ELRR

Contested Terrains

Corporations and society[1]

The Economic and Labour Relations Review
2021, Vol. 32(4) 614–627

DOI: 10.1177/10353046211015710
journals.sagepub.com/home/elra
SAGE

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Abstract

This extended Review Article assesses the changing role of the corporation in history, using the 2018 book by Oxford scholar Colin Mayer entitled 'Prosperity' as a basis for the analysis. This is a traditional review article centred around the Mayer book, but as we end we take our argument, albeit tentatively, to other related issues, beyond the Mayer argument. The corporation may be viewed in a positive sense as a creator of wealth and 'prosperity' for society in general, or as in a negative sense as generating 'prosperity' only for the few, shareholders and executives at the expense of the many, including workers, customers and future generations. Colin Mayer's book visits both sides of this 'prosperity' equation and the title of the book derives from this recognition. Our argument is that even within the limits of contemporary neo-liberal global capitalism, corporations could be a force for more sustainable and balanced economic growth, as well as for social and environmental good. This requires a clarification of its 'purpose' as well as changes in the composition of its decision-making structures and revised mandates of its boards and sub-committees such as its remuneration committees that often have been given the power alone to determine executive pay. But we argue (albeit only suggestively) in the final section that the nature and variety of capitalism itself may have to be addressed alongside firm level changes for the long-term good and sustainability of a more equal society. Mayer shows that since its birth in Roman times, as an agency for promoting public works and the public good, the corporation has taken on many different roles, with varying purpose. Only in the last 50 years has the Milton Friedman doctrine, that companies should have only one role, of maximizing shareholder wealth, become the dominant explanation for the purpose of the corporation. We are not confident that corporations will voluntarily move in these progressive directions, especially given the continuing stranglehold of neo-liberal globalization. A push for broader social and economic change from below through struggle may be essential.

JEL Codes: B1, N1, M14

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Keywords
Corporate social responsibility, environment, neoliberalism, the corporation in history, shareholder wealth maximization

Introduction

This review article is grounded in an assessment of Colin Mayer's book ('Prosperity, better business makes the greater good' (2018), but it stretches beyond the goal of a typical short book review by straddling many other related themes about the corporation as it has evolved from its Roman origins to the latest incarnation under contemporary capitalism, what Jonathan Michie, following Andrew Glyn, has termed 'capitalism unleashed' (see Michie and Padayachee, 2020).Before we move onto our own ideas a synoptic overview of what Colin Mayer argues is first provided.

Mayer's book is an answer to the question often asked by students of business: should corporations just focus on maximising shareholder wealth or should they also integrally be attentive to other concerns of society, such as those related to the environment, and to social and political objectives aimed at securing and sustaining not only the firm but also the long-term future of humanity itself- an existential matter.

Mayer's narrative is a wide-ranging and multi-disciplinary one, which takes the reader across the scholarly world, encompassing history, philosophy, biology, business, law, economics and finance, to highlight some of its main disciplinary foundations. Part 1 of the book looks at the values and purpose of the corporation and the models of ownership and governance employed to realise these objectives. Part 2 shifts attention to the history of corporations from Roman Times to the early 21st century. Part 3 turns the discussion towards business practice and its link to the making of poverty. Can corporations, Mayer asks, provide not only employment (so vital to heading off poverty and inequality in these times) but also education and training in a broader sense? Can they offer the investment in human capital that is so essential to allow people to escape poverty. Part 4 turns from practice to policy. He argues here that corporate law should prioritise purpose– 'it should require companies to articulate their purposes, incorporate them in their articles of association and above all demonstrate how they credibly commit to the delivery of purpose' (p. 23). Part 5 discusses finance and its role in promoting growth, investment, innovation and economic development.

He ends by revisiting the Friedman doctrine that the only business of the firm is to maximise shareholder wealth. The most damaging effect of this doctrine Mayer argues, is that it has created an artificial barrier between 'the private and public corporate persona, between the internal and external boundaries of the firm, between the commercial and the social' (p. 28). Sustainable prosperity will only be achieved if and when we break down these artificial barriers.

