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Corpoworld: An Imaginative Essay to Address One of the Great Problems of Our Time

Raúl Norberto Tomé*

S&T Servicio y Tecnología S.A., Bernardo de Irigoyen 722, 9th floor, Buenos Aires 1072, Argentina
Email: r.tome@sytsa.com

Abstract

Liberalism [1] has exhausted - or is exhausting- its ability to rally the majorities around its promise of value. The undersigned does not identify an alternative model with enough attractiveness. So, he understands it would be valuable to seek ways to reform it and a mechanism that can ensure a transition - from its current condition to a superior one - as short and amicable as possible. The work that follows describes a reformist proposal for regulated capitalism, which avoiding altering its main foundations could correct the negative externalities [2] that it in practice spills over society. And it exposes in an *addendum* a representative formal milestone of the proposed approach.

Keywords: External Stakeholders; Externalities; Corporate Governance; Corporate Responsibility; Business and Economics; Regulated Capitalism.

1. Introduction

The following guidelines intent to write down the problem profile and then focus on a winning proposal:

- Liberalism, and capitalism [3] fostered by it, has been transformed into a system that instead of keeping the majorities aligned behind their values and beliefs is skewedly spilling its benefits on a growing but insignificant number of obscenely rich people and the rest of humankind.
  - Notwithstanding the foregoing, many rich and very rich are deeply concerned about the possibility of an environmental, political, and social explosion that puts their lives and peace in danger
  - The most lucid among its beneficiaries recognize the evils of the system and the growing number of warning signs, but they do not find an alternative of equivalent value that overcome
  - The absence of even in-depth discussions on the problem encourages hemispheric, ideological, ethnic, religious, cultural alternatives..., which, without serious possibilities of becoming such, can constitute the wind that spreads the fire caused by a conjunctural spark without pretensions of deep change.

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* Corresponding author.

- COVID-19 pandemic accelerated the manifestation of the ills that afflict the system and opened even deeper gaps between rich and poor countries, between rich minorities and majorities that receive increasingly smaller and uncertain portions of the distribution of wealth and welfare [4].
  - And brought closer the possibility of a violent exacerbation of the conflicts of the system, in a relatively short time from a historical perspective.
- Private companies and corporations are the most thriving segment of the world economy [5], those that accumulate most of the creation and distribution of planetary economic value and therefore the root of the trouble that afflict the model should be sought there.
  - Secondarily, delve into the diagnosis pointing to the legal and regulatory, taxation, education, justice frameworks and transactional systems - commerce, finance, and movement of capital and funds - that frame and sustain the institutional fabric in which corporations act.
  - And even more marginally, to the economic, defense and geopolitical blocs that be a high-level manifestation of the previous ones and not a founding cause.

2. Focusing on the Corporate - Business Model

- The greatest merit of the corporate-business organization is its ability to create wealth. And its greatest flaw is relying on an imperfect, polluting, short-term fruit distribution system that privileges capital and management to the detriment of the other "stakeholders" – consumers, community, employees and retirees, the planet.
- Given that each economic transaction is an indissoluble and unique act of creation and distribution of economic value, any attempt to redesign the distribution of the value created - the objectionable part of the system's performance - poses a risk of negative impact on its ability to create wealth - a capacity that few now question or object to.
- This presumption of risk, confirmed by a myriad of examples of fiasco of economic attempts to reformulate the distribution seriously, is what immobilizes the system and keeps it on a collision course with its failure, without those who may have some influence on its journey act accordingly.

3. Deepening Into the Company Model of Creation and Distribution of Value

The determination of the value added by an economic agent is the difference between the economic value of the goods and services produced – revenue in the absence of another precision - minus the economic value of the goods and services consumed for their production - purchasing if no other precision. Note: There are others EVA definitions, aimed to measure the financial performance of a company. Along this article our approach will focus the contribution of the company – as economic entity – to welfare at aggregated level

Such economic value is originated in business activities: mining/extractive, transformation, supply, commercial, logistics, financial, and others. Each internal transaction moving forward in the corporate business process accumulates – generally in the form of an accrual – the amounts produced and consumed, but also incorporates information about the distribution of that value.

