Shareholderism versus Stakeholderism – A Misconceived Contradiction. A Comment on "The Illusory Promise of Stakeholder Governance" by Lucian Bebchuk and Roberto Tallarita

Law Working Paper N° 522/2020
June 2020

Colin Mayer
University of Oxford and ECGI

ECGI Working Paper Series in Law

Shareholderism versus Stakeholderism – A Misconceived Contradiction. A Comment on "The Illusory Promise of Stakeholder Governance" by Lucian Bebchuk and Roberto Tallarita

Working Paper N° 522/2020
June 2020

Colin Mayer

I am grateful to Lilian Barratt, Lucian Bebchuk, Isabella Bunn, William Clark, Robert Eccles, Luca Enriques, Luke Fletcher, Mary Johnstone-Louis, David Kershaw, Martin Lipton, Charmian Love, James Perry, Judith Stroehle, Peter Tufano and Rupert Younger for helpful comments on a previous draft of this article.

Abstract

This paper critiques an assessment by Bebchuk and Tallarita (BT) of the relative merits of shareholder and stakeholder governance. BT's paper argues that stakeholder governance is either nothing more than enlightened shareholder value, or it imposes unmanageable trade-offs on directors of companies. But trade-offs are ubiquitous not just in stakeholder but also in shareholder governance, and the resulting judgments that are required of directors should not be viewed as an anathema but a fundamental function of a board, without which untenable outcomes result. The complexity that BT see in implementing a stakeholder system reflects a failure to recognize the way in which business routinely makes judgments based on its purposes and values. Purpose and values hold management to account to a degree that enlightened long-term shareholder value cannot. In seeking to demonstrate that directors are not motivated or able to promote anything other than shareholder value in a shareholder-oriented system, BT merely describe the system that they see rather than analyse what it could or should be. The paper therefore fails to provide a benchmark against which it is possible to evaluate either the comparative merits of shareholder and stakeholder systems, or alternative proposals for reform.

Keywords: Corporate purpose, stakeholder governance, enlightened shareholder value, values

JEL Classifications: D21, G32, G34, G38, K22

Colin Mayer
Peter Moores Professor of Management Studies
University of Oxford, Saïd Business School
Park End Street
Oxford OX1 1HP, United Kingdom
phone: +44 1865 288 811
e-mail: colin.mayer@sbs.ox.ac.uk

Shareholderism versus Stakeholderism – A Misconceived Contradiction.
A Comment on "The Illusory Promise of Stakeholder Governance"
by Lucian Bebchuk and Roberto Tallarita[1]

Colin Mayer[2]
Peter Moores Professor of Management Studies
Said Business School, University of Oxford

1 June 2020

Abstract

This paper critiques an assessment by Bebchuk and Tallarita (BT) of the relative merits of shareholder and stakeholder governance. BT's paper argues that stakeholder governance is either nothing more than enlightened shareholder value, or it imposes unmanageable trade-offs on directors of companies. But trade-offs are ubiquitous not just in stakeholder but also in shareholder governance, and the resulting judgments that are required of directors should not be viewed as an anathema but a fundamental function of a board, without which untenable outcomes result. The complexity that BT see in implementing a stakeholder system reflects a failure to recognize the way in which business routinely makes judgments based on its purposes and values. Purpose and values hold management to account to a degree that enlightened long-term shareholder value cannot. In seeking to demonstrate that directors are not motivated or able to promote anything other than shareholder value in a shareholder-oriented system, BT merely describe the system that they see rather than analyse what it could or should be. The paper therefore fails to provide a benchmark against which it is possible to evaluate either the comparative merits of shareholder and stakeholder systems, or alternative proposals for reform.

Keywords: Corporate purpose, stakeholder governance, enlightened shareholder value, values

JEL Classification: D21, G32, G34, G38, K22

---

[1] "The Illusory Promise of Stakeholder Governance" by Lucian Bebchuk and Roberto Tallarita, SSRN, April 2020, forthcoming Cornell Law Review, December 2020.