What contribution does the book make?

Colin Mayer's book makes a major and significant contribution to many key themes linked to the big ideas that currently engage us and influence corporate and state policy directions in a violently unequal world. Without being belaboured Mayer's book is concerned with inequality and the role of corporations especially in the preceding era, in contributing to growing inequalities of all kinds, all around the world. Mayer holds up a mirror to corporations in historical context and asks them whether and in what ways they wish to become part of the solution to our many interlinked crises (growth, inequality and the environment being the key ones). His book is a powerful, but I would argue an incomplete, narrative of the role that corporations can and should play in the making of a better world, one based on community and social solidarity. Its limitations lie in its inward focus, its failure to link these issues to larger issues such as the value and variety of capitalism itself. We point briefly in the context of this review article to other authors who have made this leap.

Mayer's arguments range from matters traditionally within the purview of the theory of the firm' about corporate governance; the role of workers and other stakeholders beyond shareholders in decision-making; about how corporations should spell out their 'purpose' (why do they exist?). It thins out in addressing more weighty matters linked to the nature, character and variety of capitalism itself that is required to save the world. Both Robert Reich (2016) in 'Saving capitalism, for the many not the few'; and Rebecca Henderson (2020) 'How Business can save the world' offer deeper perspectives of a philosophical nature that link firm level developments to the nature of capitalism itself.

In what follows we begin in Section 2 by setting out briefly and eclectically (for reasons of space) the academic study of corporations. We then move onto by reviewing the changing roles of corporations historically. We critically examine the Friedman doctrine in Section 4, the idea that the sole business of corporations should be to maximize shareholder wealth/income. Section 5 sets out the main principles of Colin Mayer's book itself, which we argue is a powerful repudiation of the Friedman doctrine of shareholder wealth maximization above all else. In the final section, we dare to venture beyond Mayer's firm level change to ask if something more than changes in corporate goodwill and decision-making may be required at a systemic level to bring about the changes we argue for, greater inequality, and environmental protection. Should capitalism itself be up for policy debate and political struggle?

Studying the corporation

Academic studies of corporations and business history in general have received limited and mixed attention within the academic community. Only in the second half of the 20th century did we witness something of a change, with the publication of studies of major corporations like John D Rockefeller's Standard Oil and of Unilever. American scholars like Alfred Chandler (date) from Harvard University led the way. Twentieth-century economists having shed all vestiges of interest in institutional matters and in political economy in their headlong embrace of econometrics and neoclassical economics, made little contribution to this field. So studies of the corporation have borrowed from methods and analysis from Sociology instead (Stuart Jones, nd). Older academic institutions were slow to take on business studies. As recently as 1996 Oxford University fellows initially rejected a private grant to set up a centre of business studies, despite itself being one of the oldest corporations around (pp. 66/67). The SAID Business School at Oxford was only inaugurated at a later vote in 1996 on the basis of funding from the Syrian-Saudi billionaire Wafic Said.

The current period resembles an earlier period of roughly 30 years from the First World War to just after the Second World War which incorporated the two world wars, the Spanish flu epidemic of 1918–1920, and the Great Depression 1929–1933. That period too was one of shocking instability, inequality, mayhem and death on a scale never before experienced in human history. Equally, monetary systems and monetary and fiscal theory were shaken to their roots in that period. None of the body of received wisdom of economic ideas were rightly spared. Despite the misery suffered by so many it was also a period that produced a flowering of competing thoughts, imaginative ideas and policies, including on money, currency and finance, a veritable feast for a student interested in this subject.

It took the political will, especially of US President Franklin Delano Roosevelt and the economic genius of John Maynard Keynes, to pull us from the brink of disaster, and to usher us into the world of prosperity (for many if not all) and peace that has come to be characterized as the Golden Age of capitalism (see Rauchway, 2015).

