

Why the conservative case against stakeholder capitalism is faulty

*There is a groundswell of support for stakeholder capitalism among corporations. But with the movement's success comes a backlash from conservative voices. **Peter Vanham** focuses on one such voice, expressed in the book *Woke, Inc.: Inside Corporate America's Social Justice Scam*, by Vivek Ramswamy, who decries America's turn to stakeholder capitalism. According to Vanham, Ramswamy loses the plot in equating the stakeholder philosophy with "wokeism".*

American capitalism has become a "con", Vivek Ramaswamy argues in the opening pages of "[Woke, Inc.: Inside Corporate America's Social Justice Scam](#)". Large companies, he writes, have come to "pretend like [they] care about something other than profit and power, precisely to gain more of each". America has become a corporatocracy, and the way companies got away with it, is by nominally adhering to "stakeholder capitalism" and "wokeism", while using the goodwill that came with it to put democratic accountability to bed.

It's a powerful opening statement, because it weaves together three distinct but verifiable phenomena: one, corporate America has indeed turned away from "shareholder capitalism" and towards "stakeholder capitalism". (In 2019, the US Business Roundtable, a lobby of America's largest companies, came out with a [statement in support of stakeholder capitalism](#)); two, young generations in the US have become "woke" to the systemic discrimination and inequalities they believe are still present in their country, and three, democracy in America is increasingly held hostage by corporate lobbying and donations.

In Ramaswamy's reading, these three phenomena are so intrinsically interwoven that you could describe them as being in a *menage à trois*: "Circumstances forced wokeness and [stakeholder] capitalism together," he makes his case, but "they only stayed together so they could both gain money and power." A series of anecdotes and examples that follow have to back up that bold claim.

When Goldman Sachs in 2020 declared it would "refuse to take companies public unless they had at least one 'diverse' member on their board", for example, it did so at a time "every single company in the S&P 500 was already abiding by Goldman's diversity standard". Goldman's move was thus "an ideal way to attract praise without taking any real risk." But the announcement came only shortly after Goldman had agreed to \$5 billion in fines in the 1MDB Malaysian corruption scandal: the "diversity" announcement was simply a way to divert attention away from its real business practices.

Similarly, State Street, another large financial services firm, created "Fearless Girl", the statue of a little girl braving the Wall Street bull. It earned the company a lot of PR and praise from feminists, and it even got bring in clients for its "SHE" exchange-traded fund focused on women-led businesses on the back of it. But it also came on the back of State Street battling a lawsuit from female employees over the lack of equal pay. Finally, he mentions Unilever, whose partnership with UN Women on gender equality issues, Ramaswamy believes, is "inextricably linked" to a lawsuit it is facing from Kenyan workers over the company's failure to protect them from post-election violence.

Are these "corporate social responsibility" actions really as cynically linked to lawsuits as Ramaswamy asserts?

One argument in the author's favour is that he could know: he interned at Goldman Sachs, holds a law degree from Yale, and gathered several billion dollars from investors for Roviant Sciences, a biotech company he founded in 2014. He thus knows the legal, financial, and corporate world from up close.

But the connections he sees also seem plausible because the power of American companies over democratic and legal institutions is well documented. Notably, Thomas Philippon, a French economist at NYU Stern, described in his book [The Great Reversal](#) not only "how America gave up on free markets", but also how the lobbying power of companies has poisoned American elections, democracy, and accountability.

That too is something Ramaswamy touches upon. In what is perhaps the most poignant example of the book, he recounts some events that took place in the wake of the explosion of Black Lives Matter protests in 2020. After the murder of George Floyd, Uber stated that it “stands in solidarity with the Black community,” and announced that it would “promote black-owned businesses” and “tie executive pay to diversity goals”. But at the same time, Ramaswamy observed, Uber “was aggressively lobbying California to pass Proposition 22, which permits Uber to classify its drivers as independent contractors rather than employees.” It is indeed cynical – or lacking in self-awareness – to publicly support anti-racism on the one hand, but to fundamentally contribute to job and income insecurity among a group where blacks are disproportionately present.

Yet Ramaswamy weakens his own credibility, by going from plausible to incredible assertions in the later chapters of his book.

