

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

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## SUMMARY KEYWORDS

### SPEAKERS

Susan Oxley, Bill McClain

#### **Susan Oxley** 00:04

Hello. Welcome again to Climate Brewing. My name is Susan Oxley. I'm your host today for Part B of the podcast with Bill McClain of the University of Washington. I hope you've had a chance to listen to our Part A, titled "The Road to a Sustainable Capitalism." In that podcast, Bill shared a little of the history of capitalism and the problems that have arisen over the decades as the benefits to society as a whole have taken a backseat to profits and exploitation.

Now, through a series of simple questions and answers, I learned that corporations and businesses are technically not owned by their shareholders, although, in practice, those shareholders who have invested the most in the company are the ones who wield the most power. Furthermore, there is no legal obligation for a business to reward their shareholders with high returns. And finally, the free market isn't really free. It's distorted and manipulated by subsidies, quotas, tariffs, governmental regulations, and greed. But in spite of the huge complexity of the current capitalism, Bill maintains that it should and can change. Change to a more just, sustainable, new capitalism.

So this podcast explores those ideas. Welcome back, Bill. Let's dive right in. How should our shareholder capitalistic system change in order to benefit not just the shareholders who invest their money in a business, but also all the stakeholders? Is it possible for such a change to occur?

#### **Bill McClain** 01:54

There's a saying that says what gets measured gets managed. So, measurement is one of the things that I think we need to take a long, hard look at.

So what's being measured by management right now? Is it bottom line profits: quarterly profits, profit per employee, market share, those type of things, you know. But what about all the good impacts on stakeholders, or good and bad impacts on stakeholders? Are those being measured? You know, emissions, wages, benefits,

quality of life? But, you know, are we measuring those impacts right now? And right now, we're not.

We talk about the triple bottom line in class, where we, you know ... A stakeholder business will measure not only the bottom line of profits, but also the bottom line on people, employees, customers, neighbors, and the bottom line on the planet. What is the impact of the business on the planet? What's the ecological footprint of the business, and can that be improved?

So, and there's even regenerative economics, which, you know, supposes that a business can improve the ecological footprint, as opposed to just, you know, taking and maybe doing as little damage as possible. So, the stakeholder perspective, in my opinion, is essential.

And then another essential piece is measurement. And as they say, what gets measured gets managed. So if it doesn't get measured, it ain't getting managed. There might be some nice words in an annual report, but if a director, a manager, an employee is not being...if their performance on a particular metric is not being tracked, and they're not being either rewarded or penalized based on that metric, then it really doesn't matter. So...If we want to encourage sustainability in business, then we need to measure sustainability in that business, and performance by that business, by the departments, by the management, in that business.

I have a former student who took this class, and now she's, working on her capstone project before she graduates. Ava Weigen, she's going to be working as a sustainability reporting intern for the University of Washington's Harborview Medical Center. And she's going to collect data from department heads about sustainability initiatives. And then that data is going to feed into her research related to how sustainability reporting has an impact on internal operations. So, in other words, her research project is likely to show that, indeed, what gets measured gets managed. And sustainability metrics can promote sustainability in business.

So, I'm kind of eager to see, how that project turns out, but I do think that that needs to be the mindset of any business that's truly committed to building stakeholder value, sustainable stakeholder value. They need to identify the key performance indicators around sustainability, the triple bottom line, and then measure those, and then use those metrics to reward or penalize the departments, the managers within that business.

I share this quote in class, it's from Robert F. Kennedy, Sr, what he said in 1968. He said that you know, as a nation, we look at gross domestic product, GDP, or gross national product, as the measure of our economic health, right? That's really at the heart of our capitalistic system. How are we doing as a capitalistic society? Are we growing our gross domestic product?

Well, he said, "Gross national product counts air pollution and cigarette advertising and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for people who break them. It counts the destruction of the redwood and the loss of our natural wonder and chaotic sprawl. It counts napalm and counts nuclear warheads and armored cars for the police to fight the riots in our cities. Yet the gross national product does not allow for the health of our children, the quality of their education, or the joy in their play. It does not include the beauty of our poetry, or the strength of our marriages, the intelligence of our public debate, or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country. It measures everything in short, except that which makes life worthwhile."

I'm sure that RFK said it a lot better than I did, but that's a direct quote from a speech he made in 1968, and I really think it cuts to the heart of what is... Yeah, what is not only what's wrong with capitalism as we're practicing it, but what is possible with capitalism if we reimagine it. You know, if we measure the right things, and those things are relate to value for all stakeholders, not just the shareholders and we take a long-term view of it all, then I think we could... We could, we can make a big difference

**Susan Oxley** 08:09.

One of the things that comes out of the donut economy, I think it is, is about measuring waste, and how that waste is managed. Can you talk about that for just a minute?