As highlighted in the previous point, each activity generates and distributes economic value indissolubly. A sale shares economic value with the customer through price fixing and it's subject to taxes, commissions to the sale-man, and other traces of the sharing of value. A purchase does the same with the supplier side. And so, all intermediate transformation activities incorporate energy, wages, and depreciation of equipment and facilities.

Thus, we can delve into the transactional and accounting records of a company and look for the economic value created and the economic value distributed in a period and verify the perfect identity of both measurements. So, for a given period:

Economic value generated or added (EVA) = Economic value distributed (1)

There are important currents of economic thought - not all the important ones - that accept the term stakeholders to identify the recipients of that created value.

The most classic meaning identifies shareholders, employees, the state, the community, the financial system, and the company itself as stakeholders. We will follow this approach going forward.

The remuneration of stakeholders is outlined in the following table:

Table 1

Stakeholder	Remunerated by the following:
Shareholders	Profit
Employees	Salaries and related
Estate/Community	Taxes and duties
Financial system	Interest over loans
The company itself	Reinvestment of depreciation

4. EVA Measurement Issues

The measurement reviewed has an attractive simplicity, but it masks some problems that are questioning the model.

The measurement of the economic value added assumes that the transactional measurement reveals the real value of what the company “takes” from the economic environment, and what it “returns”, valued transparently at effective and realized market value.

This is not real. Polluting industries, or those that deteriorate the public health, to give two examples, do not “take/return” to society what their financial statements reflect. Nor is it real in other terms. The value created by companies that invest in R&D, that innovate in applications of technology and knowledge, also have a distorted measurement of what they "take/return" to society.

We can recognize a first problem, which is to correctly measure the economic value added by each company as an economic agent.

We could add that the amount is not the only problem. We also have the problem of the quality of what makes up the economic value created, which makes measuring it at the national accounts level, for example, like adding "pears and apples."

"Our GDP considers, in its calculations, air pollution, tobacco advertising and the ambulances that go to pick up the injured on our highways. It records the costs of the security systems we install to protect our homes and the jails where we lock up those who manage to break into them.

It entails the destruction of our redwood forests and their replacement by chaotic and uncontrolled developments. It includes the production of napalm, nuclear weapons, and armored vehicles used by our riot police to suppress outbreaks of urban unrest…" Robert Kennedy – March 1968 [6].

Despite these criticisms, all of them plausible and that any alternative proposal of reform must address, the capitalist model in which private companies operate – at least in most of the West – has been extraordinarily successful in generating wealth, and few questions this model facet.

5. EVA Distribution Measurement Problems

Now, given the equality stated in (1), if the EV created is not measured correctly, its distribution could not be either.

A first problem is the incompleteness affecting the microeconomic measurement of the trading between companies and society represented in the classic definition of stakeholders and their representation in the accounting records of the firms. We could say that the public health system or the planet - among others - are not recognized as the economic environment that the company affects.

Likewise, companies with child labor or poverty wages in developing countries, which evade taxes in tax havens, to give two examples again, artificially distort the distribution of the value created. But they are not the only problems in the distribution. Companies that replace human jobs with technology and pass unemployment on to the State have a distortive impact on both, the measurement of value created and the measurement of distribution.

It is accepted there is a symbiotic relationship between the processes of creating economic value and its distribution, in such a way that a company that fails in the design of its distribution model will see affected its ability to create value in the short or long term.

However, capitalism has proven to be particularly resilient. And the flaws that are attributed to it are related to its ability to maintain success in the creation factor while not solving distribution problems due to inability or lack of interest.

However, it cannot be fairly argued that a company can provide a fundamental solution to the model's problems since its decisions only have a limited impact on its own creation-distribution process.

