structure. Means and Schneider (2000, p.6) indicate that that MetaCapitalist enterprises will consciously dispense with traditional physical and human capital preferring instead a minimal physical and human capital foundation, radically reduced working capital and a shift in marketing philosophy from pushing sales to pulling customers. The authors indicate that the MetaCapitalist firm will entrust their continuation upon brand image, flexibility, customer satisfaction and coalescence with other firms.

![Figure 1 - MetaCapitalist Transformation](http://aux.zicklin.baruch.cuny.edu/cpa2005/papers.htm/8412mickhail.htm)

As indicated by Figure 2, Means and Schneider (2000) predict technological advances will
overcome many of the problematic business-to-business communication limitations of the past and present by instilling virtual networks that will enable cheap, accurate and timely information transfers both within the firm and to a much larger base of buyers, suppliers and consumers. This increased business-to-business communication and reliance will encourage/force businesses to establish trading communities to initially increase the supply chain in the long-run to maintain competitive with other firms.

\[\text{Figure 2 - Value added Communities}\]

**Transaction Cost Economics**

MetaCapitalist ideology and its corporate strategy are assessed from the transaction cost economic paradigm. This standpoint is primarily taken because Means and Schneider indicate (2000, p.21) that MetaCapitalism enables firms to: “improve transaction efficiency and lower costs”, and because the authors state (2000, p.55) that if MetaCapitalism is handled effectively: “transaction costs should drop dramatically, and flexibility and speed should improve substantially.” Coase (1937) argued that outsourcing non-core business functions as an economically rational corporate strategy leads to a reduction in corporate transaction costs for several reasons. Firstly, the price of labour and capital is often less within the market than within the firm. Secondly, organisational hierarchy is less responsive to supply and demand shifts and requires higher levels of monitoring and subsequent monitoring cost, whereas outsourcing allows staffing and fixed capital expenditure levels to be adjusted without significant costs. Thirdly, in-house production is subject to bureaucratic distortions caused by the pursuit of subunit goals. The focus of MetaCapitalism is therefore directed at the issue of choice behaviour in the face of a fundamental scarcity of resources (Nelson, 2003). MetaCapitalism assumes the existence of economically rational actors, who choose actions that lead to their highest financially viable return of all feasible alternatives in promoting the consumption of all material goods and services (Krugman, 1996).

In the ideal free market, transaction cost economics dictates that the law of supply and demand predominates, influencing prices toward an equilibrium that balances the demand for products against their supplies. Applying Adam Smith’s theories as discussed within The Wealth of Nations (1776), suggests that MetaCapitalist firms will interact within competitive markets as though they are being guided by an ‘invisible hand’ that leads them towards their reciprocally desirable market outcomes. Positivists primarily assert that market competition is sufficient for the attainment of efficiency in equilibrium (Demsetz 1988), because if an activity is not being conducted efficiently within the market, a competitor will soon take the lead and possibly cause the demise of the
inefficient service provider. Capitalism is therefore viewed within mainstream accounting and economic theory as a necessary tool for economic growth and stability "...because relentless competition destroys inefficient structures and methods" (Luttwak 1998, p.15). MetaCapitalism’s relentless competition will reinforce the destruction of inefficient structures and methods within the economy.

**Empirical Analysis**

In order to assess the MetaCapitalisation of firms, and in coordination with Means and Schneider’s indication of the best way to measure MetaCapitalism (2000, p.14), changes in PP&E, NwC and NoE have been analysed between 1998 and 2004 as indicated by the formula below. The empirical investigation is centred upon exploring whether a correlation exists between changes in MetaCapitalism level within firms and changes in those companies’ share prices. Following Pirrello (2001, p.51), the Fortune 100 has been used as an appropriate benchmark because: a) it comprises the largest firms in the world in terms of annual revenue; b) the MetaCapitalist leaders are all within this index; c) it ensures that all firms are market leaders in their fields; and d) most financial data is publicly available over the internet.

\[
\text{Net Working Capital/Total Assets (TA) + Plant Property & Equipment/TA + Number of Employees/TA}
\]

This equation and in particular the corresponding ratios were taken to indicate the level of MetaCapitalisation because they precisely represent the main tenets of the strategy. These three division (NwC, PP&E and NoE) have been taken as a fraction of total assets to reduce MetaCapitalism, and its various elements, into an index measurable in financial terms (see Ostrovsky 2001). Because stock prices were consistently touted by Means and Schneider as the main indicator of MetaCapitalist performance, and because in today’s free market society a firm’s share price is often the main they have been used as an obvious source of MetaCapitalist assessment. An exact definition of what share prices represent has bewildered stock markets analysts since creation. Though, it is generally suggested within positive theories of accounting and economics that stock prices represent a form of discounted present value of anticipated future earning streams (Harper 2004), where expectation is perceived to be objective and independent of peoples behaviour (see for example, Dillard 1991 and Christenson, 1983). The share prices for these Fortune 100 companies were obtained from the Internet via www.money.cnn.com over the time period covering 1998 to August 2004.

