

# Three Tales of Capitalism and Creative Economy

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The aim is to examine how the creative economy develops in shareholder, state, and stakeholder capitalism. In the shareholder capitalism, the creative economy is headed by large companies in cooperation with governments, which replicate pre-given formulas of governance with no consideration of local specificities, and reinforces the exclusion of small and medium-sized creative enterprises. The state capitalism has the government authorities as the main drivers of the creative economy's growth, which is usually connected to their political interest in preserving authority and manipulating the population. In the stakeholder capitalism, companies should pay their fair share of taxes, show zero tolerance for corruption, uphold human rights throughout their global supply chains, and advocate for a competitive level playing field. These elements create the specific conditions for a more diversified set of actors leading the initiatives dedicated to the development of creative economy.

*Keywords:* creative economy, shareholder capitalism, state capitalism, stakeholder capitalism

## Introduction

There are three kinds of capitalism debated by the academic community and the decision-makers. The first is currently the dominant model: the "shareholder capitalism", which first gained ground in the United States in the 1970s and was embraced by most Western corporations and governments in the following decades. It holds that a corporation's primary goal should be to maximize its profits. During its heyday, profit-seeking companies unlocked markets and created jobs, but the advocates of the shareholder capitalism neglected the fact that, together with financial-industry pressures to boost short-term results, the single-minded focus on profits reinforced the shareholder capitalism's disconnection from the real economy, which makes this type of capitalism no longer sustainable. The second model is "state capitalism," which gives the government the power to set the direction of the economy and dominates many emerging markets. The third is the "stakeholder capitalism", which sees private corporations as trustees of society to today's social and environmental challenges. In the "stakeholder capitalism", executives and investors recognize that their own long-term success is closely linked to that of their customers, employees, and suppliers (Schwab, 2019a).

The concept of "stakeholder capitalism" was first described in the 1970s, and, after the creation of the World Economic Forum, its attendees started to debate the concept and signed the 1973 Davos Manifesto, which explored the companies' main responsibilities toward its stakeholders. However, the ways to link environmental and societal benefits to financial returns have been controversial in many debates in Davos since then. In 2020, many world leaders and businessmen saw the opportunity to ensure that the stakeholder capitalism becomes the new dominant model with a new Davos Manifesto, which indicates that companies and governments should pay their fair share of taxes, show zero tolerance for corruption, uphold human rights throughout their global supply

chains, and advocate for a competitive level playing field, particularly in the platform economy. The environmental, social, and governance goals should be included as complements to standard financial metrics, and salaries should align with the new measure of long-term shared value creation. Large companies should also seek to harness their core competencies and maintain an entrepreneurial mindset, but work with other stakeholders to improve the state of the world and bring it closer to achieving shared goals, such as those outlined in the Paris climate agreement and the United Nations Sustainable Development Agenda (Schwab, 2019a; 2020).

While the debates about the three types of capitalism have grown in importance, the “creative economy” started to gain prominence as an engine for development. The expression refers to the diversified set of activities based on individual and collective talent or ability, which encompasses a great range of sectors, such as crafts, fashion, the audiovisual, music, and book industries, as well as the new software and games sectors (Miguez, 2007). The creative economy has been present in the three kinds of capitalism presented above, but the involved actors and their purposes in the development of creative industries may be different.

The aim of the article is to examine how the creative economy develops in shareholder, state, and stakeholder capitalism. In the shareholder capitalism, the creative economy is headed by large companies in cooperation with governments, which replicate pre-given formulas of governance with no consideration of local specificities, and reinforces the exclusion of small and medium-sized creative enterprises. The state capitalism has the government authorities as the main drivers of the creative economy’s growth, which is usually connected to their political interest in preserving authority and manipulating the population. In the stakeholder capitalism, companies should pay their fair share of taxes, show zero tolerance for corruption, uphold human rights throughout their global supply chains, and advocate for a competitive level playing field. These elements create the specific conditions for a more diversified set of actors leading the initiatives dedicated to the development of creative economy.

### **The 1973 Davos Manifesto and the Trends in the Global Economy**

The 1973 Davos Manifesto brought a code of ethics for business leaders. The code indicated that the purpose of professional management was to serve clients, shareholders, workers, employees, and societies, as well as harmonize the interests of the stakeholders. The management had to satisfy its clients’ needs, give them the best value, and translate new ideas and technological progress into commercial products and services. In this context, the competition among companies is the usual and accepted way of ensuring that clients receive the best value choice. The management also needed to serve investors by providing a return on the investments, higher than the return on government bonds, and employees by ensuring the improvement of real income and the humanization of the workplace. Finally, it had to use the immaterial and material resources at its disposal in an optimal way, as well as expand the frontiers of knowledge in management and technology and guarantee that its enterprise pays appropriate taxes to allow the community to fulfil its objectives. The profitability was conceived as the necessary means to enable the management to serve clients, shareholders, employees, and society (Schwab, 2019b).

