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POINT COUNTERPOINT

Corporate Purpose Needs Democracy

Gerald F. Davis
The University of Michigan

ABSTRACT The British Academy proposes that some of the manifest failures of shareholder capitalism can be addressed by requiring corporations to declare a purpose – a profitable solution to the problems of people and planet that does not cause additional problems – and creating a set of supporting mechanisms to ensure the pursuit of purpose. Shareholder capitalism has a lot to answer for, arguably including the opioid and obesity epidemics, the hazards to people and democracy posed by profit-driven tech firms, and catastrophic climate change. Moreover, the forces that orient public corporations toward share price are powerful and pervasive, while public corporations are disappearing in the USA and the UK under the weight of outside pressures. If we want the corporations that remain to behave themselves, the surest path is more democracy: greater worker control from below, and more effective state regulation from above.

Keywords: corporate governance, corporate purpose, investor activism, shareholder capitalism, shareholder primacy, workplace democracy

INTRODUCTION

If there are future generations, they may look to 2020 as the year when the failure of corporate capitalism became inevitable.

The previous decade was the hottest ever recorded, and the effects of the climate crisis were becoming daily experiences. The rise of China and the relative decline of the USA prompted an ongoing trade war that demonstrated the fragility of globalization. The deadliest pandemic in a century showed that a competent, well-funded government staffed by experts and accountable to the people is more useful than neoliberals gave it credit for. Job losses caused by the pandemic were catastrophic: employment in the food service industry in the USA declined by roughly the population of Denmark almost overnight. Due to pervasive smartphones and social media, the systemic racism embedded in Western institutions was amplified to a global public, which responded with massive

Address for reprints: Gerald F. Davis, Ross School of Business, The University of Michigan, 701 Tappan St., R6362, Ann Arbor, MI 48109-1234, USA (gfdavis@umich.edu).

mobilization for change. True to form, the corporate sector responded with a shifting palette of PR.

We are now at a turning point for the organization of capitalism. Whether the public corporation remains dominant, or recedes into history, will be decided in the coming months. Should it be reform or revolution? Rosa Luxemburg posed this dilemma at the turn of the 20th century, and it fits our question as well. Can the corporation be reformed, perhaps through the legislation of purpose, or is the change demanded by our current situation revolutionary?

In this response, I argue that the answer is closer to revolution. If we want a corporate sector that serves human needs after the current crisis, then now is a time to build back better, and specifically more democratic.

Can corporate purpose help? I argue that, under our current situation of shareholder capitalism in the USA and the UK, shareholder value will always win out over purpose. Listed corporations are surrounded by powerful mechanisms that relentlessly reinforce the dominance of shareholder value. Whatever noble purpose they might have declared at their founding, their listing on a stock market will inevitably be corrupting. Corporations that seek to build in a structure to assure their pursuit of purpose, such as Certified B corporations, are rare and short-lived on stock markets. Even dominant tech companies whose founders maintain absolute voting control, such as Facebook and Alphabet, bow down before shareholder value. It is like gravity, and eventually, it always wins.

But recent developments suggest that democracy from below and from above might provide the tools for reform. Employees in tech giants and elsewhere are banding together to demand that their employers live up to the hallowed values they proclaim in their mission statements. Greater workplace democracy can ensure that corporations stay true to their purpose. And both government bailouts and the growth of market-spanning index funds create vehicles to rein in corporate mis-behaviour. The pandemic, it seems, may provide the occasion for more democratic interventions in corporate behaviour.

The Case for Purpose

Professor Mayer and the British Academy suggest reforming the current system by requiring firms to declare a purpose. The point of a purpose is 'to produce profitable solutions to the problems of people and planet' and 'not to profit from producing problems for people or planet' (Mayer, 2020, p. 3). A purpose is precise in the problems it aims to solve – for example, to eradicate Type 2 diabetes in the case of Novo Nordisk. Purpose creates trust and greater commitment with customers, employees, and suppliers, and can, therefore, be highly profitable. Indeed, declaring a purpose may produce maximum profit for shareholders, but it need not.