**Aggregate Yearly (Long-Term) Correlation Analysis**

Means and Schneider (2000) indicate that a change in the MetaCapitalist level within firms will have a strong negative correlation to that firm’s share price. However, Table 1 below contains an aggregate correlation between change in the MetaCapitalisation levels and changes in share prices for all firms contained within the Fortune 100 in 1998, over the time period from 1998 to 2004. As indicated, the average yearly correlation coefficient between changes in share price and changes in
MetaCapitalisation is 0.04 with a standard deviation of 0.37. Possessing a positive correlation coefficient signifies that at the aggregate yearly level, a negative change in MetaCapitalism within these firms is associated with a reduced discounted present value of anticipated future earning streams of that firm (the share price). This is plainly contradictory to Means and Schneider’s insistence upon a negative correlation which they indicate will lead the MetaCapitalist firm to untold wealth and riches. However, having a low average positive correlation and a high standard deviation indicates that the average yearly aggregate association is not very strong and conclusive.

As revealed within Table 1 below, a negative 0.04 yearly correlation exists between changes in company’s share prices and changes in the number of employees (NoE) engaged within the firm. This suggests that at the aggregate level, the market positively perceives a reduction in the number of employees within a firm as increasing the discounted present value of anticipated future earning streams of that firm. Similarly, at the aggregate level empirical analysis reveals a negative 0.01 yearly correlation between changes in share price and changes in net working capital (NwC). Correspondingly to reductions in NoE, a decrease in NwC is suggested to be positively perceived by the market as a sign of growth, this is supported by the fact that 54% of firms increased their share prices following reductions in NwC. However, it is interesting to see that at the aggregate yearly level a positive 0.02 correlation exists between changes in share price and changes in plant property and equipment (PP&E). Contradictory to MetaCapitalist ideology, the market therefore does not perceive the negative change in plant, property and equipment as value-adding within the firm, especially since 58% of firms experienced a reduced share price following a negative change in their PP&E.

<table>
<thead>
<tr>
<th></th>
<th>MetaC Yearly Change in NWC/TA + PP&amp;E/TA + NoE/TA</th>
<th>MetaC Yearly Change in NoE/TA</th>
<th>MetaC Yearly Change in PP&amp;E/TA</th>
<th>MetaC Yearly Change in NWC/TA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>0.04</td>
<td>-0.04</td>
<td>0.02</td>
<td>-0.01</td>
</tr>
<tr>
<td>Standard Deviation</td>
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<td>0.38</td>
<td>0.36</td>
<td>0.4</td>
</tr>
<tr>
<td>Number of -ve Correlations</td>
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<td>45</td>
<td>33</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>44%</td>
<td>56%</td>
<td>42%</td>
<td>54%</td>
</tr>
<tr>
<td>Number of +ve Correlations</td>
<td>45</td>
<td>36</td>
<td>46</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>56%</td>
<td>44%</td>
<td>58%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Table 1 - Aggregate Yearly Correlation

Aggregate Quarterly (Short-Term) Correlation Analysis
Unlike the yearly (long-term) aggregate correlation identified above which reveals a positive correlation between changes in MetaCapitalism and changes in share price value, the aggregate quarterly (short-term) analysis divulges a small negative correlation between the two. Table 2, demonstrate that a negative change in the MetaCapitalist level was associated with a negative 0.01 correlation to changes in share price in the firm with a standard deviation of 0.4. This means that at the average aggregate quarterly level, a negative change in MetaCapitalism was associated with a positive change in share price value. Nevertheless, it is important to clarify that means and Schneider dictate that MetaCapitalism is the avenue to untold wealth and riches, yet with such a small negative short-term correlation and the fact that only 54% of firms increased share prices following the this implementation of MetaCapitalism, this clearly cannot be achieved.

It is suggested that in the short-term the market perceives a negative change in MetaCapitalist levels as increasing the discounted present value of anticipated future earning streams, whereas in the long-term MetaCapitalism is perceived by the market as reducing the discounted present value of anticipated future earning streams. This suggests the market is preoccupied with excessive short term cost reduction as a corporate strategy and it appears to only be in the long term that the market identifies that such cost cutting measures on their own are not the fundamentals of a sound corporate strategy. These findings therefore raise further questions over the appropriateness of MetaCapitalism as a corporate strategy as it bolsters short-term economic gains over long-term economic performance.

<table>
<thead>
<tr>
<th>Item</th>
<th>MetaC Quarterly Changes in NWC + PP&amp;E + NoE / TA</th>
<th>MetaC Quarterly NWC / TA</th>
<th>MetaC Quarterly PP&amp;E / TA</th>
<th>MetaC Quarterly NoE / TA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>-0.01</td>
<td>-0.03</td>
<td>-0.01</td>
<td>-0.01</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.4</td>
<td>0.23</td>
<td>0.17</td>
<td>0.18</td>
</tr>
<tr>
<td>Number of -ve Correlations</td>
<td>44</td>
<td>49</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>54%</td>
<td>6%</td>
<td>56%</td>
<td>54%</td>
</tr>
<tr>
<td>Number of +ve Correlations</td>
<td>37</td>
<td>32</td>
<td>34</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>46%</td>
<td>4%</td>
<td>44%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Table 2 - Aggregate Quarterly Analysis

Correlation of Mean and Schneider's 'MetaCapitalist Leaders'

http://aux.zicklin.baruch.cuny.edu/cpa2005/papers.htm/8412mickhail.htm

29/09/2005
Throughout the book MetaCapitalism, Means and Schneider (1998, p.90) explicitly refer to a group of firms they believed were leading the MetaCapitalist revolution. These include: Cisco; General Motors (GM); Ford; Honeywell; General Electric (GE); Chase Manhattan Bank; Dell; Sony; Dupont; and UPS.

