

Better Business, Better Society

Osakkeenomistaja- vs. sidosryhmälähtöinen ajattelutapa

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Kuka?



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Yrityksen tavoitefunktio?

Otteita rahoitusteorian oppikirjoista

- Copeland, Weston and Shastri (2004): "The most important theme is that the objective of the firm is to maximize the wealth of its stockholders."
- Brealey, Myers and Allen (2011): "... there is a natural financial objective on which almost all shareholders can agree: maximize the current market value of shareholders' investment in the firm."
- Van Horne and Wachowicz (2010): "In this book, we assume that the objective of the firm is to maximize its value to its stockholders."
- Brigham and Ehrhardt (2016): "The primary objective of a corporation: maximizing stockholder wealth."

Yrityksen tavoitefunktio?

Otteita rahoitusteorian oppikirjoista

... there is a natural financial objective on which almost all shareholders can agree:

maximize the current market value





*“A little knowledge is
a dangerous thing”*

Alexander Pope (1709)



The New York Times

The Social Responsibility Of Business Is to Increase Its Profits

By MILTON FRIEDMAN

WHEN I hear businessmen speak eloquently about the "social responsibilities of business in a free-enterprise system," I am reminded of the wonderful line about the Frenchman who discovered the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defending free enterprise when they claim that business is not concerned "merely" with profit but also with promoting desirable "social"

ward clarity in examining the doctrine of the social responsibility of business is to ask precisely what it implies for whom.

Presumably, the individuals who are to be responsible are businessmen, which means individual proprietors or corporate executives. Most of the discussion of social responsibility is directed at corporations, so in what follows I shall mostly neglect the individual proprietor and speak of corpora-

A black and white close-up portrait of Gordon Gekko, looking slightly to the left with a subtle, confident expression. He is wearing a dark suit jacket, a white dress shirt, and a dark tie.

“GREED IS GOOD
— GORDON GEKKO

... because Milton Friedman said so?



“GREED IS GOOD
— GORDON GEKKO

... because Milton Friedman said so?

I’ll never forget reading Friedman’s essay when I was in business school in the 1980s. [...] The headline said it all. Our sole responsibility to society? Make money. The communities beyond the corporate campus? Not our problem.

I didn’t agree with Friedman then, and the decades since have only exposed his myopia.

A CEO’s comment in New York Times, 2020



“GREED IS GOOD
— GORDON GEKKO

... because Milton Friedman said so?

The Origin Of 'The World's
Dumbest Idea': Milton Friedman

Forbes, 2013

While the most popular answer to the "how would you help the world if you had a time machine?" parlor game is going back to kill baby Hitler, don't sleep on going back to 1962 to stop economist Milton Friedman from publishing Capitalism and Freedom.

Pacific Standard, 2018

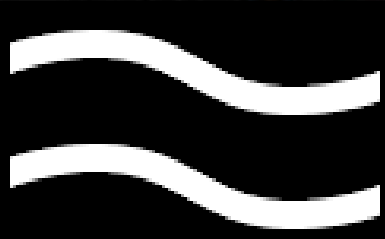
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CAPITALISM
AND FREEDOM