How to get corporations to adopt a purpose and pursue it sincerely? Unfortunately, governments alone are insufficient to regulate purpose because corporations are legally footloose and grow ever bigger and more global, while their assets increasingly consist of intangible intellectual property that does not reside in any particular jurisdiction. Reforming the corporation is, therefore, a systems design problem, requiring reformers to address several interrelated issues – corporate law and the duties of directors, regulation, the meaning of ownership, measurement and accountability – all aimed at orienting corporations toward purpose, as defined.

This transformation may not be that radical: if the corporation does not profit from creating problems, then 'any purpose is beneficial, even if it emphasizes profits over other considerations'. Purpose-oriented corporations need not look all that different from the ones we already have. But, Professor Mayer notes, public benefit corporations may offer a plausible format to achieve commitment to purpose. How to scale this to the level of an industrial economy is a task for another essay.

Corporate Pathology

I am, frankly, a bit sceptical about the prospects for reform. Perhaps corporations are inherently corrupt or corrupting, with or without purpose.

Let us first survey the magnitude of the problem we are trying to solve. Put bluntly: nearly every major societal pathology in the West today – certainly in the USA – is caused or exacerbated by profit-oriented corporations.

Consider the opioid epidemic. Opioids kill 64,000 people per year in the US, and overdoses are the leading cause of death for Americans under age 50[1] – beating gun violence and car accidents. This epidemic is overwhelmingly due to the marketing efforts of legal drug companies, particularly Purdue Pharma, maker of Oxycontin. Purdue aggressively marketed its highly addictive product to prescribing doctors beginning in the late 1990s and persistently lied to physicians about how addictive Oxycontin was (Van Zee, 2009). Other firms followed in Purdue's footsteps, using questionable practices[2] such as paid speaker engagements to 'incentivize' physicians to prescribe their products for off-label uses. The drug industry's trade association PHRMA consistently opposed placing limitations[3] on prescribing opioids. The USA has experienced an unprecedented decline in life expectancy over the past several years, which is largely attributable to an opioid epidemic directly caused by profit-seeking corporations.

Likewise, the obesity epidemic can be laid at the feet of the processed food industry. Nearly 40 per cent of American adults were obese in 2016[4] (that is, a body mass index over 30), and a large majority are overweight (a body mass index over 25), with all the attendant health consequences. Soda companies serve bubbly sugar water with no nutritional value in single-use plastic containers that will be with us on the planet forever. Snack food companies operate research labs which engineer calorie-delivery vehicles to optimize the mix of sugar, salt, and fat for overconsumption. Cheetos, for instance, are designed for 'vanishing caloric density': their puffy mouthfeel tricks the brain into not feeling like the stomach is full, no matter how many Cheetos are consumed (Moss, 2013). (They are also, inevitably, served in single-use plastic containers that will be with us on the planet forever). Widespread obesity is the predictable outcome of America's 'big sugar' and processed food industries seeking to maximize profits, just as widespread lung diseases were the result of tobacco usage. And soda companies are distinctly vigorous when pursuing public policies[5] that allow them to fatten us up unhindered.

Nicotine addiction is making a comeback thanks to vaping. Cigarette smoking has been in decline for generations and had reached an all-time low among kids under 18 in recent years. Then came Juul, an electronic nicotine delivery system created by two Stanford students. Investigations revealed that Juul explicitly marketed their highly addictive product to children[6] with fruity flavours and ad placements on the websites for

Cartoon Network and Nick Jr. By 2019, over 10 per cent of middle-school children reported using e-cigarettes in the previous month, along with one in four high school students. After decades of progress, nicotine addiction was back with a vengeance.

Social media, once seen as a harmless distraction, has grown to be a potential threat to people's well-being, and perhaps even to democracy itself. Facebook and similar platforms are engineered to promote compulsive usage[7] through a variety of 'variable reinforcement' rewards. Studies have shown Facebook's potentially deleterious effects on depression and anxiety, particularly among the young (e.g., Kross et al., 2013). Moreover, Facebook has served as a vehicle to enable campaigns of ethnic persecution and election hacking, all for the purpose of selling ads. As Shoshana Zuboff (2019) describes in clinical detail, social media and other tech companies have ushered in a new era of 'surveillance capitalism,' which is at least as sinister as it sounds.