Once again, over 100 years later we stand on the abyss, once again the bastions of economic orthodoxy, led by National Treasuries, central banks and private banks, are holding out and holding up their dated neo-liberal policies, policies that have totally failed civilisation and humanity. Yet in academia and especially in business schools these neo-liberal perspectives still dominate at the expense of a broader and more valuable heterodox approaches.

The changing role of corporations through history

Corporations, Colin Mayer argues, 'underpin the economic success and failure of civilizations and the prosperity of nations' (p. 221). This is a big claim. Surprising then, Mayer observes, that corporations have figured so little in academic and policy discourse around the theme of civilisations. Thus, for example, in his influential book '*The Clash of Civilizations'* (1996) Samuel Huntington omits any consideration of the role, purpose and place of corporations as the 'cause of and solution to the clash of civilizations and a breakdown of trust' (p. 221). It is important that we address this lacunae.

That role of the corporation was not an unchanging one. In Roman times corporations were created to perform public functions including the care of hospitals, to administer towns; to provide seats of knowledge and learning; later they raised capital to fund and launch voyages of discovery and commerce; later still they funded and undertook public works programmes to build railroads, canals, water and electricity and other infrastructure; they built factories, machines and equipment in the industrial revolution, created financial centres and networks, and today are 'spearheading artificial intelligence, automation, and the IT and social networking revolution' (p. 221).

Corporations continue to lie at the heart of many societies today, they are the heartbeat of many societies. They remain potential saviours of our social and our economic well being but not we argue if they remain constituted as they are today. They have gone rogue and left unchecked they have coalesced around an ever narrower form and structure, around the listed limited liability corporate form. Older forms and varieties based on family business models, employee ownership, mutuals and trusts that were still strong and prevalent especially in the UK after World War 2 (companies like Cadbury and Rowntree) and the family firm Mars in the US, have receded and are but a dim memory associated with capitalism's Golden Age.

Keynesianism and the corporation: The road less travelled[2]

In this journey described above we have witnessed that the once noble purpose of the corporation has eroded to a narrow preoccupation with profit. This is especially in the last 50 years coinciding with the end of international Keynesianism, the rise of monetarism and then neo-liberal economics. In an earlier era around and after WW1, the debate in the US centred around the rise of the conglomerates and whether or not to break them up in the interest of greater competition. Teddy Roosevelt following people like JP Morgan's George Perkins argued against attempts such as embodied in the Sherman Act to break up the conglomerates. Competition, Perkins had argued, 'stands for the sweat shop and child labour'. (in Schlesinger, 2002 [1957]: 21). As for the corporations, he went on, they must recognise that they had obligations to labour and to the public as well as their stockholders". Colin Mayer would broadly agree with this view expressed 100 years before he wrote 'Prosperity'.

Let us consider Keynes's views on the corporation. Keynes contribution to the older debate is well captured in a Cambridge Working Paper by Konselmann et al, (2020). They trace key elements in this debate in the UK and the US from the interwar years,

> when John Maynard Keynes and Adolf Berle made important contributions, to the present. Both the earlier and the current debates are centred around whether we see business institutions as strictly private entities, transacting with their suppliers, workers and customers on terms agreed with or imposed upon these groups, or as part of society at large and therefore expected to contribute to what society deems to be its interests. (p. 1)

This is precisely the question that we pose arising from but going beyond Colin Mayer.

Keynes was around World War 1 reasonably well disposed to large firms but later changed his mind as evident from his contributions to 'Britain's Industrial Future' (United Kingdom Government, 1928).