The solution to this intricacy we seek must have an aggregate impact beyond a company, sector, and/or country.

6. Add Stakeholders?... or Reduce the Number of Them?

One temptation when reformulating the measurement of the EVA and its distribution is to add stakeholders that would not be represented in the classic model: the environment, the State broadly– Health, Security, Justice - and seek for an improved measurement.

But we propose to explore an idea that could go in the opposite direction: reduce the number of stakeholders.

The company - legal entity - is an organization that men - natural persons - give themselves to better realize their "better one's condition," the basis on which Adam Smith founds all modern economic theory [7].

One of the great merits of this foundation is its simplicity. It doesn't take much to get "a million Parisians to eat every day without any of them growing food." Only the interest of the baker of "better his own condition."

As well, another great merit of the EVA measurement that we are questioning is also its simplicity.

So, if we have two options for starting an alternative path, with equal uncertainty about their remedial ability, the simpler approach - scale back rather than scale forward - should be examined first.

7. The Natural Stockholder as a Legal Entity Other Than the Company Legal Entity

The shareholders of a modern business company are legal and substantial entities different from the company. These shareholders can be natural persons or companies. But behind these other companies, eventually, we will find individuals. An exception to this generalization is probably the State when it is a direct or indirect shareholder through state-owned companies.

The shareholders act only through the bodies representing them – directly the Shareholders' Meeting, indirectly through the Board of Directors that the Meeting elects. And through these mechanisms they seek to serve their interest: profit for the capital invested.

In addition to being consensual – that is, since there is no company without partners, the purpose of the company stands as a synthesis of the interest of its shareholders – the interest of the company itself appears, which must be reconciled with the interest of its shareholders.

And why might the interest of the company differ from the interest of its owners? In our reasoning, and since we have adopted the figure of the *stakeholders* for the analysis, the company must balance the interest of the shareholders with that of other stakeholders [8]. And that balance is specified in what we will call the interest of the different legal person from the members of the property.

Companies have a finite life established in their bylaws, but in practice they generally operate as having an indefinite duration. While the shareholders as individuals also have a finite life, but unlike company, they are prompted to privilege the "here and now."

This tension manifests itself in almost all companies with greater or lesser intensity, affecting in the short horizon the terms of the distribution of value between shareholders and the company – dividends or reinvestment? – but also between shareholders vs. other stakeholders, clear or not, that will influence the success of society in the long term, and in aggregate form the success of the economy of a country in those same horizons.

Given that company has multiple stakeholders to deal with, defining its interest means solving a more complex model: more variables, more restrictions, a longer horizon of realization, more uncertainty.

Privileging shareholders *the here and now*, their interest is usually reduced to maximizing short-term profit, which many could confuse with selfishness or short-sightedness.

Research shows that primacy in the relationship often subordinates the interest of society in favor of the interest of its owners. So, it would be legitim to suspect that a review of this shareholder-company relationship may be conductive to the purpose of this essay.

8. Get the Man Out of Business Ownership

A working hypothesis would be we can remove the man, a natural person, from the property of the companies.

Some companies have other companies as shareholders. But if we look for the shareholders of the latter and persist in the drill-down, sooner or later we reach a natural person. In the company ownership model that we are proposing as a hypothesis, the drill down leads us to another company indefinitely.

We still have different legal entities – the legal entity company and the legal entity companies' shareholders of the company. Therefore, the interest trade-off remains. But the concept here and now, so strongly in the case of natural person shareholders, disappears. The resolution of the trade-off now has a technical base prone to efficiency in the long-term application of resources.

What else changes? The focus on profit. Without natural persons in the property, would the concept of profit not change significantly?

Non-profit economic agents exist. Many have particular and specific organizational models (civil associations, cooperatives, mutuals...) but many others are commercial companies without significant institutional differences with companies that pursue profit.

