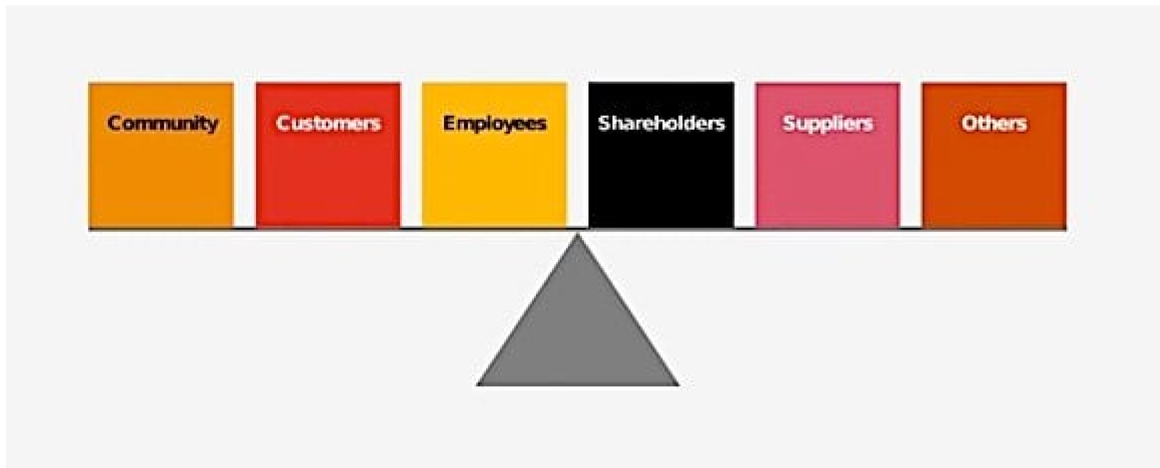
The Great Reset, Part IV: ‘Stakeholder Capitalism’ vs. ‘Neoliberalism’

by Michael Rectenwald



Any discussion of “stakeholder capitalism” must begin by noting a paradox: like “neoliberalism,” its nemesis, “stakeholder capitalism” does not exist as such. There is no such economic system as “stakeholder capitalism,” just as there is no such economic system as “neoliberalism.” The two antipathetic twins are imaginary ghosts forever pitted against each other in a seemingly endless and frenzied tussle.

Instead of stakeholder capitalism and neoliberalism, there are authors who write about stakeholder capitalism and neoliberalism and companies that more or less subscribe to the view that companies have obligations to stakeholders in addition to shareholders. But if Klaus Schwab and the World Economic Forum (WEF) have their way, there will be governments that induce, by regulations and the threat of burdensome taxation, companies to subscribe to stakeholder redistribution.

Stakeholders consist of “customers, suppliers, employees, and local communities”1 in addition to shareholders. But for Klaus

Schwab and the WEF, the framework of stakeholder capitalism must be globalized. A stakeholder is anyone or any group that stands to benefit or lose from any corporate behavior—other than competitors, we may presume. Since the primary pretext for the Great Reset is global climate change, anyone in the world can be considered a stakeholder in the corporate governance of any major corporation. And federal partnerships with corporations that do not "serve" their stakeholders, like the Keystone Pipeline project, for example, must be abandoned. Racial "equity," the promotion of transgender agendas, and other such identity policies and politics, will also be injected into corporate sharing schemes.

If anything, stakeholder capitalism represents a consumptive worm set to burrow into and hollow out corporations from within, to the degree that the ideology and practice find hosts in corporate bodies. It represents a means of socialist wealth liquidation from within capitalist organizations themselves, using any number of criteria for redistribution of benefits and "externalities."

But don't take my word for it. Take one David Campbell, a British socialist (although non-Marxist) and author of *The Failure of Marxism* (1996). After declaring that Marxism had failed, Campbell began advocating stakeholder capitalism as a means to the same ends. His argument with the British orthodox Marxist Paddy Ireland represents an internecine squabble over the best means of achieving socialism, while also providing a looking glass into the minds of socialists determined to try other, presumably nonviolent tacks.[2]

Campbell castigated Ireland for his rejection of stakeholder capitalism. Ireland held—wrongly, Campbell asserted—that stakeholder capitalism is ultimately impossible. Nothing can interfere, for very long, with the inexorable market demand for profit. Market forces will inevitably overwhelm any such ethical considerations as stakeholders' interests.

Ireland's more-radical-than-thou Marxism left Campbell flummoxed. Didn't Ireland realize that his market determinism was exactly what the defenders of "neoliberalism" asserted as the inevitable and only sure means for the distribution of social welfare? "Marxism," Campbell rightly noted, "can be identified with the deriding of 'social reform' as not representing, or even as obstructing, 'the revolution.'" Like so many antireformist Marxists, Ireland failed to recognize that "the social reforms that [he] derided *are* the revolution."[3] Socialism is nothing if not a movement whereby "the purported natural necessity represented by 'economic' imperatives is replaced by conscious *political* decisions about the allocation of resources" (emphasis mine).[4] This political socialism, as against Marx's orthodox epigones, is what Marx really meant by socialism, Campbell suggests. Stakeholder capitalism is just that: socialism.

