

Climate Brewing | On the Road to a Sustainable Capitalism Part 1

Sat, Nov 8, 2025 3:30PM • 23:24

SUMMARY KEYWORDS

SPEAKERS

Susan Oxley, Bill McClain

Susan Oxley 00:04

Hello! And welcome to the podcast sponsored by Community of Christ. I'm Susan Oxley, your host today for this episode of Climate Brewing. It's the series that focuses on the causes and effects of our climate change, and the kind of solutions that can help mitigate our climate emergency, the one that we face. So today, I'm so happy I'm interviewing my friend Bill McClain. He's an instructor at the University of Washington in global marketing, sustainable business, and environmental economics. You know, that doesn't sound very interesting to me, but let's let Bill speak for himself, because he's a fascinating fellow, so don't turn this off yet.

I met Bill through my daughter, Christie, because both teach classes for the University of Washington. In Bill's case, he's teaching an environmental economics class about transitioning from a shareholder capitalism to a more just and sustainable stakeholder capitalism.

Whew, that's a mouthful. So just naming that class sounds confusing, boring, and dry to those of us who don't live in the world of finance and economics. But Bill is passionate about the topic. He's not only knowledgeable, but he is able to translate a complex subject into language and stories that communicate with people like me.

So, Bill, let's start with a simple question. How on earth did you ever get started teaching a class about two different forms of capitalism, and what does that have to do with our current climate emergency?

Bill McClain 01:52

Well, hi, Susan. I have to say, though I've taught at the University of Washington for over 10 years, my career was in business. And I've always believed that business can and should be a force for good. So when I was invited to pitch a course proposal on "New Capitalism: Leading Environmental, Social, and Governance in a Changing World," I really couldn't say no.

So it turns out, as boring as that may sound, the course is really rich in discussion and debate. It's a big topic, and I've learned as much from my students as they have from me and from my co-instructor, Fred Purcell.

I'll say all of us, you know, you, me, those of you listening to us now, we're all eager to do something about climate instability. So, we think about personal actions, recycling, electrifying, supporting responsible companies, and so forth. And we also think about politics, right? Voting and advocacy. But as important as all that may be. It's business that has the greatest power to make the greatest impact, and business runs on the rules of capitalism. So, I'd argue that the key to solving the climate crisis is capitalism.

A lot of people would say that capitalism got us into this mess, so why should we trust it to get us out of this mess? But, you know, capitalism's not an evil monolithic monster. It's a cold, rational system devised by humans to serve society. I mean, it goes back to the 1600's with the Dutch India Trading Company, I think, collecting capital from rich funders, pooling it together to build ships and sail the oceans and trade in spices and such, and... Anyway, we've come a long, long way since then, and maybe that system that was devised by humans to serve society needs now to be revised by humans to serve society. So we talk about all of that in class.

And the first question we ask in the first classroom session is what I'm going to ask you. Which is... How well is capitalism serving society? Or how well or not? Would you say capitalism is working for society?

Susan Oxley 04:19

Boy, I don't think it's working for society at all! I'm not sure it was ever formed to work for society. I think it was formed to work for the rich people who support it. Because when you think of the history that you've just shared, all of that led to colonialism, and the oppression that occurred in all of those lands where those ships went to trade. And nowadays, that Colonialism is being expressed through capitalism that has never changed its focus, and I think that's to make the rich more rich.

Bill McClain 04:54

Well, that is definitely the effect. We've all seen the charts and graphs and stats and such that show the exploding, the exponentially exploding wealth gap, wage gap, and so forth. And you're right, capitalism... There are rules of the game, and the rules have been set by those who stand to benefit the most, and they do tend to be the owners of capital, the wealthy, and that continues to this day. And capitalism has a dark history of, you know, not only exploration and colonialism, but extraction and exploitation. And it's in large part due to the rules of the game. Milton Friedman is famous. He's the economist from, you know, back in the 60s and 70s, and he's famous for having said that the primary purpose of a business is to maximize, returns to the shareholders.

But the second part of that--the second part of his statement--is the part that gets ignored by too many people, which is, "... as long as, (and I'm paraphrasing), as long

as business follows the rules and expectations set by society.” And that's where I think we've fallen down. So...

Susan Oxley 06:20

That's interesting.

Bill McClain 06:21

I am going to put you on the spot.

Susan Oxley 06:24

Okay.

Bill McClain 06:26

I'm gonna ask you three questions. Okay. And for the answers, I'm going to reference, a book, *Sustainable Value Creation*. We use that in the class, and it's written by Professor David Chandler from the University of Colorado. So, in a capitalistic system, and thinking specifically about publicly traded companies, do shareholders own the company?

Susan Oxley 06:54

Well, I would say yes, the shareholders who support those companies own the companies.

Bill McClain 07:00

I would have thought so, too. They own shares of the company, right? They're owners of the company, but the answer... is no.

Susan Oxley

Really?