Similar laws apply to these companies that push them toward efficiency in the application of their resources and the generation of economic value, not for distribution with classic shareholders, but for reinvestment, sustainability, and growth.

In short, so far:

Table 2

Topic	Natural Person Shareholder	Corporate Shareholder
Objective	Maximize profit	To concrete the vision
Focus	Maximize EVA and influence its distribution	The right EVA and EV distribution
Horizon	Short term	The appropriate one
Trade-off resolution approach	Zero sum deal	Complex algorithm

9. Possible Consequences of the Model Proposed as a Hypothesis

We say in the exhibit above that one expected consequence is to moderate the EVA. That the company without the pressure of profit could reduce its goals of economic creation. This would have a first global payback, which is the environmental impact. We do not need to reformulate the model of ownership of companies, to incorporate this type of proposal as valuable.

Why might the company moderate the goal of economic value creation? Because you no longer must distribute it with the property and/or because the property – represented by other corporate legal entities – requires less remuneration or participation in the distribution.

Let us remember that the EVA is the difference between what company "takes" and what it "returns." If we accept that this difference is lower, we can add that the equilibrium model could impact all elements of the equation: “take” less (less environmental impact), less difference (EVA), and consequently “give back” less – less.

But the sum of the economic value created in a year by all economic agents of a country is the annual domestic gross product of the country or GDP. And if that value is reduced, is it good or evil?

In classical terms this seems negative. Another equation that equals GDP is GDP = Consumption + Investment. If the GDP decreases, we have less consumption and/or investment. Given that we associate consumption with the level of well-being of the people, and that the investment of a period can be seen as future consumption, our model seems to be oriented toward producing a decrease in general well-being on an ongoing basis.

Now, the measurements we are talking about are monetization’s of physical flows. The physical amount of flows is related to the environmental impact, but their monetization is related to prices. If the prices in the economy exclude a reserve equivalent to the profit – or participation of the individual shareholders in the distribution of the value created – we do not necessarily have a decrease in welfare.

The second of the premises above is that the individual shareholder is a force that separates the company from long-term economic efficiency. Therefore, the recommended model would have a more efficient application of resources – productivity – with positive repercussions on the economic value produced and distributed.

Finally, another of them speaks of a sufficiently complex algorithm to ensure that we are not only talking about creation but about efficient distribution. The distribution of value among the remaining stakeholders after removing the man from the ownership of the companies, could ensure a better alignment between the distribution made and the adherence of the stakeholders – keeping the bet with the company – for a longer term.

10. The First Value Test of the Proposed Hypothesis: The New Economic Space for Men

The central premise of Adam Smith, on which he entirely based his theory, the engine of the system advocated in The Wealth of Nations, was the tendency of all individuals without exception to "to better one's condition."

What role is left for man to improve his “condition” in a model where the ownership of companies is abdicated?

Any shareholder of a company in the current model is also a consumer, employee, saver, citizen, member of a community, and a long etcetera. They maintain their initial wealth. We are assuming that they transfer the shares to commercial companies at market value. But now they must find a substitute vehicle to maintain their amount and increase it.

If the only change suggested is to remove men from share ownership, they can still invest in public and private fixed income instruments – a situation analogous to that of pension funds that cannot invest in shares of private companies. In preferred shares without voting rights. In commodities and currency, options, and derivatives. Even in investment funds or numerals associated with the success of companies. They could also undertake minor economic activities in areas or niches not covered by the corporate offer.

It could be argued that regardless of natural persons disappearing from the ownership of companies, they would not disappear from their Management. Although some companies have AI in their Boards of Directors, the meetings of Management and Shareholders' Meetings where the decisions that led up to the present were made, are integrated by natural persons, usually management professionals.

Sometimes individual shareholders exercise the Executive Management, and often personally attend the Shareholders' Meetings. This last activity does disappear. And the first is affected since the Executive Management does not have the quality of the master's eye, but that of a professional manager.