Remembering that Means and Schneider (2000) dictate a negative correlation between change in MetaCapitalisation and changes in share price performance, especially within their ‘MetaCapitalist leaders’, it is surprising to see within Table 3 below that the average yearly correlation between these ‘leaders’ is actually positive 0.06, comprised of a negative change in the number of employees (-0.04), a negative change in plant property and equipment (-0.26) and a large positive change in their net working capital (0.28). This finding is further perplexing when reassessing the fact that the yearly aggregate of all firm’s, both MetaCapitalist and non-MetaCapitalist was 0.04, and clearly below that of aggregate for the ‘MetaCapitalist leaders’.

<table>
<thead>
<tr>
<th>Company</th>
<th>MetaC Yearly Change in NWC/TA + PP&amp;E/TA + NoE/TA</th>
<th>MetaC Yearly Change in NoE/TA</th>
<th>MetaC Yearly Change in PP&amp;E/TA</th>
<th>MetaC Yearly Change in NWC/TA</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Motors</td>
<td>-0.01</td>
<td>-0.75</td>
<td>0.95</td>
<td>0.6</td>
</tr>
<tr>
<td>Ford</td>
<td>0.68</td>
<td>0.49</td>
<td>0.69</td>
<td>0.94</td>
</tr>
<tr>
<td>General Electric</td>
<td>0.18</td>
<td>0.68</td>
<td>0.48</td>
<td>-0.28</td>
</tr>
<tr>
<td>Dell Comp.</td>
<td>-0.82</td>
<td>-0.82</td>
<td>-0.65</td>
<td>-0.67</td>
</tr>
<tr>
<td>United Parcel Service</td>
<td>-0.48</td>
<td>0.01</td>
<td>-0.4</td>
<td>-0.66</td>
</tr>
<tr>
<td>Honeywell International</td>
<td>0.41</td>
<td>0.57</td>
<td>0.51</td>
<td>0.26</td>
</tr>
<tr>
<td>Cisco</td>
<td>0.44</td>
<td>0.54</td>
<td>0.42</td>
<td>-0.26</td>
</tr>
<tr>
<td>Average</td>
<td>0.06</td>
<td>0.04</td>
<td>0.28</td>
<td>-0.01</td>
</tr>
</tbody>
</table>

Table 3 - Yearly Change Correlation

Whereas the yearly (long-term) analysis identified above revealed a negative market perception of MetaCapitalism within these firms as reflected through a positive correlation, the quarterly (short-term) analysis provided below in Table 4 identifies that the market positively perceives the adoption of the MetaCapitalist strategy as reflected by a negative 0.14 correlation. Within this quarterly negative correlation it is evident that the market perceives a reduction in the number of employees (NoE) as a sound corporate strategy as indicated by the −0.17 correlation. However, it is also interesting to note that whereas the yearly average change in plant property and equipment had a positive 0.28 correlation with share price changes, the quarterly change in plant property and equipment only has a 0.06 correlation with share price change. Nevertheless, these findings further reinforce earlier suggestions that in the short-term the market perceives a negative change in MetaCapitalist levels as a positive corporate strategy, whereas in the long-term
MetaCapitalism is perceived by the market to diminish discounted present value of anticipated future earning streams.

<table>
<thead>
<tr>
<th>Company</th>
<th>MetaC Quarterly NWC + PP&amp;E + NoE / TA</th>
<th>MetaC Quarterly NWC / TA</th>
<th>MetaC Quarterly PP&amp;E / TA</th>
<th>MetaC Quarterly NoE / TA</th>
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<tr>
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<td>-0.37</td>
<td>0.08</td>
<td>0.33</td>
<td>-0.34</td>
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<tr>
<td>Ford</td>
<td>0.35</td>
<td>0.49</td>
<td>0.39</td>
<td>0.24</td>
</tr>
<tr>
<td>General Electric</td>
<td>-0.24</td>
<td>-0.11</td>
<td>-0.1</td>
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</tr>
<tr>
<td>Dell Comp.</td>
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<td>Honeywell International</td>
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<td>Cisco</td>
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<tr>
<td>Average</td>
<td>-0.14</td>
<td>0</td>
<td>0.06</td>
<td>-0.17</td>
</tr>
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</table>

Table 4 - Quarterly Correlation Between Change in MetaC and Share Prices

Changes in Net Income and MetaCapitalism

In addition to the stock price, the authors also claim that MetaCapitalism would bring untold wealth and value creation and for this reason, Net Income of the Fortune 100 companies have been gathered between quarter two (December) 1998 and Quarter 4 (June) 2004 as a source of measurement of such 'wealth'.