[2] I am grateful to Lilian Barratt, Lucian Bebchuk, Isabella Bunn, William Clark, Robert Eccles, Luca Enriques, Luke Fletcher, Mary Johnstone-Louis, David Kershaw, Martin Lipton, Charmian Love, James Perry, Judith Stroehle, Peter Tufano and Rupert Younger for helpful comments on a previous draft of this article.

The Irrelevance and Impossibility of Stakeholder Governance

"The Illusory Promise of Stakeholder Governance" by Lucian Bebchuk and Roberto Tallarita is a beautifully written essay, which, even by the authors' normal standards of lucidity, is a masterpiece of elegance. It is a thoughtful and carefully constructed critique of stakeholder governance. However, as with some of the most beautiful art, its elegance lies more in its form than its substance.

Bebchuk and Tallarita's (hereafter BT) critique is that "stakeholderism" – the idea of promoting the interests of the stakeholders of a firm (its customers, employees, suppliers, societies, and the environment) - is either just enlightened "shareholderism", augmenting the value of shareholders' investments, or it requires directors of companies to make nearly impossible trade-offs. In the latter case, citing Ronald Dworkin, BT describe the tasks that confront the poor downtrodden director of a company as "Herculean" involving "superhuman skill, learning, patience, and acumen"[3] that make Hercules' Twelve Labours look like a piece of cake.

In the first case, stakeholderism as enlightened shareholderism, stakeholder governance is regarded as just good business that creates greater financial value for shareholders as well as benefits for stakeholders. By supporting their stakeholders, companies establish more loyal customers, engaged employees, reliable suppliers and sustainable environments. These generate greater revenues and lower costs for companies and therefore more profits as well as benefits for stakeholders.

This notion of enlightened shareholder value underpins much public policy and corporate practice. It is, for example, the basis of s.172 of the 2006 UK Companies Act, which states that "a director of a company must act in the way that he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members (shareholders) as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long term" and the interests of its employees, suppliers, customers, communities, the environment, reputation and balance of shareholder interests.

It is also arguably what the Business Roundtable had in mind in discarding their 1997 statement of shareholder supremacy in favour of a corporate purpose which involved delivering value to customers, investing in their employees, dealing fairly with their suppliers, supporting their communities and creating long-term value for their shareholders.[4] In essence, what the Business Roundtable intended might well have been what Jim Collins

[3] Ronald Dworkin (1975), "Hard Cases", *Harvard Law Review,* 88.

[4] Business Roundtable Statement on the Purpose of a Corporation, August 19, 2019.

described as the "genius of the 'and'"[5] - delivering benefits to stakeholders *and* greater financial value to shareholders.

In the second case of where there are trade-offs, companies go beyond the point of promoting the interests of shareholders and benefit their stakeholders at the expense of financial returns to their shareholders, even in "the long-term". This is the case that concerns BT the most because the first is no more than shareholder value, albeit in the process enhancing the wellbeing of stakeholders. It does not, according to BT, involve trade-offs.

The Objectionability of Judgment

The idea of directors making judgments appears to be an anathema to BT. It is not clear whether this is because they believe that they are beneath or beyond the capabilities of the board, but the fact that they describe them as a Herculean task suggests that it is more of the latter than the former. Do BT really find it that difficult to make such judgments in their daily lives in ascertaining what is right as against rewarding? And if we feel it to be part of our normal functions of being human in our daily lives, why should it not apply to our working lives. Or is it, as Friedman would argue,[6] that directors do not have the right to exercise judgment because they are not elected by a democratic process to do so, thereby rendering it illegitimate? Where exactly does the case for extinguishing judgment from management lie?

BT argue that "pluralistic stakeholderism relies on directors to make the hard choices that are necessary to define the groups of stakeholders whose interests should be taken into account, and then to weigh and balance these interests, which are often difficult to measure, in the vast number of situations in which trade-offs arise". But this is precisely the reason why it is not only necessary that such judgments are made but essential that they are.