Bill McClain 07:10

Per the 14th Amendment, the corporation is an independent entity with contractual interests. No one owns the firm. It has... it's an independent entity. Shareholders have no right to either the assets or the profits, and no liability for the losses. They own stock certificates. Stock certificates, which are basically a legal contract similar to employment contracts, contracts with suppliers, contracts with others who are involved in the operations of the business. So, in short, ownership of capital should not be confused with ownership of the firm. Shareholders are providing capital to operate with, but they are not owners, per se, of the company.

Susan Oxley 08:01

But they still have power.

Bill McClain 08:03

They do have power.

Susan Oxley 08:05

They have the power. And the CEO of the company pays attention to what those shareholders want, and they want profit. So, that's what drives the business, isn't it?

Bill McClain 08:20

Yeah, and that leads me to my second question, which is, are companies legally required to maximize profits for shareholders?

Susan Oxley 08:30

I don't think they're legally required to do that. They might be, I don't know for sure, I've never thought of the legalities. But I think that that's the way they act.

Bill McClain 08:41

It is the way they act, and it tends to be conventional wisdom that they must maximize profits, that they have a fiduciary responsibility to their shareholders, but... In fact, no.

Courts... They abide by what's called the Business Judgment Rule, and the Business Judgment Rule says that the directors of the business, they are simply expected to make decisions that are in the best interest of the business. And that does not necessarily mean maximizing shareholder returns. It could mean building market share, it could mean building brand equity, it could mean any number of things. But the directors, the managers, are simply expected by the courts to make the make decisions that are in the best interest of the business. They can't be making decisions that would be deemed corrupt, for example, or illegal. But, yeah, courts give wide latitude to management.

But, back to your point about pressure from shareholders to maximize profits. That is, in fact, what does happen. Activists, shareholders, financial markets, stock-based compensation schemes, those all put pressure on management to drive short-term profits. So... I'm gonna ask you one last question, the third question. We all know about Adam Smith's "invisible hand," right? The free market? So is the free market free?

Susan Oxley 10:22

No, please explain the invisible hand.

Bill McClain 10:25

Well, the invisible hand is the idea that, if you just let the markets operate, the free market operate, let supply and demand, let consumers, customers make independent decisions--you know, many thousands, millions of people making independent decisions--the free market will work as it should. It'll operate in the best interest of society. The invisible hand of the free market. So, no, no government regulation, nobody's stepping in to make decisions that run, I guess, counter to the will of the free market. So is the free market truly free?

Susan Oxley 11:15

I think the idea of the free market, as you have described it, the ideal could be truly free, but I don't think in the real world it is. You have named some of the things that make it not free: government regulations, activists, business shareholders and policy makers, and those that are megalomaniacs wanting only profits. I think they influence that free market in such a way that it's not free.

Bill McClain 11:46

Yeah, no, you're precisely right. It's, the free market really is an illusion. The market as it's constructed, the rules as they are written, encourage firms to externalize costs that are borne by society rather than consumers.

Susan Oxley 12:00

Oh, yes!

Bill McClain 12:02

You've got subsidies, you've got quotas, you've got tariffs that favor some industries over others. So that results in an economic system that is grossly distorted. Sometimes it's distorted for good reason, you know? I mean, there can be subsidies that help to nurture businesses or industries, that benefit society. For example, subsidies to the solar industry, for example. Other subsidies, or quotas and tariffs and so forth, will distort the system in ways that benefit, you know, the owners, with industries. So, I mean...bottom line, the free market's not truly free, and I think that it's key to recognize that, because, again, some of these forces, regulatory protections, subsidies, quotas, etc, can be for the best, for the betterment of the society, and some of them, not. They're for the betterment of those who lobby, on their behalf, so...

All right. [So much] on the quiz.

Susan Oxley 13:17

Wow, so given all of that, it sounds like a system that is so complex and so unwieldy that it can't be changed.

Bill McClain 13:28

Well, it needs to be changed, and there are a lot of people talking about this right now; but this morning I was revisiting the book, *The Service Berry*. It's the most recent book from Robin Wall Kimmerer, who also wrote *Braiding Sweetgrass*. And, you know, toward the end of the book, she talks about change happens in two ways. One is incremental, and the other is very disruptive. In ecological systems, for example, the forest, you know, there can be incremental change over time, but there can also be change that happens after, for example, a wildfire. And the rebirth of an ecosystem on a mountainside after that kind of a disruption.

And I think that's where we may be now. I think people are recognizing that, you know, just as we were back in probably the 1890s with the Industrial Revolution and the robber barons and all the rest of that, that kind of led to Teddy Roosevelt and the

progressive movement. There have been other points in our history where people have woken up to realize that things do need to change, that the status quo is not working.

And I would argue that, you know, people on the left, the right, the top, the bottom, old, young, you name it, most people are not satisfied with the status quo. They recognize that there needs to be a change, recognize that the system is not working for most people, certainly not for society at large, and so, I think there's a lot of discussion now as to what needs to be done. Or do we need to just tweak a few things under the hood? Or do we need to, you know, scrap the whole thing and devise a new system? So what do you think?