Table 5 - below contains the companies within the Fortune 100 which had a positive or negative changes in net income greater than 15% between September 2001 and June 2004 and the MetaCapitalist changes of those companies between 2001 and 2004. Evidently, the average change in MetaCapitalism within these Fortune 100 firms was −35%, and according to Means and Schneider this negative change in the MetaCapitalist level is predicted to be associated with a large increase in net income as reflected by the above formula.

However, Table 5 reveals that between September 2001 and June 2004 the average change in net income for these firms was −13.74% which clearly further contradicts Means and Schneider’s MetaCapitalist predictions. In addition, Table 5 demonstrate that these firms which had a positive or negative change greater that 15% had an average increase in plant, property and equipment (PP&E) and net working capital (NwC) of 36% and 71% respectively which suggests these firms are actually experiencing some positive changes in their MetaCapitalist level paradoxical to Means and Schneider’s expectations.

http://aux.zicklin.baruch.cuny.edu/cpa2005/papers.htm/8412mickhail.htm

29/09/2005
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<td>0.53</td>
<td>0.65</td>
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<td>-0.11</td>
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<td>-0.58</td>
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<td>-22.41</td>
<td>-3.00</td>
<td>-1.12</td>
<td>-1.07</td>
<td>-2.62</td>
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<tr>
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<td>-1.14</td>
<td>-1.16</td>
<td>-1.01</td>
<td>-0.36</td>
</tr>
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<td>-0.19</td>
<td>-0.14</td>
<td>-0.44</td>
</tr>
<tr>
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<td>0.20</td>
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</tr>
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<td>0.65</td>
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</tr>
<tr>
<td>J.C. Penny</td>
<td>-20.66</td>
<td>-0.99</td>
<td>-0.99</td>
<td>-1.01</td>
<td>-0.99</td>
</tr>
<tr>
<td>Dell Comp.</td>
<td>16.24</td>
<td>-1.29</td>
<td>-1.26</td>
<td>-0.73</td>
<td>-0.94</td>
</tr>
<tr>
<td>Ingram Micro</td>
<td>-49.45</td>
<td>-0.10</td>
<td>-0.08</td>
<td>-0.39</td>
<td>-0.14</td>
</tr>
<tr>
<td>Dynergy</td>
<td>-70.45</td>
<td>0.33</td>
<td>0.27</td>
<td>0.54</td>
<td>-1.05</td>
</tr>
<tr>
<td>E.I. du Pont de Nemours</td>
<td>19.90</td>
<td>0.16</td>
<td>0.15</td>
<td>-0.07</td>
<td>1.67</td>
</tr>
<tr>
<td>PG &amp; E Corp</td>
<td>-16.37</td>
<td>0.60</td>
<td>-0.05</td>
<td>10.55</td>
<td>-10.99</td>
</tr>
<tr>
<td>TXU</td>
<td>-16.41</td>
<td>3.02</td>
<td>0.01</td>
<td>-0.17</td>
<td>27.32</td>
</tr>
<tr>
<td>El Paso Corp</td>
<td>24.04</td>
<td>-0.93</td>
<td>-0.75</td>
<td>-1.02</td>
<td>-0.96</td>
</tr>
<tr>
<td>Pepsico</td>
<td>27.91</td>
<td>-0.08</td>
<td>-0.09</td>
<td>-0.06</td>
<td>-1.42</td>
</tr>
<tr>
<td>AMR</td>
<td>-117.59</td>
<td>-0.11</td>
<td>-0.11</td>
<td>0.03</td>
<td>0.57</td>
</tr>
<tr>
<td>Average</td>
<td>-13.74</td>
<td>-0.35</td>
<td>-0.30</td>
<td>0.36</td>
<td>0.71</td>
</tr>
</tbody>
</table>

Table 5 - Change in Net Income and MetaCapitalism 2001-2004

Of particular interest within Table 5, is the performance of J.P. Morgan Chase, SBC Communications, America International Group and J.C. Penny. These firms had a negative change in MetaCapitalism of 300%, 114%, 282% and 129% respectively and as indicated by Means and Schneider these changes should be associated with strong growths in net income, however empirical research has identified that these firms actually had a negative change in their net income of 22.4%, 18.2%, 16.5% and 16.3% respectively. In addition, Sears Roebuck and E.I. du Pont de Nemours increased their MetaCapitalisation levels by 53% and 16% respectively and as indicated by Means and Schneider, these firms, should be on the path to corporate disintegration.

Yet, their net income has actually increased by 18.29% and 20% correspondingly which again stands in contrast to the MetaCapitalist strategy. Table 5 also reveals that only two of Means and Scheider’s ‘MetaCapitalist leaders’ (General Motors and Dell Computers) had an increase in their net income above 15% following the implementation of the MetaCapitalist strategy. Based upon these empirical findings, there is little evidence to support Means and Schneider’s predictions that firms will MetaCapitalise (reduce their plant, property and equipment, number of employees and net working capital) and achieve an increase in their net income. Rather, as evidenced above there is a strong case to the contrary.

