

Bullshit in Private Equity: What it is and why it is spreading



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Whitepaper by Johan Gärdebo, Viktor Ström and
Rasmus Sjögren

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Intellectual assets have long been the cornerstone of private equity's economic growth, driving innovation and value creation. Yet, this reliance has also exposed the sector to what can colloquially be termed "bullshit". This whitepaper explores the nature of bullshit, its impact on private equity in particular, and why it can spread in the knowledge economy as a whole.

What is bullshit?

Analytical philosopher Harry G. Frankfurt contends of "bullshit"¹. While most people are confident they can personally recognize bullshit or assume that they can, we struggle with understanding what function bullshit has in society and, subsequently, how it affects us professionally. For starters, we here set out to define what bullshit is—and what it is not—before turning to describe why it is spreading in private equity and the knowledge economy more broadly.

Bullshit as a process: symptomatic of something else

Frankfurt argues that bullshit is a symptom of something else—a process disconnecting our understanding of the world. Someone who is "lying" still believes in but attempts to avoid the truth. Bullshit, by contrast, treats truth as irrelevant. What is relevant is, instead, how things are perceived.

The present-day prevalence of bullshit can be said to correspond with cultural trends skeptical of our ability to know how things are, or that reject any objective reality. The production of knowledge would, in this case, not be primarily an intellectual inquiry but better understood as expressions of power. Corporate initiatives for diversity, equity, and inclusion are among the more recent examples premised on this view that knowledge is saturated

¹ Frankfurt, H. G. (2005). *On Bullshit*. Princeton University Press.

by power structures², which we will return to discuss later as a case in point of bullshit in the day-to-day work of private equity.

But even in such a skeptical culture, bullshit could hypothetically produce knowledge that ends up being true, relevant, or generally interesting. One might then speak of bullshit as “evasive”, “bald-faced”, or “argumentative” since it is only upon closer inspection that one notices flaws in the methods used. Mere accuracy of supportive facts can still be disconnected from the overall validity of an argument^{3,4}.

Bullshit can therefore be understood and recognized based on the methods used for processing information. Instead of dialogue that creates or questions common knowledge, dialogue becomes a method for contemplating one’s individual identity. Instead of representations of the world and our relationship to it, the individual retreats into representations of the self. Instead of *correctness*, we hope only for *sincerity*.

Bullshit as a product: source to indifference to truth

So far we have understood bullshit as a process, a symptom prevalent in our present-day culture. But why is there relatively more of it today than at other times? Petrocelli et al. (2023), in building on Frankfurt’s work, point to external factors, for example, how democratic societies have expanded public life to encompass more or less everything⁵. Bullshit is an unintended consequence of people perceiving themselves to have a personal responsibility—real or imagined—to speak on this or that issue.

² Cf. Ramaswamy, V. (2022) Nation of Victims. Identity Politics, the Death of Merit, and the Path Back to Excellence. Center Street.

³ Meibauer, J. (2016). Aspects of a theory of bullshit. *Pragmatics & Cognition*, 23(1): 68–91.

⁴ Gascón, J. Á. (2021). Argumentative Bullshit. *Informal Logic*, 41(3).

⁵ Petrocelli, J. V., Silverman, H. E., & Shang, S. X. (2023). Social perception and influence of lies vs. bullshit: A test of the insidious bullshit hypothesis. *Current Psychology*, 42: 9609–9617.

Philosopher Florian Cova argues that the spreading of bullshit should therefore not only be understood as a symptom or sign of indifference to truth but as its *source*. It arises in settings where others' impressions define your success and where impressions come from discourse or communication.⁶ And such discursive impressions can be said to affect all parts of the knowledge economy—from advertising to philosophy^{7,8}.

Put more simply, bullshit is a source of indifference to truth because people find it *interesting*. Just as individuals selectively engage with certain truths and often prioritize new information over the old, the appeal of bullshit lies in its capacity to generate novelty. We find it both socially and intellectually stimulating⁹.

On the one hand, bullshit's appeal is fragile since it cannot withstand closer inspection. But on the other hand, such fact-checking or willingness to call out bullshit is considered boring by people who take comfort in bullshit. Bullshit spreads because many tolerated it as a short-term strategy against boredom.

In relation to present-day information technologies like the Internet, people's tolerance of misinformation, and of being misinformed, can be succinctly stated using the asymmetry principle known as Brandolini's law—the effort of refuting a claim takes ten times more energy than that needed to produce it¹⁰. This asymmetry between creating and calling out bullshit is central to understanding the problem now facing private equity and the knowledge economy more broadly.

⁶ Cova, F. (2024). What's Wrong with Bullshit. *Ergo*, 11(22).

⁷ Cf. Cohen, G. A. (2012). Complete bullshit. In Michael Otsuka (Ed.), *Finding Oneself in the Other* (94–114). Princeton University Press.

