Reconciling Capitalism and Democracy

by

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Introduction

With the publication of Adam Smith's The Wealth of Nations[ii] in 1776, a continuing experiment has been running. While it is purely coincidental that the publication of laissez faire's "bible" should be published simultaneously and serendipitiously with the birth of American independence, both events will intersect over the next two and a half centuries in ways unfathomable to 18th century perspectives.

The Wealth of Nations began the great liberal[iii] "laissez faire" experiment of the free market. Relatively unfettered by governmental and societal restraints, this experiment evolved into what we now refer to as "Darwinian" capitalism.[iv] Within this stereotypical dog-eat-dog model, profit is the ultimate and even exclusive goal and is the stuff that fueled the industrial revolution. It also fueled the incredible poverty and classed society of the mid to late 19th century and early 20th century.[v] It was responsible for the amassing of incredible fortunes and the creation of the first global companies.[vi] As with any widespread and nearly omnipresent movement, it also spawned reaction, often violent reaction. Hand-in-hand with this Darwinian capitalism came the classed societies of the western world. "Left to itself, capitalism produced long-term aggregate benefits along with great volitility and inequity."[vii] With the exception of the United States, this economic model dovetailed nicely with the political environment of monarchies and aristocracies.[viii]

Even in the United States, any sort of sustained political and economic egalitarianism was left for the progressive era at the end of that century.[ix] Thus, the political reaction of aborted uprisings in many European capitals in the 1870's demonstrated the bubbling cauldron of political discontent just under the façade of supposedly well-ordered societies. Of course, much discontent was also fueled by the publication of Karl Marx's Das Kapital[x] as a response to the continuing evolution of Darwinian capitalism. "By the late nineteenth and early twentieth centuries, therefore, liberalism [of laissez faire thinking] was being challenged by reactionary nationalism and cosmopolitan socialism, with both the left and right promising, in their own ways, relief from the turmoil and angst of modern life."[xi]

Less volatile reaction to Darwinian capitalism, but just as damning, came in the form of governmental regulations in the United States. With the passing of Sherman Antitrust[xii] in 1890, the United States Congress made clear its view that the invisible hand[xiii] as extrapolated from Smith's Wealth of Nation was not entirely effective in market self-regulation. Thus would begin over a century of governmental regulation into the market, continuing in 1914 with both the Clayton Act[xiv] and the Federal Trade Commission Act.[xv] And, to put it bluntly, we were off to the races over the next ninety-nine years with ad hoc governmental regulations for the market. Governmental presence in the market place would become more definitive with the advent of the great depression in 1929. With Franklin Roosevelt in the White House, John Maynard Keynes became the economist laureate of the nation and his economic philosophy provided the foundation for Roosevelt's New Deal. Formalizing the government's role as an economic stimulant, Keynes introduced the third model in the economic experiment begun by Smith: the semi-regulated market or semi-laissez faire market, for want of a better term.

Of course, the second model on modern economic theory had begun a decade and a half earlier with the 1917 beginning of the Russian Revolution. Drawing on Marxist principles, Lenin and the Russian Bolsheviks created a socialist state with communism as its guiding political philosophy.[xvi] With the establishment of the Soviet Union and with Roosevelt's undertaking of the New Deal, the three great experiments in modern social economics were playing out: the two bookends--laissez faire economics and socialism, and the one in the middle, so to speak, the regulated market.

By the time that the 20th Century concluded, the results were fairly clear. Laissez faire, i.e. unregulated, economies were ineffective in light of overwhelming social concerns over such issues as human rights, consumer protection, environmental issues, workplace safety, just to name a few; the list goes on identifying the various areas in which the laissez faire market was unable or unwilling to regulate. Except for the extreme right wing of the American Republican party who, forgetting all rationale historical perspective and wanting to roll back the economy to pre-New Deal times under some belief of economic stimulus,[xvii] the general consensus was that governmental regulation was necessary. The only legitimate question was a matter of how much regulation was needed. Unlike America, Europe suffered no angst as to the legitimacy of governmental presence in the market place.[xviii]

At the same time, socialism, as a unitary economic system, was clearly defunct. Not only with the fall of the Soviet Union in 1989, but the modifications of the Chinese market into a quasi-capitalistic encapsulated in a socialistic/communistic bubble demonstrated the demise of the socialistic approach.[xix]

The only viable model standing was the middle ground: the regulated free market. But, it was on life support by the turn of the 21st century. Attacked by the American right as an economy-killer,[xx] the regulated market was nevertheless as needed in the late twentieth century as the early twentieth century. Financial fraud, banking scandals, consumer victims[xxi] were as rampant in the last decade of the twentieth century and the first decade of the twenty-first century as they were in the 1920's leading up to the collapse of the world-wide financial markets.[xxii] Yet, the panacea clamored for by the political right was a return to the unfettered markets of the 19th century, the very same environment creating the current conundrum. Ironically, it was the 18th century British conservative Edmund Burke who opined "Those who don't know history are destined to repeat it."

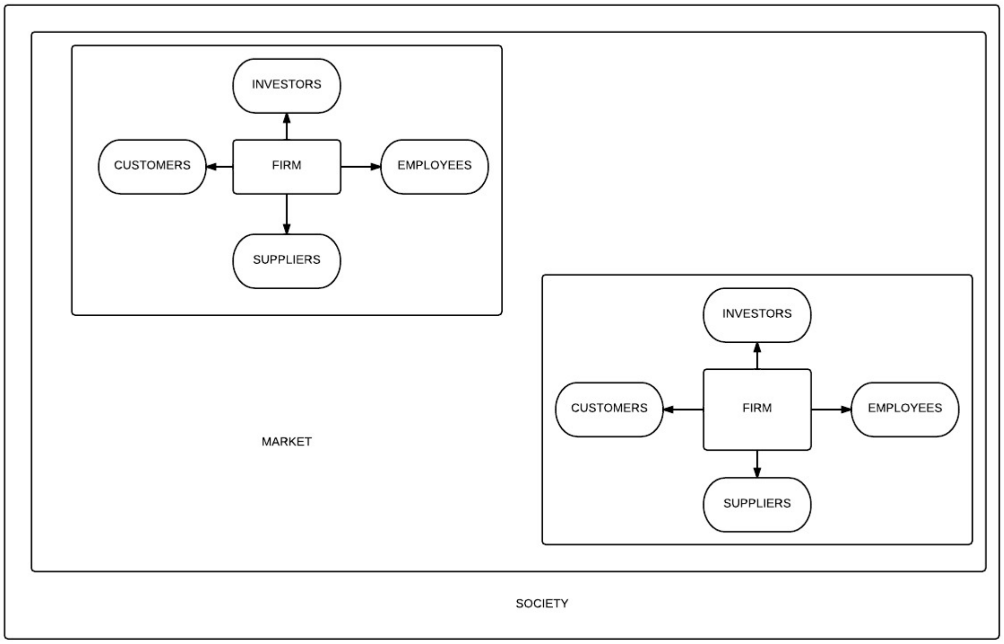
Even with ad hoc governmental regulations, such as the Consumer Financial Protection Bureau,[xxiv] this kind of governmental intervention into the marketplace is truly akin to trying to put out a forest fire with a garden hose, especially with many on the political right trying to cut the albeit meager water supply. Clearly a "fourth way," that fourth experiment is needed. The first three---Darwinian capitalism, socialism, and the regulated economy---have either failed or completely underwhelmed and underperformed.