Change in Fortune 100 Rank

In order to expand the analysis of MetaCapitalism within the Fortune 100 companies and provide some additional comparison between the performance of MetaCapitalist and non-MetaCapitalist firms, it is necessary to compare those firms that increased at least 20 spaces against those firms that reduced at least 20 within the Fortune 100 rank and see if changes in MetaCapitalism levels appear to be associated with these changes in the Fortune 100 rank.

As evidenced within Table 6, the average increase of firms that increased 20 places or more within the Fortune 100 was 34.3 spaces yet the average change in MetaCapitalism was only negative 16.3% and although this provides some support for the MetaCapitalist strategy, it appears to low to justify claims of untold wealth and riches. Furthermore, looking at specific firms within Table 6 it is evident that Berkshire Hathaway increased its ranking 26 places (40 to 14) between 2001 and 2004 and contradictory to Means and Schneider's testimony, Berkshire Hathaway had a positive change in their MetaCapitalist level of 209.4%.

Similarly, both Lockheed Martin and CVS Corp increased their Fortune 100 rankings 21 and 37 spaces respectively and incongruous to Means and Schneider they also had positive change in their MetaCapitalism levels of 2% and 2.8% respectively. Evidently, although a reduction in MetaCapitalist levels within these firms does appear to be associated with an increase in Fortune 100 rank, non-MetaCapitalist firms have not “fallen behind and stayed behind” as predicted by Means and Schneider.

<table>
<thead>
<tr>
<th>Company</th>
<th>2001 Fortune Ranking</th>
<th>2004 Fortune Ranking</th>
<th>Ranking Change</th>
<th>Change in MetaC 2001-2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkshire Hathaway</td>
<td>40</td>
<td>14</td>
<td>26</td>
<td>209.40%</td>
</tr>
<tr>
<td>Cardinal Health</td>
<td>51</td>
<td>17</td>
<td>34</td>
<td>-107.28%</td>
</tr>
<tr>
<td>Pfizer</td>
<td>53</td>
<td>25</td>
<td>28</td>
<td>-58.60%</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>57</td>
<td>30</td>
<td>27</td>
<td>-17.60%</td>
</tr>
<tr>
<td>Lockheed Martin</td>
<td>69</td>
<td>48</td>
<td>21</td>
<td>2%</td>
</tr>
<tr>
<td>Dow Chemical</td>
<td>78</td>
<td>44</td>
<td>34</td>
<td>-11.30%</td>
</tr>
<tr>
<td>Microsoft</td>
<td>79</td>
<td>46</td>
<td>33</td>
<td>-122.90%</td>
</tr>
<tr>
<td>Prudential</td>
<td>80</td>
<td>57</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Conocophillips (was Phillips Petroleum)</td>
<td>89</td>
<td>7</td>
<td>82</td>
<td>-3%</td>
</tr>
<tr>
<td>Walgreen</td>
<td>90</td>
<td>45</td>
<td>45</td>
<td>-39.70%</td>
</tr>
<tr>
<td>Unitedhealth</td>
<td>91</td>
<td>54</td>
<td>37</td>
<td>-36.20%</td>
</tr>
<tr>
<td>Pepsico</td>
<td>94</td>
<td>62</td>
<td>32</td>
<td>-8.90%</td>
</tr>
<tr>
<td>Caterpillar</td>
<td>99</td>
<td>77</td>
<td>22</td>
<td>-20%</td>
</tr>
<tr>
<td>CVS Corp</td>
<td>100</td>
<td>63</td>
<td>37</td>
<td>2.80%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>34.35714</strong></td>
<td><strong>34.35714</strong></td>
<td><strong>-16.25%</strong></td>
<td></td>
</tr>
</tbody>
</table>
Following the above indication that several non-MetaCapitalist firms are increasing their Fortune 100 ranking, it is important to assess which firms suffered the largest decrease in their Fortune 100 ranking. As indicated within Table 7 below, the average decrease within firms that fell back 20 spaces was 100.35 spaces, yet the average change in MetaCapitalism within these firms was positive 43%. Looking at specific firms within this table it is evident that Goldman Sachs reduced its ranking 32 places (42 to 74) between 2001 and 2004 despite a reduction in their MetaCapitalist level of 30.2%. Similarly, both El Paso Corp and Loews fell back 68 and 35 spaces within the Fortune 100 correspondingly and contradictory to Means and Schneider they also had negative change in their MetaCapitalism levels of 93.2% and 99.5% correspondingly.

