


# MUSINGS

BY MARJORIE KELLY

## And Now for the Surprise Answer . . .

*Readers weigh in on 'The purpose of capitalism'*



**I**T'S A QUESTION THAT SEEMS TO GET PEOPLE GOING: WHAT'S the purpose of capitalism? I've asked it in several venues lately, including in our January/February issue. Peter Johnson assigned it as a topic for his economics class at Winona Senior High in Winona, Minnesota. And several college classes are doing the same. My living room floor now sports a pile of 130 letters, faxes, phone messages, e-mail responses, and high school theme papers. Milton Friedman might be surprised at what they're saying.

Sitting in my red arm chair the other night, I conducted a highly scientific analysis of this evidence. I made two piles:

A) The stockholder group: those who think private gain is the real aim of capitalism. Some like it, some don't. But they agree it's the purpose.

B) The stakeholder group: those who think a broader social purpose is the real aim.

When we launched *Business Ethics* more than nine years ago, I would have placed the stakeholder camp at maybe 20 percent of the population. My evidence shows it's now a majority—about 60 percent.

But let's start first with the old school. E-mail writer Ray Looney (known on-line as "LooneyTunes") chastised me for "mouthing socialist dogma," and said, "Capitalism provides an orderly, voluntary system for people to exchange products and services. It need not be any more complicated than that." A student named Tom said bluntly that to "make a profit" was the purpose of capitalism; "it's every man for himself (women too, but hey, it's just an expression.)" This traditional group was about 25 percent of my respondents.

Add to that another 15 percent who agreed that private gain was the purpose of capitalism—but thought it was a lousy purpose. E-mail correspondent Charles Knight wrote: "The purpose of the ideology is to justify the spoils that shareholders and other privileged groups in the system are able to acquire."

In total, about 40 percent agreed that, like it or not, maximum private gain is still the purpose of capitalism. But a surprising 60 percent thought capitalism is really about serving a community of stakeholders.

Some tackled it head-on, like Derrick Grimmer of Ames, Iowa: "The purpose of capitalism is to efficiently distribute goods and

services among peoples of the Earth in as equitable and just a manner as possible." A student named Bryn wrote, "The real purpose of capitalism should be to make everyone happy," and added: "Although this idea may seem far-fetched, it's still something to think about."

Others came at it through the back door, saying that in order to serve stockholders, businesses had to serve all stakeholders. In a phone message, Merlin Bicking of Woodbury, Minnesota, put it succinctly: "What masters should a business serve? Its customers, its employees, and its shareholders, in that order. If you don't take care of the first two, there's nothing left for the third."

A provocative comment was made by Adam White, an investment consultant in St. Paul, Minnesota. "First, capitalism is not economic freedom," he wrote. "It is a complex web of legal protections and safe havens for a defined group of economic participants. Secondly, what if a free society freely decides to create stakeholder institutions? Would a libertarian find that free decision improper?"

The solution he proposed was to have all publicly owned companies begin as shareholder firms—but upon reaching a certain level of impact on society, become stakeholder firms. These would have two types of shares: traditional equity and shares of stake, which confer voting rights only. All citizens would receive a stakeholder voucher, which could be traded publicly—not for dollars, but for shares of stake. This would give everyone "a sufficient and equal power in the overall economic arena."

Surprisingly to me, adults were far less traditional than students. Only 20 percent of my adult respondents supported "maximizing stockholder return" as the purpose of capitalism, while among high school students it was 70 percent. It may be that those of us in the work world perceive more readily that the ground is shifting, and the textbooks haven't caught up.

Students may not see it yet, but it's my perception that we're midway in an evolution from stockholder to stakeholder thinking. And the pile on my living room floor tells me we're farther along than we think.

*(To Adam White and to Bryn, the coveted chocolate-covered Rice Krispies treats. And to everyone, many thanks.)* ☞



**"The real purpose of capitalism should be to make everyone happy."  
—Bryn, high school student**