The first complication that BT raises is about the class of stakeholders. Who precisely should directors be incorporating in their judgments about contending interests? BT record the various stakeholders that the thirty-two states of the United States which have adopted what are termed "constituency statutes" require directors to take into consideration when making board decisions. All states include employees and customers in the list, nearly all include suppliers, and a majority creditors and local communities.

In an attempt to illustrate the near hopelessness of the Herculean task, BT ask us to consider the case of a corporate plan to relocate to another region. "Should the company's leaders

[5] Jim Collins (1994), *Built to Last,* London: Random House Press.

[6] Milton Friedman (1962), *Capitalism and Freedom*, Chicago: The University of Chicago Press.

take into account not only the negative effects on the plant's current workers but also the positive effects on the workers of the new plant that would open and on the community in which the new plant would operate?" And as if to exemplify the absurdity of it all they go on to ask: "Would the answer to this question change if the new location were overseas?"

The Necessity of Judgment

Let me rephrase the question slightly differently: "Should the company's leaders take no or minimal account of the negative effects of plant's relocation on current workers, the positive effects on the workers of the new plant or the effects on the communities in either the existing or new location of the plant?" And, "should they take less account of affected parties if they reside overseas?" Or to be more direct, is their responsibility solely to determine what will be the effect on their share price or "long-term shareholder value" and ignore the interest of anyone else? My answer to the last of these and therefore to the previous two is unequivocally no.

BT go on to give two other examples of the absurd complexities that stakeholderism creates for directors. Should they be expected to take account of the effect of their firms' activities on competitors' workers or suppliers or their environmental impact on "residents of faraway countries or only those living in the United States?" The answer that I would give to both parts is yes, of course. Indeed, multinationals should arguably give particular consideration to mitigating adverse impacts of their operations on the natural environment and indigenous industries of low-income countries. Directors may dismiss the effects and conclude that they are irrelevant or justified, but they should not ignore them any more than they should ignore casualties and deaths of their employees on their own sites that could only be prevented by shareholder value diminishing expenditures.

Does that give directors carte blanche to do whatever they like? No, not a bit of it. They act according to the reasons why the company was created and exists and what it is there to do, namely its purposes. They are the guiding star of the board, not rigid rules of shareholder rights or primacy that trump all else and it is against those purposes and their associated values that their actions and performance should be judged. As BT themselves acknowledge, directors have the right to act with judgment – business judgment – and in exercising that judgment they should do so in a form that they believe to be appropriate to the circumstances.[7] What shareholder primacy and the type of thesis advocated by BT do is to transform directors into automatons programmed according to shareholder value maximizing

[7] BT cite Stephen Bainbridge (2015), *Corporate Law (Concepts and Insights),* Foundation Press, when he says "(t)he court may hold forth on the primacy of shareholder interests, or may hold forth on the importance of socially responsible conduct, but ultimately it does not matter. Under either approach, directors……will be insulated from liability by the business judgment rule".

rules. They have discretion to act as they will so long as their will is consistent with the rule. Free will at a price – the price of a share.

The implications of the opposite position are illustrated by a simple comparison of one corporate policy that delivers enormous benefits to employees, communities, or the environment at home or abroad, and the other that delivers none or detriments to those parties but a dollar more profit to shareholders. According to BT and "enlightened" shareholder value, directors must without hesitation adopt the latter policy, notwithstanding that $1 less shareholder value in the former would yield substantial benefits for other parties.[8]

If COVID-19 has done nothing else, it has demonstrated that this is not just a hypothetical situation but one that currently confronts boards around the world and, fortunately, many are coming to realize the unacceptability of BT's position. Some investors are also coming to appreciate the absurdity of it, acknowledging in these exceptional times the need for shareholders to be willing to accept lower dividends and subscribe to (non-rights) equity issues (see for example the letter of 8 April 2020 of the Investment Association to the Chairs of FTSE 350 companies in the UK)[9]. They do so in the expectation that normal conditions will resume in due course.