⁸ Johnson, A. (2010). A New Take on Deceptive Advertising: Beyond Frankfurt's Analysis of 'BS'. *Business and Professional Ethics Journal*, 29(¼): 5–32.

⁹ Cf. Kimbrough, S. (2006). On letting it slide. In Gary L. Hardcastle and George A. Reisch (Eds.), *Bullshit and Philosophy* (3–18). Open Court.

¹⁰ Thatcher, J., Shears, A., Eckert, J. (2018). *Thinking Big Data in Geography: New Regimes, New Research*. University of Nebraska Press.

Bullshit jobs, misinformation and disinformation

So what is the problem with bullshit? Apart from being a process indifferent to truth, and a by-product many are willing to tolerate, the knowledge economy has a problem with bullshit because it is a *job*.

Anthropologist David Graeber defines “bullshit jobs” as unproductive tasks or roles that make meaningless contributions but give the impression of having a positive impact¹¹. Organizational theorist Mats Alvesson and colleagues suggest we understand bullshit jobs as a case of “functional stupidity”. Even if tasks are demonstrated to be counter-productive—or stupid—within conformist organizational cultures they are functional for promoting or perpetuating said task. One example of this is nonsense research—academic studies that lack external audits to evaluate the societal or practical outcomes of the research and instead rely on self-referential assessment metrics such as the number of publications, citations, or successful grant applications¹². Conformity and control can, in this sense, be said to be symptomatic of an organization’s mission drift from doing to having or keeping a job. Subsequently, personnel begin prioritizing symbolic rather than substantive action with regard to the production process.

The risk posed by bullshit jobs is further aggravated by two separate trends since the early 2010s that influence the production and control of information. One is new communication mediums, like social media platforms, that blur boundaries between personal and professional life. The other is the shift towards a multipolar world order—for example conflicts in Ukraine, around the Middle East, and between China and the US—where

¹¹ Graeber, D. (2018). *Bullshit Jobs: A Theory*. Simon & Schuster. P. 9–10.

¹² Alvesson, M., Yiannis, G., & Paulsen, R. (2017). *Return to Meaning: A Social Science with Something to Say*. Oxford University Press.

geostrategic politics more directly impact the conduct of companies. Taken together, there are at present new means and motives for turning information into a battleground that affects not only public trust in institutions but also inflicts reputation damage on financial markets¹³.

With regards to the corporate world, bullshit can therefore be delineated and understood as “misinformation”—such as inaccurate statistics, translations, and photos—but also as “disinformation”, in which case the information spread is intended to harm, for example, deliberate manipulation of visual content or context. Numerous institutions have in recent years launched initiatives, such as the OECD’s DIS/MIS Resource Hub, promoting strategies and services for companies to deal with mis- and disinformation, ranging from customer relationships, brand protection, and crisis management to security and privacy¹⁴. Several of these initiatives also involve influencing public opinion to increase tolerance for government- and corporate attempts to monitor and censor information¹⁵.

Differentiating bullshit from mis- and disinformation is relevant because private equity is exposed to different types of bullshit at different stages of operation. Before describing these stages, we first turn to discuss why bullshit has been part of the knowledge economy for quite some time.

Why is there bullshit in the knowledge economy?

The modern economic landscape is characterized by the ongoing emergence of a “knowledge economy”—a term that signifies a fundamental

¹³ PWC (2021). Disinformation attacks have arrived in the corporate sector. Are you ready? <https://www.oecd.org/en/topics/sub-issues/disinformation-and-misinformation.html>

¹⁴ OECD (2023). Mis- and disinformation. <https://www.oecd.org/en/topics/sub-issues/disinformation-and-misinformation.html>

¹⁵ Saltz, E., Barari, S., Leibowicz, C. R., & Wardle, C. (2021). Misinformation interventions are common, divisive, and poorly understood. *Harvard Kennedy School (HKS) Misinformation Review*, 2(5).

transformation of industrial economies underway since the mid-twentieth century towards one driven by intellectual capabilities and knowledge-intensive activities¹⁶. In brief, immaterial production has become as critical for the performance of this economy as the material.

Private equity exemplifies the dynamics of this knowledge economy, which since the 1980s has involved not only providing financial capital but also leveraging intellectual assets—knowledge, networks, and experience¹⁷—to drive innovation, operational improvements, and strategic growth of their portfolio companies^{18,19}. This includes optimizing business processes, implementing advanced technologies, and fostering a leadership development^{20,21}. Detailing how this knowledge economy emerged is relevant for understanding why bullshit became one of its inherent components—one that has very real effects on private equity.