> 'Britain's Industrial Future' gives a great deal of thought to the problem that many large firms occupied a position of monopoly or oligopoly. The Inquiry proposed certain criteria in relation to concentration, diffusion of share ownership and size which, in their view, should cause a firm to be registered not as a Public Company but as a Public Corporation, which 'should be required to conform to conditions appropriate to . . . a semi public concern' (p. 95). This recommendation was not implemented . . .
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> . . . the signatories of 'Britain's Industrial Future' were clear: 'Industry is not an end in itself; it exists to provide livelihood for the whole community' (LII, 1928: 181). (Konzelmann et al., 2020: 2)

In a popular 1943 publication Joseph Schumpeter maintained that the large industrial units would not only destroy small business but also the bourgeois class as a whole and in the process usher in socialism. 'The true pacemakers of socialism were not the agitators or the intellectuals who preached it but the Vanderbilts, Carnegies and Rockefellers' (Schumpeter, 1976 [1943]: 134).

The Friedman doctrine and its critics

At the heart of our concerns is the issue of shareholder wealth maximisation in the context of the rise of neo-liberal globalisation, a variety of capitalism most widely associated with developments following the Thatcher-Reagan electoral victories in the UK and US respectively since around 1979/1980. That political change gave impetus to the 'Friedman doctrine', the view associated with Nobel Prize winning economist Milton Friedman in the 1960s that the central and only business of business, of corporations, was to maximise shareholder wealth. Leading 20th century economists are split in their view of the Friedman doctrine. Joseph Stiglitz reminds us that in the US Milton Friedman 'was influential not only in spreading the doctrine of shareholder primacy, but also in getting it written into US legislation'. He went so far as to say 'there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits' (Stiglitz, 2019).

This was a view echoed by Frederick Hayek. Hayek (1967 [1960]) argues that

> it is precisely the tendency to allow and even to impel the corporations to use their resources for specific ends other than those of a long-run maximization of the return on the capital placed under their control that tends to confer upon them undesirable and socially dangerous powers, and the fashionable doctrine that their policy should be guided by 'social considerations' is likely to produce most undesirable results (p. 300).

Colin Mayer's book is an elegant, timely and powerful rebuttal of the Friedman and Hayekian line.

Entrenching Friedman's neo-liberal ideas in the corporation: The rise of corporate governance and the dominance of the shareholder

The focus on shareholder wealth maximisation needs also to be understood within the context of the policy and regulatory debate enjoined in the US and Europe since the 1930s that came to be described simply as the 'agency' problem, best known in the debate on the separation of shareholders from executive management and the growing trend evident everywhere for executive management and not boards or shareholders to make most big decisions. (see Bendickson et al., 2016; Berle and Means, 1967). A number of regulatory measures followed these corporate developments. Most notably, the US Glass-Steagall Act (1933) separated investment banks and commercial banks, ramped up federal regulation, and introduced deposit insurance.

So these developments from the Great Depression to around 1980 focused debate and policy around a new set of concerns. One of these was over the performance and regulation of the corporation, how best to ensure that there was some commonly understood code by which executives would lead corporations, ostensibly in the interests of their shareholders but also to protect the broader public. The result was the growth of a whole industry around what came to be called 'corporate governance'. Yet at the same time as these codes were being developed and refined and revised in many parts of the world (in the early 2000s), the incidence of corporate fraud escalated. Enron in 2001 was the first major scandal. As some commentators have pointed out the Global Financial Crisis was not caused by a failure of corporate governance as such, but by failures of other kinds. These include the collapse of trust between the banks and the rest of society, the failure of effective regulation, the *crisis* in subprime mortgage-backed securities, the breakdown in the effectiveness of macroeconomic policy to manage the growing crisis, even as Jonathan Michie has argued to the perverse role of business schools (2019).

Concerns around the negative implications for society of the narrow conceptualisation of corporations around shareholder wealth maximisation are evident. Mayer is supportive of such a broadening of corporate purpose. Some recent movement in support of a broader notion of 'stakeholder capitalism' as opposed to shareholder capitalism is already discernible, though how deep, widespread and sustainable it is remains to be seen. In the US in August 2019 a statement by the CEOs of the leading US corporate appeared to endorse the shift away from shareholder wealth maximisation.

