

**Scene on Radio: Capitalism**  
**Episode 11: Better Capitalism?**  
**Transcript**

**John Biewen:** Ellen.

**Ellen McGirt:** John.

**John Biewen:** Remember this guy from our person-on-the-street interviews? Episode 4, I think it was. His name is George and he lives where I live: Durham, North Carolina.

**George, Durham, NC:** I don't know the history. I just know that it's, this is definitely not the best version of capitalism. I think we could be doing much better. (chuckles)

**Ellen McGirt:** Oh, yes, I remember George. And my oh my, does George have a lot of company in feeling that way.

**John Biewen:** You know this better than I, Ellen. It's basically been your beat for many years, right? Including those years writing for Fortune Magazine, talking with people – in particular, business leaders – about how to make capitalism better.

## Music

**Ellen McGirt:** It really was a slow boil and then suddenly it was a full-fledged conversation - at panel discussions and conferences and podcasts. Covid had a lot to do with it, the murder of George Floyd had a lot to do with it, and then suddenly we were in a full series of conversations about what capitalism could be, how it could serve more than just the shareholder and the bottom line, and were just in a world of a thousand different ideas on all of this.

**John Biewen:** This is where we make the turn to the homestretch in this season. We're gonna spend some time now, over two episodes, exploring ways that people are trying to change things. Either to make *this* economic system better - more humane, more fair, more healthy and sustainable. Or, to transform things radically, to build an economy that's fundamentally different from capitalism as we know it.

**Ellen McGirt:** I think we're gonna find, John, that there's not always a clear line that everyone would agree on between economic features that are capitalist or not capitalist.

**John Biewen:** For sure. In this series we haven't been too hung up on ideological labels.

**Ellen McGirt:** Right. We've tried to just talk in plain English about what's actually gone down historically and how stuff works in the real world.

**John Biewen:** But, that said, we are trying to do somewhat different things in these last episodes. In the final episode, coming in a couple weeks, we're gonna look at more transformative models – approaches that really do reject capitalism's fundamental assumptions and structures, or turn those assumptions on their heads.

**Ellen McGirt:** Stay tuned for that one. In *this* episode, we're gonna explore what you could call *reforms*. Which hold on to core capitalist features, like private ownership and the profit motive, but try to manage things so that markets work better and do a better job of serving people and other living things.

Theme music

**John Biewen:** From the Kenan Institute for Ethics at Duke University, this is Scene on Radio Season 7: *Capitalism*. Episode 11. I'm John Biewen.

**Ellen McGirt:** And I'm Ellen McGirt. We've been exploring the world's dominant economic system and how people shaped it over time. Now, the question is, what to do – given that a growing number of people believe that capitalism, at least in its current form, is doing more harm than good.

**John Biewen:** In this episode: we hear from some people who want to fix, or fine-tune, capitalism. In Episode 6 we heard about the Thirty Glorious Years, the decades of social democracy in the United States. Quite a few other countries have long had versions of social democracy, , and plenty of folks in those societies would say it's working quite well, thank you – life's pretty good with a mix of capitalist markets and empowered workers, tight regulations on business, and a strong welfare state – universal healthcare; affordable, high-quality childcare; abundant public housing; free college and vocational training, etc, etc. So, some of the reforms that people advocate, for, say, in the U.S., involve strengthening that kind of balance.

**Ellen McGirt:** That's a long-running debate, one that should and will continue. So, instead of dwelling on government's role in supplementing the capitalist market system, we're gonna focus on efforts to make capitalism itself work better ... for more people and for the planet. John, you're gonna share some conversations you've had with people thinking about, *and acting on*, these ideas. For starters, you're gonna take us back to Spain. (Lucky you.)

**John Biewen:** Yep. See you soon.

Music

**Sound:** Buzz, automated voice in Spanish, clang of gate opening and closing

**John Biewen:** The corporate headquarters of this company, TWOTHIRDS, don't look like corporate headquarters. It's a handsome house, several stories high, on a winding, narrow street on the edge of Mount Tibidabo, overlooking Barcelona. From here you can barely see the Columbus Monument down below, poking up like a toothpick from the cityscape several miles away.

**Sound:** voices, greetings

**John Biewen:** The staff at TWOTHIRDS ranges from young to youngish. And sure enough...

**Sound:** Loud dog bark

**John Biewen:** ...there's a big, beautiful dog padding around.

**Lutz Schwenke:** Different departments – that's the web and marketing team. Here is finance and operations. That's the coffee machine. That's the most important, uh ... It's the only one working all day here. (Laughs)

**John Biewen:** This is the boss and founder, Lutz Schwenke. And yeah, that's not a Spanish-sounding name. He's a German transplant – who also lived in Hawaii for a year in his younger days, which helps explain his ease with English.