The Ubiquity of Shareholder Trade-offs

There can therefore be no presumption that directors should not take account of stakeholder interests beyond enlightened shareholder value. That part of the case clearly fails. But what about the practicality of stakeholderism? BT first of all note the "ubiquity of trade-offs". Indeed, by positioning stakeholderism in contradiction to enlightened shareholder value, trade-offs are by definition ubiquitous. They then go on to make familiar criticisms of attempts to monetize non-monetary costs and benefits in relation to, for example, human physical and psychological health, societal well-being and environmental degradation. They conclude that "rather than devoting much attention to developing a methodology for aggregating and balancing the interests of diverse constituencies, stakeholderists commonly deal with this issue by leaving the resolution of trade-offs to the judgment and discretion of corporate leaders."

The answer to the question of how to monetize non-monetary costs and benefits is simple: don't do it. One should measure non-monetary costs and benefits in their own terms. Do BT

---

[8] To use Alex Edmans' terminology, the directors could "grow the pie" enormously by adopting a more judicious approach - Alex Edmans (2020), *Grow the Pie: How Great Companies Deliver Both Purpose and Profit,* Cambridge: Cambridge University Press.

[9] Investment Association, "Investors Stand with UK PLC in Letter of Support to FTSE Chairs", Press Release, 8 April 2020.

attach monetary values each time they do the washing-up for their families and friends and trade them off against the monetary values of the cleaning and shopping that are done for them by others? We have purposes to our lives and values that we attach to what we provide in terms of care, consideration and concern for others and it is these not monetary values that determine the vast proportion of our actions and intentions. Likewise, companies have purposes that determine the values attached to their non-monetary as well as monetary measures.

Why should businesses be any different? Perhaps the answer that BT would give is that they are there to make money or because they are more complex. That is exactly the problem. A shareholder perspective presumes that money is the sole objective. It is not. It is not the corporate purpose. It is a product of it, not the defining motivation. Just as we are steadily coming to realize that the pursuit of happiness is not the source of it, and on the contrary potentially a cause of psychological distress,[10] so we are increasingly appreciating that the pursuit of profit is not its source but the cause of much dysfunctional conduct.[11]

The weight that is attached to different impacts is determined by the values that are ascribed to them, not simply their financial value. By seeking to translate everything into monetary terms, a shareholder perspective does not, as is often claimed, simplify management by promoting just one objective instead of many, but complicates it by requiring the incommensurable to be made commensurable.

It as if BT see corporate boards as being legitimately engaged in production but not judgment and that production for shareholder value is devoid of judgment. Of course, nothing could be further from the truth because within the class of shareholders there is immense diversity that demands as much discretion and judgment as across the set of stakeholders. At its most basic level, shareholders differ according to their degree of risk aversion and preferences, their time horizons and discounting of future returns, their assessments of future earnings and investment analyses, and their views about relevant risk classes and unquantifiable uncertainties.

In the absence of what is termed "spanning" - that is a complete set of primary securities corresponding to all possible future states of the world - there will be disagreement amongst shareholders about the optimal resource allocations and investment decisions by companies. It therefore befalls directors of companies, mutual funds and asset management firms to

[10] Iris Mauss, Maya Tamir, Craig Anderson, and Nicole Savino (2011), "Can Seeking Happiness Make People Unhappy? Paradoxical Effects of Valuing Happiness", *Emotion*, 11, 807–815; Brett Ford, Iris Mauss, and June Gruber (2015), "Valuing Happiness is Associated with Bipolar Disorder", *Emotion*, 15, 211–222.

[11] See for example, George Akerlof and Robert Shiller (2016), *Phishing for Phools: The Economics of Manipulation and Deception,* Princeton: Princeton University Press.

make judgments about how to balance the conflicting preferences and interests of different shareholders.