> . . .the statement endorsing stakeholder capitalism, signed earlier this month by virtually all the members of the US Business Roundtable, has caused quite a stir. After all, these are the CEOs of America's most powerful corporations, telling Americans and the world that business is about more than the bottom line. That is quite an about-face. Or is it?. (Stiglitz, 2019)

Is the tide of informed opinion turning against Friedman after 50 years?

In a *Financial Times* opinion piece (8 December 2020) Marin Wolff admits to having been a believer in the Freidman doctrine for most of his life but then admitted that 'he was wrong'. The headline of his piece and the first sentence reads:

'Milton Friedman was wrong on the corporation'. Wolff goes on to say: 'The doctrine that has guided economists and businesses for 50 years needs re-evaluation. What should be the goal of the business corporation? For a long time, the prevailing view in English-speaking countries and, increasingly, elsewhere was that advanced by the economist Milton Friedman in a New York Times article, "The Social Responsibility of Business is to Increase Its Profits", published in September 1970. I used to believe this, too. I was wrong'.(Martin Wolf, FT, Dec 8, 2020)

The article by Wolff references a new ebook(of essays) highly critical of the Friedman doctrine published ironically by the Stigler Centre at Friedman's iconic intellectual home, The University of Chicago!

Mayer, corporate purpose and alternatives to the neo-liberal corporation

Going beyond this recognition of the failure of the Friedman Doctrine, Colin Mayer's book offers a powerful argument in favour of a broader social role for the corporation, based in part on a longer term view of the purpose of the corporation. Mayer's book covers a myriad of topics about the nature and role of the corporation. Its purpose, (a central theme of the book), its values, evolution, ownership, governance, issues of corporate law and regulation as well as finance and investment. I plan below to spend time on a few of the key issues emerging from Mayer's arguments that strike me as significant for the focus of this review and that coincide with my own recent research interests: new thinking around corporate purpose, ownership, governance as well as investment, and finance/banking.

Virtually every MBA course, Mayer asserts, starts with the premise that the purpose of business is to maximize shareholder value, with many believing in this principle as if it was a law of nature. His argument is that the Friedman doctrine discussed above is not a law of nature. On the contrary it is unnatural, indeed the seed of nature's destruction (p. 2). Instead, the corporation exists to fulfil its chosen purpose or purposes which can be boundless and not limited to satisfying its shareholders. As Mayer argues the case for the corporation as a creator of wealth and a way of organising economic activity did not receive academic recognition in the work of the classical economists, including Adam Smith and Alfred Marshall. It was only with Ronald Coase's famous 1937 paper on the Theory of the Firm that the role and value of the corporation as a low cost and efficient alternative to the marketplace as way of organising economic activity was established in the economics literature. It is through regulation that the firm's interests can be aligned to those of society, to ensure as a minimum standard that it pays a living wage and that safety and sanitary conditions prevail.

But it can surely do better than this and some companies have indeed gone the extra mile. Instead of prioritising profits it can promote the interests of its employees, its customers and the communities it serves.

> In the process it produces profits, but profits are nor *per se* the purpose of the corporation. Some examples of such an approach can still be found. Let us consider two, recognizing the limits of this selective choice. The John Lewis Partnership is a company based on an industrial foundation that does just that. Its 'Settlement of Trust' establishes that it should be run 'for the benefit of its employees in perpetuity' (p. 43). The Swedish bank Handelsbanken is a listed company with dominant shareholders who ensure that the Bank preserves the long term relationships it has established with its individual and corporate customers. A common feature of such companies is the emphasis they place on the dignity and well-being of their employees. (p. 56)

But this is not the norm.

Rather the corporation today, Mayer argues, is inhumane: 'it is inhumane because we have taken humans and humanity out of it and replaced them with anonymous markets and shareholders over whom we have no control'. He invokes Stephen Hawkings' warning of the consequences of removing humans from control of artificial intelligence and making us no longer 'masters of our own minds' (p. 45). We have systematically removed the humanities from the study of economics and business. Adam Smith is remembered and celebrated as the father of free markets as articulated in his 1776 Wealth of Nations (See Smith, 1983) but as Jesse Norman (2018) provocatively argues in a recent book almost everything we think or are taught about Smith is wrong. Few remember his emphasis on balancing markets with morality, and the importance he attached to 'harmony' among or interdependence of humans as the hinge of his entire system' (Norman, 2018: 58) something that comes through powerfully in his *The Theory of Moral Sentiments* (1759 - see Smith, 2011), a book that has laboured in the shadow of *Wealth of Nations* (Norman, 2018: 49).