It’s plausible, of course, that individual companies want to de-emphasise bad press they get by announcing some countervailing positive news about themselves. It also makes sense that companies often also have their own interests in profits in mind when they speak out in favour of a social justice or environmental cause. But to claim that wokeism and capitalism de facto got “married”, as Ramaswamy writes in one chapter, makes sense only in a romantic intellectual’s world. Similarly, Ramaswamy’s literal claim that wokeism is a religion, and that it should be treated as such, may get applause in a law grad school debate competition, but doesn’t hold muster in reality.

Crucially, Ramaswamy also misses the point on why “stakeholder capitalism” became the dominant corporate model. In reality, the stakeholder model holds that a company is more than a profit-generating unit; that it has a social function as well, and that it should act accordingly. It is a view that has existed since at least the end of World War II, when companies and citizens rebuilt society hand in hand, and echoes of it can be found as well among prior generations of business leaders.

In Ramaswamy’s reading, however, there are only two types of adherents to stakeholder capitalism: those that only *pretend* to believe in social and environmental concerns but use it only as a veil to hide their malicious business practices, and those who truly believe in stakeholder capitalism, but see in it a way to advance their radical leftist political agenda. Both, he believes, are threats to democracy: the ones because they hollow out accountability by diverting attention away from their unsavoury business practices; the others because they lobby for political and social attitudes which lead to exclusion and censorship.

It is a populist argument, and a *reductio at absurdum*. Anyone who knows the corporate world knows the spectrum of leaders is far more eclectic. Many CEOs truly believe that the role of a company is more than being a profit-generation machine; that they are part of society, and that they must contribute to it. But they come from across the political spectrum, and don’t all meddle in politics themselves. Others may indeed be more pragmatic in their turn to stakeholder capitalism, but they needn’t be disingenuous: they may simply sense a wind of change in American society, as Millennials now are the largest active group of any generation, and as they care about social and environmental issues much more than previous generations did.

Insofar as Ramaswamy—a frequent contributor to The Wall Street Journal opinion pages and a Fox News pundit—is genuine in his own analyses, and convinced stakeholder capitalism truly is a “scam”, it may be (partially) explained by the lack of public knowledge of what “stakeholder capitalism” entails in practice. That flaw makes it possible for a critic like Ramaswamy to single out opportunistic PR campaigns and dodgy business practices and claim that they truly represent stakeholder capitalism: indeed, they come from companies who say they believe in it.

Though, to be fair, the answer of what stakeholder capitalism really means, does already exist. In 2020, the World Economic Forum developed together with the so-called “Big Four” accounting firms, a set of “[Stakeholder Capitalism Metrics](#)”. (*Disclosure: I work at the World Economic Forum and co-wrote a book on Stakeholder Capitalism.*) The metrics are based on four pillars – prosperity, people, planet, and principles of governance—and point to what a stakeholder-oriented firm works towards, beyond profits: a more harmonious relationship to nature, a more equitable shared prosperity, and transparent governance. Dozens of companies from around the world [subscribed to them](#), and have started reporting on them. Other institutions that work on stakeholder capitalism often look at similar criteria, and standard-setters such as the IFRS are working on a further convergence on [sustainability-related reporting](#).

But even if stakeholder capitalism already has a mainstream definition, a fundamental dispute between Ramaswamy and those who believe in a broader role of capitalism and corporations will remain. The agreement the two groups have is that the world we live in is marred by economic inequality, environmental degradation, and other societal ills. The disagreement they will have is what the optimal solution is: those who believe in stakeholder capitalism will say we need companies to pursue more than just profit and that they should take into account the effects they have on other stakeholders. Classical capitalists like Ramaswamy will see it differently: they believe the solution lies in a more naked pursuit of profits, but with a clear delineation between democracy and capitalism.

The latter point is a welcome addition to the debate over which economic system is best suited for today, and why. But Ramaswamy would do himself a service to check his more far-fetched claims about wokeism as a religion, and of a marriage between wokeism and stakeholder capitalism, at the door. They may work well for a partisan pundit in a TV shouting match or in a siloed social media debate, but they do nothing to advance a real-world solution.



Notes:

- *This blog post comments on [Woke, Inc.: Inside Corporate America's Social Justice Scam](#), by Vivek Ramaswamy.*
- *The post represents the views of the author(s), not the position of LSE Business Review or the London School of Economics.*
- *Featured [image](#) by [Feroz Quazi](#), under a [Burst](#) licence*
- *When you leave a comment, you're agreeing to our [Comment Policy](#).*