

Shareholder Capitalism vs Stakeholder Capitalism

Janice Sandoz - 5.2.2024

Shareholder Capitalism

- ▶ A system in which corporations have one purpose they need to fulfill: Generate revenue and ensure things are profitable for shareholders.

Stakeholder Capitalism

- ▶ A system in which companies take into account the needs of all their stakeholders, including shareholders, and society at large.

Stakeholders

- ▶ Employees
- ▶ Customers
- ▶ Suppliers
- ▶ Communities
- ▶ Environment
- ▶ Shareholders
- ▶ Lenders

Brief History

- ▶ 50s & 60s - Stakeholder capitalism was common in the U.S. and the social democracies of Northern & Western Europe
- ▶ A post-war philosophy that one person or entity could only do well if the whole community & economy functioned for everyone
- ▶ The European countries continued this philosophy with companies and employees paying their fair share of taxes to fund public education, health care and social security.
- ▶ 1970s - U.S. moved to Shareholder capitalism, Milton Friedman
- ▶ 2000s - Is Shareholder capitalism really working?

“Houston - we have a problem”

- ▶ Skyrocketing Wealth Inequality - richest 10 percent own 93% of stocks; 78% live paycheck to paycheck
- ▶ Less middle class disposable income means less consumer spending
- ▶ Big business is under attack for having single-mindedly shoveled money to their shareholders and executives at the expense of customers, employees, the environment, and society as a whole.
- ▶ An angry working class is susceptible to demagogues and populism
- ▶ Despondency leads to rising rates of crime, drug addiction, family violence, child abuse, suicide.
- ▶ Pursuit of short term profits means less emphasis on safety, research & innovation

TED Talks:

Nick Hanauer (17 min):

https://www.youtube.com/watch?v=th3KE_H27bs

Pete Stavros(13 min):

pete_stavros_the_secret_ingredient_of_business_success