Reconsidering Neoliberalism: Social Fracture and the Role of Business Schools in Promoting Economic Change, 1968-1982

Over the last two decades the term neoliberalism has become widely adopted by scholars, journalists, and many other critics, thinkers, and writers. Initially the domain of political economists and economic geographers, the idea has become something of a zeitgeist for the 21st century that defines our individual and collective political, social, economic, and even psychological possibilities via market fundamentalism, privatization, the dismantling of the welfare state, deregulation, and the erosion of public life, among other maladies. On the other hand, histories of this phenomenon almost invariably emphasize the role laisse faire economist philosophers played and concentrate on neoliberalism’s ideological underpinnings (intellectual history). As David Harvey argued, support for neoliberalism grew from global economic decline, and was institutionalized in Reagan era cuts to social welfare, deregulation, and privatization as well as in Clinton era global free trade projects. Yet if we turn our attention towards university business schools a different perspective emerges.

This paper argues that not enough attention has been paid to the social upheavals of the 1960s in explaining the rapid ascent of neoliberal ideology in the 1970s and 1980s. I explore the work of George Kozmetsky, Dean of University of Texas Graduate School of Business from 1966 to 1982 and a leading figure in Austin’s emergence as a hub of technological activity – the “grandfather of Austin’s technopolis” according to a recent biography. In the 1970s Kozmetsky and many of his cohort, at UT and elsewhere, argued that the root cause of American decline was not economic malaise but social fracture. He developed the Graduate School of Business, and later the Institute for Constructive Capitalism (IC2), a capitalist think funded in part by the university, as venues to articulate the role of capitalism in returning society to stability in the wake of 1960s upheavals. For Kozmetsky and others, capitalism was a powerful utopian force
that could generate prosperity for all citizens if people would only trust it as benevolent social
tool. In doing so, Kozmetsky articulated a rhetorical framework to reestablish capitalism as a
regional and national modus operandi by characterizing it as a remedy to both economic and
social problems – an argument that resonated widely in the 1970s.

Yet, as with many techno-enthusiasts, Kozmetsky’s model failed to understand or respond to
capitalism’s inherent socioeconomic unevenness. On the one hand, while Austin and other Texas
cities emerged as important high tech agglomerations in the 80s and 90s, they also demonstrated
increased socioeconomic bifurcation during that period. On the other hand, a renewed
competition for investment belied the paradox in Kozmetsky’s utopian thinking: for one region
to grow, another must stagnate. Emphasizing social fracture complicates our understanding of
neoliberalism’s perpetuation at the local level and helps to explain its vigorous emergence as a
dominant ideology and a system of thought that still struggles to account for widespread
socioeconomic disparities, especially in affluent cities and regions. A second idea that paper
poses, albeit not as fully, is that neoliberalism was at least in part facilitated by public institutions
like research universities. As much more than just an ideology, we must concentrate on the
practices of neoliberalism and on the various infrastructures through which it rose to prominence.

In 1966, UT obtained Kozmetsky’s services over more highly regarded schools such as Harvard
and California by offering both an integrated university policy and creative license to direct the
Graduate School of Business (GSB) as he saw fit and to use facilities from other areas of the
university. Essentially, Texas offered Kozmetsky more freedom, as a dean and as an academic
capitalist, than any other school, and clearly envisioned Kozmetsky’s role as that of
entrepreneurial facilitator. To Kozmetsky, with his background in management of defense-
related research firms, integrated university policy meant that he would have enough reach in the
university to coordinate and manage all the university’s military-industrial-academic complex assets. Berkeley, for example, only offered Kozmetsky an appointment in the engineering department. At Texas, he would run the business school but also coordinate activities between business and engineering departments, which increasingly meant figuring out how to profit from the commercialization of university-generated patents and products. He was also appointed executive associate for economic affairs to the board of regents, a position that carried much policy-making power within the university without creating much publicity. It also gave Kozmetsky the ears of the most powerful decision maker in the entire university system, the board of regents. In the position, Kozmetsky would have say in the management of the Permanent University Fund (PUF), the most valuable public university endowment in the United States, as well as in forming the annual budgets for the entire University of Texas System, one of the wealthiest entities in the United States. Perhaps most importantly, Kozmetsky considered UT the intellectual center of a region with high growth potential. Kozmetsky, who believed that economic growth was best driven at the regional level, saw Texas as a place that, coordinated properly, could become a new economic engine for the United States and potentially the world.