Competitive versus Collaborative Models

When we look at these first three model: Darwinian capitalism, socialism, and the regulated economy, two characteristics emerge that aid us in understanding these models: competition and collaboration. Let's first look at the structure of the market. The firm, whether it is a corporation, partnership, proprietorship sole or any other legal or factual variant, is the decision-maker. The transaction is the focal point of that decision-making. All business is transactional.[xxv] All business revolves around a seller selling a good, service, realty or some combination thereof and a buyer buying the same. The vehicle for the sale is, of course, contract.

There are two environments for the firm during this transactional activity: the internal and external ones. The internal environment includes those constituents which make the actual transaction occur. The constituencies are part-and-parcel to a firm's existence and in facilitating the firm's transactional decisions and actual transactions. Investors aka owners, employees, customers, and the supply-chain are crucial to the sale. The effect of this activity immediately influences the market itself, from a macro perspective, and the society in which the firm operated.

The external environment pertains to those constituencies with whom the firm is competing for these transactions, the competitors themselves. We might diagrammatically represent this as follows:



In this diagram, a number of relationships are demonstrated. 1) the universe is Society at large; all business functioning from the discrete function of the firm to the economic forces of the market are subset of the universe; 2) business, represented by the larger rectangle within society operates in the capitalistic market environment; 3) within the smaller two rectangles are the discrete firm functions and relationships with the four transactional stakeholder: customers, suppliers, employees, and investors. The dynamics represented here emphasizes two environments: the internal one with the firm's relationship with the transactional stakeholders; the external one with competitors in the market. Of course, influencing both environments are market forces and societal interests, the two "contexts" upon which and in which business operated. With these two environments in mind, we can apply the two characteristics of collaboration and completion to the relationships.

In Darwinian capitalism, every relationship, internally and externally, is competitive in nature: internally, customers want the prices; the firm want to sell at the highest prices---employees want higher wages; investors was greater return on investment---the supply chain wants the highest price for good; the firm wants the lowest, etc….everyone is out to get the "best deal for themselves." Externally, it is the same and even clearer, each firm wants as much market share as possible at the expense of other competitors.

In socialism, every relationship, both internally and externally, is collaborative. Every activity is designed to the singular goal of benefiting society or articulated societal goals.

In the regulated economy, we have the competitive nature of Darwinian capitalism but with the government, and not the market, setting up various rules and boundaries of how the competitive relationships will play out. For example, employees and employers are only free to negotiate salary so long as that negotiation does not violate minimum wage laws. Customer and the firm are free to let the market set purchase price so long as certain notices, imposed by the government, are complied with, such as ingredients on the label. But, the end result is a capitalistic market with the "Darwinian" aspect modified by governmental regulations.

However, the "fourth way," stakeholder theory, blends BOTH the collaborative and competitive characteristics. Stakeholder theory, as explained below argues for a competitive environment between firms for market share, reflective of a Darwinian capitalistic approach. However, the approach argues for a collaborative environment between and among the internal stakeholders along with society and the market itself. How this is operationalized will be discussed following the argument below justifying this approach.

The Current Debate

With socialism defunct as a comprehensive economic system, at least in the western world, and with the regulated economy under so much attack, the debate resurrects laissez faire economics as a potential savior, Edmund Burke's admonition notwithstanding. Thus it is the original theory of laissez faire economics versus the "new" theory, stakeholder theory, or, the "fourth way," introduced above.

This is not a new debate but it is one that has been raging for twenty-plus years. Supporting the former, Milton Friedman and others argue that two principles must guide business decision-making: obeying the law and maximizing investor (or owner) wealth.[xxvi] Supporting the latter, ethicists Tom Donaldson, Kenneth Goodpaster and others argue that all stakeholders affected by business decision-making must have their interests incorporated into the decision-making process.[xxvii]

As Donaldson and Dunfee note "The concept of corporate obligations to stakeholders has been a major theme in Western business ethics for several decades….the nature and scope of corporate obligations to stakeholders is one of the most important and extensive components of the modern literature on business ethics."[xxviii]

Most of the debate between these two approaches has been centered in two venues: the economic one or the ethical one. The arguments are laid out rather simplistically like this:

Economic argument:
The Laissez Faire: Investor/Shareholder theory: since market efficiency is a desired outcome, the focus of business decision-making should be on maximizing return on investment; other constituent concerns may be considered by the government, the legal system or some other advocate, but not by the business decision-maker. In other words, business does business, government does government, social welfare groups do social welfare activities, etc and with everyone doing what they are supposed to do, the system not only works but is efficient.

Stakeholder theory: accepting the notion that market efficiency is a desired outcome, this theory argues that the most efficient approach is to take into account all stakeholder interests since that approach will incorporate all aspects of the decision-making process; proponents of this approach tend to point to the financial success of companies with articulated corporate social responsibility credos that incorporate multiple stakeholders.[xxix]

Ethical argument:
The Liassez Faire: Investor/Shareholder theory: business decision-makers have a fiduciary, and hence *ethical*, obligation to owners/investors to safeguard and prudently manage the "money" entrusted to them. No other constituency or stakeholder has the comparable degree of fiduciary obligation owed to them by the decision-makers.

Stakeholder theory: the business decision-makers affect, via their decisions, a variety of stakeholders, including, but clearly not limited to the investor/owners; as such, some degree of duty, generally characterized as an ethically based-one (rather than an economically-based one), is owed to these stakeholders.

While economics and ethics command the focus of the ongoing arguments, ironically the legal aspect was fairly well-settled and it ran parallel with the investor/ethical argument. The paramount relationship is that of investor/owner or shareholder and those who manage that investment (via decision-making).[xxx] The decision-maker has a fiduciary obligation to manage that owners' money according to the wishes and expectations of the investors.