Susan Oxley 15:24

Well, I've heard arguments on both sides. I've not heard anyone talk about tweaking the system. I've heard people talking about scrapping the system and going to more of a circular economy, a donut economy, a gift economy. I've heard of various proposals, and I don't see any way of getting there. I'm not an economist, so keep that in mind.

Bill McClain 15:51

There are a lot of different terms being thrown around, a lot of different concepts, some of them different, many of them overlapping. I mean, you mentioned a circular economy, a donut economy, there's the regenerative economy, an ecological economy, a mission economy. You know, all of those are capitalistic systems. They simply change the rules of the game. The challenge for all of us, at least in my view, is to try to maintain the positive aspects of capitalism but reimagine how we might fix the negative aspects.

So, in other words, when I say, you know, the positive consequences, or aspects, I guess, of capitalism: rewarding hard work, for example. Rewarding responsible risk, promoting innovation, promoting value creation. You know, you look at some of the really great ideas... I look at the University of Washington. There's a commotion lab, for example, where people are working on new ideas, new innovations, putting together business plans, trying to get startups, started up. So, and that's going on all over the country, and they're really driven by--were made possible, I think you would say--by a capitalistic system. They can attract... if the idea is good enough, the team is strong enough, they can attract capital investment, and they can use that capital to build prototypes, to start a factory, to write the software, to do whatever, and that's all really good. But, as we alluded to earlier, the rules of the game are written in such a way that capitalism also rewards exploitation. It rewards putting as much of the cost burden onto society as possible, because you know, even the most well-intentioned management has to compete. And, if the competition is able to pollute without consequence, or pay a below-living wage, then it puts a more responsible business at a disadvantage. So the playing field needs to be leveled.

With the current headlines talking about SNAP benefits, it's stunning what percentage of SNAP recipients are employed, for example, in an Amazon warehouse or a Walmart

store. And...you know, I'm sorry to call out those two businesses by name, but truly, they are benefiting from the ability to pay below the living wage and rely on the taxpayer to fund SNAP benefits for their employees. They're not paying them enough that they can even buy their own groceries, so that's a fault of the system as it's set up right now.

We can reimagine capitalism in a way that builds value for all stakeholders, takes a long-term view towards value creation for all stakeholders, not a short-term view toward profit maximization. I think it can be done, but in my personal view--I'm not speaking for the university or for anybody else, but my personal view is--it needs to be a very bold and radical change.

Bill McClain 19:52

We've been... I've been talking about shareholders a lot, but I wanna talk about stakeholders, because one of the biggest changes we need to make to the way that we're practicing capitalism is to move away from this obsession with shareholder value, and recognize stakeholder value. So, by stakeholders, you probably know what I'm talking about. What would you... who would you count as stakeholders?

Susan Oxley 20:24

Well, I think the stakeholders would be all of those people who supposedly are getting the benefits of the business, but who might not actually be getting benefited.

Bill McClain 20:37

That's a really great way to put it. So, it does include shareholders, but also the employees, customers, suppliers, neighbors who have to, you know, put up with, you know, the trucks coming and going, the pollution, whatever it may be, good and bad. They all have a stake in the operations of the business. So, capitalism...

Susan Oxley 20:58

Even though they're not recognized.

Bill McClain 21:00

Yes, absolutely. I mean, right now, employees are too often viewed as a disposable asset. Pay them as little as possible, remove the benefits, or put the benefits on, you know, have them save their own 401 instead of a pension, let the government give them SNAP benefits instead of paying them a living wage, that type of thing. Replace them with AI, with robots, whatever you want to do.

But, you know, shareholders, employees, customers, suppliers, neighbors: new capitalism would reimagine how we can maximize value for all stakeholders.

Susan Oxley 21:43

Excuse me, would that include the creation and the world itself, nature, and...

Bill McClain 21:48

Oh, absolutely! So the society at large, the global population, as well as Mother Nature herself, are stakeholders in any business, and that really kind of brings us back to the idea of, you know, regenerative and circular economies, donut economics, and such. We have to consider the impacts of any business on the planet, on the environment in which we're all living, the air that we're breathing, the water that we're drinking, the land that we're passing along to our children.

Susan Oxley 22:24

Thank you, Bill. I can tell you've only scratched the surface in sharing with me the possibilities for a transition from shareholder capitalism to stakeholder capitalism. But unfortunately, our time is up.

So, we'll need to end this introduction, and let's call it Part 1 on the road to a new sustainable capitalism. I'd like to continue our discussion in a Part 2 podcast, because I want to hear what steps need to occur in order to make our capitalistic economy more sustainable and just for all stakeholders, including nature.

Listeners, don't go away. Join us for Part 2! And find out how you fit in with the new sustainable stakeholder capitalism that includes the honoring of creation itself.