**Lutz Schwenke:** This is all the fabrics. This is like, uh, here's pattern making, where you make all the cuts...

**John Biewen:** Schwenke's company makes clothing. The name, TWOTHIRDS, refers to the oceans which cover two-thirds of the earth. The company is – kind of – a surfing fashion brand.

**Lutz Schwenke:** Probably 90% of the customers don't surf or have anything to do with it at all. And a lot of people buy us because of the, because of rather the sustainability of the product, or the design of the product in general. So it's surf inspired....

**John Biewen:** Lutz, who is 44, is a surfer. But that's only a small part of why he eventually founded TWOTHIRDS. He started out wanting to address problems in the world. He went to work for the United Nations and started on a PhD looking at economic development in South America. But he abandoned the doctorate...

**Lutz Schwenke:** It was all a bit too slow, maybe. And I come from an entrepreneurial family and somehow that was always something on my mind.

**John Biewen:** He started thinking about building a business.

**Lutz Schwenke:** It was rather like, I would like to found a company that has sort of something more than making money and has some type of idealism, and I just started to scan the market. So I even thought about, um, a fair trade lemonade. Then I started to read a lot about fashion, and I became more focused rather on the sustainability part than on the fair trade part, because I realized that was the third or second most toxic industry in the world. I read about cotton, about how all the farmers have a lot of problems with the pesticides, etc., and read a couple of books. So then at some point it was like, okay, I want to create a clothing brand, and it should be sustainable.

Music

**John Biewen:** Schwenke founded TWOTHIRDS in 2010. He wanted to set a good example in the fashion industry, which has a brutal reputation for many good reasons. Start with the notorious garment sweatshops in East and South Asia, where workers often earn poverty wages in miserable and dangerous conditions.

**Lutz Schwenke:** Let's say we don't have any offshore factories or anything like this (laughing)...

**John Biewen:** TWOTHIRDS garments are sewn by contractors in Spain and Portugal, with European Union wages and working standards. Schwenke says the Portuguese workers who make his company's clothes start at about one thousand Euros a month – ten times the typical pay in India or Bangladesh. It's only eleven hundred dollars, but the cost of living in Portugal is barely half what it is in the United States – or a big Spanish city.

**Lutz Schwenke:** The areas where it's produced in the north of Portugal, it's quite impressive. I mean, if you go here into Barcelona and you order coffee with milk, you pay 2.50, three Euros, whereas you go there into the villages and I ended up paying \$0.90 for a coffee, so...



**John Biewen:** Those European garment factories also have to meet EU environmental standards – unlike the plants in parts of Asia, where environmentalists have captured awful images for decades.

**Lutz Schwenke:** Like you have this, I don't want to name a country but you have this factory in country X, and they dye the product and there's a river just behind, and the river has the same color of the day than the clothing that they produce inside. And there's still a lot more of that than you think...

**John Biewen:** TWOTHIRDS doesn't use any conventional cotton, grown with pesticides. It uses organic and recycled cotton, and other fabrics like hemp and linen. But the most unusual business practice that Lutz and his company adopted is meant to address yet another fashion industry sin: waste. It's estimated that, globally, humans are hauling clothing to landfills and incinerators at the rate of one garbage truck every second, 24/7.

**Lutz Schwenke:** It's crazy. I mean, it's a system of total overproduction.

**John Biewen:** The fast fashion industry has doubled production since 2000, making mountains of cheap, low-quality garments designed to be worn just a few times. And sure enough, people are buying more clothes than ever and wearing those garments

fewer times before tossing them. In part because of this excessive production, the clothing industry produces more greenhouse gases than air travel and global shipping combined. There's so much overproduction that a staggering ten to thirty percent of new garments are never sold even once.

**Lutz Schwenke:** So, what I think is actually quite outrageous, that a lot of the, especially high fashion brands, burn their overstocks. because they don't want their margins to be destroyed or some kind of second black market – there's now actually a European law coming out which will, um, they will prohibit it, so...

**John Biewen:** To avoid adding to this waste, Schwenke decided that his company, which operates online, would not just produce a bunch of garments and throw them onto the market. TWOTHIRDS adopted a pre-order system.

**Lutz Schwenke:** ...where we put a couple of products online, we see how they sell, then we project the sales, and while people keep ordering over a period of time, we produce projected amounts and we don't just produce not knowing. And that system basically allows us to sell 100% of our stocks.

