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OPINION | COMMENTARY

The Davos Crowd Embraces Big Global Government

‘Stakeholder capitalism’ empowers unaccountable elites at the expense of free-market nationalism.

By Richard J. Shinder

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Participants at the World Economic Forum’s annual meeting in Davos, Jan. 23. PHOTO: FABRICE COFFRINI/AGENCE FRANCE-PRESSE/GETTY IMAGES

These are difficult days for the elites caricatured as “Davos men.” But one might not know it reading the strident remarks coming out of the World Economic Forum last week. Perhaps the globe-trotters in Switzerland ought to ponder what has run amok with today’s version of “globalism,” and there are lessons from history that may help them.

Salesforce chairman and co-CEO Marc Benioff said on Tuesday that “capitalism as we have known it is dead, and this obsession that we have with maximizing profits for shareholders alone has led to incredible inequality and a planetary emergency.” This is in keeping with the

Business Roundtable's recent advocacy for "stakeholder capitalism," which aims to make customers, suppliers, vendors, and so on equal with shareholders. Stakeholder capitalism is supposed to be the natural successor to the model of maximizing shareholder value.

The call for corporate advocacy comes as nationalism and populism are emerging across the West, with events such as Brexit and Donald Trump's 2016 triumph. This dichotomy suggests that citizens of Western democracies face a choice between a globalist economic and political order—of which stakeholder advocacy is a part—and a retreat into mercantilism, nativism and cultural stasis.

This is a false choice. The advent of stakeholder capitalism as a replacement for shareholder value is in many ways a microcosm of the current globalist project, and its flaws illustrate the tension between today's globalism and nationalism. But it also shows how to resolve them.

Globalism touts the supremacy of supranational bodies and accords—the United Nations, the Paris climate agreement and the like. The officials who enter into these pacts often aren't accountable to those who are governed by such arrangements. This amounts to a technocratic and anti-democratic rule by elites who think they know better, such as the global political, commercial, NGO and investor class so richly pilloried as "Davos man."

This in turn fosters paternalistic tendencies among large commercial organizations, whose great size, cross-border reach and profile allow them to act as independent entities on the world stage. Traditionally, only governments play so large a role, and this new phenomenon further erodes democratic accountability.

The irony is that many aspects of today's globalism—or at least its promotion of market economies, capital mobility, and mostly free trade—aren't in conflict with nationalism. In one sense of the word, the greatest "globalist" age in history was the period before World War I. Trade among western European countries increased to 10% of the region's GDP in 1900 from 1% in 1830. Supply chains extended across the globe, and capital and labor flowed freely across borders.

The "long" 19th century—the period spanning the French revolution through Sarajevo—witnessed considerable economic, political and social upheaval, and yet was also a time of industrialization, enormous poverty reduction, wealth creation and global economic integration. This unabashed age of nation-states wasn't all roses, but it was one of free markets, free trade and unrestricted capital flows. No two eras are exactly alike—and one wouldn't want to live in 1910 instead of 2020—but this period demonstrates that globalism need not be unaccountable nor collectivist.

The difference is that today's world is increasingly complex and its centralizing tendencies place a premium on technical expertise. That encourages a managed ordering of things "too important" to be left to voters and the democratic process. While international institutions can be useful for collective action—NATO, for example—and in adjudicating disputes across borders, such organizations shouldn't impinge on national sovereignty. Sovereign nations consenting to play by an agreed set of rules, or banding together in service of a common objective, differs radically from unaccountable transnational elites engineering outcomes, often without scrutiny.

Citizens and their representative governments ceding sovereignty to unaccountable supranational bodies is the geopolitical equivalent of corporations cashing in the shareholder model in favor of stakeholder capitalism. Beyond suppressing the popular will—be it that of citizens or shareholders—such moves violate an axiomatic feature of all successful democratic and productive endeavors, which is that institutional responsiveness and accountability works best when located closest to those served.

Nationalism as a response to a collectivist and unaccountable globalism—whether in dealing with a "climate crisis," "inequality," or something else—need not be nativist or protectionist. Our own recent economic history demonstrates this. While nationalism may be a dirty word among elites in Switzerland, the nation-state remains the most successful vehicle for advancing liberty, economic advancement and individual achievement in the history of the world.

Mr. Shinder is a financial services executive in New York.

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