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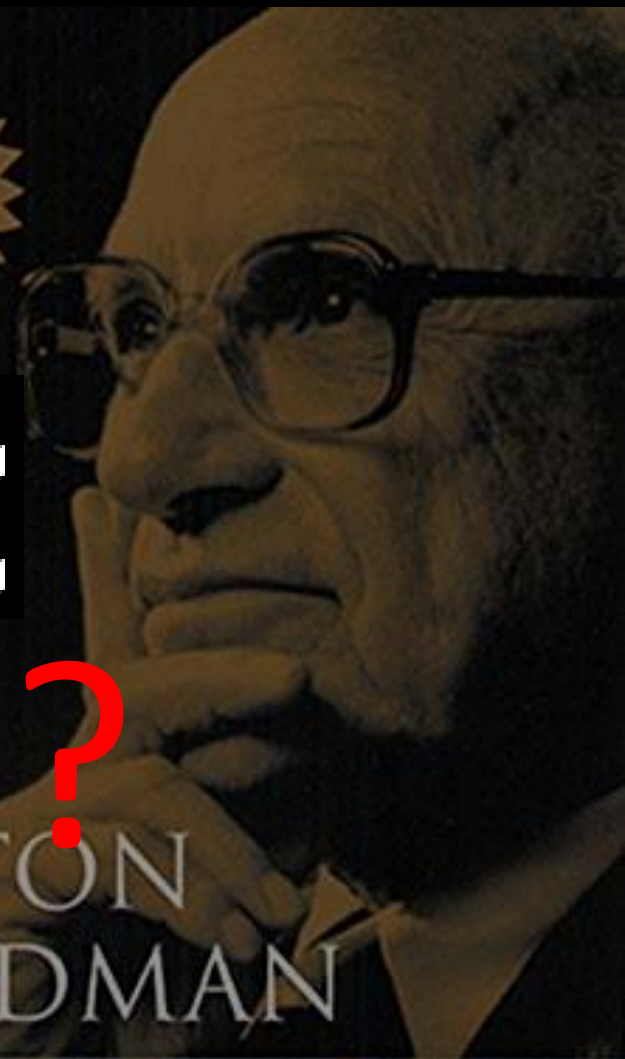


!!!???

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Miten Friedmania pitäisi tulkita?

- **Teoreema** – ei siis **normatiivinen** kannanotto, joka sopisi kaikkiin tilanteisiin.
 - Teorian väittäjä, joka on johdettavissa teorian taustalla olevista oletuksista.
- **Moraalinen kannanotto** taustalla: **maksimoida "hyvä" yhteiskunnassa.**
- Friedman lähtee liikkeelle **tietyistä oletuksista**. Jos kyseessä olisi akateeminen teksti, nämä oletukset pitäisi tietenkin esittää selvästi.
- Olettaen, että **oletukset pätevät**, yrityksen **arvonmaksimointi johtaa suurempaan hyvään** yhteiskunnassa kuin vaihtoehtoiset Corporate Social Responsibility - näkökannat.

- Huomaa, Friedmanin oletuksienkin vallitessa (joka johtaa yrityksen arvonmaksimoinnin ohjenuoraan), stakeholdereista tulee pitää erityisen hyvää huolta kunhan tämä ei sodi yrityksen arvonmaksimointia vastaan.

commitment to all of our stakeholders. We commit to:

- **Delivering value to our customers.** We will further the tradition of leading the way in meeting or exceeding customer expectations.
- **Investing in our employees.** This starts with compensating them fairly. It also includes supporting them through training and education to gain new skills for a rapidly changing world. We foster diversity and inclusion.
- **Dealing fairly and ethically with our suppliers.** We are dedicated to working with the other companies, large and small, that help us meet our mission.
- **Supporting the communities in which we work.** We respect the environment and protect the environment by embracing sustainable practices.
- **Generating long-term value for shareholders,** who provide the capital to invest, grow and innovate. We are committed to transparency and accountability with shareholders.



Statement on the Purpose of a Corporation

Kevin J. Wheeler
President & Chief Executive Officer
A. O. Smith Corporation

Andrés Gluski
President and CEO
The AES Corporation

Lee Styslinger, III
Chairman & CEO
Altec, Inc.

Robert Ford
President and Chief Executive
Officer
Abbott

Daniel P. Amos
Chairman and CEO
Aflac

Jeffrey P. Bezos
Founder and Chief
Executive Officer
Amazon

Julie Sweet
Chief Executive Officer Designate
Accenture

Roger K. Newport
Chief Executive Officer
AK Steel Corporation

Robert Isom
Chief Executive Officer
American Airlines

Carlos Rodriguez
President and CEO
ADP

John O. Larsen
Chairman, President & CEO
Alliant Energy

Doug Parker
Chairman & CEO
American Airlines

Mike Burke
Chairman and CEO
AECOM

Sundar Pichai
CEO
Alphabet

Nicholas K. Akins
Chairman, President and
CEO
American Electric Power

To illustrate, it may well be in the long-run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That may make it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects. Or it may be that, given the laws about the deductibility of corporate charitable contributions, the stockholders can contribute more to charities they favor by having the corporation make the gift than by doing it themselves, since they can in that way contribute an amount that would otherwise have been paid as corporate taxes.

