SHAREHOLDER CAPITALISM AND STAKEHOLDER CAPITALISM

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Rajan, Raghuram G. “What Should Corporations Do?” *ProjectSyndicate*.*org*. 6 Oct. 2020. 11 Oct. 2020. Web. (Former governor, Reserve Bank of India; professor of finance, U of Chicago.)

Robinson, Andrew. “Capitalism under Scrutiny: Books in Brief.” *Nature*.*com*. 24 Nov. 2020. 27 Nov. 2020. Web.

“Shareholder capitalism” refers to a position held by some economists. Milton Friedman, professor of economics at the University of Chicago, famously limited corporations’ responsibilities to increasing shareholder wealth.

“Stakeholder capitalism” refers to a position that holds that corporations have responsibilities beyond making money. It is “an approach to business and economic policymaking that looks beyond the interests of shareholders and toward the well-being of society . . .” (*Washington-Post* newsletter, 29 Jan. 2021)

Rajan makes a revealing statement: “shareholders get whatever is left over after debt holders are paid their interest and workers [are paid] their wages . . . To the extent that management must satisfy everyone else before looking to shareholder interests, it already does maximize value for all those who contribute to the firm.” Notice that bond holders and workers are equivalent to “everyone else.” Hence, “all those who contribute to the firm” are either bond holders, workers, or stock holders. The firm has no moral obligation to those outside these three contributing groups. That includes customers. That includes fellow citizens of the company’s nation. That includes the rest of humanity. That includes future generations. That includes non-human species, all of Nature. That includes God.

Stakeholder capitalism, on the other hand, asserts the broader obligations. (It is discussed, for example, by Klaus Schwab and Peter Vanham in *Stakeholder Capitalism*: *A Global Economy that Works for Progress*, *People and Planet*. Hoboken: Wiley, 2021.)

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Capitalism is a fluke. Excellent for its time, perhaps. But it will not last.

Capitalism, like democracy, is a terrible system—except, of course, all the others (at least in humanity’s present stage of development). It is a system that pits greed against greed, for the benefit of all. It is not unlike democracy, which pits separate powers (executive, legislative, judicial) against each other, for the benefit of all.

What will replace capitalism? A Marxist utopia? Of course not: those two words are an oxymoron. A thousand years of one-world government, lavishly bestowed upon us by China’s single party? I hope not. But I don’t know.

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Capitalism is not the outermost frame of human values. It cannot be, for a Christian. Compassion is a wider framework; and within that wider framework, greed must be judged. The last word was not said by that inimitable philosopher Gordon Gekko (Michael Douglas in *Wall Street*): “Greed . . . is good.” No, the last word will be said by the Good Samaritan (Luke 10:35): “Take care of him; and when I come back, I will repay you whatever more you spend.”

a man who had fallen among thieves

by e. e. cummings

a man who had fallen among thieves

lay by the roadside on his back

dressed in fifteenth-rate ideas

wearing a round jeer for a hat

fate per a somewhat more than less

emancipated evening

had in return for consciousness

endowed him with a changeless grin

whereon a dozen staunch and leal

citizens did graze at pause

then fired by hypercivic zeal

sought newer pastures or because

swaddled with a frozen brook

of pinkest vomit out of eyes

which noticed nobody he looked

as if he did not care to rise

one hand did nothing on the vest

its wideflung friend clenched weakly dirt

while the mute trouserfly

confessed a button solemnly inert.

Brushing from whom the stiffened puke

i put him all into my arms

and staggered banged with terror through

a million billion trillion stars.

It is not enough to say that companies must abide by laws. They must also abide by ethics. Redlining (racial discrimination in granting loans) was legal in the United States from its beginning in 1935 until the first law against it in 1974. If the sole purpose of a business is to make money, and if redlining is legal and helps a company make money, then (according to shareholder capitalism) it would be unethical for a company *not* to redline.

Corporations exist within the framework of larger ethical principles that form the context for all of our lives. That framework includes doing the right thing, whether laws have already mandated it or not. Hence the current calls for corporations to embrace stakeholder capitalism.

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Kate Raworth is an economist at both Oxford and Cambridge. Her main work is *Doughnut Economics*: *Seven Ways to Think Like a 21st-Century Economist* (New York: Random House, 2017).

Her main change to economic orthodoxy looks to be the moving of environmental concerns from the margin to the center. As one reviewer said, “as she rightly stresses, the conventional notion of “externalities”, or economic side effects, serves to imply that problems such as pollution are not ones that economists need to make central to their concerns.” (Qtd. in “*Doughnut Economics*.” *Wikipedia*.)

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*Is Capitalism Broken?* (London: Oneworld, 2020) reports a 2019 debate on “Two models of capitalism—US democratic and Chinese authoritarian . . .” (Robinson)

Arguing that capitalism is broken are Yanis Varoufakis, former Greek finance minister, and Katrina vanden Heuvel, US publisher.

Arguing that it is not broken are Arthur Brooks, social scientist, and David Brooks, journalist.

According to Robinson, Brooks and Brooks are “the narrow winners.” But “Varoufakis wins on eloquence: he says capitalism liberated us from prejudice and feudalism, but entangled us in “unbearable inequality, unsustainable debt, brazen authoritarianism, and, yes, catastrophic climate change.””