This maxim has, however, been relaxed and it is now recognized that it is well within the discretion of business decision-makers to factor into the decision-making the effects on all business constituencies, not just the owners and investors.[xxxi] This legal relaxation raises the issue of the law's characterization of stakeholder theory in the context of moral and legal reliance. The evolution of the common law has witnessed the rise of reliance theories in contract law with the recognition of such remedies as promissory estoppels, equitable reliance, and *quantum meruit*. Can this rationale be applied to the adoption of stakeholder theory?

Reliance Theories and Moral Obligation

Fundamental Western philosophy holds that all individuals have some degree of autonomy. We have free will.[xxxii] Even with the advent of nineteenth century Darwinist and Freudian determinism, we base our lives and societies on the concept that human beings can make decisions.[xxxiii] Our social institutions rely on this belief. Freedom to marry, work, worship: all the daily decisions we make are premised upon this one concept of autonomy and operationalized with the function of free will. Our legal and political systems could not survive without such a foundation of "free choice." The determination of legal liability would be a hollow exercise and democracy would be a silly activity.

However, if autonomy or free will is the very first foundational stone and an obvious one at that, the second stone is far more difficult to identify and understand. If indeed "choice" is the first characteristic of decision-making functions, what are the products and ramifications of such "choice"?

We know the following by experiential data:

Choice or decision ➔ a result

We also know by experiential data that the following may and usually does occur:

Choice or decision ➔ a result ➔ affect on others

The question which is created, which is fundamental to understanding the nature of "obligation," is: what is, if any, the <u>relationship</u> between the decision-maker and those who are affected by that decision. Does some kind of obligation spring into being as a result of this relationship?

Common law addresses this issue but only after adding two variables.[xxxiv] If the affected person "relied" on the decision-maker's choice to the affected person's detriment AND the decision-maker knew or should have known that such reliance was occurring, then obligation from the decision-maker to the affected person is created.[xxxv] This has been morally encapsulated by John Stuart Mill in 1859:

When a person, either by express promise or by conduct, has encouraged another to rely upon is continuing to act in a certain way—to build expectations and calculations, and stake any part of his plan of life upon that supposition—a new series of moral obligations arises on his part towards that person, which may possibly be overruled, but cannot be ignored…a person is bound to take all of these circumstances into account, before resolving on a step which may affect such important interests of theirs; and if he does not allow proper weight to those interests, he is morally responsible for the wrong.[xxxvi]

Reliance theories essentially permit the substitution of detrimental reliance for consideration in contract formation and enforcement.[xxxvii] For example, a person clearly promises her niece that in exchange for her niece's many years of devotion and care to her, she is leaving the niece her home, a valuable piece of property, upon her death. The aunt invites the niece to move in now while the aunt is still alive. The niece relies on this information, sells her current home, and moves in with her aunt. Her aunt passes away a few months later but she neglected to change her will and her will does not mention the bequest to the niece. Under classic contract law or under the laws of descent, the niece has very little legal leg to stand on. The niece has not given good consideration for the transaction (the "years of devotion" were in the past and not good current consideration; this was essentially a gift that was not executed and thus not enforceable).

However, this is where reliance theory may come into play. Because there was a clear promise upon which the niece relied and upon which the niece acted to her detriment (*i.e*., selling her home and moving in with the aunt), the promise will be enforced as if it were an enforceable contract.[xxxviii]

However, the law is equally settled that the affected party's reliance must be based on good faith and cannot be created if the party knows or should know that such reliance is misplaced.[xxxix] It is not a leap to understand that since the law only requires a fiduciary obligation between the business decision-maker and the investor/owner, then any attempt to create a relationship between the business decision-maker and other stakeholders would be misplaced.[xl]

To encapsulate this issue in the context of this paper: must business decision-maker take into account constituencies, i.e., stakeholders, other than owners, if it can be shown that 1) by express or implied behavior (action or words) the business decision-maker created reliance in those stakeholders; and, 2) the business decision-making will have a detrimental effect on those very stakeholders in whom reliance was created.

Yet, from a moral perspective, the question still remains, regardless of the law's modification of the question, "*does the mere affecting of another by a decision-maker-create some obligatory relationship flowing from the decision-maker to the affected party?*" The resolution of this question goes to the very heart of whether stakeholder theory has legitimacy as an ethical theory rather than as an economic one based on competing efficiency approaches or legalistic ones based on reliance theories. However, economic justifications are equally as powerful as the next section argues.

Market Reasons for Stakeholder Theories

While the philosophical argument for the adoption of stakeholder theory rests in legal and moral arguments of reliance and responsibility as outlined above, there are concrete market reasons for adopting a stakeholder business decision-making approach.

There are four interlocking, fundamental market reasons for adopting the stakeholder construct as a model for business decision-making:

1) Coping strategy;
2) Self-Interest;
3) Social Contract;
4) Fundamental fairness.

These four reasons can clearly stand alone but also interact with each other to create a more persuasive and symbiotic rationale.

1. Coping Strategy

To put it simply, if business decision-making conflicts with societal expectations, then the likelihood of governmental intervention and regulations become nearly inevitable. The classic example, among many historically, is the 1929 stock market crash. The stock market crash of 1929 and the Great Depression that followed ushered in a whole host of government regulations, collectively known as the New Deal, aimed at curbing the perceived abuses of large corporations. Needless to say, this wave of regulations had a profound effect on corporate America.[xli]

In other words, if we agree that in a capitalistic market governmental regulation is generally undesired, then we need to proactively behave in a way to keep the government out of the market place. If no "reason" is created for governmental intervention, then the government, predictably a reactive force, vis a vis a proactive force, will find the impetus for regulation. Succinctly put, government regulation only occurs where there is a reason for it to occur!

However, this is not to suggest that all governmental regulation is only a response to social injustices created by business. As one commentator has aptly noted "…there…would be no private markets in the absence of public policy. In short, markets do not exist in some ideal state of nature. They are human inventions that rely are underlying rules and enforcement mechanisms that specific property rights, correct market failures, address social goals, and provide structure to the economic game."[xlii]

2. Self-Interest

The ultimate goal of business in a capitalistic society is not to "do good," "be a good citizen ," "help society," or "increase society's standard of living." While these results should be factored into decision-making and may be the outcome of an integrated corporate decision-making matrix, the ultimate goal is indeed to "make money." Adam Smith, Milton Friedman and others are correct, to a point. What they miss is that "making money" is not the exclusive goal, it is the "first" goal of many goals. As Bagley notes schematically, the initial two questions of any business decision-maker are 1) is the proposed action legal? And, 2) does it maximize shareholder value?[xliii] But the query does not stop there as we will see.