However, the complexity of the task is still greater than that because, as Hart and Zingales (2018) have recognized, shareholders are humans.[12] As such they too have an interest in their health, livelihoods, descendants, communities and future survival as well as their financial wealth. In other words, they are concerned about their welfare and wellbeing as well as their wealth. The fiduciary responsibilities of directors of companies and financial institutions should therefore be recognized as being not to promote shareholder wealth but their welfare.

So, beyond the diverse financial beliefs and preferences of shareholders, directors are required to make judgments about how their decisions impact on the health and happiness of shareholders and their offspring. How is this insoluble complexity resolved? The answer is very simple and that is through a multiplicity of mutual funds and asset management firms that cater to different preferences and concerns of investors who can then determine for what ends and purposes their investments are managed. And to satisfy the multiplicity of objectives of institutional investment firms, companies establish diverse purposes that reflect the plurality of interests of shareholders and their agents.

Trade-offs and judgments are indeed ubiquitous, particularly in regard to shareholders. They are made on the basis of an organization's stated purposes and values. Together with the values of an organization, they define its reason for being, what it seeks to achieve and what it refrains from doing. On the basis of an organization's stated purposes and values, investors then determine which mutual funds to hold, asset managers establish which fund managers to employ, fund managers which companies' shares to purchase, and companies which stakeholders to engage and support.

The Impossibility of Stakeholderism

The issue is not therefore whether trade-offs and judgments should be made but what purposes and values should underpin them, and who should determine and implement them. There are two obvious contenders for setting purposes and values – the first is shareholders and the second is boards of directors. Where there are owners in the sense of shareholders who hold significant blocks of shares then those shareholders are in a position to determine a company's purposes and values. Owners define a company's purposes and values; boards of directors deliver them.

---

[12] Oliver Hart and Luigi Zingales (2018), "Companies Should Maximize Shareholder Welfare Not Market Value", *Journal of Law, Finance and Accounting,* 2, 247-274.

Where there are no significant holders of blocks of shares and shareholdings are dispersed amongst a large number of institutional and individual investors then none of them is in a position to establish purposes and values. Instead it falls to boards of directors to determine and deliver them. The question that then arises is what will influence their conduct. BT are clear that the incentives under which boards of directors and executives operate encourage them to promote shareholder interests. Their remuneration is predominantly related to shareholder earnings; and threats of takeovers, activist interventions and proxy contests intensify when their share price performance is poor. Even if boards have the discretion to promote purposes and values beyond those of their shareholders, in practice they won't because incentives and external threats of intervention act to discourage them.

Furthermore, in many cases they can't do it. According to BT, the most important corporate law in the US, namely Delaware law, does not give directors the discretion to promote stakeholder interests beyond enlightened shareholder value. BT quote Leo Strine, the former Chief Justice of the Delaware Supreme Court when he says that, according to Delaware Law, "directors must make stockholder welfare their sole end" and that Delaware corporations can consider stakeholder interests "only as a means of promoting stockholder welfare".[13] Other prominent US lawyers, however, think precisely the opposite and believe that "directors have a duty to look beyond their shareholders".[14]

In addition, BT contend that even where directors can and should promote stakeholder interests, namely in the states of the United States that have constituency statutes which expect them to do so, they don't. They report that a set of public companies incorporated in constituency statute states that were subject to large private equity acquisitions failed to put in place significant protections for their stakeholders (employees, communities, suppliers or customers) and instead negotiated significant benefits for shareholders, executives and directors.

BT conclude that directors are frequently not in a position to promote purposes and values beyond those of their shareholders, have no incentives to do so, and even where they can and should, they choose not to and instead pursue their own and their shareholder interests. In other words, purpose beyond profit and values beyond shareholder value are wishful thinking and pie in the sky.

