

Prosperity and Beyond: Colin Mayer's Vision for a New Capitalism

Colin Mayer and the Call for a New Capitalism

Colin Mayer, a prominent Oxford professor and business thinker, argues that the modern corporation needs a fundamental makeover to serve society better. In his book *Prosperity: Better Business Makes the Greater Good* (2018), Mayer delivers what the Financial Times called “a radical reformulation of our notions of business, its roles and responsibilities”, contending that corporations can and should create both economic wealth **and** social well-being ¹. Mayer observes that while business **should** be a force for social good, in recent decades it has too often become “the cause of inequality, environmental degradation, and growing mistrust” ². The **current state of capitalism** – seen in stagnant living standards, fraying infrastructure, and political anger in Western countries – suggests that “the traditional notion of business [is] not delivering the results that [are] needed... in terms of the role of business in society” ³. Mayer’s work responds to this crisis by reimagining the purpose of the corporation and proposing bold reforms to **advance capitalism to the next level**.

The Key Idea in *Prosperity*: Purpose Over Profits

At the heart of *Prosperity* is a simple but transformative idea: **the purpose of business should go beyond profit maximization**. Mayer argues that companies must identify a *purpose* – a specific positive goal for society or the environment – and make profits **by fulfilling that purpose**, rather than profiting by creating problems ⁴. He famously defines corporate purpose as “producing profitable solutions to the problems of people and the planet, and not profiting from producing problems” ⁴. In other words, businesses should earn money **by solving social and environmental challenges** (such as providing healthcare, clean energy, or reliable services), **not** by exploiting people or natural resources in ways that cause harm.

This represents a clear break from the old doctrine of shareholder primacy. The traditional view – epitomized by economist Milton Friedman’s assertion that the “one and only one social responsibility of business [is] to increase its profits... within the rules of the game” ⁵ – treats profit as the sole objective and expects any broader social duties to be handled by government. Mayer calls for flipping this script to “**purpose primacy**” ⁶. In August 2019, even the U.S. Business Roundtable (an association of top CEOs) echoed this shift: it announced that corporations should no longer put shareholders above all else, but instead commit to serving customers, workers, communities, and the public good ⁷. Mayer hailed this as a “landmark... point of US capitalism moving away from... shareholder primacy to purpose primacy” ⁶. However, he stresses that such pledges must be backed by concrete changes in how companies are governed and held accountable ⁸.

How can businesses truly embed purpose? Mayer advocates both cultural and legal changes. He notes that today “the duties of directors to their shareholders” are hardwired into corporate law, pressuring executives to prioritize short-term financial returns ⁹ ¹⁰. To change this, Mayer proposes rewriting corporate charters and laws so that firms are **required to state a public purpose** (a social or

environmental mission) alongside profit goals ¹¹ ¹² . This “embarrassingly simple” legal reform would oblige directors to pursue **long-term, sustainable value** in line with that purpose, rather than just maximizing quarterly profits ¹¹ ¹² . It would empower boards to prioritize investments in employees, innovation, and communities – the things that fulfill the company’s purpose – without fear of breaching fiduciary duty. In short, corporate leaders would be stewards of a mission, not just agents for shareholders. Mayer is working with initiatives like the British Academy’s **Future of the Corporation** program to develop policy frameworks in areas like law, ownership, governance, metrics, and finance that can “reconceptualise business around purpose, trustworthiness, and values” ¹³ .

Another key theme in *Prosperity* is **thinking long-term**. Mayer advises entrepreneurs and executives to stop managing merely for the next quarter or the next year, and instead “*think about development on a very sustainable long-term basis*” ¹⁴ . He suggests asking what you want your business to look like in **20-30 years**, and designing its purpose, ownership, and governance accordingly ¹⁴ . This long horizon encourages investing in durable growth and relationships (with employees, customers, and society), rather than chasing short-run gains that might undermine the firm’s future or public trust. Such an approach stands in contrast to the prevalent culture of short-termism in many corporations.