In most transactional activity, the business relationship is competitive, or seen as competitive. Think of a contract with a supplier. The supplier want to sell goods at the highest price possible; the buyer wants to buy the goods at the cheapest price possible. However, there are other goals in this relationship besides the competition over the price of goods: ensuring a continuous and ready supply of goods; maintenance of a long-term relationship; assurance of a customer.

In other words, there is also a collaborative aspect to this transactional relationship. This collaborative relationship, as exemplified in stakeholder theory, can enhance the self-interest of the business. Bagley ironically notes that "[e]ven economist Michael C. Jensen, a staunch believer in shareholder primacy, acknowledged…'[i]n order to maximize value, corporate managers must not only satisfy, but enlist the support of, all corporate stakeholders---customers, employees, managers, suppliers, local communities.'"[xliv]

It is this collaborative dynamic, best operationalized in stakeholder theory as argued in this paper, that serves the business' self interest. Moreover, the Bagley schematic alluded to above lays out how such a collaborative approach is manifested in a decision-tree approach:

Is the proposed action legal->no – then don't do it!

Is the proposed action legal-> yes – does it maximize shareholder value?

If it does not maximize shareholder value, would it be ethical to refrain from this action? (To answer, weigh the harm or cost that would be imposed on shareholders against the costs for benefits to other stakeholders)

If yes, don't do it.

If no, take the action but disclose the effect of the action to shareholders.

If it does maximize shareholder value, is it ethical? (To answer, weigh the effect on customers, employees, community, environment, and supplies against the benefit to the shareholders.

If yes, do it.

If no, don't do it.[xlv]

The point of this collaborative approach is indeed in the self interest of the business. "The very nature of capitalism itself is putting together a deal, a contract, or a set of relationships among stakeholders so that **all can win** continuously over a period of time."[xlvi]

3. Social Contract

In 1971, Harold Johnson characterized a socially responsible business as "…one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation."[xlvii] George Steiner contemporaneously augments Johnson's observation by arguing that "[business]…does have responsibilities to achieve it basic goals and does, therefore, [has] social responsibilities."[xlviii]

The nature of the modern corporation emphasizes the "social" nature of the enterprise, even from a classical and tradition perspective. Freeman, often characterized as the founder or articulator of modern stakeholder theory, notes

> Corporations have ceased to be merely devices through which the private business transactions of individuals may be carried on. Though still much is used for this purpose, the corporate form has acquired a larger significance. The corporation has, in fact, become both a method of property tenure and a means of organizing economic life. Grown to tremendous proportions, there may be said to have evolved a "corporate system"—which has attracted to itself a combination of attributes and powers, and has attained a degree of prominence entitling it to be dealt with as a **major social institution**.[xlix] (emphasis added)

The interplay of society, government, and business coalesces here within the context of "social contract." As an agent of society, government serves in its regulatory role as a means to advance social expectations. In this way, the "coping strategy" argument intertwines with social contract argument for the adoption of stakeholder theory.

The social contract approach also utilizes the collaborative nature of stakeholder theory. Freeman et al. argue that:

> Corporations are just the vehicles by which stakeholders are engaged in a joint and cooperative enterprise of creating value for each other. Capitalism, in this view, is primarily a cooperative system of innovation, value creation, and exchange. Indeed it is the most powerful method of social cooperation we have ever invented. Competition is a second-order, emergent property that adds fuel to the fire of innovation. Business works in this "stakeholder capitalism" view, because people want to innovate and create together, not simply because they are competitive.[l]

4. Fundamental Fairness

This rationale for adopting a stakeholder approach to business decision-making is arguably the most "philosophical" in nature. This rationale draws upon both social contract theory as well as shades of legalistic reliance theories. It also draws upon the very nature of the market itself.

As noted above in the Coping Strategy discussion, "[i]n short, markets do not exist in some ideal state of nature. They are human inventions that rely are underlying rules and enforcement mechanisms that specific property rights, correct market failures, address social goals, and provide structure to the economic game."[li] Humans expect underlying rules to govern their contexts. Clearly, if the rule of law did not support the notion of property rights or the enforcement of contractual obligation, there would be no reason to enter into market activities.[lii] Along the same line, “fairness” is a requirement for the maintenance of the market. Nobel Prize winning economist Amartya Sen finds normalism implicit in the work of Adam Smith himself. Thus, according to business ethicist Robert Solomon, "Without fairness as the central expectation, there are few people who would enter into the market at all."[liii] Fairness, however, must extend to all market participants, not just owners and investors. Fairness, by its very nature, is not selective but universal.

Having now argued for the adoption of stakeholder theory as the means for business decision-making, this paper moves to the question of how to structure the decision-making matrix.

Operationalizing the Stakeholder Decision-Making Model

In order to fully develop the stakeholder model, there is an imperative for “managers to act as follows:

1) Identify the full range of stakeholders for a given firm and decision;
2) Identify the stakes at issue in the decision;
3) Assess the legitimacy of the stakes;
4) Allocate priority among conflicting stakeholder claims;
5) Identify strategic options for responding to the legitimate stakes having priority;
6) Assess the viability of the options within the framework of corporate governance, including any special considerations to be given to the interests of the stakeholders;
7) Make a final decision.”[liv]

From a structural perspective, the model appears to be a classic matrix illustrated something like this:

Stakeholders→ Perspectives ↓	Owners	Customers (incl vendors, creditors, et al.—*i.e.*, external contractual relationships)	Employees	Market	Society
Financial *aka the bottom line, profit*					
Legal *aka compliance*					
Ethical					

The empty cells represent the implications on each stakeholder from each of three perspectives.

With this model presented, the natural questions must be: Why these stakeholders? Why these perspectives?

The Stakeholders

One of the criticisms of stakeholder theory is the unwieldiness of ascertaining the actual stakeholders themselves.[lv] This model answers that criticism by incorporating the entire universe of potential stakeholders into five manageable categories.

<u>Owners and Employees</u>

Internal to any business functionality are two discrete, though arguably similar, interests: those who monetarily invest in the venture (and their managerial agents) and those who non-monetarily invest by virtue of employment commitment; in other words, owners and employees. In the literature, few if any, dispute the validity of listing owners and employees on the list of traditional stakeholders. However, the model above does collapse an often-cited stakeholder into the owner category, and that is “management.” Management represents the interests of the business organization itself and as such, at least when squaring that with the legal model of fiduciary obligation, means that management represents the interests of the owners.

If managers or collectively "management" acts in a way to protect their own jobs, they fall the into the "employee" stakeholder group and their employment becomes the primary variable in decision-making activities. As a discrete group, management represents either owners in an agency relationship or represents a facet of employee interests, i. e.. their own.