At this level appears a deficit of the current extreme liberal model at stake, which is the remuneration of managers. Given that profit disappears as the key objective, and the generation of surpluses has reinvestment purposes, possibly the central engine of the Management bonuses disappears or attenuate too.

11. The Second Test: How Does it get Started?

Let us assume that the model has some appeal to delve into its feasibility. How could the change we propose occur?

One possibility is that individual shareholders voluntarily agree to sell their shares to corporations at market value. Now, with what funds would this be done?

Two possibilities:

- Companies buy their own shares from the company's individual shareholders – capital redemption
- Companies buy shares held by natural persons in other companies.

Companies rarely have free funds to acquire all their shares. Let us assume for a moment that the book value of the shares reflects the market value.

In the first case, buying one's own shares means taking one's equity to zero and the leverage to the sky.

In the second, the assets grow due to investments in shares of other companies, the debt grows to the same extent, the net worth of the company does not change, but leverage increases.

A third model is a mixed one – capital redemption and the entry of other companies into the company's capital – which would allow leverage to be moderated, although it would be higher than in the ex-ante situation.

Table 3

Case	Natural Person Shareholders	Corporate Shareholders	Impact on company situation	Impact on entry companies
a. Capital Redemption	Sell the shares to the company	Buy the shares issuing long-term debt	Debt increases Capital diminishes Infinite leverage	
b. Investment in other companies	Sell their shares to other companies	Buy the shares issuing long-term debt		Debt and assets increase equally Capital does not change Leverage increases
c. Mixed	Sell the shares to the same and other companies	Buy the shares issuing long-term debt	Debt increases Capital diminishes Leverage increases	Debt and assets increase equally Capital does not change Leverage increases

A priori, the mixed system distances us less from the current model where leverage is synonymous with risk, and risk is synonymous with greater demand for profit.

However, basing the alternative model on the issuance of long-term debt - which we conceive as securitized to provide liquidity to outgoing shareholders - has two important economic consequences: it would not mean a violent increase in the purchasing power of the market, with its consequences of inflation and price distortion; and it would not pressure companies to generate more profits in the short term to remunerate the debt, while providing instruments that allow their arbitration in the capital markets as in the current model.

12. The Third Test: The Absence of Profit

Without profit as an end, will the system have incentives to produce and perpetuate itself?

Needs continue to exist, and the companies that were formed to satisfy them continue to exist.

The clear incentive – not all schools of economic thought attribute profit as the main driver of entrepreneurs – is to obtain benefits for the economic resources sacrificed (in the sense of not having the freedom to direct them to an alternative purpose). Mainly capital, but in more modern visions also knowledge, access to channels to access customers, personal work of its promoters, etc.

The company seeks to perpetuate itself for reasons beyond the will and desire of the shareholders. Perhaps the reason for this vocation for perpetuity is the fact that once the stockholders have incorporated it and set it in motion, other economic agents begin acquiring an interest in it – the so-called stakeholders.

Testing the resilience of the business entity – unlike its natural person shareholders – does not seem to require additional confirmation effort.

We can postulate that the company not only wants to perpetuate itself but also to grow since the interest of its stakeholders will be better served by a company that satisfies more needs of more clients and markets.

However, we can also recognize without major problems that the interest of the individual shareholder and the means available to attend to their interest in profit - governance of the company through the Assembly and the appointment/removal of the Board of Directors make it more effective – for better and for worse – in achieving such perpetuation and growth.

Before closing the discussion of this third test, we must see how this governance mechanism is perfected and if the reformed model maintains the promise of effectiveness of the current one.

13. Incorporating the Technostructure Concept

Technostructure [9] is the name with which J. K. Galbraith identified the professional management, which the economist accused of having alternative goals in dispute with the individual shareholder and with the company. And of having the means to also impose themselves on their interests, harming the objectives for now reduced to perpetuating and growing.

