

are strangely absent. But these are just minor shortcomings, which do not detract in any way from the impressive, extremely well-documented analysis of the economics of bread price regulation offered by one of the greatest economic historians of our time.

—Wim Decock (e-mail: wim.decock@kuleuven.be)
Universities of Leuven and Liège

Reimagining Capitalism in a World on Fire

Rebecca Henderson

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Rebecca Henderson, the John and Natty McArthur University Professor at the Harvard Business School (HBS), teaches a course in her MBA program titled “Reimagining Capitalism.” The second half of the title (“in a World on Fire”) of her book is a hyperbolic phrase for prospective readers. In her book, Henderson offers a five-piece plan to “reimagine capitalism” (and ostensibly put out the “fire”) that includes first, creating shared value; second, building the purpose-driven organization; third, rewiring finance; fourth, building cooperation; and fifth, rebuilding our institutions and fixing our governments.

In the first piece of her plan, Henderson offers to “rescue” shareholder capitalism from its preoccupation with short-term financial gains (which she attributes to the “Chicago School of Economics”), and replace it with the long-term company orientation of creating “shared value.” “In today’s world, reimagining capitalism requires embracing the idea that while firms must be profitable if they are to thrive, their purpose must not only be to make money but also to build prosperity and freedom in the context of a livable planet and a healthy society,” says Henderson (36). She offers interesting narratives of how business people (CEOs Michiel Leijnse of Unilever and Lee Scott of Walmart) address the impending cataclysm of man-made climate change—and do so profitably, recognizing “low-hanging” fruit (opportunities) for businesses to become responsible stewards of our endangered ecosystem. However, her ultimate solution to our CO₂ problem is summed up in two words: *renewable energy*. According to Henderson, fossil-based fuels will be phased out, creating entrepreneurial opportunities for carbon-free solar and wind to become the primary energy sources powering the expanding global economy.

The second piece of the plan involves building a purpose-driven organization with authentic values. Henderson believes that once “extrinsic” motivators are met—money, status, and power—employees look to the sheer interest and joy of the work itself, both more powerful “intrinsic” motivators. “Shared purpose creates a sense that one’s work has *meaning*—one of the core drivers of intrinsic motivation and a driver of higher quality, more creative work,” says Henderson (92). Living an authentic life in accordance with one’s deepest values is correlated to building “new skills, to bounce back after difficult times, and to be more resistant to challenges or threats” (93). An example of a purpose-driven organization is Aetna, a health care company, whose CEO, Mark Bertolini, announced in 2015 that his firm would be paying its employees a minimum

wage of sixteen dollars an hour, and that these employees would be able to sign up for the company's premier health care plan for the price of its least expensive plan. For some Aetna employees, Bertolini's decision resulted in an increase in disposable earnings of more than 45 percent. A deeply personal, moral decision, Bertolini believed that this was the "right thing to do" and that it was an investment that the company should be making for its employees and the "good of the social order."

In the third piece of her puzzle, rewiring finance, Henderson addresses the advantages of an organizational long-term, shared value perspective versus the traditional "quarterly earnings targets" shareholder perspective. "Everyone who has worked with American management can testify that the need to satisfy the pension fund manager's quest for higher earnings next quarter, together with the panicky fear of the raider, constantly pushes top management toward decisions they know to be costly, if not suicidal, mistakes," said management sage Peter Drucker (122). Henderson argues that there are three routes to rewiring finance. First, reform accounting standard so companies report material, replicable, auditable Environmental, Social, and Governance ("ESG") data—in addition to standard financial data—when evaluating firm performance. Second, rely on impact investors, that is, those who share your long-term perspective on firm performance, or one's employees (through Employee Stock Ownership Plans or Employee Purchase Plans) or customers (establishing "cooperatives") for funding. Third, change the rules that govern corporations to protect managers from investor pressure (by encouraging widespread adoption of the Benefit Corporation legal form); this, however, would likely meet significant resistance from the overwhelming majority of the world's investor class.

The plan's fourth piece, companies learning to cooperate to help solve climate change issues and wage inequality, requires industry-wide cooperation ("industry self-regulation"). Henderson offers the private governance example of the International Chamber of Commerce, a voluntary industry association established in 1919, which is responsible for designing and enforcing most of the rules governing international trade. "When they work, these kinds of private cooperative solutions are often faster, less costly, and more flexible than conventionally regulated alternatives," says Henderson (164). She, however, acknowledges that these voluntary cooperative agreements are "inherently fragile," as firms can agree to do the right thing, but fail to follow through with their commitments, and can often reap cost benefits in the short-term, "free-riding" off other firms' commitments to industry self-regulation. For industry self-regulation to work at a global scale—such as with the cattle industry's efforts ("The Cattle Agreement") to prevent clear-cutting of mature forests in the Amazon basin—it will require the active support of government (in this case, the Brazilian government acting as enforcer of the Forest Code). Henderson believes that industry-wide cooperation will establish a consumer demand for sustainably produced products, such as this example of "zero deforestation beef."