Music

**John Biewen:** TWOTHIRDS is one of thousands of companies all over the world trying to do good – or at least to do less harm – while also doing well. There’s been an overt move in parts of the business world, over a couple of decades, to reject the “greed is good” mentality of the 1980s, and to say: we care about things other than the bottom line. The planet. Our workers. Diversity and equity. The phrases have proliferated: Conscious capitalism. ESG, referring to a concern for environmental, social, and governance issues. Stakeholder vs. shareholder capitalism. One obvious challenge is to take all this talk beyond good intentions and PR. TWOTHIRDS got itself certified in 2022 as a B Corp. The U.S.-based nonprofit, B Lab, created the B Corp certification in 2006, aiming to make business “a force for good” – for real, not just in glossy magazine ads. There are now 9,000 certified B Corps in 101 countries, according to B Lab. There’s another, even larger group of companies that have a legal designation as benefit corporations. Both B Corps and benefit corporations write into their governance documents that they will balance profit and purpose, and consider their impact on “stakeholders” – workers, customers, suppliers, communities, the environment. But only B Corps are assessed by an outside party, B Lab, to make sure they’re behaving according to measurable standards.

**Lutz Schwenke:** So it was not hard for us to get those points. It also came down to packaging – no use of plastics. Um, and then I think in general we have

a lot of support programs for our employees and stuff like this, which, they value that quite a lot.

**John Biewen:** Lutz says, when he started TWOTHIRDS as a consciously green fashion company in 2010, there were few models to be inspired by – other than the much-admired Patagonia. But now he sees things changing quickly in the for-profit business world – especially in response to the climate emergency, even though that response is agonizingly late.

**Lutz Schwenke:** And I think we all have this, like, weird feeling of saying, wow, if we would have shifted in the '70s or '80s when all the Greens that we thought were all crazy were lobbying for that change, if that change would have been shifted then we would be in a totally different, um, situation. But what really keeps my hopes high is to see, over those 12 years, that in the beginning, it wasn't moving, wasn't moving, wasn't moving and wasn't moving, and now it's just like, whoook! (sound effect). Like, all of a sudden everything is recycled, everybody's pushing towards, it's like this tipping point where you see like, wow, and... I for example have, like, my best friend, he runs quite a big venture fund for solar energy. He did it in the exact same time that we did it with TWOTHIRDS. And at the beginning it was a bit here, a bit there, a bit there, and now they're basically, I mean, they're just flooding the world with solar panels.

I've never seen scales like this – insane, whole countries just pwhooook (sound effect). If that could continue this way and that speed could really keep up? And then obviously you still have this like lobby against it, of all those industry that makes money with what's not good for the world at the moment, and they obviously don't want to let go. Um, but I think it's a matter of time. I just hope it's still *on* time.

Music

**John Biewen:** But it isn't easy, Schwenke says, to run a company like TWOTHIRDS given the pressures in the marketplace. When I visit, he's struggling over a question. The company's annual sales are about 20 million dollars. Lutz is thinking he may need to expand the company to about five times that size.

**Lutz Schwenke:** It's not only the question, okay, do I need to go to 100 million to be safe as a company, to have my workers safe – and everything is like, you know, you have that size, you're not a little boat that that just falls with the first little wave that's coming? Also to be honest, if I look at the market of clothing, you either grow or you die. Like, if I just look at companies, I don't know any company that stays at ten, twenty million for thirty years. It just doesn't exist. Either they disappear or they grow.

**John Biewen:** Being bigger, he says, would give his company more economies of scale, and more clout to negotiate with fabric sellers, for example, who don't like to make what for them are small batches of material. On the other hand, he worries that a move to expand TWOTHIRDS could risk what makes the company special – and unusually ethical.

**Lutz Schwenke:** Because now I operate on my own. No one tells me what to do. I can shape everything I want. If I would, for example, have an investor, can I still provide that?

**John Biewen:** In other words, would a partnering investor – which he would need to grow quickly – insist that the company abandon some of its principles to maximize profits?

**Lutz Schwenke:** And the question is, can we come to a hundred million in our way? And that's the biggest thing that's in my head at the moment, you know.

(Laughs)

Music

**Sound:** Street ambience, going inside.

**John Biewen:** Gracias. ... door clangs shut

Ambience in lobby

**John Biewen:** Speaking of the importance of investors.

**Sound of greetings: Biewen:** John. Nice to be here.

**Jordi Llatje i Espinal:** Jordi...

**John Biewen:** Back down in the heart of the city, I've come to the Barcelona branch of Triodos Bank. It's in a castle-like building that was designed in the early 1900s, my host tells me with pride, by a disciple of Antoni Gaudi.

**Jordi Llatje i Espinal:** You know, Gaudi, the famous architect...

**John Biewen:** This is the branch's manager, Jordi Llatje i Espinal.

**Jordi Llatje i Espinal:** It's a very Catalan surname.

**John Biewen:** Triodos was founded in 1980, in the Netherlands. It has branches in the UK, Germany, Belgium, and Spain. It calls itself an ethical bank. That means, for one thing, that when customers deposit money in their accounts, Triodos invests that money

only in the real economy – not in financial instruments that just turn capital into more capital. And it invests only in a select range of projects.