Mayer’s Broader Work: *Firm Commitment to Capitalism and Crises*

Colin Mayer’s push for a more responsible capitalism did not start with *Prosperity*. In fact, *Prosperity* builds on ideas he articulated earlier and has continued to refine in later works. Here’s a brief tour of Mayer’s influential contributions:

- **Firm Commitment (2013): Diagnosing the Problem and Restoring Trust.** In this book, Mayer argues “*the corporation is failing us*” and needs dramatic changes in who controls it and how ¹⁵ . He acknowledges that the corporate form is a remarkable innovation that has “*created more prosperity and [also] misery than could have ever been imagined*” ¹⁶ . The **core problem**, as he sees it, is that corporations are treated purely as *creatures of their shareholders*, single-mindedly pursuing shareholder value at the expense of other stakeholders (employees, customers, communities) ¹⁷ . Mayer documents how this shareholder-centric model has led to **trust-eroding scandals** and harmful short-term behavior. He is skeptical that simply adding more regulations or governance codes will fix these issues, noting that stricter regulation often “*promotes immoral conduct*” (by encouraging firms to game the rules) while typical corporate governance reforms just give shareholders more control and *can further harm other stakeholders* ¹⁸ . Instead, Mayer calls for mechanisms to instill **responsibility from within** the firm so that companies “demonstrate a greater degree of responsibility themselves without relying on others to do it for them” ¹⁹ .

In *Firm Commitment*, Mayer introduced the idea of “**trust firms**.” A trust firm is a new model of corporation designed to hard-wire long-term, stakeholder-oriented thinking into its structure ²⁰ ²¹ . It would look like a normal company, but with special features to ensure commitment to its purpose and stakeholders. For example, Mayer envisioned:

- **Enshrined Values:** The company’s core purpose and values (whether stemming from the founder’s vision or public interests) would be *embedded in its constitution* – not easily discarded ²² .
- **Trustee Board:** In addition to the regular board, an independent group of trustees would guard those stated values and hold management accountable to the firm’s purpose beyond profit ²² .
- **Long-Term Shares:** Shareholders’ voting power would depend on how long they commit to holding shares

– e.g. a share committed for 10 years carries more votes than one held for 1 year ²³ . This incentivizes stable, patient ownership rather than speculative trading.

The goal of these ideas was to align companies with their communities and **rebuild trust** by proving that businesses can commit to something greater than short-term profit. Mayer did not suggest mandating “trust firms” universally, but he argued that corporate law should at least *allow* and even encourage such forms (through, for instance, tax incentives) ²⁴ . His emphasis on **commitment over control** (fostering loyalty, stewardship, and relational accountability instead of just financial controls) set the stage for his later work on corporate purpose ²⁵ .

- **Prosperity (2018): Reimagining Corporate Purpose.** As discussed, *Prosperity* built upon those earlier insights but took them further. By 2018, issues like climate change, inequality, and public distrust had only grown more urgent, and Mayer’s focus shifted even more to defining **purpose as the central pillar** of a reformed capitalism. *Prosperity* answers the dilemmas raised in *Firm Commitment* with a clearer roadmap: change the law to require purposeful business, develop new metrics to measure companies on how well they solve societal problems, and realign finance to support long-term investment ¹³ . This book arrived amid a surge of interest in stakeholder capitalism worldwide, and it crystallized the message that **businesses must serve social purposes to regain legitimacy**. Indeed, the Financial Times lauded *Prosperity* as “a radical roadmap towards a bright future for corporations and capitalism” ²⁶ . Mayer’s timing was prescient – within a year, the U.S. Business Roundtable and other influential voices were openly rejecting pure shareholder-centric models and echoing many of the themes in *Prosperity*.

- **Capitalism and Crises: How to Fix Them (2024): Aligning Profit with Public Good.** In his most recent work, Mayer confronts the wave of crises that capitalism has faced in the 2020s – from environmental breakdown to social unrest and political polarization – and ties them back to one root cause: **the wrong kind of profit** ²⁷ . Profit is the fuel of capitalism, and it *can* drive positive innovation and growth. But, Mayer warns, too often profit is earned in ways that **create “detriments, not benefits” for society** – manifesting as “pollution, global warming, biodiversity loss, inequality and social exclusion” ²⁷ . Traditional economics might dismiss these harms as mere “negative externalities” to be corrected with regulation, but Mayer argues that they are in fact *intrinsic to how many firms operate in pursuit of profit* ²⁸ . In *Capitalism and Crises*, he notes that the past decade saw an explosion of new regulations attempting to rein in corporate harms, yet this often backfired: **regulation has been ineffective or burdensome**, sparking a political backlash ²⁹ . He observes that the left demands tougher rules to punish corporate misdeeds, while the right demands deregulation to free up growth – resulting in “**social fracturing and ideological intransigence**” with little actual problem-solving ³⁰ . This dynamic is itself a crisis for capitalism, as we see society torn between two extremes: *over-regulated* markets versus *unchecked* corporate behavior.