Historical shift from industrial- to knowledge economy

The knowledge economy was first articulated by Austrian-American economist Machlup in 1962²² while Drucker later popularized the term in 1969²³, further shaping its impact on economic discourse. Unlike economies reliant on natural resources and physical labor, the knowledge economy emphasizes human capital, innovation, and scientific advancement as key drivers of economic progress. Subsequently, global competition is

¹⁶ OECD (1996). *The Knowledge-Based Economy*. Head of Publications Service.

¹⁷ Kaplan, S. N., & Strömberg, P. (2009). Leveraged Buyouts and Private Equity. *Journal of Economic Perspectives*, 23(1): 121–146.

¹⁸ Harris, R. S., Jenkinson, T., & Kaplan, S. N. (2014). Private Equity Performance: What Do We Know? *The Journal of Finance*, 69(5): 1851–1882.

¹⁹ Lerner, J. (2009). *Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed—and What to Do About It*. Princeton University Press.

²⁰ Gompers, P., Kaplan, S. N., & Mukharlyamov, V. (2016). "What Do Private Equity Firms Say They Do?" *Journal of Financial Economics*, 121(3): 449–476.

²¹ Kortum, S., & Lerner, J. (2000). Assessing the Contribution of Venture Capital to Innovation. *The RAND Journal of Economics*, 31(4): 674–692.

²² Machlup, F. (1962). *The production and distribution of knowledge in the United States*. Princeton University Press.

²³ Drucker, P. F. (1969). *The age of discontinuity: Guidelines to our changing society*. New York, NY: Harper & Row.

increasingly centered around intellectual prowess and the ability to foster innovation through effective knowledge transfer and spillovers, often facilitated by proximity between educational institutions and industries²⁴. As countries invest in education, research, and information technologies, they position themselves for significant economic dividends²⁵.

The transformation into a knowledge economy has profound implications for various sectors, notably private equity, which has increasingly begun to recognize the value of intellectual and social capital in driving growth and innovation. Intellectual capital is crucial in the strategic frameworks of high-tech firms, suggesting that private equity firms involved with these industries should also prioritize these assets²⁶. Private equity firms are refining their valuation methods to better account for intellectual assets, using sophisticated techniques to evaluate and enhance the growth of portfolio companies²⁷. This approach not only reshaped investment priorities but also influenced the operational strategies within the private equity industry itself. This larger shift—from manual work and machinery to minds—has changed traditional financial metrics, for example with explicit demands that they foster innovation and talent management.

Detailing the shift towards a knowledge economy highlights the specific role played by intellectual assets. Industrial economies are characterized by tangible, material-based ecosystems where cause and effect are relatively straightforward. When logistics break down, for example, the problems manifest themselves almost immediately. By contrast, knowledge economies distribute these

²⁴ Powell, W., & Snellman, K. (2004). The Knowledge Economy. *Annual Review of Sociology* 30: 199–220.

²⁵ OECD (2018). Education at a Glance. OECD Indicators.

²⁶ Castro, G. M. de., Sáez, P. L. (2008). Intellectual capital in high-tech firms: The case of Spain. *Journal of Intellectual Capital*.

²⁷ Gompers, Kaplan & Mukharlyamov (2016).

material aspects over time and space, which increases the risk of disconnections in our ability to trace specific outcomes back to their origins²⁸. Subsequently, and somewhat ironically, the prevalence of “bullshit” in the knowledge economy correlates with the sector’s reliance on intellectual assets.

Another feature of the knowledge economy is the discourse on its transformative qualities in which intellectual assets are claimed to define operations²⁹. But based on studies on implementing intellectual- and ethical principles in corporate cultures, the disconnect between the conduct of said companies and these professed values suggests one can more readily describe them as branding tools³⁰. Seeing as such discrepancies are known to cause disengagement and cynicism among employees, hence undermining a company’s ability to deliver innovations³¹, it is relevant to look more closely at why such information disconnections have arisen recently.

Information disconnections in the knowledge economy

One of the more glaring examples of information disconnections is the emergence and expansion of policies for Diversity, Equity, and Inclusion (henceforth DEI). While we will later examine DEI’s impact on private equity, we must first address some of its general features.

The knowledge economy’s reliance on a workforce with diverse intellectual assets has made it susceptible to adopting progressive policies after

²⁸ Cornell eCommons (2004). Visible Hand Spring.

²⁹ Nitzan, Jonathan & Bichler, Shimshon (2009): *Capital as Power. A Study of Order and Creorder*, RIPE Series in Global Political Economy. Routledge, London, New York.

³⁰ Sull, Donald., Stefano Turconi, & Charles Sull (2020). *When It Comes to Culture, Does Your Company Walk the Talk?* MIT Sloan Management Review.

³¹ Dyląg, A., Jaworek, M., Karwowski, W., Kożuszniak, M., & Marek, T. (2013). Discrepancy between individual and organizational values: Occupational burnout and work engagement among white-collar workers. *International Journal of Industrial Ergonomics*, 43(3): 225-231.