From an ideological perspective, Kozmetsky viewed the collapse of Keynesianism as a social, rather than economic, problem that negatively affected interpersonal and business relationships and perpetuated a collective psychological and emotional malaise that threatened the foundations of American society. Much of his early public discourse as dean emphasized the traditional business motif of coping with an uncertain economic landscape and creating a better climate for business, and his rhetoric stressed social tension. He wrote that “in many ways we are living through a period of emotional American human history that is both challenging and frightening,” when discussing the need for a capitalist institute at UT in 1975. People were so
overwhelmed, Kozmetsky warned, that potential for social obsolescence was high. Speaking at the twentieth anniversary awards banquet of TRACOR, Inc., Kozmetsky outlined the troubled business landscape facing Americans in the mid-1970s, calling for radical interventions into policy making. For Kozmetsky social policy was the primary ill rather than the economic issues that were radically changing the global financial landscape in the 1970s. He stressed the need for “society” to decide for itself what institutions should have what roles in the economy, but also advised that society has a responsibility to business, which is to determine the role of business in society. Society, Kozmetsky argued, was not currently fulfilling this role because of the increasing number of special interest groups that only subscribes to one social problem, which “deviate[s] from the guidelines of society.” Kozmetsky then claimed that society had failed to institutionalize these special interest groups, which makes holding them accountable to society impossible. Only a substantial majority of the people should determine the public interest, as special interest groups too often have determined policy without regard for other institutions or individuals.

Kozmetsky’s characterization of diversity and social fracturing as a cause of economic malaise demonstrates the totalizing yet inconsistent elements of early neoliberal logic. Rather than understanding economic uncertainty as the outcome of major global upheavals, such as the devaluation of American currency, nascent migration of production to the developing world, deindustrialization, the oil embargo, or many other obvious economic factors, Kozmetsky blamed a lack of social accountability. His solution was to enforce the rhetoric of totality masked as democracy; not only should public interest reflect a substantial majority of the people, special interest groups should be institutionalized so they can be regulated. In this formulation, society’s decisions should be based on the interests of normalized relations of production, or capital.
Regulation should be employed to control ideologies, not the free movement of capital, particularly into and out of the university. Kozmetsky further expresses this ideology in no uncertain terms by claiming that business is often erroneously blamed for society’s ills and instead society must adapt to meet the needs of business. In fact capital must be put into a position to rectify the very social problems that constrain it. Business was envisioned as the driving force for social renewal and technological innovation as the driving force for business, particularly in a fluid, fast-moving society such as Texas. Business, said Kozmetsky, “must assert itself more actively in society . . . [to] take a more active role in and with other institutions.” Capital’s penetration into all aspects of life appears as the proper solution to socioeconomic woes. Properly sanctioned through social regulation and articulated as uncertainty, malaise, or alienation caused by purely social relations, reinvestment in private capital can provide the key to producing positive relations of production among all members of society.

Kozmetsky’s articulation of a rejuvenated capitalism was closely tied to the publicly-invested research university, where investment dollars, both public and private, were subject to lower risk than in private industry. To Kozmetsky, the research university, with its myriad labs, off campus facilities, engineering talent, and cheap student labor provided a suitable environment to coordinate business and science under the auspices of studying responsible capitalism, which the Institute for Constructive Capitalism (ICC) was charged to do when it was introduced in 1975. Although not funded by tax dollars, the ICC had university facilities at its disposal. Kozmetsky fittingly announced the formation of the ICC at the Southern Division Board of Advisors Conference of the United States Chamber of Commerce as part of a paper he delivered there entitled, “Society’s Responsibility to Business as an Institution.” The ICC was envisioned
as a “potential means of reducing adversarial confrontation between business and government and business and society,” indicating that the institute would work towards improving the status of business and capitalism in the United States and to validate the growing relationship between academia and private business.