Customers

It is this category of stakeholder that the greatest latitude is taken by this paper for the sake of model efficiency. "Customers" include all external constituencies (vis owners and employees as "internal") that have a contractual relationship with the business and whose relationship, at least legally, is controlled by that contract. This would naturally include a whole host of discrete entities: any buyer, suppliers, vendors, or creditors.

The consideration here by the business decision-maker is the long-term business relationship that both parties are likely anticipating and which they likely were cognizant of when forming the initial contractual relationship. Much like employees, "customers", as defined here, invested not money but the anticipation of a continued business relationship. The investment goes beyond whatever contract is at hand and looks to the future relationship as well.

Society

Society is the stakeholder that has the most tenuous relationship back to the business decision-maker. While an external constituent, it has no legally contractual connection. Yet, when defined contextually as the "local" society, links become apparent. The previously-identified three stakeholders—owners, employees, customers—are members of society. The business in question is a member of this society. It does not take any stretch of logic or imagination to argue that the local community may well be affected by the business decision-making process. In light of current debate regarding social responsibility theories, there is strong argument for inclusion of society in the panoply of identifiable stakeholders.[lvi]

Market

Many stakeholder-theory proponents include "competitors" as a stakeholder group.[lvii] This seems a bit disingenuous in light of our underlying acceptance of a capitalistic market. If the paradigm of business decision-making is to give some degree of consideration to those constituencies which have a "stake" in the business, the disenginuity of giving consider to one's competitors is even more obvious. However, what proponents of "competitor as stakeholder" are really articulating is the obligation that business decision-making owes to the competitive environment.

In other words, participants in business decision-making must be cognizant and nurturing of the dynamic that makes the entire activity possible: the relatively free and competitive market. The "market" is the dynamic or glue that holds the process together. As such, it forms the fifth and final constituency or stakeholder that needs to be considered in the matrix.

The Perspectives

The classic constraints on business decision-making have traditionally manifested themselves in two forms: investor expectation and statutory limitations. A third one is the ethical component which is espoused by this paper and supported by stakeholder theory.

Financial

The traditional view here is simply return on investment or bottom-line ramification. It is Friedmanesque in nature and simply espouses the capitalistic view that business decision-making must "take care of the bottom line." Clearly, the contrasts to such a view can be found in neo-Marxist economic theories and some theories of the not-for-profit firm. None the less, the U.S. society is premised upon a for-profit and capitalistic model and as such, profit or the "financial" constraint is a viable perspective.

Legal

As with the financial constraint, the legal constraint is one that both stakeholder and shareholder proponents may agree. The legal perspective is reflected by governmental statutory regulation at both the federal and state level. This perspective is characterized as a compliance matter. In other words, this perspective is manifested in Friedman's admonition to "maximize owners' wealth and obey the law."[lviii] Other than for anarchists, this constraint, just as the financial constraint dictates, is also a constant variable that must be considered in business decision-making.

Ethical

The ethical perspective provides the point of departure for the stakeholder proponents and the shareholder proponents. Friedman's dual variable model is reflected by consideration of the financial and legal perspectives. The sum of those two results in the Friedman "ethic."

This paper has argued an ethical position that espouses not only the consideration of stakeholder interests but a consideration of an ethical perspective in addition to the financial and legal perspectives. This paper has argued the validity of such a perspective. However, it has not proposed from what sources such a perspective may originate.

Express manifestation of business or corporate positions serve as a starting point: mission statements, value statements, corporate credos, personnel handbooks, even advertising campaigns serve as express statements of values which can serve as the touchstone for business decision-making ethical perspective.[lix] Board of director directives can also fall into this category.

Balancing Stakeholder Interests

To operationalize the Donaldson and Dunfee model as illustrated above,[lx] the practical model or flowchart would be as follows:

1) framing or identifying the question, problem or issue posed that requires a decision or course of action;
2) brainstorming for all possible solutions to the issue posed;
3) identifying the affected stakeholder(s) in light of the proposed solutions;
4) evaluating each effect on each stakeholder from first the financial, then legal, then ethical perspectives;
5) identifying complimentary and competing interests and beginning the balancing process.

There is nothing inherent in this model that compels the decision-maker from weighting anyone stakeholder more than another. The model does not compel the decision-maker to place owners' at a disadvantage vis a vis other stakeholders. What the model minimally does is forces the decision-maker to consider all constituent interests in the decision-making dynamic.

However, the crux of the matter rests in the evaluation process. What weight is given each of the stakeholder considerations? How are the effects of proposed solutions to posed issues considered in relation with each other?

A number of models have been proposed. The "win-win" matrix of four cells representing two "competing" stakeholder interests as win-win, win-lose, lose-win, lose-lose. The goal of the business decision-maker is to find the solution that is encapsulated in the win-win cell.[lxi] Other models include prioritization of competing stakeholder interests[lxii] and majoritarian determination among the identified stakeholders.[lxiii]

Corporate Governance Issues

Perhaps the most efficient manner to accomplish this prioritization or balancing the stakeholder interests lies not in the weighing of those interests per se but in the process for the weighing of those interests, i.e. ensuring that those competing interests are represented in the decision-making process. One option would be to include representatives from the various stakeholders into the management structure and/or even the board of directors of the firm. Such a change in corporate governance could be voluntary, through a change in the current corporate culture or through governmental mandate via regulations. As is often the case when the market fails to respond to societal concerns, "government might be called in to fill the gap between society and business, which could result in additional governmental regulations." [lxiv]

Much like the evolving literature on corporate governance in areas of shareholder rights vis a vis stakeholder rights[lxv] or much like negotiated contractual rights between labor and management,[lxvi] corporate board composition may be legally mandated to include stakeholder representation. However, as one commentator notes that if such governmental regulation occurs occurs, "the organization will have to oblige and conform to the rules…[h]owever, by recognizing the various stakeholders present, the organization can eliminate the excess cost of regulations and benefit from a higher rating by society, perhaps in the form of profits."[lxvii]

Freeman argues, though, that the legislatively-imposed board composition requirements could be detrimental to the board functioning and advocates for voluntary recognition of stakeholder interests. He argues for a board-level management process in which "directors and managers can achieve the goals of the reformers voluntarily while keeping a substantial amount of control over their own future." [lxviii] He adds that, "to conceive of board structure in other than these process terms, is to run the risk of legislating 'mechanical structures' which will do far more harm than good in terms of ensuring the responsiveness of the corporation to its stakeholders." [lxix]

To this end, we return then to the initial focus or emphasis of this paper: the utilization of stakeholder theory in managerial decision-making supported by changing the corporate decision-making culture to a stakeholder-based model.[lxx] This metamorphosis must be initiated top-down with boards of directors committed to this approach. Moreover, it also requires a change in both statutory and common law rules of fiduciary duty. To what degree may the board shift or share its fiduciary duty to investors to other stakeholders as well. This change is actually occurring as many states are statutorily adopting a multi-stakeholder fiduciary model.[lxxi] Only with directors embracing this broad concept will the corporate culture change and be conducive for mid- and lower-level managers to base decisions within a stakeholder framework.