<table>
<thead>
<tr>
<th>Company</th>
<th>2001 Fortune Ranking</th>
<th>2004 Fortune Ranking</th>
<th>Ranking Change</th>
<th>Change in MetaC 2001-2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT &amp; T</td>
<td>9</td>
<td>40</td>
<td>-31</td>
<td>122.10%</td>
</tr>
<tr>
<td>Duke Energy</td>
<td>17</td>
<td>75</td>
<td>-58</td>
<td>-3.40%</td>
</tr>
<tr>
<td>Merrill Lynch</td>
<td>25</td>
<td>58</td>
<td>-33</td>
<td>193.40%</td>
</tr>
<tr>
<td>Lucent Tech.</td>
<td>28</td>
<td>243</td>
<td>-215</td>
<td>37.50%</td>
</tr>
<tr>
<td>Merck</td>
<td>30</td>
<td>83</td>
<td>-53</td>
<td>-10.20%</td>
</tr>
<tr>
<td>TIAA-CREF</td>
<td>33</td>
<td>68</td>
<td>-35</td>
<td></td>
</tr>
<tr>
<td>Motorola</td>
<td>34</td>
<td>61</td>
<td>-27</td>
<td>-20.60%</td>
</tr>
<tr>
<td>Kmart</td>
<td>36</td>
<td>67</td>
<td>-31</td>
<td></td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>42</td>
<td>74</td>
<td>-32</td>
<td>-30.20%</td>
</tr>
<tr>
<td>Ingram Micro</td>
<td>49</td>
<td>81</td>
<td>-32</td>
<td>-9.70%</td>
</tr>
<tr>
<td>Dynergy</td>
<td>54</td>
<td>316</td>
<td>-262</td>
<td>33.30%</td>
</tr>
<tr>
<td>Aquila (formely UtilCorp)</td>
<td>60</td>
<td>712</td>
<td>-652</td>
<td>112.20%</td>
</tr>
<tr>
<td>Aetna</td>
<td>63</td>
<td>108</td>
<td>-45</td>
<td>5.80%</td>
</tr>
<tr>
<td>Lehman Brothers Holdings</td>
<td>65</td>
<td>113</td>
<td>-48</td>
<td>64.80%</td>
</tr>
<tr>
<td>Southern</td>
<td>76</td>
<td>178</td>
<td>-102</td>
<td>78.10%</td>
</tr>
<tr>
<td>FleetBoston Financial</td>
<td>81</td>
<td>140</td>
<td>-59</td>
<td></td>
</tr>
<tr>
<td>PG &amp; E Corp</td>
<td>82</td>
<td>179</td>
<td>-97</td>
<td>59.80%</td>
</tr>
<tr>
<td>TXU</td>
<td>85</td>
<td>177</td>
<td>-92</td>
<td>301.90%</td>
</tr>
<tr>
<td>El Paso Corp</td>
<td>86</td>
<td>154</td>
<td>-68</td>
<td>-93.20%</td>
</tr>
<tr>
<td>Loews</td>
<td>92</td>
<td>127</td>
<td>-35</td>
<td>-99.50%</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td><strong>-100.35</strong></td>
<td>43.65%</td>
</tr>
<tr>
<td><strong>No. + ve</strong></td>
<td></td>
<td></td>
<td><strong>10 of 17</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 6 - Positive Change in F100 Ranking

Table 7 - Negative Change in F100 Ranking
Summary of the Key Empirical Findings

a) A positive yearly correlation exists between changes in MetaCapitalist levels and changes in share price.
b) A negative quarterly correlation exists between changes in MetaCapitalist levels and changes in share price.
c) The market perceives a negative change in MetaCapitalist levels as a positive corporate strategy in the short-term, whereas in the long-term MetaCapitalism is perceived by the market to be an ineffectual corporate approach. This suggests the market is driven by short-term cost cutting rather than long-term performance and stability maintenance.
d) Most firms with a strong positive yearly correlation experienced declining share prices following the reduction in MetaCapitalist strategy, and then had increasing share prices following positive changes in MetaCapitalism.
e) Firms touted as ‘MetaCapitalist leaders’ had a positive correlation between changes in MetaCapitalist levels and changes in share price, despite the authors predictions they would have a negative correlation.
g) No strong evidence that a negative change in MetaCapitalist level was associated with in increase in net income.
h) Several firms with Negative change in MetaCapitalist levels had negative changes in their Fortune 100 rank, while several firms with positive changes in MetaCapitalist level had positive changes in their Fortune 100 rank. Both contradict Means and Schneider’s predictions.

Downsizing and De-capitalisation

It is contended that transaction cost economic parameters and their foundations within scientific methodologies are over restrictive if the information manager’s consider as valuable in appraising and recommending the changes between producing in-house and producing within the market, the most noticeable of which are the demand for scientific and empirical testable financial variables. Primarily it is asserted that our understanding of accounting is limited to our ability to represent complex multi-dimensional realities through metaphorical constructs that are always limited, incomplete and bolster some aspects of firms at the expense of others. Reliance upon scientific methodologies and economic rationale are problematic because it “…forces data into an artificial framework that seriously limits and impairs its general empirical analysis” (Blumer 1978, p.41). This over simplistic perception within positive theories of accounting dictates the hermeneutics (medium of interpretation) of accounting inquiry and it largely negates the value adding quality of employees and physical assets to the corporation (Arrington, 1990).

Capital Assets & De-capitalisation

One explanation for the declines in share price following a reduction in plant property and
equipment levels, may be the fact that a firm’s physical asset base has been regarded as the most important long-term asset in a firm’s balance sheet (Palepu, et al 2000). McRobert and Hoffman (1997, p.84) indicate that this is largely because “capitalisation...ensures that there is an acceptable match between the earning capacity of an organisation and its ability to service its debts, on an ongoing basis, from that earning capacity.” Physical capital is therefore needed within firms to ensure the corporation can maintain its economic commitments, in particular capitalisation is a vital source of asset backing, especially for such large companies as those on the Fortune 100, who borrow extensively and then use their asset base for a good credit rating (Ferguson, 2000). In addition to increased corporate volatility, the lack of physical assets within firms and between trading networks as envisaged within value added communities may incur additional costs as a consequence of an economic ripple effect, where other firms in the supply chain experience their own personal financial hardships, which intern brings into question whether quality of service and products can be maintained (Ostrovsky, 2003). Subsequently, when such restructuring is unnecessary or unwarranted, or simply taken to such an extreme level so as to leave the firm in a state of almost ‘corporate anorexia,’ there is little wonder that these firms undergo unfortunate financial performance, especially reductions in share prices as indicated above (Ostrovsky, 2003; Pirrello, 2001).