Since then, the world has faced many challenges and the global economy has shown some important trends which have had implications for companies and policymakers. One of the trends indicates that, in the last ten years, global leaders took rapid action to mitigate the worst effect of the financial crises, but this alone has not been enough to boost productivity growth. An over-reliance on monetary policy may have contributed to reducing productivity growth by encouraging capital misallocation, with banks becoming less interested in lending to businesses, favoring firms that are not credit-constrained and prioritizing fee-generating and trading

activities. A sound financial system was not able to compensate for poor physical infrastructure, just as the adoption of information and communication technologies (ICT) could not compensate for the lack of entrepreneurial and innovation ecosystems. The second trend indicates that, with monetary policy running out of steam, policymakers are revisiting and expanding their toolkit to include a range of fiscal policy tools, structural reforms that stimulate innovation and responsible and inclusive businesses to thrive and public incentives in infrastructure, human capital, research and development, and green procurement (Schwab & Zahidi, 2019).

The third trend is the investment, by policymakers, in developing skills in the light of ICT adoption if they want to provide opportunity for all in the Fourth Industrial Revolution. The purpose is to achieve a balance among technology integration, human capital investments, and the innovation ecosystem to enhance productivity. With the right skills and training, workers may turn into the agents embracing, driving, and realizing the potential of technology, rather than being displaced by it. The fourth trend is the greater preoccupation of policymakers with the speed, direction, and quality of growth. Although sustained economic growth remains the driver of human development and living standards, it does not necessarily build shared prosperity and the transition to a green economy. The fifth trend is the need of visionary leadership to place all economies on a win-win trajectory for growth, shared prosperity, and sustainability (Schwab & Zahidi, 2019). However, some countries adopted different economic models that did not follow the five trends. In each kind of capitalism, the development of the creative economy took diverse perspectives regarding the involved actors and their main purposes.

### **The First Tale: The “Shareholder Capitalism” and the Creative Economy**

The expression “shareholder capitalism” refers to an economic system in which the dominant corporate forms are legally independent companies that can pool capital from many shareholders with limited liability. The system is complemented by an open stock market to trade these shares freely. The measure of a company’s success in this system is the extent to which it maximizes shareholder value. Corporate governance has been based on maximizing the shareholder value, while financial markets have become more complex, with shares increasingly seen as assets to be traded rather than as long-term investments (McCann & Berry, 2017).

In the light of these practices, large creative economy groups brought the conceptual and practical convergence of individual talent and new media technologies (Hartley, 2005) and mobilized creativity not only in the allocation of resources, but the decentralization of economic activities and the use of multiskilled teams. Many creative companies saw in the equity market a net source of investment capital. The creative goods and services produced by these groups may have infinite variety, while their consumption occurs in new regimes of symbolic distinction. Consumers generate economic value in the light of the construction of their identities from goods and services because of the experience brought from their symbolic and intangible elements (Bendassolli, Wood Jr., Kirschbaum, & Cunha, 2009). Many large creative companies state that they respect the environment and the human rights, create better work relations, and communicate with the consumer in better ways to understand their specific demands.

However, the capital markets have become unfit to meet the economic, social, and environmental challenges as they have turned into vehicles for value extraction at the expense of the productive economy. The equity market ceases to be a net source of investment capital for companies and drives societal inequality and the pressure on economic growth. The “shareholder capitalism” also undermines the ability of companies to reinvest their own profits. The stock market has become a vehicle for extracting value from companies, not for injecting it. The shareholder capitalism also helps to drive environmental destruction with risky short-term behaviour, such as

fossil fuel extraction, which ignores long-term environmental risks (McCann & Berry, 2017).

In the shareholder capitalism, creative economy is oriented towards the formal creative industries, headed by initiatives developed by large companies and governments, which replicate pre-given formulas of governance with no consideration of local specificities, and reinforces exclusion of small and medium-sized creative enterprises. It may also establish and consolidate precarious work relations and show no respect for human rights, which perpetuates the predatory workforce exploitation—such as the exploitation of slave work by great fashion companies—and aesthetics models in its production, which marginalize and segregate difference. The notion of “hyper-consumerism” as the need for the new goods and services becomes faster, promotes environmental devastation and breaks down traditional institutions (Lipovetsky, 2004).

### **The Second Tale: The “State Capitalism” and the Creative Economy**

Bremmer (2010) defines “state capitalism” as a form of bureaucratically engineered capitalism in which the state dominates markets primarily for political gain and governments manipulate market outcomes for political purposes. Although this kind of capitalism may not be the most efficient means of generating prosperity, it serves political and economic purposes, puts expressive financial resources within the control of state officials, and allows them the access to cash to safeguard domestic political capital and the international leverage. It may create barriers to the flow of ideas, information, people, money, goods, and services within countries and across international borders. States such as China and Russia deploy state-owned enterprises in many industries. The 2008 global recession has accelerated the trend of state involvement in markets as governments spend billions stimulating growth and bailing out vulnerable domestic industries. Many governments impose new restrictions on the access to certain foreign markets for some companies, and politicians are more interested in bolstering their political capital by serving political benefactors, powerful industries, and interest groups (Bremmer, 2010).