Key to the successful implementation of corporate purpose, Mayer argues, are two types of relationships, the first is with their financial institutions and banks, the second is with governments. In Europe after the financial crisis of 2008 there has been an unprecedented decline in fixed investment in proportion of assets, a trend most noticeable in the construction and pharmaceutical sectors. Outside of Europe developing countries which have less developed bond markets are relatively more dependent on banks to finance infrastructural investment. One positive spin off to this is that such developing countries and small companies were as a result able to 'avoid some of the worst effects of the financial crisis that afflicted the developed world' (p. 190). Mayer then discusses the case of the Swedish bank, Handelsbanken, which has one of the highest equity returns of any bank in Europe and is one of the fastest expanding banks in the United Kingdom. Neither did they need a bail out in any of the banking crises of recent times. The reason for this is that they behave the exact opposite in almost every aspect in to traditional British clearing banks. First, Handelsbanken instead of paying its employees a bonus (typical of most banks) instead pays them a share of the profits on retirement at the age of 60 from its profit sharing foundation, Oktogonen. A second feature is that it devolves all decision-making down to the level of individual branch managers, including over decisions to extend its largest loans. The third feature is that of its shareholding. Its main shareholders are its profit-sharing fund, Oktogonen, and Industrivarden, a Swedish investment fund, making it part of a cross-shareholding in which control resides within the corporation itself. This flies in the face of Anglo-American corporate governance best practice but is highly successful nevertheless. Finally, Mayer envisages a role for the state in promoting corporate purpose that 'goes beyond incentivizing, permitting and enabling corporations to adopt structures that promote the public as well as the private interest. It extends to erecting the economic superstructure on which private companies depend' (p. 205).

A point linked to investment and banking is that of infrastructure provision and its financing. He argues that 140 years after the term was coined 'we still do not know how to provide and manage infrastructure. The US has poor infrastructure; Europe's history of infrastructure is one of repeated wasteful expenditure and Africa depends on China to build its infrastructure. As a result of all this there has been a collective failure to identify the purpose and benefits of infrastructure investments. The corporation is a powerful vehicle for binding public and private sectors together in the delivery of infrastructure programmes (p. 215), the long term horizon of such programmes makes it virtually impossible for any government or single company to commit to them all, making co-operation and partnerships essential to success. Mayer's account of infrastructure brings him full circle to the point he started, that is, to the role of corporations in Roman times as the provider of public works.

He makes one further point about banking systems that are worth commenting on. Both the East Asian development literature and the varieties of capital literature distinguish between financial systems that are 'bank based' and those that are 'stock market based'. In this view Germany and Japan are examples of the first kind and the US and UK are examples of the latter (Anglo-American) model. Yet Mayer's analysis shows that this conventional view of Germany as a bank-oriented financial system at the beginning of the 20th century is not correct and German firms raised little finance from banks and 'surprisingly large amounts from stock markets' (p. 95). Despite issuing shares to fund their growth, voting rights in Germany remained within corporate, banking sectors and families and was not transferred to outsider such as individuals and institutional investors. That is an insider system prevailed including through dual-class shares in which the original family owners retained control over voting rights even while more shares were issued through Initial Public Offerings (IPOs)).

Similarly Japan did not have a bank-oriented system in the first half of the 20th century. The system relied on key individuals and later on Zaibatsu families and not institutions to access stock markets; later still Japan moved from an Anglo-American outsider system to a German-style insider system in the second half of the 20th century. In the US despite a market oriented system wealthy families such as the Morgans, Du Pont and Mellon dominated capital raising.

