

QUASI Seminar Series, 2020-21

The [Rutgers Institute for Corporate Social Innovation \(RICS\)](#) is proud to host the Questions & Unanswers About Social Innovation (QUASI) [Seminar Series](#). To participate, please [REGISTER HERE](#).

October 16th, 2020, 11:30am – 1pm EDST (NYC time)

Is capitalism the most effective way to advance society?

Yes: [Peter Klein](#), W.W. Caruth Endowed Chair & Professor of Entrepreneurship, Baylor University

1) (Entrepreneurial) capitalism is the largest wealth creator in human history.

Mises, L.v. (1958). [Economic Policy: Thoughts for Today and Tomorrow](#). Third edition, Auburn, Ala.: Mises Institute, 2006.

Roser, M. (2020). ["The Short History of Global Living Conditions and Why It Matters that We Know It."](#) *Our World in Data*, retrieved September 29.

Landes, D. S. (2006). ["Why Europe and the West? Why Not China?"](#) *Journal of Economic Perspectives* 20(2): 3-22.

Moller, D. (2014). ["Justice and the Wealth of Nations."](#) *Public Affairs Quarterly* 28(2): 95-114.

Baumol, W. J., Litan, R. E., and Schramm, C. J. (2012). ["The Four Types of Capitalism, Innovation, and Economic Growth."](#) In Mueller, D. C., *The Oxford Handbook of Capitalism*. New York: Oxford University Press.

Shleifer, A. (2009). ["The Age of Milton Friedman."](#) *Journal of Economic Literature* 47(1): 123-35.

Gwartney, J. D., Lawson, R. A., and Holcombe, R. G. (1999). ["Economic Freedom and the Environment for Economic Growth."](#) *Journal of Institutional and Theoretical Economics* 155(4): 643-63.

2) There is no feasible alternative to capitalism—socialism doesn't work and leads to authoritarianism.

Heilbroner, R. (1989). ["The Triumph of Capitalism,"](#) *New Yorker*, January 23.

Rothbard, M. N. (1991). ["The End of Socialism and the Calculation Debate Revisited."](#) *Review of Austrian Economics* 5(2), 51-76.

Hayek, F. A. (1945). ["The Use of Knowledge in Society."](#) *American Economic Review* 35(4): 519-30.

Ericson, R. E. (1991). ["The Classical Soviet-Type Economy: Nature of the System and Implications for Reform."](#) *Journal of Economic Perspectives* 5(4): 11-27.

Beltz, H. (1992). ["Property and Liberty Reconsidered."](#) *Vanderbilt Law Review* 45: 1015-24.

Rapaczynski, A. (2013). ["The Moral Significance of Economic Life."](#) *Capitalism and Society* 8(2).

3) The alleged defects of capitalism are common to any system of social organization—and worse under socialism.

Demsetz, H. (1969). ["Information and Efficiency: Another Viewpoint."](#) *Journal of Law and Economics* 12(1): 1-22

Aligica, P. D., and Tarko, V. (2014). ["Crony Capitalism: Rent seeking, Institutions, and Ideology."](#) *Kyklos* 67(2): 156-76.

Djankov, S., La Porta, R., Lopez-de-Silanes, F., and Shleifer, A. (2002). ["The Regulation of Entry."](#) *Quarterly Journal of Economics* 117(1): 1-37.

Packard, M. D., and Bylund, P. L. (2018). ["On the Relationship Between Inequality and Entrepreneurship."](#) *Strategic Entrepreneurship Journal* 12(1): 3– 22.

Foss, N. J., and Klein, P. G. (2018). ["Stakeholders and Corporate Social Responsibility: An Ownership Perspective."](#) *Advances in Strategic Management* 38: 17-35.

Karlson, N., Sandström, C., and Wennberg, K. (2020). ["Bureaucrats or Markets in Innovation Policy? A Critique of the Entrepreneurial State."](#) *Review of Austrian Economics*, forthcoming.

No: [Paul Adler](#), Harold Quintin Chair of Business Policy, University of Southern California

1) The engine of capitalist growth is outrunning the limits of the capitalist system.

The limits of the capitalist market process are well known: [Goodwin](#) provides an accessible summary. For an understanding of the resulting dynamics of development of the capitalist system, start with the 3 volumes of Marx's *Capital*. For a summary of Marx, see [Fine & Saad-Filho](#), and perhaps an easier read and a broader view in [Foley](#).

2) So long as the core of the economic system is capitalist, government cannot effectively deal with the resulting tensions.

Here is a classic paper by [Przeworski and Wallerstein](#) and an overview of Marxist theories of the state by [Hay](#). And [here](#) is a paper of mine that links this discussion to Polanyi.

3) The successor system is a novel, democratic form of socialism.

For my argument linking (1), (2), and (3) see my recent [book](#). [Cockshott and Cottrell](#) argue against Hayek and for the need for and viability of comprehensive socialist planning. For a more detailed view of what an advanced socialist system would look like, see their book, [Towards new socialism](#).