The New York Times

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The participant in a competitive market has no appreciable power to alter terms of exchange; he is hardly visible as a separate entity; hence it is hard to argue that he has any “social responsibility” except that which is shared by all citizens to obey the law of the land and to live according to his lights.

Of course, competition is an ideal type, like a Euclidean line or point. No one has ever seen a Euclidean line — which has zero width and depth — yet we all find it useful to regard many a Euclidean volume — such as a surveyor’s string — as a Euclidean line. Similarly, there is no such thing as “pure” competition. Every producer has some effect, however tiny, on the

Over half
a million
copies sold

A black and white portrait of Milton Friedman, an older man with glasses, resting his chin on his hand in a thoughtful pose. The background is dark and textured.

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Idealizing conditions of perfect competition [\[edit \]](#)

There is a set of market conditions which are assumed to prevail in the discussion.

- **A large number of buyers and sellers** – A large number of consumers with market power are unable to influence prices more than a little.^[6]
- **Anti-competitive regulation**: It is assumed that a market of perfect competition is free from anti-competitive regulation.
- **Every participant is a price taker**: No participant with market power to set prices.
- **Homogeneous products**: The products are perfect substitutes for each other. Perfect substitutes (such as butter and margarine), which are relatively easily interchanged. A perfect substitute is also relatively "immaterial" in relationship to the firm's overall production.
- **Rational buyers**: Buyers make all trades that increase their economic utility.
- **No barriers to entry or exit**: This implies that both entry and exit must be possible.
- **No externalities**: Costs or benefits of an activity do not affect third parties.
- **Non-increasing returns to scale and no network effects**: The lack of economies of scale.
- **Perfect factor mobility**: In the long run factors of production are perfectly mobile.
- **Perfect information**: All consumers and producers know all prices of products.
- **Profit maximization of sellers**: Firms sell where the most profit is generated.
- **Well defined property rights**: These determine what may be sold, as well as the price.
- **Zero transaction costs**: Buyers and sellers do not incur costs in making a trade.

Täydellisen kilpailun markkinat

- **Pähkinänkuoressa: ei ulkoisvaikutuksia**
- Pareto-tehokkuus
- **Yrityksen osakkeiden markkina-arvo mittaa täydellisesti yrityksen kontribuutiota yhteiskunnalle** – jos yritys poistuisi, osakeenomistajat menettäisivät sijoituksensa ja **kenenkään muun asema ei parantuisi / muuttuisi huonommaksi.**
- **Separaatio-argumentti:** yrityksen osakeenomistajat voivat omilla rahoillaan tehdä täysin samat asiat kuin yritys: sen sijaan, että yritys tekisi "hyväntekeväisyyttä", omistajat voivat itse tehdä näin omilla rahoillaan.

Microeconomics of Market Failures

Bernard Salanié

EXTERNALITIES IN ECONOMIES WITH IMPERFECT INFORMATION AND INCOMPLETE MARKETS*

BRUCE C. GREENWALD AND JOSEPH E. STIGLITZ

This paper presents a simple, general framework for analyzing externalities in economies with incomplete markets and imperfect information. By identifying the pecuniary effects of these externalities that net out, the paper simplifies the problem of determining when tax interventions are Pareto improving. The approach indicates that such tax interventions almost always exist and that equilibria in situations of imperfect information are rarely constrained Pareto optima. It can also lead to simple tests, based on readily observable indicators of the efficacy of particular tax policies in situations involving adverse selection, signaling, moral hazard, incomplete contingent claims markets, and queue rationing equilibria.