The single greatest challenge we face as a species, the climate catastrophe, might glibly be attributed to our 'addiction' to fossil fuels. The fossil fuel industry, like Big Pharma, Big Sugar, Big Tobacco, and Big Tech, has long muddied public debates with aggressive lobbying and by funding dubious science about the benign consequences of carbon emissions. But the problem here is even bigger. To the extent that energy-fuelled economic activity releases unwanted carbon regarded as an externality, then it is hard to see a way out given our current legacy corporations. If carbon emissions are 'free,' they will not stop. And if the major petroleum corporations actually make use of all the underground oil booked as assets, as profit seeking demands, then our species may perish.[8]

It is almost as if business executives somehow believed that 'companies should produce addictive products, minimize their wage bills and costs of employment, pollute the environment, avoid paying taxes so long as this raises their share price and does not undermine their share price for reputational or other risk reasons' (as Professor Mayer wrote in an earlier draft of his essay).

Etiology of Shareholder Primacy

Well, how did we get here? Capitalism inherently creates incentives to privatize profit and socialize risk, but shareholder capitalism in the English-speaking world seems far more malignant than the alternatives. Shareholder primacy – the idea that corporations exist to create shareholder value, unerringly represented by changes in share price – is a relatively recent mutation that I would date to the early 1980s. A self-published manifesto by a pair of obscure financial economists began its ascent to becoming the most widely cited paper in economics in the past half-century (Jensen and Meckling, 1976). Dozens of event studies in the *Journal of Financial Economics* provided 'scientific evidence' of which practices created shareholder value and which destroyed it. Along the way, theorists in finance and law catalogued an edifice of best practices in corporate governance, with an unconstrained 'market for corporate control' as the essential Darwinian mechanism to cull the weak (Davis, 2005).

Shareholder primacy had its own unassailable moral syllogism to justify it. Per Milton Friedman, firms maximize social welfare by maximizing profits, because in a world of mutually voluntary exchanges (and in the absence of force or fraud), profit is simply a measure of social welfare created: the essence of 'profit' is that customers value something

more than it costs to provide it to them. And we know from the efficient market hypothesis that share price is the best measure of sustainable future profitability. Therefore, firms maximize social welfare by maximizing share price. Now that we have gotten this out of the way, all those pesky discussions of 'ethics' and 'social responsibility' become moot: follow the North Star of share price, and all will be well.

This idea had real consequences for public policy in Reagan's America and Thatcher's Britain. One in three Fortune 500 corporations experienced a change in control during the 1980s through hostile takeovers and negotiated mergers, with undervalued conglomerates bought up and split into their component parts (Davis et al., 1994). The terrified executives of those corporations that remained voluntarily restructured en masse, leading to waves of layoffs and outsourcing that left the corporate sector lean, mean, and focused on a core competence. The state religion of shareholder value was reinforced by newly empowered institutional investors, the broad spread of defined-contribution pensions, and executives compensated through stock options. By 2001 most American families were invested in the stock market, and shareholder primacy was mandatory. We all had a stake in rising share prices (Davis, 2009).

Students in business schools were marinated in the new orthodoxy, as finance and consulting replaced industry as the dominant career choice of graduates (Khurana, 2007). Like plastics in the ocean, shareholder primacy was toxic and pervasive, and surprisingly difficult to root out of the curriculum. Shareholder primacy still holds sway today in most MBA programs – a zombie doctrine that seemingly refuses to die (even as the MBA itself seems headed toward extinction).

Are Public Corporations Even the Right Thing to Fix?

How relevant is the doctrine of shareholder primacy in an economy where listed corporations are vanishing? By 2012 there were half as many public corporations in the USA as there had been 15 years before, and their numbers have stayed flat since then (Davis, 2016). According to the World Bank,[9] the UK has shed 1/3 of its listed companies since 2006. In other work I have described the reasons for this shift, but in short: pressures from Wall Street encouraged firms to have as few employees and assets as possible (known as 'Nikefication' after the asset-light sneaker company that outsources almost all its production). It is increasingly feasible to rent inputs into a firm rather than own them, and some of the 'biggest' corporations in the world have very few employees and very little in the way of tangible assets. Netflix, for instance, operates in dozens of countries around the world but has only 8600 employees globally, and rents server space from Amazon. Instant Pot created a $300 million product category with only 50 employees by relying on Chinese vendors for manufacturing and Amazon for distribution. TikTok, the pervasive social media platform, has just 35 staff.