**Jordi Llatje i Espinal:** First of all, we finance projects that has a positive social impact. We want to impact positively in the cultural sector, social sector, and environmental sector...

**John Biewen:** Sure, Llatje explains, the bank seeks to invest in projects that will make money.

**Jordi Llatje i Espinal:** But the most important thing is that if all these operations are not impacting positively in the society, even if they are very profitable, we don't participate. We don't collaborate. For example, we fund operations related with, um, green energies and never with, uh, fuel...

**John Biewen, in interview:** Fossil fuel?

**Jordi Llatje i Espinal:** Fossil fuels, for example.

**John Biewen:** Like TWOTHIRDS, Triodos is a certified B Corp, since 2015. The bank has 750-thousand customers in Europe, with 20 billion dollars in assets under



management. It invests in environmental projects like solar and wind farms, and organic farms; in social projects like affordable housing; and in cultural industries.

**Jordi Llatje i Espinal:** For example in culture, the, most of the Spanish movies are financed by Triodos, and you can see when you watch this movie in the theaters. So of course we can get money out of these three sectors.

**John Biewen:** Another striking way in which Triodos parts ways with a typical banking corporation, certainly an American one: In the United States, the CEOs of large corporations are now paid more than 300 times the salary of the average employee in their company – including income from company stock. That differential has soared in the neoliberal years, from an average ratio of 20-to-1 back in 1965. A top Triodos official in Spain told me the company's highest paid executive makes no more than *nine* times the *lowest*-paid worker in the company.

**John Biewen, in interview:** So, does that mean that people like yourselves, you could go to a traditional bank and make a higher salary than you do now, make more money?

**Jordi Llatje i Espinal:** Yeah, but I take it in the other way. I mean, I left the traditional banking just for working in this one. I said OK if I don't work in something that has a meaning in my life, like for example these projects here,

I'm not working anymore for the conventional banking. So yeah, of course the salaries are a bit lower, but it's not all about the money.

**John Biewen:** The salaries are adequate?

**Jordi Llatje i Espinal:** The salaries are okay. Salaries are okay. (Chuckles.)

Yeah, yeah.

Music

**John Biewen:** It's not all about the money. The money is *enough*, because other things matter, too. This goes to a major theme for Marjorie Kelly, the author of *Wealth Supremacy* who we last heard in Episode 7. Kelly argues that a huge amount of damage comes from the idea that profits – the gains that go to owners and shareholders – must be *maximized*. That article of faith needs to go away, she says.

**Marjorie Kelly:** What I say is that we need companies that are profit making but not profit maximizing. And there's, all the difference in the world is in there. You need a profit just to stay alive, right? You need more money coming in than going out, that's kind of a rule of life in the economy. But maximizing profits, you know, buying newspapers and squeezing them to death until they lie on the floor and die? No, that isn't necessary. We don't need to maximize profits. And that's what we need to step away from.

Music

**John Biewen:** There are and always have been businesspeople, in the profit-making world, who were happy to make *enough*, and not necessarily *the most profit possible*. But a lot of observers, including some who work in business, say large scale change will never happen by merely *encouraging* that choice, as a matter of values or virtue. Many argue the capitalist system needs a good strong push, and that means changing some rules.

Music fades out

[BREAK]

**John Biewen:** Here's one way to look at the idea of a better capitalism: What if the "free market" consistently worked as advertised by its biggest cheerleaders? For example, take competition. It's one of capitalism's superpowers, right? Competition pushes companies to make their products as excellent as possible, at the best possible price – to the benefit, above all, of the consumer. Interestingly, though, when

businesspeople talk amongst themselves about how to succeed, they don't always sing the praises of competition.

**Sound: Hubbub. Sam Altman, Stanford University class, 2014:** All right! Good afternoon. Uh...

**John Biewen:** That's a young Sam Altman, who's now the CEO of OpenAI, the ChatGPT company, teaching a course at Stanford back in 2014 about how to do a startup. He's introducing a special guest speaker.

**Sam Altman:** Today's speaker is Peter Thiel. Peter was the founder of Paypal and Palantir and Founders Fund and has invested in most of the tech companies in Silicon Valley....

**John Biewen:** Thiel steps in front of the class and comes right out with his central piece of advice – an idea he says he's “completely obsessed” with:

**Peter Thiel, 2014 lecture:** If you're starting a company, if you're the founder, entrepreneur, starting a company, you always want to aim for monopoly. And you want to always avoid competition. And so, hence, competition is for losers – something we'll be talking about today...