Traditional discussions of externalities have emphasized the distinction between technological externalities, in which the action of one individual or firm directly affects the utility or profit of another, and pecuniary externalities, in which one individual's or firm's actions affect another only through effects on prices. While the presence of technological externalities imply, in general, that a competitive equilibrium may not be Pareto efficient, pecuniary externalities by themselves are not a source of inefficiency. The fact that prices change has, of course important consequences: there are both distributional and allocational effects. But, the distribution effects "net" out: gains for example, by firms whose prices increase—are precisely offset by losses—e.g., to individuals who must pay higher prices. And, there are no welfare losses from the allocation effects as long as the price changes involved are small: if firms are maximizing profits and individuals are maximizing utility, both facing prices that correctly reflect

Econometrica, Vol. 67, No. 4 (July, 1999), 741–781

INCOMPLETE CONTRACTS: WHERE DO WE STAND?!

By JEAN TIROLE²

The paper takes stock of the advances and directions for research on the incomplete contracting front. It first illustrates some of the main ideas of the incomplete contract literature through an example. It then offers methodological insights on the standard approach to modeling incomplete contracts; in particular it discusses a tension between two assumptions made in the literature, namely rationality and the existence of transaction costs. Last, it argues that, contrary to what is commonly argued, the complete contract methodology need not be unable to account for standard institutions such as authority and ownership; and it concludes with a discussion of the research agenda.

KEYWORDS: Incomplete contracts, unforeseen contingencies, authority, transaction costs.

1. INTRODUCTION

THE PURPOSE OF THIS PAPER is to take stock of the advances and directions for research on the incomplete contracting front.² It emphasizes methodological issues over questions about the economic relevance of incomplete contract models. Incomplete contracting arguably underlies some of the most important questions in economics and some other social sciences, and unquestionably has been left largely unexplored and poorly understood. A methodological divide may have developed in our profession in recent years between those who advocate pragmatism and build simple models to capture aspects of reality, and others who wonder about the foundations and robustness of these models, and are concerned by the absence of a modeling consensus similar to the one that developed around the moral hazard and adverse selection paradigms in the 70's. (I personally have sympathy for both viewpoints.)

Almost every economist would agree that actual contracts are or appear quite

Evaluating the Effects of Incomplete Markets on Risk Sharing and Asset Pricing



HEATON, JOHN, 1999., LUCAS, DEBORAH

THE ECONOMICS OF WELFARE

BY
A. C. FIGOU, M.A.

REVIEWED BY POLITICAL ECONOMY IN THE UNIVERSITY OF LONDON

FOURTH EDITION

MACMILLAN AND CO., LIMITED
ST. MARTIN'S STREET, LONDON
1932

THE MARKET FOR "LEMONS": QUALITY UNCERTAINTY AND THE MARKET MECHANISM *

GEORGE A. AKERLOF

I. Introduction, 488.—II. The model with automobiles as an example, 489.—III. Examples and applications, 492.—IV. Counteracting institutions, 499.—V. Conclusion, 500.

I. INTRODUCTION

This paper relates quality and uncertainty. The existence of goods of many grades poses interesting and important problems for the theory of markets. On the one hand, the interaction of quality differences and uncertainty may explain important institutions of the labor market. On the other hand, this paper presents a struggling attempt to give structure to the statement: "Business in underdeveloped countries is difficult"; in particular, a structure is given for determining the economic costs of dishonesty. Additional applications of the theory include comments on the structure of money markets, on the notion of "insurability," on the liquidity of durables, and on brand-name goods.

There are many markets in which buyers use some market statistic to judge the quality of prospective purchases. In this case

Asset Pricing under Asymmetric Information

Bubbles, Crashes, Technical Analysis, and Herding

Markus K. Brunnermeier

Mutta vaikka markkinamekanismi on "best we have", se ei ole aina optimaalinen yhteiskunnan kannalta

- **Ulkoisvaikutukset** (vaikkapa saastuttaminen) esimerkkinä.
- "**Optimal tax policy**" tarjoaa teoriassa mahdollisuuden siihen, että osakkeen arvonmaksimointi yhä johtaa yhteiskunnan kannalta parhaaseen lopputulokseen tässäkin tapauksessa. Ajattele, että yritys joutuu haittaverojen kautta kompensoimaan toiminnastaan johtuvan ((marginaalisen)) hyvinvointitappion jokaiselle yhteiskunnan jäsenelle. Näin ollen, osakkeen arvonmaksimointi on yhteiskunnallekin optimaalista, koska haitat korvaantuvat verotuksen kautta.
 - Onko käytännössä mahdollista? Globaalit ongelmat – globaali verotus?