Along with economic instability following decapitalisation, it is suggested that employee downsizing also have negative side effects upon business stability and employee welfare. Within empirical investigations identified within chapter three Table 3.1, it is evident that only 54% of firm’s experienced a positive change in share price following a reduction in the NoE with the remaining 46% experiencing a reduction in share price. Similarly, an insightful Wyatt consulting firm’s survey of 1005 downsize companies found that only 46% of the companies achieved their expense-reduction goals, 32% increased profits to the degree anticipated, 21% met their expectations for improving return on investment and only 22% reached their targets for increased productivity (Bennett, 1991). The emphasis here is that, although there are some indications that reductions in the number of employees (NoE) engaged within the firm does show signs of leading to an increased financial performance, it is far from absolute and there is no indication that MetaCapitalism will lead to the promised wealth and riches.

Nevertheless, current business perceptions appear to view large firms as ‘fat’ and inefficient, and managers are expected to reduce the number of employees engaged within the firm as a performance improvement strategy (Tomasko 1987; Byrne 1994; Stensholt 2001; Davis, 2004), even if the firm is currently in a financially healthy position (McKinley et al 1998, O'Shaughnessy & Flanagan, 1998;). The predominant transaction cost economic paradigm and its emphasis upon objectivity and empiricism repudiates the fact that the remaining employees within a firm after a corporate downsizing strategy, often suffer from “survivors' syndrome”, which is characterised by: fear, insecurity, uncertainty, frustration, resentment, anger, sadness, depression, guilt, injustice, betrayal, and mistrust (Cascio, 1993; Bilmes et al 1997; Hamel and Prahalad, 1996). The development of a corporate culture founded upon symptoms of survivor syndrome is clearly not the creation of an environment conducive to high employee productivity and efficiency.
Although there are indications that a negative change in the number of employees engaged within a firm does correlate to positive changes in share price, the cost faced by firms following ruthless downsizing strategies make it impossible for firms to achieve the wealth and riches promised by Means and Schneider, especially with downsizing strategies largely complemented with de-capitalisation strategies. It is therefore suggested that these largely non-empirical and subjective factors are excluded from managers decisions in outsourcing and downsizing because mainstream accounting ideology usually insists upon management conclusions derived through scientific methodologies which therefore leads to short term gains, but long-term corporate annihilation.

**Adverse Economic Consequences**

The reduction in plant property and equipment, net working capital and the number of employees engaged within a firm has several additional economic and social implications that have been overlooked by Means and Schneider. Indeed one has to read through 200 pages, only to see the small remark in the last paragraph of the book: “the societal and public policy implications is not an easy question” (Means and Schneider, 2000, p.179). Firstly, it is asserted that relentless employee downsizing by firms in pursuit of increased short-term economic efficiency will amplify the gap between prosperous and destitute within society (see Moore 1997). A recent report by the Social Policy Research Centre at the University of NSW (quoted in Gittins 2003) for example, has found that based on current net incomes of individual households in Australia, the affluent’s income is rising at a disproportionately higher rate than that of the poorer groups. Between 1995-96 and 2000-2001, the real after-tax incomes of people living in the poorest 20 per cent of households rose by $12 a week per person, while for the richest 20 per cent it was $130 a week increase. Under MetaCapitalism it is blatantly obviously that in a free market with no regulatory protection for workers, employers will systematically remove all employees perceived by the corporation as being non-essential to the firm’s short-term core activities. This reduction in income for the working class complemented with increased dividend payments for those elite in the middle to upper class will ultimately increase the divergence between the rich and the poor within society.

Along with employee downsizing increasing the divergence between the rich and poor, it also has a negative bearing on the broader economy in the creation of a ripple effect, whereby eliminating employees from the workforce, leads to reduced disposable income, which in turn creates less consumption, and ultimately the catalyst to a recession (Ostrovsky 2003). It is therefore unlikely that the economy will be able support the MetaCapitalist corporate structure in long-term following the short-sightedness of managers as discussed in the analysis, a more viable outcomes will be that elite corporate mangers will make the most out of short term economy gains for themselves by stripping firms of assets and employees and leaving the economy and society in complete devastation.