It depends: [Anita McGahan](#), George E. Connell Chair in Organizations & Society, University of Toronto

1) Entrepreneurial capitalism has created vicious structural inequality, the prospect of climate suicide, and humanitarian disasters as well as a lot of wealth.

John M. Amis, Kamal A. Munir, Thomas B. Lawrence, Paul Hirsch, and Anita McGahan "[Inequality, Institutions, and Organizations](#)," *Organization Studies* (2018) 39:9, pp. 1131-1152

Pew Research Center, "Social and Demographic Trends," at <https://www.pewsocialtrends.org/2020/01/09/trends-in-income-and-wealth-inequality/>

Eduardo Porter, "A Simple Equation: More Education = More Income," *New York Times* (Sept 10, 2014) at <https://www.nytimes.com/2014/09/11/business/economy/a-simple-equation-more-education-more-income.html>

2) Advancing society requires innovating beyond both capitalism and socialism as systems for organizing coordination in the allocation of scarce resources.

Justin Fox, "Piketty's 'Capital' in a Lot Less than 696 Pages," HBS.org, at <https://hbr.org/2014/04/pikettys-capital-in-a-lot-less-than-696-pages> (April 24, 2014)

Sergio Lazzarini, "The Right Strategy: Benchmarks for Just Corporate Action," https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3371177 (May 2019)

3) Social advancement also requires rethinking the purpose of organized coordination.

Anita M McGahan, "Where Does an Organization's Responsibility End?: Identifying the Boundaries on Stakeholder Claims," *Academy of Management Discoveries* (January 2019): <https://journals.aom.org/doi/10.5465/amd.2018.0218>

Anita M. McGahan and Jason Sukhram, "No Going Back: The Sustainable Development Goals after COVID," *Rotman Magazine* (Fall 2020), available at <https://hbsp.harvard.edu/product/ROT420-PDF-ENG>

Moderator: [Maurizio Zollo](#), Professor of Strategy and Sustainability and Scientific Director of the [Leonardo Centre](#), Imperial College London

As moderator, my role is to refrain from presenting my own “answer” to the question. However, for sake of transparency and of fairness to the participants, it is appropriate that I share my priors. Needless to say, I will also leverage them in my attempt to provide an integrative synthesis (in the Kantian sense) of the arguments proposed by the speakers.

- 1) [Stakeholder theory](#) is a general model of how enterprise works, which includes models giving primacy to either shareholders or other stakeholders (e.g. partnerships, consumer and supplier cooperatives), in addition to any form of blended (co-)ownership by different groups of stakeholders, in its extended (and rarely adopted) form.
- 2) [Evidence](#) in careful matched pair designs points to a positive impact of stakeholder-oriented practices on financial and accounting performance. Ditto on the performance of complex corporate growth initiatives, such as [acquisitions](#). Even top finance/economics scholars are now giving relevance to non-financial dimensions (ESG) of performance as part of the utility function of shareholders (see a recent piece by [Hart and Zingales \(sept. 2020\)](#) on the Stigler Center of the U. of Chicago website.
- 3) Stakeholder theory has not been developed for systemic level debate. There is no such thing as a “stakeholder capitalism” model (yet), except for dualistic experiments (Germany) and general public support for non-shareholder primacy and hybrid entrepreneurship/corporate models. However, the implications for societal advancement of the diffusion of broader stakeholder models in the private sector might include:
 - a. Stronger growth in (economic and non-economic) value creation due to the motivational effect of including stakeholders (especially employees, but also customers and suppliers) in the governance and strategic decision-making processes.
 - b. Lower inequality in the distribution of the benefits of (higher) growth in value creation to the investors of all the essential forms of capital for the establishment, the growth and the success of the enterprise: financial, human, social and natural capital. Local communities will receive a fairer return to their investments in human, social and natural capital to support local enterprises, and lower trade-offs with the quality of their natural and social environments.
- 4) One way to integrate the contributions of the panelists might be indeed to develop a collaborative, cross disciplinary (with other social scientists), research program to develop a fine-grained theoretical understanding of the conditions under which one would expect one form of stakeholder capitalism (including the extreme version where financial investors and the state are given primacy) to generate superior welfare outcomes. Even more importantly, such collaborative research program will include empirical testing of the theoretical speculations, modeling and simulation efforts. Field experiments are probably the ideal design for such empirical work, both at the [micro](#) and the systemic level, similarly to what Duflo and colleagues showed is possible to do in the fight against poverty. Unless and until we, as the community of management scholars, will show that we can stand up to this challenge, it will hard to make significant advancements on the fundamental question posed in this debate.

These articles, provided by the speakers, underpin the arguments that each scholar will make during the seminar. You are encouraged to explore these articles in advance of the seminar, and we hope that you can use them as a resource in your future studies. Please note that hyperlinks may be inaccessible to some. One day, academic articles may be freely available, but for now, many are held hostage behind [paywalls](#). Please contact the authors directly for any articles you cannot access; typically, authors are more than happy to share their work and appreciate the interest. Or you may pay the ransom to the publishers.