Mayer’s solution is to **fundamentally realign incentives** so that doing the right thing becomes **profitable** for business. Rather than rely on endless after-the-fact regulations, he suggests rethinking both corporate governance and regulation to “*align the interests of companies in earning profits for their investors with those of individuals, societies and the environment*” ³¹ . Practically, this means measuring and rewarding companies for *outcomes* and *impacts* – the real effects they have on human well-being and the planet – not just their outputs or financial inputs ³² . For example, a car manufacturer shouldn’t be judged solely on how many cars it sells (output) or its costs (input), but on **the outcomes** of its products: the mobility and comfort it

provides *versus* the pollution and noise it causes ³³. And beyond those outcomes lie **impacts on well-being**: Are people's lives improved by the company's products and operations, or is the company contributing to ill health, climate change, or community decay? ³⁴ ³⁵ Mayer argues that if regulators and markets start **demanding "profit without harm"**, companies will innovate to solve problems profitably instead of pushing costs onto society ³⁶. In fact, he envisions using expanded versions of corporate Key Performance Indicators (KPIs) to track social and environmental performance in concrete units (e.g. emissions levels, community health metrics) rather than abstract monetized estimates ³⁷. By tying these impact metrics to executive incentives, investor returns, or regulatory approvals, firms will have financial motivation to achieve *positive* outcomes and avoid negative ones.

A striking example Mayer gives is the case of **public utilities** – say, water companies. In Britain, privatized water utilities have been under fire for polluting rivers and failing to invest in infrastructure (with notorious incidents of raw sewage discharged into waterways) ³⁸. Under a *"profit at all costs"* model, such companies prioritized shareholder dividends over maintenance, leading to degraded service and public outrage. Mayer's approach would flip the script: regulators should set performance targets for clean water and environmental protection, and only allow companies to earn healthy profits **if they meet those societal outcomes** ³⁹ ⁴⁰. Essentially, **profit would be conditional on problem-solving** – e.g. reducing sewage overflows – rather than assumed even if the company ignores those problems. This idea encapsulates Mayer's broader thesis in *Capitalism and Crises: the only sustainable way forward is for companies to profit by solving problems, not by creating them*. As he plainly states, *"Companies profit from solving not creating problems for others."* ⁴¹ When that principle guides business, we can harness the power of capitalism to fix issues like climate change or inequality, instead of exacerbating them.

How Mayer's Model Differs from Traditional Capitalism

Mayer's vision of capitalism is a significant departure from the **traditional Anglo-American model** of shareholder-centric capitalism. Some key differences include:

- **Purpose vs. Profit-Only Focus:** In the conventional model, profit is the ultimate end – the doctrine long preached by Milton Friedman was that corporate executives' sole objective should be to maximize shareholder wealth (within legal rules) ⁵. Mayer's model flips this, insisting that profit should be **a means, not an end**. The *purpose* of a company becomes its guiding star – for example, curing disease, connecting people, or providing clean energy – and profit is the fuel that sustains that mission. Rather than asking "how do we make more money?", the company asks "how do we use our business to solve X problem?" – with the expectation that solving the problem excellently **will** generate sustainable profits. This is a paradigm shift: traditional capitalism often tolerates social or environmental harms as side-effects of profit, whereas Mayer's capitalism seeks profit *by actively preventing or fixing* those harms ⁴ ²⁷.
- **Stakeholder Inclusion vs. Shareholder Primacy:** In mainstream practice, corporations are effectively *"creatures of their shareholders"*, and success is measured by shareholder returns ¹⁷. Other stakeholders (workers, customers, communities, future generations) have no formal say and are considered only insofar as they affect profits. Mayer's approach is inherently **stakeholder-centric**. He contends that a corporation is an independent entity that owes obligations to **multiple stakeholders** and to its stated purpose, not just to stock owners ¹⁷. This doesn't mean shareholders are ignored; rather, shareholders become partners in a wider enterprise of creating mutual value. Under Mayer's model, a company might explicitly commit to employee well-being,

customer satisfaction, community development, and environmental stewardship as part of its corporate charter – elevating those goals to the same plane as financial returns ¹² . Directors would then have a **fiduciary duty to balance** those commitments. In practice, this could mean decisions are sometimes made that **favor long-term stakeholder benefits over immediate profit** (for instance, raising worker wages or reducing pollution beyond what law requires, even if it moderates short-term earnings). Traditional theory would view that as a failure (hurting shareholders), but Mayer views it as success if it fulfills the company's larger purpose and leads to healthier, more resilient business in the long run.