In short what Mayer shows is that the banking systems of these four major developed countries was much more complicated and changing over the last 100 years that the conventional view suggested. This is an important contribution to the literature on the nature of banking systems.

By way of a conclusion: Going beyond corporate level change

The reforms to corporate life and structure proposed by Colin Mayer are to be welcomed. But to tackle and reverse many problematic issues that can be traced to the corporation such as inequality and environmental degradation, may require even bigger changes. The variety of capitalism that has emerged under the cover of the Friedman doctrine may have to be engaged in day to day grassroots politics and/or forms of radical reformist if not revolutionary struggles. Alternatives such as radical social democracy, even socialism, may be back on the agenda, as it has been in the UK and US political debates these past 5 or so years.

Oxford Professor Jonathan Michie (2017) goes beyond Mayer in placing the blame for this state of affairs squarely on modern capitalism. He argues that

> the failure of capitalism unleashed needs to herald a new era of global economic development – one which is sustainable environmentally, economically and socially. It will require a more equal ownership of wealth and productive assets than the extremely unequal situation that has been created by the past twenty-five years or so of capitalism unleashed. And it demands a greater degree of diversity of ownership forms – private, state, and co-operative and mutual. (pp. 4–5)

In the wake of the 2008 Global Financial crisis and the 2020 Coronavirus pandemic, and as countries struggle to rebuild their shattered economies, many new ideas have been or are expected to be placed on the table for policy debate. This is as true of the USA, Britain and Europe as it is for countries in the Global South, including South Africa. The ruling ANC government in South Africa has published its latest version of a post-Covid 'Economic Recovery Plan'. That plan however says nothing about the corporation in spite of the widespread public discussions within the country about the necessity to curb excessive 'short-termism' in corporations, regulating executive pay, and calls for the democratization of the corporation by involving workers into governance structures.

As Stiglitz (2019) has noted, and we have pointed out earlier in this article, many corporations in the US have identified problems with the current model of shareholder wealth maximization and are nominally committed to some degree or form of corporate repurposing. But concrete evidence of fundamental changes are hard to find anywhere in the world.

The continuing dominance of neo-liberal capitalism, and the support for this from powerful public and private institutions including the giant (tech) corporate should lead us to caution against any degree of over-optimism.

Having looked for some examples of companies, especially American corporations, which have changed their mission statement and purpose, I can find few examples, if any, of companies that have gone beyond cosmetic changes to fundamentally alter their purpose to incorporate societal needs and social purpose. Indeed some suggest a shift in the opposite direction, a return to the despotic rule of the 'robber barons' of late 19th-century American capitalism (Webster, 2020: 3). Free market American capitalism still underlines their business model, and at best what we see are instances of a recognition of what can be described as a more 'enlightened capitalism'.

The evidence by the big corporate of a willingness to change is sparse. Thus for example in responding to a question about corporations' role in mitigating climate change at a Council of Foreign Relations meeting in New York in 2011 Rex Tillerson, the former US Secretary of State and former CEO of Exxon Mobile (an off shoot of Rockefeller's iconic Standard Oil) a company described as 'the greatest corporation in human history (Luke Mitchell, 2012: 16) argued that the company would do nothing to address the greatest crisis in human history, maintaining that 'We believe those consequences are manageable' (Mitchell, 2012: 16, cited in Coll, 2012).

One step along the path to change is suggested by Jonathan Michie (2017; Michie and Padayachee, 2020) which is to encourage and incentivise a diversification of corporate ownership forms, such as co-operatives, family-owned business, worker-owner business and the like, all models which can be found in the history of corporations. A diversification of ownership models in today's modern economy as discussed by various authors in the special issue of the *International Review of Applied Economies* (see Michie and Padayachee, 2020) may open up opportunities to relook at corporate purpose and its contribution to communities and social objectives.