The Relationship With 20th Century Democratization

The 20th century has been referred to as the "democracy" century.[lxxii] However with the rise of democracy as the predominant global political form, "[t]he central question of modernity has been how to reconcile capitalism and mass democracy…"[lxxiii] Socialism attempts to model market economies on political function---government for the masses; market for the masses. As history has taught us, it fails. Perhaps the failing is that 20th century socialism, presented through communism, is that it was only democratic in pretext while actually being authoritarian. Perhaps the more appropriate model to scrutinize is the Scandinavian model of true socialistic democracy where the political system is democratic and the market predominately, though not exclusively, socialistic.[lxxiv]

Nonetheless, the current wave is indeed a capitalistic one as we see various iterations of capitalism sweeping through the former Soviet republics,[lxxv] making inroads in China,[lxxvi]and re-entrenching itself into the traditional western democracies.[lxxvii]

The lingering question then is how is capitalism, with its focus on efficiency and profit, can be reconciled with our fundamental views of political democracy. Can we interject our society's core value of democracy with our society's core economic dynamic of capitalism? How do we bring democratic principles to business decision-making?

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[i] Professor, Business Legal Studies, Department of Finance, Miami University, Oxford OH 45056
[ii] Smith, Adam. *The Wealth of Nations*. W. Strahan and T. Cadell, London. 1776.
[iii] The irony is obvious: the "new" laissez faire mentality, being bold and new is viewed from the 18th century perspective as "liberal" while we view it in the 21st century as classically conservative.
[iv] Gal, Michal, *Monopoly pricing as an antitrust offense in the U.S. and the EC: Two systems of belief about monopoly?* (2004). *New York University Law and Economics Working Papers.* Page 4.
[v] O'Rourke, Kevin H., *Globalization and Inequality: Historical Trends*, Working Paper 8339, National Bureau of Economic Research (Cambridge MA, June 20010
[vi] Id.
[vii] Rose, Gideon, *Foreign Affairs*, 91:1 Jan/Feb 2012, p.4
[viii] Lewis, Nathan, *Forbes*,1-12-2011, *Moving Toward 21st Century Capitalism*, "Capitalism of the 19th century, especially in Britain and the U.S., was characterized by very low taxes--no federal taxes at all in the U.S.--almost no government services, and money that was linked to gold. It was a wonderful environment for unfettered capitalism, and societies made great advances in industrialization and wealth creation. However, the gulf between rich and poor, and the general conditions of overwork and exploitation, became totally unacceptable by the end of the century."
[ix] Leonard, Thomas. *American Economic Reform in the Progressive Era: Its Foundational Beliefs and Their Relation to Eugenics*. *History of Political Economy*. Duke University Press. Pg 110 *et seq*..
[x] Marx, Karl. Das *Kapital, Kritik der politischen Ökonomie*. Verlag von Otto Meisner. 1867.
[xi] Rose, op. cit.
[xii] SHERMAN ANTITRUST ACT 15 U.S.C.A. § 1 (1890).
[xiii] Rothschild, Emma. Adam Smith and The Invisible Hand. The American Economic Review. Vol. 84 no 2. Pg 319.
[xiv] CLAYTON ACT 15 U.S.C.A. § 12-27 (1914).
[xv] FEDERAL TRADE COMMISSION ACT. (15 U.S.C. §41). 1914.
[xvi] Mueller, John. What Was the Cold War About? Evidence from Its Ending. Political Science Quarterly. Volume 19. Pg 609

[xvii] Krugman, Paul, *The Conscience of a Liberal* (WW Norton 2009) p. 10 "Money is the glue of movement conservatism, which is largely financed by a handful of extremely wealthy individuals and a number of major corporations, all of whom stand to gain from increased inequality, an end to progressive taxation, and a rollback of the welfare state - in short, from a reversal of the New Deal. And turning the clock back on economic policies that limit inequality is, at its core, what movement conservatism is all about."

[xviii] Bersch, Julia and Kaminsky, Graciela. *Financial globalization in the 19th century: Germany as a financial center. September 2008*. Pg 9.

[xix] Herron, D., Pattison, P. "The Mountains Are High and the Emperor is Far Away: Sanctity of Contract in China," 40 A.B.L.J. 3 (Spring 2003)

[xx] Even though, when confronted with the facts that the higher taxes of the 1990's and with the same governmental regulations as exist currently, the economy flourished and unemployment was low, many on the right simply ignore such historically provable facts as ideologically anathema.

[xxi]*Economic crime survey 2003*. PriceWaterHouseCoopers. Pg 4. https://www.pwc.com/gx/en/economic-crime-survey/pdf/pwc_2003gecs.pdf

[xxii] Whie. Eugene. *The Stock Market Boom and Crash of 1929 Revisited.* The Journal of Economic Perspectives, Vol. 4, No. 2. (Spring, 1990), pp. 67-83.

[xxiii] Burke, Edmund. *Reflections on the Revolution in France*, 1790

[xxiv]*Dodd-Frank Wall Street Reform and Consumer Protection Act*. Bill Summary & Status 111th Congress (2009 - 2010) H.R.4173. The Library of Congress.

[xxv] Williamson, O.E. (1975) *Markets and Hierarchies: Analysis and Antitrust Implications*, Free Press: New York.

[xxvi] See, for example, Friedman M. 1962. *Capitalism and Freedom* Chicago: University of Chicago Press; 1970 The Social Responsibility of Business is to Increase its Profits, *New York Times Magazine* September 13; Coelho, McClure. Spry. 2003. The Social Responsibility of Corporate Management: A Classical Critique 18:1 *Mid-American Journal of Business* 15-24

[xxvii] See, for example, Freeman, M, 1970. *Strategic Management: A Stakeholder Approach*. Boston: Pitman; Donaldson and Preston. 1995. The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Academy of Management Review* 20:65-91.