The technostructure usually has an interest in growth, even above what the prudence of capital and business rules would indicate. Galbraith accuses the technostructure of privileging size and ignoring/underestimating the risks that could jeopardize the continuity of the company and the recovery of capital by its shareholders.

And of having labile ties with them since, they can go to another company more easily than the shareholders can get out of the capital or the company can change its purpose or structure. Recently, the remuneration of top company executives has been questioned, as dissociated from serving the interests of the companies they govern or their shareholders.

At moment zero of our model modification proposal, companies have a management, a technostructure that drives it with the complexities of convergence/divergence of interest with other stakeholders that we discussed above.

We accept that in the current model this technostructure can be removed by natural person shareholders – note: although this makes the essence of the model, the ability to avoid these negative consequences by professional management is also significant.

In the alternative model that we are proposing for discussion, the shareholder change, but they do not disappear. Nor does disappear the right of the now shareholders-companies to remove the Board of the company in question.

But now it is other technostructures that assume the management of that ultimate power. If we accept Galbraith's objections and recent experience to the ability of the technostructure to effectively serve the company's interest in perpetuation and smooth growth, we would now have this exacerbated as the power of the individual shareholder to control the technostructure disappears.

14. The Fourth Test: Reversibility of Changes

After acknowledging the problems that leaving power in the technostructure without the control of the shareholders can entail, we see that the model of redemption of their own shares by the company – the individual shareholders sell their participation to the company at market value - would aggravate the control problem since the technostructure would not have any counter power.

If the shares are not repurchased by the company itself, how does the process start? Now individual shareholders must identify a candidate company to buy their shares. This does not incorporate novelty with respect to the functioning of the markets today. All the time the shares are changing hands in exchange for a market value. Specialized capital markets exist, and there are operations outside these markets where they are perfected.

Then, any individual shareholder can voluntarily sell his shares in company A to company B, or to company C depending on the value offered by these companies. For B or C to acquire the shares of company A, it only must be conducive to its corporate objectives and the leverage of the acquisition of those shares of A over B or C will determine the price that B or C offers for the shares of A.

Today there is a regulation on the accumulation of power in a sector by one or a few companies that could apply to prevent these acquisitions from setting up situations of potential abuse of a dominant position [10].

So, this test seems to pass without major objections the condition of not changing anything other than what the working hypothesis proposes: that on a certain day in the future the individual shareholders agree to voluntarily sell their shares to legal entities in exchange for a long-term debt, securitized to provide them liquidity in the term of maturation.

Another approach to the discussion of whether it is possible to extract profit from the system without losing its power as a creator of wealth could be to discuss whether profit is inherent to that capacity or a contributing factor.

The business entity appears during economic history to separate the assets of the owners, limiting the business risk to the amount of capital committed by them in the business venture. And as an efficient organization of the multiple resources necessary to fulfill its purpose: deliver goods and services in exchange for a price that satisfactorily remunerate the committed resources (better than another possible application of those same resources) (Note) We accept the fundamentals expressed in “The Nature of the Firm”, published in 1937, cited by the Royal Swedish Academy of Sciences in awarding Ronald Coase the 1991 Alfred Nobel Memorial Prize in Economic Sciences.

Profit seems in this context to refer to the remuneration received by the owners of the company, remembering that this remuneration is contingent because, it occurs once the rest of the resources (work, taxes, suppliers, banks...) were remunerated. This contingency of the remuneration of capital – or entrepreneurial risk – justify the need for a material plus – profit – that remunerated it specifically.

If yes, then profit is inherent in the presence of promoters that are natural persons in the capital of the company, who risk a limited part of their welfare into the business venture, and to the extent that contingent risk disappears, the reason for being profit a corporate objective would disappear too.

As the company - legal entity - does not have similar objectives "to better its own condition," the remuneration of the capital invested in another company should have a lower value threshold and be consistent with the portfolio strategy now accessible to the company.

How is the temporality of this change? We understand that it is not necessary to occur at a given moment in time. It could be gradual without losing impact or appeal.