Secondly, in contradiction to Means and Schneider’s statement (2000, p.136) that MetaCapitalism will enable firms to “respond rapidly to changing market conditions and will dampen economic fluctuations”, it is suggested that reduced physical assets within firms increase those firms susceptibility to adverse economic conditions and ultimately reduces those firms ability to undergo strong economic growth. It has been strongly demonstrated above that a negative change
in plant property and equipment is positively correlated to reductions in long-term company share prices, indicating that such reduction in plant property and equipment generate firms further plagued with anorexia. This increased instability, coupled with massive corporate downsizing and reduced disposable incomes will broaden the inability of corporation, value added communities, society and the economy to respond to adverse economic conditions. This may be a factor of the adverse financial performance of MetaCapitalist firms comparative to non-MetaCapitalist firms during the economic turmoil of the 2000 dot.com internet crash (Ostrovsky, 2003).

The ultimate outcome of such economic short sightedness will be the decline of individual lives, families and communities (Luttwak 1998). There must therefore be a realisation that such instability is not confined to the financial system or the organisational structure of the firm; it has wide reaching repercussions on many aspects of society, particularly the workforce and the underprivileged (Ostrovsky 2003).

**Facilitation of Non-Competitive Behaviour**

MetaCapitalism assumes that power is widely diffused and that society is composed of individuals whose preferences are to predominate in social choices and with no individual able to consistently influence that society (or the accounting function therein). However, the playing field is not ‘leveling’ as Means and Schneider (2000) suggest and vainly believe it is. Rather, as a consequence of the Darwinist strategy, the gap in organisational bargaining power is in fact widening. This proposition is supported by Soros (1998, p.5) and Soros (2003) who states: “the goal of competitors is to prevail, not to preserve competition in the market…[which] creates a natural tendency for monopolies and oligopolies to arise.”

One of the principally non-competitive elements of the MetaCapitalist ideology, which may furthers account for the deficiencies of the strategy, is the fact that membership into value added communities is permitted largely on the basis of what value the firm can bring to the economic community. Means and Schneider indicate (1998, p.21) that MetaCapitalist’s “...may organise...and take initiative in selecting specific brand-owning companies as alliance partners.” Means and Schneider add (1998, p.38) that “ultimately, these entities will survive and prosper through their ability to win and keep members.” It follows then that by growing and developing to such an extent, MetaCapitalism will in the process facilitate the concentration and centralisation of capital and power in the hands of an elite few (Valkin, 1996 agrees). Means and Schneider even specify (1998, p.36) that “these strong network effects and the economies of scale inherent in the MetaCapitalist economy will drive many industries to become true oligopolies, dominated by a few global players.” It is therefore contended that firms and the composition of the economy is not pluralist, rather power is centred in the hands of the elite few and organisation will struggle to increase or at lest maintain their power over competition and the allocation of resources. It is also ironic for Means and Schneider to advocate free market and efficiency processes as evidenced within chapter two, while also encouraging firms to participate in anti-competitive behaviour.

In the face of such anti-competitive processes inherently proposed by MetaCapitalism and
value added communities, the onus must be on the State to alleviate this deficiency through maintaining regulation because “an economic force as strong as capitalism can only be controlled, if at all, by the counter-force of political power” (Luttwak 1998, p.X). It is therefore contended that the state has a duty within society to maintain competition between firms, especially under the MetaCapitalist system which encourages anti-competitive practices, through regulation because the free market processes inherent within MetaCapitalism are not self-sustaining or self-correcting (Soros, 1998).

Wherever you have an extreme situation on one end of the scale, every other variable in the equation has been depleted (if not cheated) in order to attain that excess. The depletion of these other variables saps the creative potential of the market process as it destroys the natural order and any harmonious interplay or exchange. If ‘natural order’ can be taken to mean, that which is ‘right or good’, that which is ‘fair and just’ in the current situation with a view to the long term, then perhaps such ethical parameters are what is required for balance, temperance and an optimal market process. Consideration of the process becomes as important as the market.

**Conclusion**

Empirical investigations have indeed revealed that the MetaCapitalist strategy and its pursuit of efficiency is positively perceived by the market in the short-term with reductions in MetaCapitalist levels negatively correlating to escalating corporate share prices. However, it has also been identified that in the long-term the market perceives MetaCapitalism as a deficient corporate strategy with reduction in the MetaCapitalist levels within firms positively correlating to reductions in those firms share prices. One explanation suggested within this paper is that transaction cost economic parameters, which largely underpin corporate restructuring towards the MetaCapitalist ideal firm, are over restrictive in the information manager’s consider as valuable in evaluating the MetaCapitalist revolution. The most noted limitation of the transaction cost economic paradigm is its scientific methodology which, amongst other requirements, demand for scientific and empirical testable financial variables. Consequently, even if managers want to operate in the long-term interest of the organisation and society is it suggested their focus upon scientific methodologies limits the information they assess as important in making these long-term outsourcing decisions. Particularly, scientific methodologies largely require employees and assets as purely expenses that need to be minimised at every level within the organisation.

This paper has also suggested that reductions in the MetaCapitalist level by firms has several additional economic and social implications that have been overlooked by Means and Schneider. These downsfalls include the increasing divergence between the affluent and poor within society, increasing economic instability, increased anti-competitive practices by firms, economic and social Darwinism and the ultimate obliteration of individual lives, families and communities. The disturbing aspect of the empirical findings is that managers appear to be selling out the long-term stability of their firms, the economy and intern the quality of life for all people in exchange for short-term economic gains.

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