From its outset, then, the ICC was a neoliberal ideological project that characterized capitalism as a moral force for social change and a barrier against alienation and social disintegration. Understanding capitalism, particularly the possibilities of academic capitalism, in a fluid and ever-changing postindustrial landscape, was the official charge of the ICC. One contemporary commentator referred to the ICC’s mission as “directly or indirectly support[ing] private enterprise through research and the distribution of educational materials.” The center, he claimed, hoped to become the public version of the Brookings Institute. For Kozmetsky and his collaborators, the triad of technology, the free market, and the scientific and organizational creativity possible at the University of Texas provided the basis for “technopolis,” the utopic spatial and ideological manifestation of the new business-driven social order Kozmetsky envisioned. Though initially characterized socially, however, technopolis was in reality an economic project, designed to reinvigorate capital accumulation through entrepreneurship and lower levels of economic regulation regarding the commercialization of federally-funded technology research. Its logic echoed the neoclassical emphasis on individualism and competition and found an audience by characterizing the contemporary situation as dire. As a utopian project, ICC rhetoric deemed technopolis a boon for all segments of society, not just for those with capital, skill, or people otherwise able to profit directly from technological production. Its totalizing capability was thus seen as a positive force for society as a whole.
It is impossible to catalogue and analyze the myriad business studies that the ICC produced from 1977 onward, especially considering that a significant portion of the ICC literature focused on the technical aspects of management and some studies of management theory. But analyzing a paper Kozmetsky delivered at a NATO conference on work and organizations in 1981 demonstrates the ideological position of the ICC’s neoliberalism in its early stages. The paper, entitled “Perspectives on the Human Potential in Technological Change,” contains utopian discourse focused on the future, on what types of changes, in private industry, government, and academia, would make for a better world. As such it is somewhat speculative as well as didactic and approaches technological change from a macrocosmic perspective.

Kozmetsky determined that technology, properly employed, and “treated with respect, common sense, understanding and general consensus,” can “deliver a fair share of its promises to all mankind.” Furthermore, to Kozmetsky the use and production of technology actually creates more technology, so that sound public investment in a region should become self-sustaining over time. This neoclassical ideology, which annihilates notions of class and place, assumes that market forces distribute growth and production evenly through space, a notion rejected by proponents of uneven development. In actuality, Kozmetsky worked towards regional advantage for Texas and Austin and understood that competition would favor certain areas over others. Industry agglomerates in specific locations to form poles of production that attract and generate capital, although it is a mistake to assume that technopoles generate wealth for entire regions or that all urban centers have the potential to be technopoles. This ideology exposes one of the main logical tensions in technopolis rhetoric: if technology commercialization can deliver promises to all mankind, why are local, regional, and national competitive advantages so important? For
Kozmetsky and growth proponents around Austin, this unresolved logical tension was rarely addressed; the discourse of universal benefit sutured over the obvious unevenness of development.

Another theme in “Perspectives on the Human Potential in Technological Change” is the government’s role in the implementation of technological growth policies. At universities, the goal was obvious: provide business theory and practice, in the form of courses and specialized entities on campus that facilitate and manage technological development. This meant an increase in professional schools and research facilities, the didactic components of academic capitalism. Industrial and academic links could be bolstered by government policies that favored business, including subsidies for research. At the national level, Kozmetsky envisioned a government that would subsidize technological research and commercialization. At the same time, even public entities would have to develop a new system of incentives for effective workers. To ensure adequate labor power, Kozmetsky advocated “expanding perquisites, stock options, security systems, pensions and bonuses in addition to attractive salaries.” Although the rhetorical focus was on government and business working together, here the emphasis appears to be on the corporatization of government for the betterment of society. He advocated making technological risk a public venture, especially during times of national crisis.

Generating a national crisis through discourse, while simultaneously providing a systematic, neoliberal paradigm for national strength through technologically-based growth, proved a powerful combination for Kozmetsky, UT, and Austin. “Perspectives on the Human Potential in Technological Change” is forceful precisely because it imagines the utopian society that technological knowledge and business acumen can provide. This discourse feeds into a sense of national power and well-being that had been related to technological domination for centuries.
in the U.S. As neoliberalism and deregulation grew during Reagan’s first years in office, so too
did concern over the nation’s position in an increasingly competitive global economic system. As
the discourse of technological superiority became more linked to American power and well-
being in the early 1980s, Austin’s location as technological producer, as well as its links between
technology and business, became stronger. In 1983, Kozmetsky’s vision for Austin as
technopolis took its defining step, and Kozmetsky’s techno-business policies were at the
forefront.

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Select Publications

Books
-Republic of Barbecue: Stories Beyond the Brisket. Co-edited with Elizabeth Engelhardt et al. (University of Texas Press, 2009)

Academic Articles (*peer reviewed published articles)


“Whose ‘Sense of Place?’ Topophilia, the Grassroots, and Urbanization in Austin, Texas,” American Quarterly 63.2 (June 2011): 399-408.

“Keeping the City Suburban: The Paradox of Quality and Life and Environmental Protectionism in Austin, Texas,” in Paul J.P. Sandul and M. Scott Sosebee, eds., Lone Star Suburbs, under contract with the University of Oklahoma Press, anticipated publication in 2019.

Recent Conference Presentations


“Planning the Knowledge City: Urban Renewal and University Expansion in 1960s Austin, Texas,” at the Society for American City and Regional Planning History Biannual Conference, Los Angeles, November 5-8, 2015.