But a firm without assets has little need to go public. The whole point of listing on a stock market was to raise capital on a large scale to fund needed investments, and to spread risk among dispersed investors. Share options could also provide incentives for investors and employees. In an economy in which anyone with a credit card and a web connection can launch a business from their dorm room with minimal capital, outsourcing production to Alibaba and personnel to Upwork, and renting server space

from Amazon Web Services, the appeal of being a public corporation is increasingly questionable. Thus, shareholder capitalism is like a snake eating its own tail. Pressures from Wall Street led firms to outsource to generic vendors, and now those same vendors are available to anyone.

It hardly needs to be said that the pandemic-induced recession, or possibly depression, will inevitably lead to massive bankruptcies, fire sales, and liquidations. High Street retailers are facing an extinction event, and mall-based chains are rushing into bankruptcy, leading to a prediction that at least one in three shopping centres in the USA will be shuttered in the coming months. How many remaining corporations will be de-listed from the stock market is anybody's guess, but one in four seems plausible.

As the number of listed firms declines in the USA, 'the market' is increasingly just the S&P500 – an index of the 500 largest market cap firms – and the S&P500 is increasingly just five big tech firms and 'other'. At this writing, Microsoft, Apple, Amazon, Alphabet, and Facebook make up 22 per cent of the value of the entire index.

At the same time that the stock market is increasingly concentrated in one big index, the firms in that index are increasingly owned by three giant investors (Fichtner et al., 2017). As of 2019, Vanguard, BlackRock, and State Street – the three largest passive index funds – together owned 21 per cent of the S&P 500. Vanguard was the single largest shareholder of 330 of the largest 1000 US corporations by revenues, including Apple and Microsoft; AT&T and Verizon; JP Morgan Chase and Citigroup; ExxonMobil, Chevron, Phillips 66, and Marathon; UPS and FedEx; Boeing, GE, IBM, Procter and Gamble, and hundreds of others. Berle and Means (1932) described how, during the early decades of the 20th century, control of corporate assets and employment were centripetal, while corporate ownership was centrifugal, leading to a situation in which nearly half of the biggest firms lacked a single 5 per cent shareholder. Nine decades later, both these tendencies have reversed: corporate assets are disaggregated, while ownership is more concentrated than it has ever been.

In short, in those countries where 'shareholder primacy' held sway, public corporations are disappearing, and those that remain look nothing like their predecessors. Prescriptions informed by an understanding rooted in the blue chips of the 20th century – Bethlehem Steel, Eastman Kodak, Sears, Union Carbide, Westinghouse – will have little relevance to our current unsettled corporate world.

Shareholder Value Beats Purpose

Can declaring a purpose help? It is an intriguing idea, backed by an eminent group of scholars who are quite familiar with the kinds of objections that I raise. Professor Mayer shares my concerns with the pathologies of shareholder capitalism and is well-versed in the challenges of reform. But he is an optimist, whereas I live in the United States in 2020, which is like binge-watching an entire season of *Black Mirror*, all day every day.

Purpose cannot solve the problem of shareholder primacy because shareholder capitalism is inherently corrupting of purpose. As I see it, purpose is weak and malleable, but share price is strong and inflexible. When purpose and shareholder value get into a boxing ring, I will bet on shareholder value every time.

Prof. Mayer is appropriately dismissive of corporate mission statements. Mission statements present a hyper-optimistic Potemkin Village: corporations exist 'to give people the power to build community and bring the world closer together' (Facebook) or 'to refresh the world in mind, body, and spirit, to inspire moments of optimism and happiness … and to create value and make a difference' (Coca Cola). Surprisingly few corporations have mission statements that say, 'We exist to wring profit out of the moral weakness of a credulous population'.