What is more, BT argue that purpose beyond profit shouldn't even be wishful thinking because promoting purposes other than shareholder value merely serves to insulate

[13] Leo Strine (2015), "The Dangers of Denial: The Need for a Clear-Eyed Understanding of the Power and Accountability Structure Established by the Delaware General Corporate Law", *Wake Forest Law Review,* 50.

[14] Martin Lipton (2019), "Directors Have a Duty to Look Beyond Their Shareholders", *Financial Times*, 17 September 2019.

management from external accountability and make them a law unto themselves. They encourage unholy alliances between business and government by which in return for promises of “doing good”, companies enjoy greater legal protections from outside interference. In effect, purposes other than shareholder value are a sop and an attempt by companies to discourage government from imposing more stringent and intrusive regulation that would force them to implement intended outcomes in less palatable forms. The decision of the Business Roundtable to discard shareholder primacy in favour of stakeholder interests in its 2019 Statement of Corporate Purpose can be interpreted in this context as an attempt by business to fend off threats of intensified regulation by promising to mend their ways.

The Tautological Case for Shareholderism

Infeasible, impractical, unrealistic and undesirable is how BT therefore view any purpose other than shareholder value. However, in presenting their argument, all that BT do is to demonstrate that shareholder interests prevail in a world in which the superiority of shareholder value is presumed: incentives are aligned to shareholder interests; threats of takeovers, shareholder activism and proxy votes are motivated by shareholder value enhancement; corporate law imposes fiduciary responsibilities on directors to uphold shareholder interests; and regulation is used to align corporate with societal interests where competitive markets fail to do so.

BT therefore simply describe the shareholder primacy system of the US as they see it. Even when it deviates from shareholder primacy in constituency states that enacted legislation to protect companies from threats of takeovers, BT demonstrate how companies are not immune from outside acquisitions that prompt responses from the targets that mirror those of shareholder value driven firms. And we should not be surprised that pro-stakeholder statements made by the Business Roundtable are greeted with scepticism and cynicism in the context of a shareholder primacy system where incentives, markets for corporate control and the law all promote shareholder interests.

The Status Quo Illusion

BT look at the world as they see it and conclude that this is the way it must be. But in describing the world they see, BT are failing to consider what it could be, and one might want it to be. In other words, their analysis lacks a benchmark against which to evaluate the merits or deficiencies of different corporate models and therefore fails to shed any light on the relative merits of them. Furthermore, it provides no basis on which to assess the desirability of alternative policies towards the corporate sector

Suppose, for example, that we want business to promote the wellbeing and prosperity of individuals, societies and the natural world and to do so in a form that is commercially viable and profitable for investors. Does a system that focuses exclusively on shareholder interests, albeit in an enlightened form, deliver that? Does one that permits companies to promote stakeholder interests even at the expense of shareholder value yield better or worse outcomes?

Once we appreciate that trade-offs and judgments are inherent in any system then we should start to think about what trade-offs and judgments we want business to make. Do we really want companies to enhance quality of life in their local communities, their environmental protection, the safety and security of their employees and workers in their supply chains, and the health of their customers only to the extent that these increase their share prices? Put it another way, do we want companies to minimize expenditures on taxes, pollution abatement, training of their employees, the condition of workers in their supply chains and reducing the addictive nature of their products, so long as these yield increased returns for their shareholders? Would we have wanted companies to have responded to the coronavirus pandemic by producing testing and tracing equipment, ventilators, vaccines and cures for coronavirus only to the extent they resulted in higher returns for shareholders?

Regulatory Limitations

And should we just look to regulation as the way of remedying these deficiencies – tougher regulation and enforcement of pollution, employment, supply chains and consumer protection? Why should the regulator and public sector be called upon to impose reasonable and acceptable levels of conduct on the corporate sector when we expect such behaviour of us as individuals as a matter of course. Is it unreasonable to expect companies to have greater regard and responsibility for the interest of their societies, workers and customers than merely what accords with their own financial interests?