**John Biewen:** Thiel, who is known these days as a mentor and patron to J.D. Vance, went on to offer some familiar examples of companies that are nailing it, in his view.

**Peter Thiel, 2014 lecture:** If you look at sort of the, some of the biggest tech companies – Apple, Google, Microsoft, Amazon – they’ve just been building up cash year after year and you have these incredibly high profit margins. And I would say that one of the reasons the tech industry in the U.S. has been so successful financially is because it’s prone to creating all these monopoly-like businesses. And it’s reflected by the fact that these companies just accumulate so much cash they don’t know what to do with it beyond a certain point.

**John Biewen:** The leaders of those tech giants probably weren’t thrilled by Thiel’s comment, since they’ve all been sued for monopolistic practices by the U.S. and European governments – along with Facebook, which Thiel neglected to mention. Businesspeople don’t usually put it as bluntly as Thiel did. But it is standard practice in the business world – and completely rational – for someone looking to invest or start a company to choose an industry with few, or no, competitors.

Music

**John Biewen:** Adam Smith, back there in the 18th century, could not have imagined Google, Facebook, or Amazon. But he did know a monopoly when he saw one, and he raged against the rent-seeking – the price-gouging – that the monopolists of his time engaged in. This was Smith’s obsession: markets, he said, should be managed intelligently to maximize competition – in every way. Competition between companies to win customers. and, as we heard back in Episode 4, he wanted workers to have leverage, too, so employers would have to compete for their labor, pushing up wages. In one more famous passage from the *The Wealth of Nations*, Smith laments another way in which businesspeople conspire to avoid competition: by colluding with one another.

**Adam Smith, *The Wealth of Nations*, Book 1 (Voiceover):** People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.

Music

**John Biewen:** For people who believe in capitalism but want it to work better for more people, examples like these can lead to one kind of response: laws and regulations, thoughtfully designed to level the playing field so markets do in fact bring good things

to lots of people. This could mean a return to what historian Brad DeLong called “the arsenal of social democracy”: Empowered labor unions. Stronger environmental protections, with robust enforcement. Higher taxes on corporations and the wealthy, both to raise revenue for public projects and to reduce the astronomical wealth gap between the richest people and the rest of us. Getting to a better capitalism could also mean reining in what many consider the excesses of financialization – those maneuvers by investors and corporations to make money, as Oren Cass put it, by “turning financial assets in circles.”

**Oren Cass:** Yeah, stock buybacks are a fascinating case study in all of this...

**John Biewen:** Cass, who we also heard from in Episode 7, is founder of the conservative group, American Compass. When corporations haul in profits they don't know what to do with, they increasingly just buy up more of their own stock – rather than raising their workers' pay or investing in a new factory or product. Buybacks tend to drive up the stock price for the company's shareholders. For Cass, buybacks are another way that companies turn themselves into “financial playthings,” instead of being a source of prosperity for their communities.

**Oren Cass:** When you say, you know, we're concerned about these stock buybacks, it seems to be companies disgorging massive amounts of capital instead of investing it, the response from what I would call the market

fundamentalists, who believe markets can do no wrong regardless of what rules there are – or especially if there are no rules – what they will say is, “No, no, no, this is good. The company is returning the capital because they can't think of as good a use for it as someone else will. So now the people who receive the capital as investors will put it into other companies that will do more and better investment. And this is how we become more productive.” And that’s, like, a terrific story.

**John Biewen:** He says the trouble is, there’s no evidence that this is actually what happens.

**Oren Cass:** When you think about the people who actually receive the proceeds of stock buybacks, they're not people out there looking for places to make real investments that deploy productive capital. They’re people who are going to put it into their index funds, and off we go, spinning up more assets in circles. And so the net effect is actually to disgorge capital out of the productive economy, away from corporations that might actually deploy it and back into the financial market, where it may not do anything productive at all.

**John Biewen:** Stock buybacks became legal during the Reagan Administration, in 1982. The practice has grown more and more common – especially these days, as corporate profits soar to record levels. In 2022 companies in the S&P 500 did more



than one trillion dollars in stock buybacks for the first time. The economist Jayati Ghosh, of the University of Massachusetts, says the practice should simply be outlawed.

**Jayati Ghosh:** The only thing it does is encourage the managers, who are largely paid in these stock options, to increase their own wealth. That's the only purpose it serves. And every time you're doing a stock buyback, you have less money left for investment. So why on earth is it even allowed?

**John Biewen:** Another strategy that progressives, at least, would suggest for putting corporate profits to more productive use, is to tax them more heavily. The 2017 tax cuts under Trump slashed the corporate rate from 35% to 21%. Trump has proposed cutting it further, to 15%. Kamala Harris says she'll push Congress to raise the corporate rate to 28%.