Ireland and Campbell agreed that the very idea of stakeholder capitalism derived from companies having become relatively autonomous from their shareholders. The idea of managerial independence and thus company or corporate autonomy was first treated by Adolf A. Berle and Gardiner C. Means in *The Modern Corporation and Private Property* (1932) and after them in James Burnham's *The Managerial Revolution* (1962). In "Corporate Governance, Stakeholding, and the Company: Towards a Less Degenerate Capitalism?," Ireland writes of this putative autonomy: "[T]he idea of the stakeholding company is rooted in the autonomy of 'the company' from its shareholders; its claim being that this autonomy…can be exploited to ensure that companies do not operate exclusively with the interests of their shareholders in mind."[5]

This apparent autonomy of the company, Ireland argues, came about not with incorporation or legal changes to the structure of the corporation, but with the growth of large-scale industrial capitalism. The growth in the sheer number of shares and with it the advent of the stock market made for the

ready salability of the of the share. Shares became “money capital,” readily exchangeable titles to a percentage of profit, and not claims on the company’s assets. It was at this point that shares gained apparent autonomy from the company and the company from its shareholders.

> *Moreover, with the emergence of this market, shares developed an autonomous value of their own quite independent of, and often different from, the value of the company’s assets. Emerging as what Marx called fictitious capital, they were redefined in law as an autonomous form of property independent of the assets of the company. They were no longer conceptualized as equitable interests in the property of the company but as rights to profit with a value of their own, rights which could be freely and easily bought and sold in the marketplace….*
>
> *On gaining their independence from the assets of companies, shares emerged as legal objects in their own right, seemingly doubling the capital of joint stock companies. The assets were now owned by the company and by the company alone, either through a corporation or, in the case of unincorporated companies, through trustees. The intangible share capital of the company, on the other hand, had become the sole property of the shareholder. They were now two quite separate forms of property. Moreover, with the legal constitution of the share as an entirely autonomous form of property, the externalization of the shareholder from the company had been completed in a way not previously possible.*[6]

Thus, according to Ireland, a difference in interests emerged between the holders of the industrial capital and the holders of the money capital, or between the company and the shareholder.

Nevertheless, Ireland maintains, the autonomy of the company

is limited by the necessity for industrial capital to produce profit. The value of shares is ultimately determined by the profitability of the company's assets in use. "The company is, and will always be, the personification of industrial capital and, as such, subject to the imperatives of profitability and accumulation. These are not imposed from the outside on an otherwise neutral and directionless entity, but are, rather, intrinsic to it, lying at the very heart of its existence." This necessity, Paddy argues, defines the limits of stakeholder capitalism and its inability to sustain itself. "The nature of the company is such, therefore, as to suggest that [there] are strict limits to the extent to which its autonomy from shareholders can be exploited for the benefit of workers or, indeed, other stakeholders."7

Here is a point on which the "neoliberal" Milton Friedman and the Marxist Paddy Ireland would have agreed, despite Ireland's insistence that the extraction of "surplus value" at the point of production is the cause. And this agreement between Friedman and Ireland is exactly why Campbell rejected Ireland's argument. Such market determinism is only necessary under capitalism, Campbell asserted. Predictions about how companies will behave in the context of markets are only valid under current market conditions. Changing company rules such that profitability is endangered, albeit, or even especially, from the inside out, is the very definition of socialism. Changing the way companies behave in the direction of stakeholder capitalism is revolutionary *en se*.

Despite this insurmountable "neoliberal"/Marxist impasse, the notion of stakeholder capitalism is at least fifty years old. Debates about the efficacy of stakeholder capitalism date to the 1980s. They were stirred up by Friedman's rejection of the "soulful corporation," which reached its peak with Carl Kaysen's "The Social Significance of the Modern Corporation" in 1957. Kaysen viewed the corporation as a social institution that must weigh profitability against a broad and growing

array of social responsibilities: “there is no display of greed or graspingness; there is no attempt to push off onto the workers or the community at large part of the social costs of the enterprise. The modern corporation is a soulful corporation.”[8] Thus, in Kaysen, we see hints of the later notion of stakeholder capitalism.

Likely, stakeholder capitalism can be traced, although not in an unbroken line of succession, to the “commercial idealism”[9] of the late nineteenth and early twentieth centuries, when Edward Bellamy and King Camp Gillette, among others, envisioned corporate socialist utopias via incorporation.[10] For such corporate socialists, the main means for establishing socialism was through the continuous incorporation of all the factors of production. With incorporation, a series of mergers and acquisitions would occur until the formation of a singular global monopoly, in which all “the People” had equal shares, was complete. In his *“World Corporation,”* Gillette declared that “the trained mind of business and finance sees no stopping-place to corporate absorption and growth, except final absorption of all the World’s material assets into one corporate body, under the directing control of one corporate mind.”[11] Such a singular world monopoly would become socialist upon the equal distribution of shares among the population. Stakeholder capitalism falls short of this equal distribution of shares but gets around it by distributing value on the basis of social and political pressure.

Interestingly, Campbell ends his argument, rather undogmatically, by stating unequivocally that if Friedman was right and “if these comparisons [between shareholder and stakeholder capitalism] tend to show exclusive maximization of shareholder value to be the optimal way of maximizing welfare,” then “one should give up being a socialist.”[12] If, after all, the maximization of human welfare is really the object, and “shareholder capitalism” (or “neoliberalism”)

proves to be the best way to achieve it, then socialism itself, including stakeholder capitalism, must necessarily be abandoned.

First published in the