- **Long-Term & Sustainable Outlook vs. Short-Termism:** Mayer strongly emphasizes *long-termism*, whereas traditional capitalism often falls prey to short horizons (quarterly earnings pressures, short investor holding periods, etc.). He advocates structural changes like loyalty-weighted voting rights for long-term shareholders ²³ and cultural shifts like planning decades ahead ¹⁴ . Traditional models often incentivize executives with short-term stock price targets and bonus metrics, which can encourage cutting R&D, training, or maintenance to hit near-term profit goals. Mayer's model would tie success metrics to **sustainable performance** – for example, customer loyalty, innovation milestones, carbon reduction, and other indicators of enduring value creation. By designing governance for durability (e.g. his "time-dependent shares" concept giving ten-year investors tenfold voting power ²³), he seeks to counter the transient, **"quarterly capitalism"** mindset. A practical implication is that companies would be less likely to engage in behaviors like stock buybacks to boost prices at the expense of investment, or mass layoffs for a short-lived earnings bump, if those actions undermine their long-term purpose and stakeholder trust.

- **Intrinsic Responsibility vs. External Regulation:** Traditional capitalism often relies on **external regulation** by governments to curb corporate excesses (pollution, worker exploitation, consumer harms). Corporations themselves, following the Friedmanite view, might see these issues as outside their remit – "externalities" to be addressed by the state or civil society. Mayer's vision calls for companies to take **internal responsibility** for their broader impacts, reducing the need for heavy-handed regulation ¹⁹ ²⁸ . He points out that the cycle of ever-expanding regulations has hit diminishing returns – it can encourage box-ticking compliance rather than genuine ethical behavior, and global firms often find ways to bypass rules, leading to public cynicism ⁴² ⁴³ . In contrast, if a company's mission and governance *intrinsically* commit it to avoid harming stakeholders, it will self-police and innovate proactively. For example, instead of waiting for environmental laws, a purpose-driven chemical company might voluntarily eliminate toxic ingredients because its purpose is to deliver safe, sustainable products. Mayer isn't suggesting to abolish all regulation, but he wants to **redesign regulation** to support companies that "do the right thing" and to align profit incentives with positive outcomes ³¹ ³⁶ . In practice, this could mean regulators offering flexibility or advantages to firms with certified social purposes, or governments shifting from prescriptive rules ("don't emit more than X") to outcome-based ones ("achieve clean water and no net emissions, and you can earn a fair return") ³⁹ ⁴⁰ . Mayer's model thus blurs the traditional divide between public and private roles – corporations become more like partners in delivering public goods, rather than abstract entities purely pursuing private gain within the boundaries set by government.

- **Trust and Culture vs. Just Contracts:** A subtle but important difference is the role of **trust, values, and culture**. Traditional economics often treats the corporation as a nexus of contracts – relationships governed by legal agreements and incentives. Mayer, by contrast, highlights the importance of *commitment, integrity, and corporate culture*. In his "trust firm" concept, for instance, a

board of trustees would safeguard the company's values, essentially institutionalizing an ethical compass at the heart of the firm ²². This reflects a belief that **ethical business leadership** and a strong pro-social culture can achieve what endless contracts and compliance programs might not. His approach calls for cultivating an internal ethos where employees at all levels understand and embrace the company's purpose of *"profiting from problem-solving, not problem-creating"* ⁴¹ ⁴⁴. That stands in contrast to the idea that you can simply align everyone with stock options and expect good outcomes. Mayer would argue that **motivation matters** – people in a company should feel they are working towards a meaningful goal, not just a share price. This focus on trust and purpose-driven culture is a departure from the cold, hard image of traditional corporations and is more in line with contemporary management thinking that empowered, mission-oriented teams outperform those driven purely by financial targets.