Music

**John Biewen:** As dry as it can be to talk about, the investment of capital, and the rules and guardrails around that activity, have a powerful influence on what happens in the world. Remember John Fullerton, in Episode 1, talking about his epiphany, a couple decades ago, that bankers like him were, in important ways, doing destructive work.

**John Fullerton:** ...I then sort of looked in the mirror and realized it was young kids like me who think they're so smart who are actually driving – because finance really drives the economy. The economy is in service to financial capital in more ways than we realize.

**John Biewen:** By this point in our season, it should be clear what John's talking about. The people who control those mountains of capital really are the deciders. Should I spend this capital to build affordable housing, and address that critical shortage, or put it into a private equity firm that's buying up homes and flipping them for a quick profit? Should I *invest* my capital in *any* traditional sense, in the "real economy," towards production of any actual product or service, which would almost certainly create jobs? Or just put it into some esoteric financial instrument that'll kick out a few cents on the dollar? John Fullerton says he has lobbied U.S. government officials, unsuccessfully, to adopt a tax on financial transactions.

**John Fullerton:** The idea behind that was to sort of discourage some of the worst short-term speculative activity. Because if you tax transactions at the point of trade, just a tiny little fraction of a percent, it actually would make a lot of that trading activity uneconomic. It would add a cost to it that would make it uneconomic. And you know, so, to make it simple, you know, instead of

investing, a wealthy family putting money in a high frequency trading strategy that trades stocks in nanoseconds and scalps little pennies out and ends up with earning 8% return, that same wealthy family might invest in a solar company that's building solar farms. And so you'd shift the money from the speculative economy into the real economy – and aligned with something that the real economy actually needs, which is to transition out of fossil fuels and into solar energy.

Music

**John Biewen:** There are lots of people out there trying to change the behavior of investors. For example, the many organizations that promote “impact investing.” Which means they steer investor dollars to companies and projects that try to do good in the world and not *just* to generate profit. But that’s a hard sell to investors who are steeped in the expectation that they must always maximize the return on investment. In fact, people investing for institutions, like mutual funds, typically have a *legal*, fiduciary duty to maximize return. It’s really their only job. That might seem like an insurmountable challenge for someone trying to promote an investment in, say, a company committed to environmental sustainability. But here’s someone who thinks he has a convincing response to those investors.

**John Biewen, in interview:** So shall we just have at it, here?

**Rick Alexander:** Let's dive in.

**John Biewen:** Let's do it...

**John Biewen:** Rick Alexander is another guy, like John Fullerton, who once had a career at the center of the capitalist system, and was nobody's activist.

**Rick Alexander:** So, my first career couldn't be farther from the career that I'm currently in.

**John Biewen:** Alexander now lives in western Massachusetts, but he spent many years doing corporate law in Wilmington, Delaware, where more than half of America's largest companies are incorporated. Eventually, Rick's work introduced him to the B Corp movement. B Lab wanted Delaware to create a new legal entity and corporate structure, the benefit corporation, so B Corps could operate in the state.

**Rick Alexander:** And at the time they came to Delaware, I was the chair of this committee of the bar that sort of every year would look at the statute and look at what was happening in the world and decide whether changes were needed. And to be, like, candid, we just kind of laughed and we said, well, that's cute, that's something like Ben and Jerry's, they were one of the early B Corps, that's

something like Ben and Jerry would like, but we're serious, Delaware, you know, all the big multi-billion dollar companies are incorporated here. We can't, we're not interested in that. But they were persistent.

**John Biewen:** Alexander started doing research into B Corps, and the wider network – though still pretty small and fringe-y – of business reformers.

**Rick Alexander:** You know, there's this whole movement out there talking about stakeholder capitalism and Conscious Capitalism and all these different things out there. And I started looking at them. And the one thing, there was an academic, her name is Lynn Stout. She's – passed away too early, but she was a, at the time she was a corporate law professor at Cornell. And one of the things she said was that, well, people also have interests, self-interest, just like corporations. But people don't walk around saying, I'm just always going to take as much as I can from every situation that I can and never think about anyone else's interests. And when you do meet people like that, you call them a sociopath. And then, she went on to say, and corporations are the most powerful force in our society, arguably, why do we want to program them to be sociopathic? And I was sort of convinced by that.

**John Biewen:** He was so convinced, Rick went to work for B Lab for years. Then, he says, he had another idea – a lightbulb went on. And he started his own thing, in 2020.

**Rick Alexander:** So currently, professionally, I am the CEO of the Shareholder Commons, and we're a small nonprofit that, basically, we work with investors, institutional investors, and we try to catalyze a sort of shareholder activism...