In many societies in which state capitalism operates, individual freedoms were restricted by the government and police apparatus, but this did not mean that the creative economy was unable to develop in these places. Although many states in this kind of capitalism considered themselves to be “democratic”, most forms of freedom of expression and instruments of political engagement were weakened, and the mechanisms of popular participation were either unknown in the context of serious educational deficits or were repressed by authorities, particularly in times of crisis. In addition, the access to high value-added creative goods and services remains restricted to the elites, especially those linked to information and communication technologies (Jesus, 2017).

In the state capitalism, the presence of “creativity”—usually understood as the expression of the human potential in activities that generate tangible products and the ability to manipulate symbols and meanings in the search for innovations (Bendassolli et al., 2009)—does not necessarily presuppose the existence of democracy or its full experience by the population to foster the multiplicity of ideas for creative production or even the solution of social issues. The propelling elements of the creative economy in state capitalism do not necessarily involve the effective coordination of efforts among different levels of government and citizens. The stimulus to creative sectors can be frequently linked to the maintenance of national cohesion and repressive elements by government that create, through artistic, cultural and creative productions, official narratives that aim to generate meanings of the population’s belonging to the place, divert people’s attention away from political mobilization, and build a better international image. In this sense, the creative economy does not usually arise from the spontaneous mobilization around initiatives and proposals. In authoritarian and semi-authoritarian countries where state capitalism operates, the creative economy initiatives typically come from government plans with no expressive

popular consultation at the time of their formulation, and mobilization around creative sectors is imposed or forced by top-down initiatives in the form of government decisions or policies.

### **The Third Tale: The “Stakeholder Capitalism” and the Creative Economy**

The concept of “stakeholder capitalism” refers to a kind of capitalism which aims to overcome income inequality, societal division, and the climate crisis. In the 2020 World Economic Forum, it was established as a way of addressing the world’s greatest challenges, from societal divisions created by income inequality and political polarization to the climate change, and shows its interaction with a circular, shared, and regenerative economy. Building on the 1973 Davos Manifesto, the 2020 Davos Manifesto sets out that businesses should serve the interests of all society rather than simply their shareholders and includes fair taxation, zero tolerance for corruption, executive pay, and respect for human rights. Stakeholder capitalism is not only about maximizing profits, but about using capabilities and resources in cooperation with governments and civil society to address the key issues of this decade (WEF, 2020).

The purposes of a company in the “stakeholder capitalism” are to engage all its stakeholders in shared and sustained value creation and serve employees, customers, suppliers, local communities, and society at large through a shared commitment to policies and decisions that strengthen the long-term prosperity. The company accepts and supports fair competition and a level playing field and keeps the digital ecosystem in which its operations are reliable and trustworthy. Its customers are fully aware of the functionality of the products and services and treated with dignity. The company respects diversity and strives for continuous improvements in working conditions and employee well-being and ongoing upskilling and reskilling. It also provides a fair chance to new market entrants, integrates respect for human rights into the entire supply chain, and continuously expands the frontiers of knowledge, innovation, and technology to improve people’s well-being (Schwab, 2019c).

In the “stakeholder capitalism”, the creative economy companies act as stakeholders—together with governments and civil society—of the global future. Corporate global citizenship requires a company to harness its core competencies, entrepreneurship, skills, and relevant resources in collaborative efforts with other companies and stakeholders to improve the state of the world (Schwab, 2019c). In this sense, the “stakeholder capitalism” creates specific conditions for a more diversified set of actors leading the economic and political initiatives dedicated to creative economy, including small and medium-sized enterprises and a range of professionals which compose the “creative class”, which are responsible for economic development in specific territories because they aggregate talent, technology, and tolerance (Florida, 2002; 2005). The presence of a “creative class” may stimulate public participation and social innovations for solutions to urban problems (Landry, 2008). The creative economy may effectively recognize the relevance of human capital in integrating sociocultural and economic goals and opportunities based on creative entrepreneurship (Howkins, 2001).

### **Conclusion**

Although the tale of “stakeholder capitalism” may bring the ideal conditions for the full potential of creative economy as the engine for the socioeconomic development, there are still many obstacles to turn many of its proposals into reality in many parts of the world. The concentration of creative industries in specific areas of some countries or cities may reinforce contrasts within their territory (Figueiredo, Jesus, Robaina, & Couri, 2019). In many places around the planet, there are also inadequate regulatory frameworks to manage potential conflicts between the creators’ financial remuneration rights and the public access to knowledge, as well as the gaps

related to knowledge and skills because of the crisis of education systems, with no effective stimulation of critical thinking and the students' talent. The changes in the capitalist system did not happen homogeneously in time and space, especially those regarding public policies, financial constraints, and technical capacities.

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