But whatever uplifting mission a shareholder-owned corporation might declare on its website, the true mission of creating shareholder value is inescapable. As documented by a generation of financial economists under the rubric of 'corporate governance', the capital markets in the Anglo-American world have evolved a vast matrix of institutions to ensure that corporate managers seek to increase share price. These include outsider-dominated boards of directors selected for their expertise at serving shareholder interests; rigorous financial auditors whose reputations depend on their integrity; activist investors who stand to profit from share price increases; hordes of equity analysts who call out any decisions that don't increase shareholder value; executive compensation systems tied to share price; shareholder-friendly corporate law; stock markets with rigorous pro-shareholder listing standards; and a market for corporate control that punishes firms with undervalued shares (Davis, 2005). All these mechanisms combine to enforce a monomaniacal executive focus on share price. Like sociobiologists in the 1970s, who found that every choice people make could be explained in terms of maximizing reproductive success, law and economics scholars wielding event studies and the efficient market hypothesis found that the institutions surrounding public corporations functioned to guide firms toward maximizing shareholder value.

We don't have to buy the whole fantasy world of JFE circa 1990 to believe that corporations face unrelenting pressures to keep their share price increasing. And just as a fish that finds itself swimming in the Mississippi Delta will be fouled by its toxic surroundings, any corporation that ends up listed on an Anglo-American stock market will end up bowing before shareholder primacy, whatever their stated purpose.

How is corporate virtue lost on the stock market? The template looks something like this: a start-up offers a valuable product or service (a search engine to find the most relevant sites on the World Wide Web; an online platform to share stories and pictures with friends; a tool to help smokers wean themselves off cigarettes). In order to grow, the company seeks outside financing. Under the guidance of investors, the company implements an ambitious growth plan that requires them to extend beyond their initial idea by finding more profitable uses for their assets. And…now they are gathering intrusive user data to sell advertisements, hosting meetings for genocidal hate groups, and addicting children to candy-flavoured nicotine.

Even the most benign-seeming organization can turn into a monster under the influence of shareholder primacy. Shoshana Zuboff describes how idealistic start-ups like Google, famous for their (now abandoned) cultural dictum 'Don't be evil', came to weaponize user data under the influence of investor pressures. After all, once a firm has built up some capabilities or come into possession of some assets, managers and investors will inevitably ask 'How can we use these to profit?'. A company that finds itself in possession of detailed and horrifyingly intrusive information on hundreds of millions of users will

have a hard time resisting the siren's call to use that information for profit, particularly when the siren takes the form of venture capitalists on the board or activist investors who have accumulated a block of shares. DesJardine et al. (2020) find that activist hedge funds specifically target corporations with higher levels of corporate social responsibility (CSR), which they regard as a waste of shareholder resources – and that their campaigns are effective in reducing CSR. And it is surprisingly difficult to find cases of public corporations in which purpose was sufficient to hold off the imperatives of shareholder value, even when (as in the case of Mark Zuckerberg at Facebook, or Sergey Brin and Larry Page at Google) the founders have absolute voting control and can ignore the market for corporate control. After all, employees recruited with sweet options packages will not stick around if they don't get paid.

Professor Mayer mentions Public Benefit Corporations as a possible structural approach to keeping corporations oriented toward purpose. The history to date of B Corporations supports my point about the corrupting power of stock markets. Although there are hundreds of Certified B Corporations and Public Benefit Corporations, to my knowledge only four have ever gone public in the USA. Rally Software went public in 2013 and was acquired in 2015. Craft-selling platform Etsy went public in 2015 but was battered on the market and gave up its B status in 2017 after its original CEO was replaced by one more friendly to shareholder interests, at the behest of large investors. Laureate Education, backed by private equity giant KKR, went public in 2017 as a Benefit Corporation. And Lemonade, a homeowners-insurance platform, went public as a Public Benefit Corporation and a Certified B Corporation in July 2020. In short, it appears that the markets will allow a maximum of one or two benefit corporations to survive at any given time. This does not bode well for a revolution in corporate forms contemplated by Professor Mayer and colleagues.