Examples of Purpose-Driven Capitalism in Practice

Mayer often cites **real-world companies** that illustrate how embracing a broader purpose can lead to both business success and societal benefit. Here are a couple of notable examples he highlights:

- **Novo Nordisk (Pharmaceuticals):** This Danish healthcare company, known for its diabetes medications, underwent a purpose transformation. Novo Nordisk realized it was *falling short in serving* the huge populations of diabetes patients in low- and middle-income countries ⁴⁵. Simply selling more insulin wasn't solving the core problem. So the company redefined its purpose: **not just to manufacture insulin, but to prevent diabetes and improve lives**. This led Novo Nordisk to invest in prevention programs and affordable access to treatments in underserved markets. By addressing the root problem (rising diabetes rates) rather than just pushing product, the company aligned its long-term profitability with global health outcomes. Mayer uses this to show how a firm can shift from profiting off a disease to profiting by *reducing* the burden of that disease ⁴⁵ ⁴. Novo Nordisk's strategy still aims to make a profit, but only *by providing a solution* (healthier communities with less diabetes) – perfectly exemplifying "profitable solutions to the problems of people and planet" in action ⁴. The approach has paid off: Novo Nordisk has strengthened its market and reputation by leading on prevention, illustrating that doing good can be good business.
- **Handelsbanken (Banking):** Handelsbanken, a Swedish bank that has expanded across Europe, is another role model in Mayer's view ⁴⁶. Unlike many big banks that chase quarterly earnings and centralize power, Handelsbanken operates on a radically decentralized, customer-centric model. Its purpose is grounded in *long-term customer satisfaction* and community banking. Branch managers have unusual autonomy to make decisions, and the bank eschews aggressive sales targets. Handelsbanken also treats its employees with trust and respect – for example, refraining from the high-pressure, hire-and-fire tactics often seen in investment banking ⁴⁶. The result has been striking: customers are highly loyal, and the bank consistently ranks as one of the most efficient (and **low-cost**) operators, because motivated employees and satisfied customers translate into sustainable profits ⁴⁶. Mayer points to Handelsbanken as proof that a **"humane" and trust-based culture** can outperform the traditional profit-maximization approach. By putting its *purpose* (serving customers well and responsibly) first, the bank has grown steadily and avoided the pitfalls that hit many competitors during financial crises. It suggests that when employees and customers believe in a company's mission, the business can thrive without resorting to exploitative practices.

- **Broad Trends – From Pledges to Action:** Beyond individual companies, we can see Mayer’s ideas influencing broader corporate behaviors today. The **Business Roundtable’s 2019 pledge** (signed by 181 CEOs of major U.S. companies) to lead their companies for the benefit of all stakeholders was one high-profile example of intent to shift toward purpose. Since then, some firms have started to translate these words into practice. For instance, many large companies set ambitious sustainability and social targets (like reaching net-zero emissions or diversifying their leadership) that go beyond legal requirements – indicating a commitment to solve societal problems as part of their business strategy. Another striking example came in 2022, after Russia invaded Ukraine: a *mass exodus* of Western firms voluntarily pulled out of Russia, even at significant financial cost to themselves. Companies like BP, Shell, Apple, Disney, and dozens more suspended operations or divested assets, explicitly citing ethical and humanitarian concerns over the war ⁴⁷ ⁴⁸. This was nearly unprecedented – a real-time case of corporations prioritizing values and stakeholder sentiment (pressure from customers, employees, and the public) over immediate profit. Observers noted that these actions “*forced corporate executives to confront and reevaluate the Friedman Doctrine*”, as firms sacrificed some shareholder value to uphold social responsibility ⁴⁹. Mayer’s philosophy helps explain this shift: companies are increasingly aware that long-term prosperity depends on maintaining trust and legitimacy in the eyes of society. By “*putting purpose before profit*” in critical moments, they may actually bolster their brand, avoid future risks, and serve the greater good – all outcomes that align with a healthier form of capitalism.
- **Public Benefit Corporations and B-Corps:** Another practical development consistent with Mayer’s ideas is the rise of **Benefit Corporations** (legal entities) and B-Corp certifications. These are businesses that legally embed a broader purpose into their mission and are required to consider impacts on stakeholders, not just shareholders. While Mayer’s work doesn’t focus on any one certification, the popularity of such models (from Patagonia giving its ownership to a climate trust, to Danone and Unilever pursuing multi-stakeholder approaches) shows a growing appetite for the kind of *purpose-driven, accountable capitalism* that Mayer advocates. These real-world examples form a testing ground for how aligning purpose with profit works in practice, offering lessons and inspiration for more companies to follow suit.