**Bill McClain** 08:25

Yeah, any waste is a really big... it's a big issue, it's a big opportunity. There are, we all bear the burden of waste that's produced by factories and businesses of all sorts. I mean, plastic waste. We hear about microplastics in the brain. We've got a... we each have enough microplastics in our brain to make a Ziploc bag. I mean, it's a little bit frightening, right? So there are forever chemicals that are in the water supply. We breathe toxic air every day. I mean, there's a lot of waste, and so waste needs to be addressed, it needs to be managed, it needs to be reduced, eliminated, right?

So, what can we do? Part of that is through regulatory protections. Part of that is through innovation. Can businesses clean up their operations? Can they put the waste to good purpose, for example, can plastic be collected and turned into useful products rather than dumped in the ocean or the landfill.: There are probably lots of examples that we could find of different waste products being turned into useful products that don't contaminate the landfill, don't contaminate the air and the water.

I'll also, you know, mention that measuring waste is really where it starts, because you can't be accountable for it if it's not measured and it's not reported. If you can just flush it out the back of the factory when nobody's looking, then it's never gonna hit your bottom line, it's never gonna be mentioned in your annual report. That's not to say nobody's gonna be paying for that with their health but... So, you know, waste of any sort needs to be measured so that it can be managed.

**Susan Oxley** 10:49

Not just managed, but also paid for by the business itself. (Exactly.) So that that's built into their cost analysis. (Exactly.) And managed in that way.

**Bill McClain** 11:00

Yeah, everybody, everybody benefits when there's full transparency, full accountability. And that gets us back to the idea of a free market. A free market's not free when costs are not being accounted for.

**Susan Oxley** 11:19

Right.

**Bill McClain** 11:22

When I'm thinking about a circular economy there's an example that comes to mind that is a little bit of a surprising example.

I grew up in Pittsburgh, and my father worked for U.S. Steel. My grandfather was in the steel business. My great-grandfather worked in a steel factory. We... steelmaking is a very dirty business, but surprisingly, did you know that today, over 70% of all steel is made from recycled scrap? So, it's well on its way to being fully circular.

The third thing I'll say, though, also, and this is key, is around the time period that we're... in which we're making those measurements. Because we all know, at least it seems to be, that, you know, the big Fortune 500 businesses are all obsessed with quarterly profits. They have to. They have their quarterly earnings reports, they have their shareholder reports, where they're talking about quarterly performance, and that drives the stock price. But, you know, 90 days is a very short period of time in the life of a business, right?

You know, it's research and development, for example. It doesn't pay off in 90 days. If you're hiring new employees, and you're onboarding them, and developing them and getting them, you know, up to speed and so forth, that doesn't necessarily happen within 90 days. So if you're making decisions that are gonna impact the bottom line in 90 days, you're gonna lay people off, make short-term decisions that may be in service of the bottom line, fattening up the bottom line, but not in service of building long-term value in the business itself. So you know, are you gonna invest in new, more energy-efficient equipment if the payback period is not 90 days? If it's 5 years?

You know, if you're the CEO, you're thinking, "hey, I'm gonna be moving on to my next gig long before that thing pays off. I gotta fatten up the bottom line." So, maybe I'm being a little bit too cynical here, but I do think the time horizon of business needs to be longer, and that can be encouraged.

I don't know if it's still in existence. A couple of years ago, I had a guest speaker in class, and he was in charge of the long-term stock exchange, and it was their mission to try to encourage a more long-term perspective on the part of businesses. They

could be listed on both the New York Stock Exchange and the long-term stock exchange. I should Google it and see if they've grown or if they're still active, but I liked the concept, anyway, that to be listed on the long-term stock exchange, they were not being required to produce quarterly reports, but rather to look at metrics that took a longer view.

**Susan Oxley 14:51**

Bill, I just am curious... As an individual person what can I do to help bring about the kind of transformation you're talking about: a new capitalism--a transformational capitalism--sustainable capitalism.

**Bill McClain 15:08**

Yeah, you know, there's a lot that we each can do individually, and all can do together. In the *Sustainable Value Creation Book* that we use in the classroom Professor Chandler argues that every stakeholder group has a responsibility to shape companies' behavior through the expectations that we convey. And it kind of goes back to Robert Reich's concept of democratic capitalism: that in a democracy, we set the rules. So, one way we can do that is by advocating for a change in the rules, advocating for regulatory protections that serve the interests of society.

So, you know, the candidates you vote for, the advocacy that you do with the politicians who are in office at the state level, at the federal level. You know, be loud, be persistent. And also, you can support companies, support businesses that are operating in a responsible way: local businesses, co-ops, benefit corporations, companies large and small, that, are trying to lead the way in stakeholder capitalism, as opposed to the conventional shareholder capitalism.