The Chance to Build Back Better

We are currently experiencing an omni-crisis of politics, economics, and public health that will reverberate for years to come. Returning to normal is not an option. Businesses are going to fail on a massive scale, and we will be required to re-build. We also need to re-build competent and accountable governments. How might we build back better – how might we use this crisis to create the economy we want to live in, and not the one we were bequeathed by the wrong turn of shareholder primacy?

One approach is from the bottom up, by making corporations (or their successor organizations) more democratically accountable to their own members. That is, if we want companies to pursue a higher purpose and to avoid paths that are profitable but morally questionable, let's give democratic control to those who do the real work. The past 2 years have seen an unprecedented surge of worker activism demanding that leading tech companies live up to the ideals that they proclaim. Microsoft employees protested a half-billion dollar contract with the Defense Department to provide augmented reality goggles for battlefield use, stating 'We don't want to be war profiteers'.[10] Hundreds of Facebook employees signed an open letter demanding that the company change its lax stance on misleading political advertising, calling the policy 'a threat to what FB stands for'.[11] 8700 Amazon employees signed an open letter to Jeff Bezos and the board[12]

supporting a shareholder proposal aimed at taking on climate change more aggressively, and over 1500 of them walked off the job as part of a climate strike. Salesforce workers sent a letter to CEO Marc Benioff seeking to sever the company's ties with Customs and Border Protection, the agency responsible for imprisoning toddlers on the USA/Mexico border, stating 'We cannot cede responsibility for the technology we create, particularly when we have reason to believe it is being used to aid practices so irreconcilable to our values'.[13] And in November 2018, 20,000 Google employees around the world walked out to protest a broad set of the company's policies, from tolerance of sexual harassment to the treatment of temp workers.[14]

In each case the actions were driven by values – perhaps even purpose – rather than traditional grievances around wages and hours. (Silicon Valley workers are notably well-paid: the median Facebook employee, for instance, makes $248,000 per year). Employees identify with their place of work, and these workers could not abide by the paths that their companies were taking. Perhaps more than any other constituency, workers experience the reputational consequences of being associated with a firm that fulfils its purpose – or fails to. Indeed, some tech firms are finding it harder to recruit on college campuses because of their corporate practices and reputations, dubbed a 'techlash'.

It is not just tech firms that are experiencing a rising consciousness of worker power. Workers at General Electric's aviation division discovered during the Covid pandemic that their plants had the equipment suited to making ventilators, and demanded that the company retool to manufacture the needed healthcare equipment and bring the plants back online.[15] Frontline workers are likely to be far more in touch with both the needs of the world outside, and the possibilities for using the company's resources to meet them, from manufacturing healthcare equipment to working toward racial justice.

Why is this happening now? Information and communication technologies, particularly social media and smart phones, make corporate boundaries increasingly transparent. What happens at work does not stay at work: mistreated employees have voice through Glassdoor, and contracts with unsavoury clients can quickly go viral. Moreover, the tools that have enabled social movements to arise rapidly and head to the streets have the same effect on the workplace. And while the pandemic is seeing many companies implement intrusive surveillance software to keep tabs on those working from home, tech workers are unlikely to allow a corporate Stasi to arise to keep them in check.

The same electronic tools that allow us to work from home – or that allow management to relentlessly track salesclerks, waitresses, and warehouse staff as they go about their tasks – could also be used to enable broad workplace democracy. It is trivially easy today to share information broadly via smartphone, to brainstorm, to poll participants' opinions, to reach rough consensus, and to choose a course of action collectively. (My favourite tool for this is Loomio, created by a worker-owned coop in New Zealand). Why should we leave it to the C-suite – those furthest from the action on the ground – to choose the right path? And why should it be the job of the shareholder-elected board of directors to choose something as important as a corporate purpose?

It may be premature to abandon hierarchy entirely, but even within a traditional corporate structure, there is long-standing precedent in Germany and Scandinavia for worker representation at the board level. Perhaps the interim solution is a combination of worker-elected directors at the top, and ICTs for daily democracy at the bottom.