**John Biewen:** In pursuing that goal, Alexander and Shareholder Commons take a distinctive approach – one that doesn't rely on the altruism of investors. Now, stay with me here, folks. As I mentioned before, activists who try to persuade investors to prioritize the public good will often be thwarted by that fiduciary duty – the institutional investor's legal mandate to maximize the growth of their portfolios. But Rick Alexander points out that in today's world, where a typical pension or mutual fund is invested in hundreds of companies, or more, those funds are really betting on the economy as a whole. The short-term performance of a single company in the portfolio is almost negligible.

**Rick Alexander:** And so the most important factor for a pension fund isn't whether Company X, you know, has a high margin and high sales. The most important factor for them is how the economy performs. 90% of their return is going to be dependent on how the market performs overall. And what that

means is that it's a bad trade for them if a company in their portfolio increases its own profits and its own enterprise value in a way that threatens the systems that all the companies are relying on. Like, emitting a lot of greenhouse gas, or creating a lot of inequality that leads to, you know, threats to democracy.

**John Biewen:** For example, Alexander says, If Meta, the parent company of Facebook, engages in practices that attract lots of eyeballs to the site but harm the mental health of young people, or spread misinformation that threatens democracy, that might be good for Mark Zuckerberg's bottom line because he owns many billions of dollars in Meta stock. But it's a bad investment for your pension fund, which holds shares in a whole bunch of companies and just a sliver of Meta stock. Because the long term strength of your portfolio depends on a healthy democracy and a society of mentally healthy people.

**Rick Alexander:** I'll often have this discussion with people and then like sort of a light bulb goes off and they're like, yeah of course, obviously. If I'm a shareholder and I own a company and I own 999 other companies, I don't want that one company to succeed if it's gonna hurt the other 999 companies, that's obvious.

Music

**John Biewen:** So, Alexander has designed a strategy for approaching investors that's based on their self-interest, and that of their clients. He's trying to persuade portfolio managers to make different choices based on a broader perspective, not just the immediate return on a single investment. But, as our interview goes on, it's clear that Rick has other concerns – about, oh, for example, humanity crashing through planetary boundaries because of unrestrained economic growth.

**Rick Alexander:** ...It's not just the climate. It's, you know, it's nitrogen, it's deforestation, it's soil...

**John Biewen:** Finally, I press him about his own motivation: the health of investment funds, or something else?

**John Biewen:** (Laughs) So, I don't know what my question is, but sort of, which is it? Or, uh...

**Rick Alexander:** You caught me. [Laughs] My motivation for the work we do at the Shareholder Commons is not that I woke up one morning and was worried that pension funds would not be able to meet their liabilities. My motivation is that, you know, there's too much carbon coming out from our economy – even in my lifetime, I, you know, I can watch the news. But certainly for, you know,



the next generation and the generation after. So that's my motivation. But I authentically believe...

Music

**John Biewen:** He does really believe, he says, that his economic argument is a powerful one – that for the people managing large piles of financial assets, it's smart and *financially* responsible to invest in companies that support the health and well-being of people, the non-human natural world, and society.

**John Biewen, in interview:** Yeah, I mean, I don't know, call me crazy, but if we have civilizational collapse in thirty years, our portfolios aren't going to be looking too good, are they?

**Rick Alexander:** Nope.

Music

**Ellen McGirt:** Interesting stuff, John. Rick Alexander's concept, with his organization, Shareholder Commons, just seems kinda sensible, doesn't it? To get people to think more broadly about the impact of their investments.

**John Biewen:** Yes, and to see that their long term *self*-interest is at stake. You know, Rick Alexander mentioned this law professor, Lynn Stout, who passed away a few years ago, and her point about people who think only about their own self interest being sociopaths – or psychopaths is actually the word she used. She also said this.

**Lynn Stout, YouTube Video:** Most shareholders are what we call pro-social, meaning they understand, and they are happy to be concerned about, the interests of other people, the planet, and future generations.

**Ellen McGirt:** I think that's a wonderful framing, John. You know, we're so used to thinking of shareholders and stakeholders as being in constant conflict. But this brings up the notion that buried in the shareholder perspective is a stakeholder view, where what happens in the world really matters. And it reminds me of the Indigenous American idea, that the job is to make decisions based on the well-being of folks coming seven generations in the future.

**John Biewen:** Yeah, in fact I said that to Rick, and he agreed that it's a similar idea. It's the kind of thing that I think a lot of regular people see pretty clearly, and a lot of us scratch our heads that the people running corporations and investment funds seem to operate with blinders on, just laser focused on their short-term bottom line.