I'll give you a couple of examples of brands that I support. I mean, we can all do a boycott or a buycott, that type of thing, but, you know, I carry a backpack from a suitcase. It's a backpack suitcase, and it's from a company called SoulGuard.

They collect plastic trash from the ocean, and then they turn that into a lightweight, fat, waterproof fabric, so my pack is made from 100% recycled plastic. It's a company that's producing a really good product and helping the planet at the same time. So I think if we shop smart, we can make a difference. You know, companies respond to, you know, follow the money. They respond to economics, supply and demand.

Another company we all know is Patagonia. Their products are expensive, you pay for them up front, but they last a long time. They don't need to... it's not fast fashion, that's for sure. And they have a generous repair and replacement program. So, beyond that, they're incorporated as a perpetual purchase trust with all of their profits directed to environmental causes. So I can feel...

**Susan Oxley 17:56**

What's a perpetual purpose trust?

**Bill McClain** 18:00

(laughter) Oh, man, you're gonna put me to the test.

Well, the company was founded by a mountaineer, Yvonne Chouinard, and he built the company to be much bigger and more successful than he ever dreamed. And he's old now, so instead of selling it off for billions of dollars, as he could have done to some multinational, he decided to leave it to what's called a perpetual purpose trust. And that basically means that the company is owned by a trust, and in its papers of incorporation, if you will, it's mandated that all profits go to environmental causes, not... They're not returned to, you know, the shareholders and so forth. It's not a business that's intended to make anybody wealthy, it's a business that's intended to sustain itself forever into the future, and as it does so, return value to all stakeholders, including the planet.

**Susan Oxley** 19:12

Wonderful. Are there very many of those?

**Bill McClain** 19:14

No, there are not very many of those, but I think, you know, that's leadership. Patagonia is, and its founder, they're showing what's possible for other companies to do. So they're inspiring other companies, some of them very small, to do similar things, whether they incorporate as a perpetual purpose trust, or as a benefit corporation, or, you know, co-ops.

Co-ops have been around forever. You may be banking with a co-op, your utility might be a co-op. But, you know, the cooperative business model is something we look at in class as well, and it's one that really does... it's in the DNA of a co-op to take a stakeholder view as opposed to a shareholder view.

You know, where I live on Bainbridge Island, there's a zero-emissions vehicle co-op. You can...it's a car-sharing program, and it's all electric vehicles, so that's one small way to support a business that's doing right by the community.

**Susan Oxley** 20:26

Is there anything else that you want to share with us?

**Bill McClain** 20:31.

Yeah, Susan, I'd like to just share two more things really quick. I always enjoy reading Robert Reich. He was the former Secretary of Labor, and more recently, a professor at the University of California. He writes on Substack and is still very active. But he talks about democratic capitalism and corporate capitalism--which is, I think, good terminology, because it captures the heart of the problem. Do we the American people have the right to cooperate using the tools of democratic government to make rules about what kind of economic behavior is or is not in the best interest of our society? And the short answer is yes.

I mean, that's really what Milton Friedman was arguing 50 years ago. It's up to us to set the rules. That's democratic capitalism. Corporate capitalism, as Robert Reich describes, is really a descriptor for capitalism in the service of the private corporate power, and that's what we are seeing, I think, to the extreme right now. I mean, all you have to do is look at the trillion-dollar package that was awarded to Elon Musk, just this week [November 6, 2025] by his shareholders, his board. So, you know, I think I would encourage people to read Dr... Yeah, Robert Rice.

I would also bring to your attention, and to the attention of everyone listening, a podcast. Since we all like podcasts, right? I listened to a podcast last year that I thought was absolutely, gripping. It was great. It was, it's from Scene on Radio, S-C-E-N-E, Scene on Radio. And, it's season number 7. I think they may be on to season 11 or 12 by now, I'm not sure.

They do a different topic every season, but season 7 looked at capitalism, and it was 13 episodes. So, but in those 13 episodes, they look at the history of capitalism, they look at, you know, what's working, what's not working, they look at different models of capitalism, they look at a big cooperative business in Spain that... You know, it's large scale, but doing great work, and is a model for business in a more of a stakeholder kind of a way. So, yeah, I would recommend Scene on Radio Season 7.

**Susan Oxley 23:24**

Thank you. Bill, this has been wonderful. It's extremely informative. I feel like I've just been educated, and I haven't taken your whole class, but I have a quick little snapshot of the kinds of things that you teach in your class.

**Bill McClain 23:42**

Well, thanks, Susan. Fun to talk about.

**Susan Oxley 23:45**

Oh, yeah, I can hear your passion and your... And you have a good way of presenting it and helping to make it alive and real and understandable to me. Thank you very much, I appreciate that.

**Bill McClain 24:02**

Thanks, Susan.

**Susan Oxley 24:03**

Bye-bye.