Nor do we ask for the irreversibility of the situation. There is an exit-entry cost as a discouraging factor that once a change of ownership of the shares of an individual shareholder in favor of a corporation has been made, the shareholder wants to buy the shares again – the same or another. But if we established as a premise the voluntary nature of the sale of the shares of natural persons, this voluntary nature should be able to be reversed over time. We believe this potential reversibility acts in favor of the initial implementation of the reform by not adding different conditions to the freedom of the individual shareholder to do what he wants with his/her money.

Now, why would anyone want to sell their equity stake in a company to other companies and forgo the profit – and the risk that justifies it?

A first reason would be that this discussion of ideas permeates their intelligence and convinces them of the benefits of the recommended change. For this, sufficient dissemination and public support from the academy and the living forces of society behind these concepts should be given. For this to be possible, this diffusion and adoption should previously occur in said outstanding promoters.

For this to start, perhaps the shortest and most effective way would be for the model to win the interest of the largest businesspersons – natural persons who own dominant shares in the economic scene – who, with their example, set the change in motion. Reaching that audience with these ideas is the initial challenge.

15. Addendum

15.1. Berkshire - Hathaway: a shortcut to the proposed model?

Berkshire - Hathaway may represent a shortcut to the proposed approach.

In technical terms, it could be defined as a hugely diversified conglomerate of hundreds of companies. And it has many features advocated by the model proposed in this paper.

The following information comes from the report (Letter to Shareholders)[11] for 2021:

- Berkshire owns a wide variety of companies, some in their entirety, others only in part. The second group consists largely of tradable common stock of major US companies. Additionally, it owns some non-US stock and is involved in various joint ventures or other collaborative activities.
- Whatever the form of ownership, the stated goal is to have significant investments in businesses with lasting financial advantages and a world-class CEO. B-H owns stock based on expectations about their long-term business performance and not because it sees them as vehicles for timely stock market moves.
- It does not have, in essence, natural person shareholders, not those with significant power. The major shareholder, Warren Buffet, would hold 9.3% of the shares.
- Everyone is a silent partner in perspective. It is so huge and diversified that it is a concrete example of management by the technostructure. A sum of businesses with growth potential and a great CEO. Strictly speaking around fifty CEOs because there are fifty individual companies/holdings of hundreds of companies (see Figure 2)
- It has not distributed dividends since 1967. Therefore, the shareholder does not have to worry about investing the profits. Its shareholders are not “volatile” ones – or the Management declares its strategy points to that objective.
    - For example: type A shares are the highest value ones listed on public stock markets around the world (in the order of 500 thousand dollars/share). Faced with the question of why it is not opened (split) in smaller denomination titles to favor liquidity, the company declares that the current format is more consistent with the type of shareholder it wants to maintain. "We want to attract shareholders who are as investment-oriented as we can get, with long-term horizons" Warren Buffet said recently. Later, he clarified that, if the company were to split the shares and lower its price, it would obtain "a shareholder base that would not have the level of sophistication and the synchronization of objectives" that he and his partners have.
- The corporation has excellent yields and the obligation to continue to grow, since by not distributing dividends and not modifying its leverage, not growing in yields would dilute its market value.
- In terms of returns in this year 2021, it earns 7% after taxes on the market value (17% on the book value) – see Figure 1-despite circumstantially having 12% of its assets in short-maturing US Treasury Bonds (finances 0.5% of the securitized USA debt).