Relevance to Today’s Crises and Political Climate (2025)

Mayer’s vision of capitalism is especially pertinent given the **current global challenges** and discontent with the economic status quo. As of 2025, we face a confluence of issues: trade tensions between major economies, war and geopolitical conflicts, widening inequality, and aging or neglected infrastructure in advanced nations. Let’s examine how Mayer’s ideas speak to these situations:

- **Global Trade Wars and Populist Backlash:** The last few years have seen escalating trade frictions – for example, the U.S.–China trade war characterized by tariffs and mutual suspicion, driven in part by anger over job losses and unfair practices. This reflects a broader **populist backlash** against globalization and the feeling that the current capitalist system “doesn’t work” for many people. Mayer’s approach tackles the root of this discontent. He acknowledges that globalization and free markets delivered huge benefits, but also left many communities behind, creating resentment. Rather than abandoning capitalism, he suggests we “*retain as far as possible the benefits of globalization, technology, and market processes*” while changing the objectives of firms so those benefits are widely shared (this sentiment is echoed in his work and associated research ²⁷ ²⁸). If companies operated with a commitment to their workers and communities, they might be less likely

to offshore recklessly or exploit wage gaps, thus **mitigating the harms that fuel trade conflicts**. For instance, a manufacturing firm with a purpose to “provide good jobs and innovations in both the U.S. and abroad” would handle outsourcing very differently than one purely seeking the lowest labor cost. By building local resilience – investing in worker skills, sharing gains more equitably, and respecting trade partners – purpose-driven businesses could ease the zero-sum mentality behind trade wars. Mayer also highlights that the political polarization between pro-regulation left and pro-market right is itself a byproduct of our profit-at-any-cost system ³⁰. His “profit with purpose” model promises a *middle path*: it aligns business incentives with social goods so that **economic cooperation replaces confrontation**. In an ideal scenario, fewer jobs would be lost to exploitative practices, and consumers wouldn’t see corporations as villains – reducing the public anger that politicians tap into when launching protectionist measures. While trade disputes are complex, Mayer’s insistence on ethical, long-term business may help restore trust between nations by ensuring corporations don’t foment grievances (e.g. by dumping products or polluting freely across borders). A capitalism that benefits *all* stakeholders would remove much of the fuel for nationalist, protectionist politics.

- **War and Geopolitical Instability:** The ongoing war in Ukraine (Russia’s invasion) and other conflicts have tested companies’ commitments to values over profits. As noted, many firms chose to exit Russia, foregoing revenue to protest the aggression ⁴⁷ ⁴⁸. This is exactly the kind of principled decision that a **purpose-driven outlook** supports. Under a strict shareholder-value lens, staying in a lucrative market regardless of moral concerns would be justified. But Mayer’s philosophy vindicates those exits – a company’s *purpose and ethical stance* can require it to withdraw from a market that violates its values or threatens global stability. Furthermore, the Ukraine war spurred an energy crisis and highlighted the West’s dependency on fossil fuels and autocratic regimes. Mayer’s emphasis on solving long-term problems aligns with how businesses are now pivoting toward renewable energy and energy security solutions. For example, European utilities and governments accelerated investment in clean energy to both address climate change *and* reduce reliance on hostile suppliers – a case of doing well by doing good. Mayer would argue that if energy companies had earlier embraced a purpose of sustainable energy transition (instead of maximizing oil profits), both the climate crisis and strategic vulnerabilities might be less severe now. The war also underscored the importance of **corporate adaptability and responsibility** in crises: some companies became key providers of humanitarian aid, cybersecurity, or logistics in the conflict. Under Mayer’s model, corporations see themselves as **part of society’s defense and resilience**, not separate from it. This viewpoint encourages firms to step up in times of crisis (be it war, pandemic, or natural disaster), offering their resources and ingenuity to help solve urgent problems. In return, they earn public trust and often discover new markets or technologies in the process. Overall, Mayer’s next-level capitalism implies that companies should actively contribute to peace and stability – for instance, through ethical supply chains, avoiding profiteering from conflict, and supporting international norms – rather than just exploiting global chaos for gain.