Russel, Nan S. (2013). *Trust, Inc.: How to Create a Business Culture That Will Ignite Passion, Engagement, and Innovation*. Weiser.

these became popular in the US and Europe during the late 2000s. Integrating different perspectives to solve complex problems meant adopting affirmative action for social justice causes. These actions range from hiring people based on immutable characteristics—like ethnicity, sex, or sexuality³²—to making pledges towards progressive climate policies, for example, schemes claimed to reduce a company’s carbon footprint^{33,34}. Such social and environmental policies align with economic imperatives in so far as they have been demonstrated to increase a firm’s ability to secure external funding³⁵.

One unintended consequence observed about the knowledge economy is its susceptibility to cultural currents, and where problems are amplified still further due to the information disconnect described earlier. Similarly to how industrial logistics are affected by physical changes in the world around them, intellectual assets are subject to psychological and social changes in society. However, since the impact of flawed intellectual assets is distributed over time, it is not only challenging to differentiate cause from effect but also difficult to incentivize a sense of responsibility for information disconnections. The dilemma here is that personnel prefer to value the perception of economic health—or living up to regulatory compliance—over understanding the actual dynamics at play^{36,37}.

If put in simpler terms, one could see the proliferation of bullshit within knowledge

³² Ramaswamy, V. (2021). *Woke, Inc.: Inside Corporate America's Social Justice Scam*. Center Street.

³³ Li, S., Ngniatedema, T., C. Fang (2017). Understanding the Impact of Green Initiatives and Green Performance on Financial Performance in the US. *Business Strategy and the Environment*, 26(6): 776–790.

³⁴ CEBRI (2022). *The Geopolitics of Climate Change*. *Brazilian Journal of International Affairs*, 1(4).

³⁵ Hooke, J (2021). *The Myth of Private Equity: An Inside Look at Wall Street's Transformative Investments*. Columbia University Press.

³⁶ European Commission (2008). *Workpackage 1. Defining the Knowledge-Based Economy: Final Synthesis Report, Knowledge Economy Indicators*. Sixth Framework Programme for Research.

³⁷ World Bank (2013). *Transforming Arab Economies: Traveling the Knowledge and Innovation Road*.

economies as a sign of lacking “skin in the game”—a concept popularized by mathematical statistician Nassim Nicholas Taleb³⁸—whose source is a managerial element within the business that either overlook or, in some cases, actively promote information disconnection.

Managers who lack skin in the game—some sort of personal stake in the long-term productivity of the company—will instead work towards making symbolic or self-serving changes. In Boeing’s diversity policy from 2023, for example, managers were rewarded for fulfilling minimum recruitment quotas based on immutable characteristics, like ethnicity, sex, or sexuality³⁹. Bullshit is in this case both the symptom and the source of indifference to truth, whose aggregated effect is to perpetuate a cycle where the facade of progress masks underlying inefficiencies and truths.

Concluding remarks

What is the problem with bullshit in private equity? It is a problem both because of the ways it undermines intellectual assets, but also because it keep certain things working in the knowledge economy as a whole.

Put simply, bullshit is an indifference to truth. It is symptomatic for a culture sceptical of our ability to understand the world as it is. At the personal level this means obsessing over sincerity, since only our self is real. Professionally, it means focusing on perceptions of productivity instead of on productivity itself. Corporate bullshit here signifies a lack of methods for intellectual inquiry, dialogues that help us as a company and colleagues to question flawed perceptions.

³⁸ Taleb, N. N. (2018). *Skin in the Game: Hidden Asymmetries in Daily Life*. Random House.

³⁹ Boeing (2023). *Global Equity, Diversity & Inclusion 2023 Report*.
https://www.boeing.com/content/dam/boeing/boeingdotcom/principles/diversity-and-inclusion/assets/pdf/Boeing_GEDI_Report_FINAL.pdf

The more insidious problem, however, is the ways in which bullshit has become a source to indifference to truth. It is ingrained in and perhaps even indispensable to the knowledge economy because of tolerance to bullshit. People tolerate bullshit since it is interesting, which is what many seek in a society plagued by boredom.

To call bullshit out is to deflate its interestingness, which confronts us with being bored and the lack of larger meanings in work and life. The difficulty of deflating bullshit has also been amplified by the rise of new information technologies like social media, in addition to geopolitical tensions, where mis- and disinformation is more readily circulated and take less energy to create than to call out.

For private equity, these problems can be succinctly summarised as the proliferation of bullshit jobs—roles that are parasitical on the company's long-term value. These jobs characterised by their functional stupidity, which prioritizing optics over actual progress, and hence indicative of a disconnect between intellectual ideals and practical outcomes in the knowledge economy.

Authors



**Johan
Gärdebo**

Researcher
Ph.D.



Viktor Ström

Head of Research
Ph.D.

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**Rasmus
Sjögren**

Thought Center
Intern