[xxviii] Donaldson, Thomas and Dunfee, Thomas, Ties that Bind: A Social Contracts Approach to Business Ethics (Harvard Press; Boston) 1999, p. 235; also Timothy L. Fort, ETHICS AND GOVERNANCE: BUSINESS AS MEDIATING INSTITUTION (2001) ("No approach has been more prominent in contemporary business ethics than stakeholder theory. Lead by the work of Ed Freeman, the theory successfully played off the typical focus on corporate duties to "shareholders" to identify duties toward employees, suppliers, community, and perhaps many others besides"). p. 119

[xxix] See, for example, Medtronic, Inc., at http://www.medtronic.com/corporate/codeofconduct.html

[xxx] See the classic book which lays out traditional corporate/legal theory Berle, A and Means, G., 1932. The *Modern Corporation and Private Property*. New York: MacMillan

[xxxi] See Bagley, Constance, *Shareholder Primacy is a Choice, Not a Legal Mandate* in The Accountable Corporation, Epstein, Marc and Hanson. Kirk, editors. (Praeger Pub., Westport CT: 2006) pp.85-105

[xxxii] See Uyl, Douglas, Autonomous Autonomy: Spinoza on Autonomy, Perfectionism, and Politics in Paul, Miller, Paul, eds., Autonomy Cambridge Univ.Press: 2003), pp.30-69.

[xxxiii] Id., p. 30, citing to Robert Paul Wolff, In Defense of Anarchism, "The fundamental assumption or moral philosophy is that men are responsible for their actions. From this assumption it necessarily follows…that men are metaphysically free."

[xxxiv] There is no statutory reference to reliance theories. Reliance theories have evolved exclusively from judicial interpretation in case law.

[xxxv] See McIntosh v.Murphy, 52 Hawaii 29, 469 P.2d 177 (1970) in which the court held that though the formal contract between the two was technically unenforceable due to the statute of frauds and neither enforcement of the agreement nor money damages were available, the enforcement of the agreement under a reliance argument was justified since "…injustice can only be avoided by the enforcement of the contract and the granting of money damages…"

[xxxvi] Mill, John Stuart On Liberty (1859: Cambridge: Cambridge University Press, 1989) p. 103f as cited in

[xxxvii] Habibi, Don A.and Herron, Daniel J., Law, Ethics, and the Dilemma of Modern Liberalism, 13 *Midwest Law Review* 14, 1-19 (1995).

[xxxviii] See Farber and Matheson, Beyond Promissory Estoppel: Contract Law and the "Invisible Handshake", 52 *U. Chicago Law Review* 903, 903-947 (1985); Metzger and Phillips, The Emergence of Promissory Estoppel as an In- dependent Theory of Recovery, 35 *Rutgers Law Rev*. 472, 472-557 (1983).

[xxxix] See Metzger and Phillips, "Promissory Estoppel and the Evolution of Contract Law," 18 *American Business Law journal* 160 (1980)

[xl] Of course, the long-held judicially-created "business judgment rule" does permit fiduciaries to act in discretionary ways in the furtherance of the business activity even if the "return on investment" is not fully and unequivocally maximized. This, for example, would apply to the area of business philanthropy.

[xli] The Accountable Corporation, Epstein, Marc and Hanson. Kirk, editors. (Praeger Pub., Westport CT: 2006) *The History of Corporate Governance in the United States*, Bradley, Michael and Wallenstein, Stephen, p. 50

[xlii] Id. *The Purpose and History of Business Regulation,* Schnietz, Karen E., p.3

[xliii] Id., *Shareholder Primacy is a Choice, Not a Legal Mandate*, Bagley, Constance, p. 100.

[xliv] Id. P.91 citing to Michael C. Jensen (2001) Value maximization, stakeholder theory, and the corporate objective function, *J. Applied Corp. Fin*. pp.8-9

[xlv] Op cit. fn. 19

[xlvi] Freeman, Edward R., Harrison, Jeffrey, Wick, Andrew, Managing For Stakeholders (Yale: New Haven) 2007, p.4 (emphasis added)

[xlvii]Johnson, H.L., Business in Contemporary Society: Framework and Issues (Belmont CA; Wadsworth Publishing) 1971, p. 50.

[xlviii] Steiner, G.A., Business and Society, (New York: Random House) 1971, p.164.

[xlix] Evan, William R. and Freeman, Edward R., "A Stakeholder Theory of the Modern Corporation: Kantian Capitalism" and Freeman, Edward R., "The Politics of Stakeholder Theory," *Bus. Ethics Q*. 4 (1994) pp. 409-421 citing to Berle and Means, The Modern Corporation and Private Property (New York, 1932) pg.1

[l] Op cit Freeman, Edward R., et al, p.6

[li] Cf. fn. 18 supra

[lii] Op. cit. Schnietz, p. 3 "Without a system for creating and protecting property rights, individuals would have little, or even no, incentive to invest time and resources into the production of goods and services."

[liii] Solomon, Robert. *Its Good Business: Ethics and Free Enterprise for the New Millennium.* Rowman & Littlefield Publishers, Inc. Cummor, Oxford, England. 1997. Pg. 40.

[liv] Donaldson and Dunfee op. cit. p. 236

[lv] See, for example, Coelho, McClure, Spry, The Social Responsibility of Corporate Management: A Classical Critique, 18 *Mid-American Journal of Business*, 15, pp. -19 (2003).

[lvi] See, for example, Goodpaster and Matthews, Can a Corporation Have a Conscience?, *Harvard Business Review* 132-141 (Jan-Feb 1982)

[lvii] See, for example, Kaler, J. Morality and Strategy in Stakeholder Identification, *Journal of Business Ethics* 39:91-99 (2002).

[lviii] Friedman, op. cit.

[lix] See, for example, Pearce, J.A. and David, F., "Corporate Mission Statements: the Bottom Line," *Academy of Management Executive*, Vol. 1, #2, pp. 109-16 (1987); Krohe, James, "Do We Really Need a Mission Statement?" *Across the Board*, July-August 1995, pp.16-22; David, F., "How do Companies Define Their Mission," *Long Range Planning*, Vol. 2 #1, pp. 90-97 (1989); [lix] Bart, C.K., "The Impact of Mission on Firm Innovativeness," *International Journal of Technology Management*, Vol. 11, pp. 479-93 (1996)

[lx] See footnote 30 above.

[lxi] See Windsor, Duane, Can Stakeholder Interests Be Balanced? *Unpublished paper delivered at the International Association for Business and Society annual conference (Paris: June 1999)* citing to Drucker, P.F. Management Challenges for the 21st Century (New York: HarperBusiness 1999)

[lxii] *Id*. p.5.

[lxiii] *Id*.

[lxiv] Abbass F. Alkhafaji, A STAKEHOLDER APPROACH TO CORPORATE GOVERNANCE: MANAGING IN A DYNAMIC ENVIRONMENT (1989) at 108.