- **Degrading Social Infrastructure in Developed Countries:** Even in rich countries like the US and UK, we’ve seen worrying signs of social and infrastructure decline – from crumbling bridges and water systems to rising homelessness and despair in certain communities. A common thread is that **short-term economic thinking** has neglected long-term investment in public goods. Mayer identifies inequality and social exclusion as direct consequences of how businesses have operated in recent decades ²⁷. When companies prioritize profits excessively, they may skimp on worker wages, avoid taxes that fund public services, or extract wealth from communities without reinvestment. The

result is frayed social fabric and failing infrastructure – problems now visible in American inner cities or Britain's struggling public utilities. Mayer's solution calls for a rebalancing: if firms embrace a purpose to support their stakeholders, they are more likely to invest in their employees (raising incomes and skills), pay their fair share to the tax base, and collaborate with government on infrastructure projects. For example, a transportation company with a purpose of "mobility that enriches communities" might partner on public transit improvements instead of just lobbying for tax breaks. Mayer also suggests that regulators measure companies on outcomes like infrastructure reliability or community well-being ⁴⁰. In the UK's case of water companies dumping sewage, his approach would enforce that **no profits can be taken unless water quality targets are met** ³⁸. That creates a direct incentive for firms to invest in pipes, treatment plants, and maintenance – essentially, to align shareholder interests with the public's interest in clean water. In the bigger picture, Mayer's ideas encourage **private capital to flow into solving social problems**: housing shortages, digital divides, health care access, etc. If corporate success is defined by how well a company fixes these issues (not just by its stock price), we could see a resurgence of infrastructure and services in the developed world. Importantly, this approach also addresses the **loss of trust** in institutions. Mayer notes that mistrust in business has grown as people feel corporations take more than they give ². By visibly contributing to social infrastructure – say, companies building affordable housing for workers or investing in local schools – businesses can rebuild credibility. This, in turn, may reduce the political cynicism and polarization that are plaguing Western democracies. Mayer explicitly links the rise of political extremism to dissatisfaction with capitalism's outcomes ⁵⁰. Fix the way capitalism works (make it deliver broad-based prosperity), and you undercut the appeal of demagogues and divisive politics. In summary, Mayer's next-level capitalism would see **thriving communities and robust public services** as indicators of business success, thereby directly countering the trend of decaying social infrastructure.

Conclusion: Toward a Prosperous, Purposeful Capitalism

Colin Mayer's work – from *Firm Commitment* through *Prosperity* to *Capitalism and Crises* – lays out a comprehensive vision for **advancing capitalism to a higher stage**. It is a capitalism where **purpose, trust, and long-term values** replace the myopic pursuit of profit-at-any-cost. This vision differs markedly from the traditional models of the past, but it is not anti-business – on the contrary, Mayer is a staunch defender of the corporation as a generator of wealth and innovation ¹⁶. His point is that the corporation must **evolve** to meet the needs of the 21st century. By redefining corporate purpose to include societal goals, and by realigning laws and incentives accordingly, we can unleash businesses to tackle the greatest challenges of our time – whether climate change, inequality, or technological disruption – in a way that **benefits everyone**.

Crucially, Mayer's proposals are **practical and realistic**. They do not rely on naïve hope that CEOs will suddenly become saints, nor do they seek heavy-handed state control of the economy. Instead, he identifies levers that can gradually shift the system: tweak corporate law here, introduce new fiduciary duties or reporting standards there, empower enlightened investors and demanding stakeholders to push companies in the right direction. We are already seeing early signs of this transformation, as more companies adopt ESG (environmental, social, governance) goals, countries experiment with stakeholder governance models, and investors pour money into "impact" funds. Mayer encourages us to go further and embed these changes at the core of how capitalism works. As he memorably puts it, **"the purpose of business is not to produce profits from causing problems, but to produce profits by solving problems"** ⁴.

In an age when “business as usual” is leaving too many people disillusioned and global crises unaddressed, Colin Mayer’s ideas offer a **hopeful path forward**. They sketch a form of capitalism that is not dismantled by its critics, but *transformed* by its own leaders to truly serve the public interest. This next-level capitalism strives to create **prosperity that is shared and sustainable**, restoring faith that markets and corporations can be harnessed for the greater good. It’s an ambitious agenda, but as Mayer’s work shows, it’s both necessary and achievable – and indeed, it may be the key to securing the future of both business **and** society in our turbulent times.

Sources: Colin Mayer’s books *Firm Commitment* (2013), *Prosperity* (2018), and *Capitalism and Crises* (2024); interview and commentary from Saïd Business School, Oxford ¹ ⁴ ¹⁷ ³⁸ ⁴⁹ ; Harvard Law School Forum on Corporate Governance ²⁷ ³⁰ ; and other cited materials.

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