Four or five recent developments over the past quarter century or so, may impel corporations to move beyond this minimalist adjustment, though such change cannot be guaranteed. The first is the Global Financial Crisis of 2008 and beyond and the economic and social dislocations it ushered in. The second is the intertwined health and economic crisis wrought by the Covid-19 pandemic. The third is the crisis going on for decades now in the environment, that has been brought about by climate change, in which the major corporations, especially in industries such as fossil fuels, have played a major and destructive role. The fourth is that of intensifying increases in income and wealth within and between countries and between the Global North and the Global South. Fifth, there are the social and political upheavals of rising racial tensions brought about my changing demographics in many parts of the world. Race has made an unwelcome return to the world. In South Africa and the United States (historically the two countries that pioneered institutional racial politics) as well as in many parts of Europe race has become the driving force in a new politics that verges on fascism, and corporations can play their part and take the lead in heading off these dangerous divides and tensions. Diversity has to become the watchword. These interlinked crises has led to hundreds of thousands of deaths across rich and poor countries that has been millions of people lose their jobs, incomes, security, homes, savings and assets. The world has literally been brought to its knees. And they all point to the need for corporate, governments and the global regulatory institutions to act urgently and radically if we are to head off an existential crisis.

Jonathan Michie (2017) addresses some of these crises in the following important contribution linked to the value of corporate diversity in overcoming them:

> [The] renewed interest in member-owned organizations has paved the way for a wider recognition of the importance of corporate diversity in contributing to the health and resilience of national economies, including for example by the 2012 Report delivered by the UK Commission on Ownership, which advocated a greater degree of corporate diversity, with a stronger member-owned and employee owned sector, and with the UK 2010-15 Coalition Government being committed . . . to strengthening the co-operative and social economy sectors, in part to create a more resilient financial services sector in reaction to the global financial crisis of 2007-9, which were generally seen as having been fuelled by the excesses of privately and shareholder owned bank and other financial institutions. (p. xxiv)

The debate about the purpose of the corporation also raises questions about the future of capitalism itself and the search for alternatives. Here both radical social democracy and socialism, long neglected and ridiculed, may be candidates for serious re-consideration. In this context Stephen Maher et al. (2020) argue that

> A socialist strategy should see economic democracy not just in terms of empowering workers within firms, but engaging in a political struggle to transform the conditions within which productive units operate, and how they relate to each other. This requires undertaking a class-based rather than a firm-based struggle for democracy, whereby production is oriented to serving social needs rather than corporate interests. Building the democratic capacities of the working class does not revolve around integrating workers more deeply within capitalist finance or corporate structures in the hope for organizational efficiencies, but rather lies in struggling to replace capitalist competition at the national and international levels with solidaristic democratic planning. Worker representation on company boards and cooperatives could play a part in this if they could be leveraged into planning agreements across firms and sectors that aim to fulfill specific democratically determined objectives – for instance, carrying out a green transition. This would have to be supported by a broader plan, coordinated by the state, to advance the democratic control of investment at national and regional levels of the economy. (pp. 13/14).

These are the weighty issues which demand our attention in response to our multiple crises. Colin Mayer in his book has elegantly set out part of the agenda and provided insights of value of the structural reform and re-purposing of the corporation within the system of capitalism. The more durable solution to the future of the corporation may require, however, that we look to a more radical transformation of the system of capitalism itself, an agenda the discussion of which is, however, outside the scope of a Review Article such as this.

Acknowledgements

I would like to thank my Wits colleagues Robbie van Niekerk and Eddie Webster for their comments on an earlier draft of this article and for their encouragement throughout. The usual disclaimer applies.

Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

Notes

1. For the purpose of this review the term ‘corporation’ is used interchangeably with the term ‘firm or ‘company’, especially but not limited to the larger, globally mobile ones. In the UK and parts of the former British Empire the term corporation’ was and is used to refer to local level government Councils (e.g. the Durban Corporation, in South Africa), but this is not the sense of the term employed here.
2. Mayer does not deal with Keynes’s views on the corporation in any detail but we thought that this history would be incomplete with a Keynesian perspective.

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