The last piece of the plan, rebuilding confidence in government institutions, requires moving beyond the current state of "populism and gridlock," says Henderson. Governments are currently ill-equipped to effectively regulate markets; the media is under sustained attack; and the idea of democracy is falling out of popular favor. Free and fair

markets, argues Henderson, cannot survive without government. “The choice is between *inclusion*—transparent, democratic, effective, market-friendly government supported by a strong society and a free media—and *extraction*, the rule by the few on behalf of the few,” says Henderson (202). It is time for the private sector to step up and support these institutions, both at the national and global levels. For example, with energy demand forecasted to double in the next fifty years. Henderson believes that global warming requires that every new power plant that will be built will be carbon free. “It also means shutting down or decarbonizing the world’s *existing* fossil fuel infrastructure. These are tasks that only government action—whether it’s in the form of a carbon tax or simple regulation—can achieve” (203).

In conclusion, Henderson would like to see a reimagined capitalism that by 2040 has firms embracing the shared value concept and balancing short-term returns with the public good and long-term potential of the business. Industry self-regulation, embodying global standards, will become the norm, consumers will make buying decisions based on transparent ESG metrics, and employees will have a strong collective voice. Moreover, civil society will become more inclusive and respectful, and government will directly address environmental degradation and make necessary public investments for the good of society.

Rebecca Henderson offers a progressive view to “reimagining Capitalism.” Her solution to controlling climate change is to significantly reduce or eliminate most of the world’s man-made carbon footprint through wind and solar energy. While solar energy has a positive future, two sources of fossil-based energy with a *low* or *no* carbon footprint are natural gas and nuclear. Huge gas fields have been discovered in the United States and offshore in Israel and Africa, and between 1997 and 2017 verified global gas reserves increased by more than 50 percent. The International Energy Agency (IEA), as recently as 2019, declared that without a doubling in nuclear generating capacity by 2050, global carbon dioxide emissions will surge. If the use of nuclear energy continues to decline, the IEA projects \$80 billion higher annual electricity supply costs for the world’s advanced economies.

The concept of a purpose-driven organization holds promise for retaining and attracting productive and motivated employees (especially younger ones); while creating company shared value, and embracing a longer-term organizational horizon (with shorter-term guideposts), may encourage a successful business operating environment. Whether ESOPs or Benefit Corporations will be the answer to rewiring finance is doubtful; however, improved development of ESG performance metrics is more likely to encourage adoption by more firms. Industry self-regulation has been successful in the past—through the development of technical and operational standards—and, in cooperation with appropriate government authority, may be effective at addressing social and environmental challenges.

Finally, while Henderson argues that democratic institutions and the media are under attack by populist movements in the West, perhaps she should take note that citizens are voting against many of the same progressive positions she espouses, as income inequality in the United States widened during the eight years of the progressive Obama administration. What is significantly missing in a book on “reimagining capitalism” are the

issues regarding privacy, security, and censorship associated with “Big Tech” and media in general. For many citizens, maintaining individual freedoms and liberties that they once took for granted are now their greatest concerns, and not strengthening the public and private institutions that have accumulated increasing power, influence, and outright control over them in too many societies.

— Thomas A. Hemphill (e-mail: thomashe@umich.edu)
University of Michigan-Flint

Measuring Poverty around the World

Anthony Atkinson

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In his final book before his passing, Anthony Atkinson has distinguished himself again as a leading expert on the statistical measurement of poverty, and he has demonstrated an impressive knowledge of various statistical methodologies in use in different countries. As a former economist who worked in the area of methodology and statistical analysis at the Bureau of Economic Analysis (BEA), I especially admired the author’s meticulous effort in chapter 4, where he discusses data availability and the challenges of developing good data. Atkinson lays out a comprehensive poverty checklist, which provides guidance on questions that one should ask in those areas that still require more of our attention in the pursuit of developing higher quality poverty statistics, whether globally or nationally. These areas include data comparability across time, data comparability between countries, the measurement of price changes, sample coverages, and triangulation of estimates with other sources. Atkinson argues that solving these data challenges allows for the effective translation of the concepts of poverty into concrete measures. Although unmatched in his expertise in data analysis, Atkinson shows his humility and appreciation for the data collection efforts of others, saying, “It is easy for me, sitting comfortably in Oxford, to criticise the data that are collected. The hard work is done in statistical offices” (125).

Atkinson meticulously compares measurements gathered at the national level by various national statistical offices with equivalent data published by the World Bank. In his view, this comparison is important for two reasons. First, by disaggregating the data back from global to local estimates, the nature of poverty becomes clearer and gains local relevance given the inherent diversity in what poverty means across countries with completely different levels of material well-being. Second, the data comparison provides an important guide for those interested in regional or country-specific case studies. Related to this, my only disappointment in the book was that Atkinson was not able to finish the work, and the editors who took over where he left off left incomplete the chapters on poverty by region: Asia, Latin America, and Africa (chaps. 6–8). It appears that in these chapters Atkinson’s purpose was to examine the national reports of various countries in these regions to illustrate that the measurement of poverty is never straightforward.