Arvonmaksimointi ei aina ole optimaalinen ohjenuora edes kaikille osakkeenomistajille.

- Usein yrityksen tuotantopäätöksiä ja sen johdosta syntyviä haittoja ei pystytä separoimaan toisistaan (lainattu: Hart ja Zingales, 2022).
 - Yritys V tuottaa suuria määriä saasteita. Saasteiden vähentäminen pienentäisi kassavirtoja mutta säästäisi luontoa.
 - Yritys W käyttää antibiootteja teuraskarjan kasvattamisessa. Tämä lisää kassavirtoja mutta myötävaikuttaa antibioottiresistenssin voimistumiseen (menetetetyt ihmisheget, sairaskustannukset).
 - Yritys X valmistaa aborttipillereitä. Jotkut osakkeenomistajat voivat oman vakaumuksensa tai moraalikäsitteensä vuoksi vastustaa pillerin valmistamista, vaikka se lisäisi yrityksen arvoa.
 - Yritys Y ryhtyy valmistamaan tuotetta, joka dominoi yrityksen Z tuotetta ja tappaa sen tuotteen markkinat. Hyvin hajautettu osakkeenomistaja pitää molempia osakkeita salkussaan. Ajatellaan, että yrityksen Y arvo nousee 100 e mutta yrityksen Z arvo laskee 200 e. Omistajan kokonaisvarallisuus laskee.

Shareholder **welfare** maximization ohjenuorana?

- Tarkoittiko Friedman, että osakkeenomistajat **välittävät ainoastaan varallisuudestaan?**
- **Ei.** Implisiittinen oletus oli, että yrityksen omistajien varallisuuden maksimointi **ei ole ristiriidassa** yleisen hyvän maksimoinnin kanssa.
- Mutta entä jos arvonmaksimointi voi johtaa huonoihin lopputuloksiin (joko omistajalle tai yhteiskunnalle)?

Mitä tehdä?

- Business Roundtablen lausunto, "Each of our stakeholders is essential. We commit to deliver value to all of them...", on ongelmallinen.
- "A nod to everyone and in that way, a nod to no one".
- Miten arvioimme johdon suoriutumista?
- Yrityksen pitäisi keskittyä niihin yhteiskunnallisiin ongelmiin, joihin sillä on selvä **suhteellinen etu** vaikuttaa.
 - Omien tuotantoprosessien muuttaminen vähäpäästöisimmiksi voi olla esimerkki tästä.
 - Varojen lahjoittaminen eri sosiaalisia ongelmia ratkoviille eturyhmille tai muuhun hyväntekeväisyyteen ei luultavasti kuulu tähän kategoriaan.

- Lisääkö "hyvän tekeminen" yrityksen markkina-arvoa? Ehkä, jos tällainen toiminta on **yhteydessä yrityksen ydintoimintaan** (suhteellinen etu!).

- Mitä omistajat tahtovat? Mikä sisältyy heidän hyötyfunktioonsa? Voice and voting!

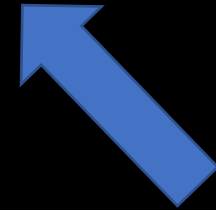
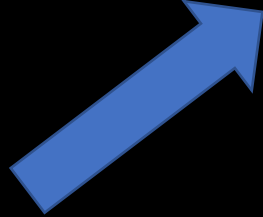
PÄÄMÄÄRÄ:

**Yrityksen markkina-arvon
maksimointi**

Investointilaskelmat

Pääomarakenne

**Eturistiriitojen
minimointi**



PÄÄMÄÄRÄ:

Yrityksen tulee toimia
eettisesti hyväksyttävällä
tavalla



Investointilaskelmat



Pääomarakenne



**Eturistiriitojen
minimointi**

So, what do you really mean when you say that managers' only duty is to maximize shareholder value?