**Ellen McGirt:** Right. Don't the executives of fossil fuel companies think about their grandchildren?

**John Biewen:** Another example. I was reading recently about insurance companies. They're having to stop selling property insurance in whole parts of the world, and the country, because with so many natural disasters happening, thanks to climate change, their business is just becoming untenable in these places. They're having to pay more claims than they can handle. So, some people have suggested that maybe insurance companies should reconsider granting insurance policies to fossil fuel companies and their drilling projects – for the good of their own industry and its financial viability.

**Ellen McGirt:** Aw, man, that's just some crazy talk, John. Do you mean to tell me that one thing is actually connected to another? But one problem I see with Rick Alexander's approach is that he's still appealing to the bottom line. And this is something I've found again and again with so many capitalist reform efforts – ESG, stakeholder capitalism, and so on. Folks are trying to get people to run their businesses differently, but they feel compelled to say, "but your profits won't suffer!"

**John Biewen:** Right. "You can do more good but don't worry, you'll still be doing just as well as you're doing now."

**Ellen McGirt:** And I'm afraid that's just not gonna get it done. If you're not breaking out of the core assumption that the number one task of business is to make a profit, and not just that, the *largest possible* profit, then it's hard to see real change coming. And

sure enough, after years of this kind of talk and these earnest efforts, real change has not come.

Music

**Ellen McGirt:** So, I think what this episode shows is both the promise and the limitations of these voluntary efforts. Folks like B-Lab, with the B Corp movement, and benefit corporations, and Rick Alexander with his drive to get investors to think and behave differently – these are attempts to shift the culture and the goals of business and finance.

**John Biewen:** And that’s inspiring. But at this rate that shift will take generations, and we don’t have that kind of time. That Frederick Douglass quote comes to mind, doesn’t it, Ellen: “Power concedes nothing without a demand...”

**Ellen McGirt:** “...It never did and it never will.”

**John Biewen:** For those of us who live in democracies, or so we tell ourselves: Is it outrageous to think we should just demand that our government codify how we want business to conduct itself? Make these practices that some businesses are doing voluntarily ... mandatory?

**Ellen McGirt:** You're going all radical again, John. But seriously. This brings us back to what I think is a central theme in this whole series: What's an "economy" for? And who decides? Isn't it supposed to take care of us, and serve us, and the world?

**John Biewen:** Or are we supposed to sacrifice ourselves and our future, and our only home in this universe, to feed it?

Music

**Ellen McGirt:** There is indeed another big-picture challenge to the long-term viability of capitalism, and that's the question of growth.

**John Biewen:** Right. The need for never-ending growth is pretty much baked into a capitalist economy, and for most for-profit businesses, even if they're not necessarily pursuing *maximum* profits. Many still feel they need to look endlessly for new markets, new customers, new sources of materials for their products. So if you think about Episode 9 in this series, on the book, *The Limits to Growth*...

**Ellen McGirt:** The fact that we're blowing through planetary boundaries, and we can't continue on this trajectory without causing our industrial civilization to collapse – possibly quite soon, at this point. Is there any way around that dilemma? More than a few experts, ecologists and even economists, now say the answer is no – that capitalism is inherently unsustainable.

**John Biewen:** And that we need to move toward a post-growth, or even a de-growth, economy. Not surprisingly, that is a hotly debated point.

**Ellen McGirt:** But there's one other change, just as fundamental, I think, that's required to build an economy that's fair and just. And I'm talking about power.

**John Biewen:** Ellen, you've made this point when we've talked off-line, and you've written about it. And, yeah, think about the examples in this episode. These are stories about people with power in the capitalist system – right? The people who own capital and run corporations, making different, more thoughtful or ethical or generous choices.

**Ellen McGirt:** And I know, first-hand, that there are lots of good and decent people in those positions who want to do the right thing. But – I just don't see how we'll address the severe failings of this economic system until we put a lot more power in the hands of people and groups that for so long have been marginalized – who have been on the receiving end of capitalist exploitation.

Music

**John Biewen:** Next time, in our concluding episode – I know, we could go on, there's so much that could be said but we are going to wrap things up for now: next time,

Beyond capitalism. Some ideas for – and some living, breathing examples of – economic practices that reject the core assumptions and structures of capitalism.

Credits:

**John Biewen:** This episode was made by me, with Ellen McGirt and our story editor, Loretta Williams. Music by Michelle Osis, Alex Symcox, Goodnight Lucas, Lili Haydn and Chris Westlake. Music consulting by Joe Augustine of Narrative Music. Adam Smith voiceover by Euan Kerr. Recording help from Mike Toda and Ben James. You can find a transcript of this and every one of our episodes, and info about our team, at [sceneonradio.org](http://sceneonradio.org). This season is produced in partnership with Imperative 21. The show is distributed by our friends at PRX. Scene on Radio comes to you from the Kenan Institute for Ethics at Duke University.