An inspiring social movement of academics has arisen to support the effort to create more democratic workplaces (Ferreras et al., 2020): Democratizing Work (at https://democratizingwork.org/). Over 6000 scholars have signed a statement that ends:

> Let us fool ourselves no longer: left to their own devices, most capital investors will not care for the dignity of labor investors; nor will they lead the fight against environmental catastrophe. Another option is available. Democratize firms; decommodify work; stop treating human beings as resources so that we can focus together on sustaining life on this planet.

There is, in short, a role for academics in this movement to build back better, by enabling greater democracy at work. How might we use these new information tools to create a democratic ballast for purpose-driven companies? Now is a time for academics to support this effort through research and teaching.

A second approach to democratic reform is from above, by reviving and updating the kinds of government regulations (antitrust, labour regulation, securities and banking laws) that progressives used to tame the 20th century corporation. This will require re-thinking the toolkit – the corporations that need reform today are very different from the 20th century blue chips – but scholars are up to the task. There has recently been a wave of scholarship on the 'new monopolies' in tech and elsewhere (e.g., Zuboff, 2019) that provide a strong start for 21st century regulatory reform.

Two additional tools can also be brought to bear. First, the economic crisis has led to massive and ongoing government bailouts. In the USA, at least, the state has a potentially powerful bargaining position to demand post-bailout control. Perhaps this is the time to reconsider the place of government ownership in some industries. (The shares of petroleum companies are going for cheap, so if there were ever a time to gain leverage over this industry, it is now). Of course, it is also essential to point out that electoral democracy itself is not immune to hacking, often promoted by the same ICTs that enable democracy at the grassroots level. The wave of Potemkin nationalist populism that has swept the West over the past few years, and the role of state ownership in China, cautions us against too much optimism for government's role in guiding industry in a human-serving direction. But the promise of workplace democracy as a check on state overreach, as evidenced by the techlash, provides some reason for hope.

Second, the reconcentration of corporate ownership in the hands of three giant index funds also suggests a path toward large-scale reform. Index funds are eternal, universal owners. They don't sell, and thus have a very long-term time horizon. And they own firms in every sector, so they do not favour the parochial interests of a particular industry or geography. Rather, their interest is in the long-term value of the corporate economy in the aggregate. If reversing climate change and investing in employees pays off in the long run, for instance, then index funds should favour it. If limiting the market for corporate control is on average good for business, they should support it. And if corporate purpose really is a good idea, even if it occasionally takes a few months or years to win out, then index funds should love purpose. Given that index funds are owned by a fairly broad swath of the population, this is a potential lever for enabling more democratic control of the economy.

CONCLUSION

These are critical times in management scholarship. The coming months will determine what the economy of the future will look like. Will it be a dystopian nightmare of increasing corporate dominance, in which a handful of unaccountable corporate hegemons use pervasive information technology to control our daily lives, or will those same technologies open up the prospects for democratic renewal? In this essay, I have shared some thoughts about different paths forward. I am sceptical about purpose, but I share the aims of Professor Mayer and the British Academy to create a more humane economic system. Perhaps we can find common ground in democratizing the corporation and creating opportunities for democratic control of the corporate economy.

The work ahead is challenging: shareholder primacy has done a lot of damage, and the inertial forces holding it in place are powerful. And my sketch of democratic possibilities has been necessarily limited. But I am optimistic that the next generation of management scholars (Ferreras et al., 2020) will help enable a transition out of the failures of shareholder capitalism.

NOTES

[1] https://www.nytimes.com/2017/10/26/us/opioid-crisis-public-health-emergency.html
[2] https://www.theguardian.com/us-news/2019/jul/24/opioids-crisis-big-pharma-drugs-carnage
[3] https://www.nytimes.com/2018/02/08/business/opioids-addiction-pharma.html
[4] https://www.nytimes.com/2018/03/23/health/obesity-us-adults.html
[5] https://www.nytimes.com/2018/06/27/upshot/california-banning-soda-taxes-a-new-industry-strategy-is-stunning-some-lawmakers.html
[6] https://www.theguardian.com/commentisfree/2020/feb/14/juul-vape-smoking-e-cigarettes-health
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