- Companies do what their long-term “mission” optimization algorithms tell them to do. They show concern about paying taxes, not polluting, complying with regulations, growing in the long term, anticipating risks, thinking “sine die.”
- They maintain investments in shares of companies that they do not control to stabilize their profits and prevent no one comes to management with annoying questions. And by the way, they know them for when it is appropriate to buy controlling portions or enter that market to compete (there is practically nothing legal that they do not do – except noticeable weapons and pharmaceuticals).
- The company does not speak privately with investment funds. Look for minority and anonymous shareholders. It has "billions of shares" in circulation to promote it. Even the controlling stock are 1.5 million shares with a market value of 0.5 million dollars per share, and those that nominally appear in the book of shareholders of this class are more than 11,000.
- It has 274 thousand employees. If we count shareholders, suppliers, customers, this company influence the lives of half? of the inhabitants of the USA.
- B-H is “guided” by two young people aged 91 and 98.

16. Exhibit 1 – Billion in the US Meaning – a Thousand Million [12]

Table 4

Berkshire Hataway Inc *2021*	Shares *unit*	Share Value *dollars*	Total Market Value *billion dollars*
Common stock class A	1,510,180	$ 431,525.72	$ 651.7
Common stock class B	2,265,259,867	$ 282.86	$ 640.8
Market Value Book			$ 1,292.4
Value			$ 514.9
Market-to-Book value			2.51
TotaIAssets Leverage			$ 958.8
			1.86
Annual results			
Profitability %			$ 89.8
Acid Profitability %	on book value		17.4%
	on market value		6.9% after taxes

Exhibit 2 – Companies Integrating the Conglomerate [13]

BERKSHIRE HATHAWAY INC.

Operating Companies

Table 5

Insurance	Employees
GEICO	41,005
Berkshire Hathaway Reinsurance Group	538
General Re	2,014
Berkshire Hathaway Homestate Companies	1,149
Berkshire Hathaway Specialty	1,214
Berkshire Hathaway GUARD Insurance Companies	1,270
MedPro Group Inc.	1,108
MLMIC Insurance Companies	238
National Indemnity Primary Group	862
United States Liability Insurance Companies	1,055
Central States Indemnity	27
	50,480

Railroad, Utilities and Energy	Employees
NSF:	
BNSF Railway	35,125
BNSF Logistics	550
Berkshire Hathaway Energy Company:	
Corporate Office	32
PacifiCorp	4,783
MidAmerican Energy	3,427
NV Energy	2,273
Northern Powergrid	2,527
BHE Pipeline Group	2,692
BHE Transmission	726
BHE Renewables	345
MidAmerican Energy Services	75
HomeServices of America	6,757
	59,312

Table 6

Manufacturing:	
Acme	1,794
Benjamin Moore	2,042
Brooks Sports	1,117
Clayton Homes	20,830
CTB	2,685
Duracell	2,975
Fechheimer	426
Forest River	13,457
Fruit of the Loom	32,591
Garan	3,899
H. H. Brown Shoe Group	1,163
IMC International Metalworking Companies	13,016
Johns Manville	7,748
Larson-Juhl	867
LiquidPower Specialty Products, Inc.	433
Lubrizol	8,368
Marmon[14]	22,835
MiTek Inc.	5,510
Precision Castparts	19,804
Richline Group	2,386
Scott Fetzer Companies	1,823
Shaw Industries	21,482
	187,251

Service and Retailing:	
Affordable Housing Partners, Inc.	27
Ben Bridge Jeweler	696
Berkshire Hathaway Automotive	9,530
Borsheims	136
Business Wire	415
Charter Brokerage	172
CORT	1,966
Dairy Queen	493
Detlev Louis	1,403
FlightSafety	4,005
Helzberg Diamonds	1,657
Jordan’s Furniture	1,040
McLane Company	26,204
Nebraska Furniture Mart	4,407
NetJets	6,616
Oriental Trading	1,278
Pampered Chef	348
R.C. Willey Home Furnishings	2,591
See’s Candies	2,546
Star Furniture	426
TTI, Inc.	8,043
WPLG, Inc	210
XTRA	375
	74,584
Berkshire Hathaway Corporate Office	26
	371,653

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[14] Marmon Holding, Inc. (“Marmon”) is a holding company that conducts operations through more than 100 manufacturing and service businesses organized into 11 business groups.