

Capitalism is under attack, in the US, in France, pretty much any where you look. Whether for reasons of income or wealth inequality or the damage being done to the planet, a lot of people are blaming the system. My question is, "Which capitalism?"

Is it the stick-figure University of Chicago version reflected in the orthodox finance model and in your MBA program and CFA curriculum? The damage it has done to investors in the stock market is the topic of *Getting Back to Business*, but it is too much to say it is responsible for all the ills of the world. It is an easy target, however, for its "inhumane" nature—meant literally in that individual humans play little role in the model—Merton Miller's Nobel Prize notwithstanding.

How about the type of capitalism actually practiced in the US? Yes, it is perhaps too focused on shareholders at the expense of others, but it is really far from a pure market system. Just consider Chapter 11 of the US Bankruptcy Code that allows businesses to "reorganize" rather than face the full verdict of the marketplace. Many well-known "business" people have used that non-market provision to their great advantage.

What about the continental European version, the one openly under siege now in France? The role of the state regulating and limiting the market is far greater there than it is in the Anglo-American model, and it is openly a "stakeholder" approach rather than a shareholder one. You need look no further than the structure of large public German corporations, in which the labor unions have half the representatives of the supervisory board, which oversees the company management board. Siemens is a good example. The entire approach in Germany is designed to generate a more employee -friendly environment.

Moving further East, we have Russia, a newly "capitalist" country with a completely different approach, in which the state plays a dominating role in economic activity, and is a prime beneficiary from business successes (and suffers when extractive or manufacturing industries suffer.) For many Russians, the state-directed approach appears a good deal less chaotic than what goes on in the West.

And then there is China, with a "communist" political system overseeing a long period of vibrant commercial activity that passes for its own form of capitalism. In Japan and Korea, big corporations mean a lot; indeed it is fair to call them as much "corporatist" as it is capitalist. And then there is India, and Brazil, and so forth.

The geographical fracture lines tell only half the story. Even within the Anglo-American model, there were, are and will be plenty of individuals trying to create a more inclusive business models. James O'Toole does a good job capturing their efforts in his new book, *The Enlightened Capitalists* (HarperBusiness, 2019). Why have their efforts not been more widespread and structural? That's the \$64,000 question (pre-inflation). I don't know the answer, but the historical record is absolutely clear that fully state directed economies have an even worse record. Their best efforts appear to have been in extractive industries and heavy manufacturing stages of development. For the present information-driven-economy, the state seems particularly ill-equipped. I hope the current crop of capitalism's critics generate the incremental improvements that benefit open systems like capitalism. In the meantime, throwing out the baby with the bathwater helps no one.

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