[lxv] See, for example:
Craig Ehrlich, Dae-Seob Kang ,*U.S. Style Corporate Governance in Koreas's Largest Companies*, 18 UCLA PAC. BASIN L.J. 1 (2000);OECD Principles of Corporate Governance, http://www.oecd.org/daf/governance/principles.htm (May 1999);Galai, Dan, Wiener, Zvi, *Stakeholders and the composition of the voting rights of the board of directors* **JOURNAL OF CORPORATE FINANCE** pp. 107-117, April 2008.

[lxvi] 5 USCS § 7101

[lxvii] Abbass F. Alkhafaji, OP CIT..

[lxviii] R. Edward Freeman, STRATEGIC MANAGEMENT (1984) p. 112

[lxix] *Id*.

[lxx] The debate here, which is clearly being begged, is that the common law development in agency theory of the "fiduciary" obligation of agent to principal interferes, to a great degree, with the altering of the shareholder exclusivity rule. Under the common law (and reinforced in countless legal precedent) is the requirement that the agent owes his/her principal exclusive

duty (read: corporate board of directors as the agent of the shareholders). However, the question being begged here is whether that exclusivity can accommodate primacy. So long as the agent (i.e., business decision-maker) only incorporates other stakeholders into the decision-making matrix and does not exclude the shareholder, will this fiduciary duty be satisfied. Another way to look at this would be that shareholders retain primacy in the pantheon of stakeholder but do not retain exclusivity.

[lxxi] York, Ryan J. COMMENT: VISAGES OF JANUS: THE HEAVY BURDEN OF OTHER CONSTITUENCY ANTI-TAKEOVER STATUTES ON SHAREHOLDERS AND THE EFFICIENT MARKET FOR CORPORATE CONTROL (2002) 38 Willamette Law R. 187 citing to footnote 13 "See Michael Bradley et al., Challenges to Corporate Governance: The Purposes and Accountability of the Corporation in Contemporary Society: Corporate Governance at a Crossroads, 62 Law & Contemp. Probs., Summer 1999, at 28 n.134.The following statutes permit directors to consider the interests of nonshareholder constituencies in any appropriate context: Conn. Gen. Stat. 33-756(d) (1997) (mandating consideration of non-shareholder constituencies); Fla. Stat. ch. 607.0830(3) (Supp. 1999); Ga. Code Ann. 14-2-202(b)(5) (Supp. 1998); Haw. Rev. Stat. 415-35(b)(1)-(4) (1997); Idaho Code 30-1702(1996); 805 Ill. Comp. Stat. 5/8.85 (West 1993); Ind. Code 23-1-35-1(d) (1995); Iowa Code 491.101B (1991); Me. Rev. Stat. Ann. tit. 13-A, 716 (West Supp. 1998); Mass. Gen. Laws Ann. ch. 156B, 65 (West Supp. 1998); Minn. Stat. 302A.251(5) (Supp. 1999); Miss. Code Ann. 79-4-8.30(d) (1998); Nev. Rev. Stat. 78.138(3) (1994); N.J. Stat. Ann. 14A:6-1(2) (West Supp. 1998); N.M. Stat. Ann. 53-11-35(D) (Michie 1997); N.Y. Bus. Corp. Law 717(b) (McKinney Supp. 1999); N.D. Cent. Code 10-19.1-50(6) (Supp. 1997); Ohio Rev. Code Ann. 1701.59(E) (Anderson 1993); Or. Rev. Stat. 60.357(5) (Supp. 1999); 15 Pa. Cons. Stat. 515 (1995); Wis. Stat. 180.0827 (1992); Wyo. Stat. Ann. 17-16-830(e) (Michie 1997).The following statutes permit directors to consider the interests of nonshareholder constituencies in the context of transactions for corporate control: Ala. Code 10-2B-11.03(c) (1994);Ariz. Rev. Stat. 10-2702, 10-1202(c) (1996) (sale of assets); Ark. Code Ann. 4-27-1202(C) (Michie 1996) (sale of assets); Colo. Rev. Stat. 7-106-105(7) (reverse splitting of shares), 7-111-103(3), 7-114-102(3) (1998) (authorization of dissolution after issuance of shares); Ky. Rev. Stat. Ann. 271B.11-030(2)(b), 271B.12-020(3) (Banks-Baldwin 1989) (sale of assets);La. Rev. Stat. Ann. 12:92(G) (West 1994); Mo. Ann. Stat. 351.347 (West 1991); Mont. Code Ann. 35-1-815(3), 35-1-823(3) (1997) (sale of assets); N.H. Rev. Stat. Ann. 293-A:11.03(c), 293-A:12.02(c) (Supp. 1996) (sale of assets); N.C. Gen. Stat. 55-11-03(c), 55-12-02(c) (1990) (sale of assets); R.I. Gen. Laws 7-5.2-8 (1992); S.C. Code Ann. 33-11-103(c), 33-12-102(c) (Law. Co-op. 1990) (sale of assets); S.D. Codified Laws 47-33-4 (Michie 1991); Tenn. Code Ann. 48-103-204 (1995); Tex. Bus. Corp. Act Ann. art. 5.03 (West Supp. 1999); Utah Code Ann. 16-10a-1103(3) (1995); Vt. Stat. Ann. tit. 11A, 11.03(c), 12.02(c) (1997) (sale of assets); Va. Code Ann. 13.1-718(C) (Michie 1993); Va. Code Ann. 13.1-724(C) (Michie Supp. 1998) (sale of assets); Wash. Rev. Code 23B.11.030(3), 23B.12.020(3) (1994) (sale of assets)."

[lxxii] Freedom House, Democracy's Century: A Survey of Global Political Change in the 20th Century, Dec. 7, 1999, at www.freedomhouse.org/reports/century.htm at 1.

[lxxiii] Rose, op. cit. p. 6

[lxxiv]Esping-Andersen, Gøsta [1990]. *The Three Worlds of Welfare Capitalism*. Cambridge, MA: Polity Press.

[lxxv]Ovaska, Tomi. And Sobel, Russell S.. *Entrepreneurship in Post-Socialist Economies*. Journal of Private Enterprise 21 (1) pp.8-28 (2005)

[lxxvi] Li, Shaomin, Li, Shude Li and Zhang Weiying. *The Road to Capitalism: Competition and Institutional Change in China*. Journal of Comparative Economics 2000.

[lxxvii] Esping-Andersen, Gøsta (1999), "*Politics without Class; Postindustrial Cleavages in Europe and America*," in Herbert Kitschelt, Peter Lange, Gary Mark, and John Stephens, *Continuity and Change in Contemporary Capitalism*, Cambridge: Cambridge University Press.