Since the financial crisis we have become all too aware of the limitations of regulation designed to define and enforce the rules of the game. The problem derives from the interests of corporations in seeking to maximize their profits being diametrically opposed to regulators in upholding the public interest. Corporations therefore lobby to moderate the severity of regulations, seek ways of circumventing them, minimizing their impact and, if possible, turning them to competitive advantage in keeping others out of the market. Attempts to address this through more stringent rules and enforcement not only impose significant costs on business but are often limited by concerns of exacerbating institutional failures.

If instead regulation is used to align the private purposes of corporations with their social purposes (as, for example, reflected in their licences to operate in those parts of the economy where there are market failures, for example utilities and financial institutions) then, instead of conflict between the objectives of business and regulators, there is cooperation. More generally, such an alignment of interest can promote more constructive relationships between government and business in which business does not simply use its power to manipulate government for its own ends but recognizes its responsibilities to promote broader public objectives in, for example, the delivery of public services and infrastructure.

The implications of BT's rejection of trade-offs and judgments yield demonstrably unreasonable and untenable conclusions. None of the evidence that they purport to present provides any support for shareholder primacy and merely serves to reinforce the conclusion that shareholder primacy emanates from a fundamentally deficient system.

A Misconceived Question

But the main criticism of BT's article is not simply that they have failed to demonstrate their point but that they are asking the wrong question. It is not a matter of shareholder versus stakeholder governance but what delivers the best outcomes. If the objective is to help solve the problems of the world profitably then there is a place for both shareholderism and stakeholderism. Different purposes require different corporate structures. If the objective is to deliver the most profitable solution, then shareholder value might well be the most appropriate approach. If on the other hand, the objective is to produce the best solution, even if it delivers negligible profit, then emphasizing other priorities beyond shareholders may be warranted.

By making corporate values explicit and measurable on their own terms, corporate purpose makes management accountable for its delivery in a way in which shareholder value cannot. In a world in which shareholders are interested in their stakeholders' and their own welfare and wealth then companies should be answerable for meeting their targets on carbon emissions as well as financial returns, and for delivering employment to future generations as well as pensions to current ones. In promoting long-term shareholder welfare, enlightened shareholder capitalism makes accountability of management hopelessly imprecise, while corporate purpose and values make it laser sharp.

If companies do not specify a corporate purpose that embodies stakeholders and shareholders, then regulation and public ownership will do it for them. If they do not retain sufficient shareholder value in their businesses to ensure fulfilment of commitments to their stakeholders then, as with the banks, regulators will impose capital requirements and dividend restrictions on them. The world had moved on from BT before COVID-19; it has progressed much further since.

We should be encouraging a multiplicity of purposes and competition in models to deliver them. We should promote the type of experimentation and innovation that will allow one to determine in which circumstances a particular model is best suited to delivering the desired results. Start with the purpose and then determine the model. Don't start with the model and simply accept what it delivers. The shareholder/stakeholder contradiction is not a contradiction at all. They are neither always one and the same, nor are they always in conflict. They are in general complementary ways of delivering the plurality of outcomes that we should be seeking of our economic systems, particularly in an era where the dire consequences of promoting one at the expense of the other has become all too clear. Now more than ever we need a multiplicity of purposes and corporate forms to address the multitude of problems that have been of our own creation.

about ECGI

The European Corporate Governance Institute has been established to improve *corporate governance through fostering independent scientific research and related activities.*

The ECGI will produce and disseminate high quality research while remaining close to the concerns and interests of corporate, financial and public policy makers. It will draw on the expertise of scholars from numerous countries and bring together a critical mass of expertise and interest to bear on this important subject.

The views expressed in this working paper are those of the authors, not those of the ECGI or its members.

Electronic Access to the Working Paper Series

The full set of ECGI working papers can be accessed through the Institute's Web-site (https://ecgi.global/content/working-papers) or SSRN:

Finance Paper Series	http://www.ssrn.com/link/ECGI-Fin.html
Law Paper Series	http://www.ssrn.com/link/ECGI-Law.html