Capitalism, Laws, and the Need for Trustworthy Institutions

Anat R. Admati[1]

July 14, 2021, this version August 11, 2021

I. Introduction

Debates about capitalism are often muddled by blind spots about what is involved in making market systems work well for society. Neither corporations nor markets can succeed at scale, indeed corporations cannot even exist in their current form, without well-functioning legal systems. All institutions, across markets and governments, are vulnerable to distortions from imbalances in power, information, and expertise. For any economic and political system to deliver the outcomes we want, effective systems of governance and accountability are essential. The key problems with capitalism today boil down to failed governance and confusions that obscure the issues and prevent beneficial changes.

Capitalism operates in different ways around the globe and interacts with different political systems. Across regimes, incentives to maximize profits and power play key roles in determining market and political outcomes. The forces of "free-market capitalism" can and have undermined and overwhelmed many democratic institutions at various times. In recent years, this process has resulted in a loss of trust in institutions and dual and intertwined crises of both capitalism and democracy.

I start this essay by unpacking basic words and phrases often used in discussions of capitalism, showing that they ignore the essential institutional frameworks that enable market-based systems to operate at scale. Since corporations are central to capitalism, I discuss the key features of the corporate form, including legal separateness and asset shielding privileges. Whereas corporations enjoy many rights and protections, ensuring that they comply with the rules of society has been more challenging.

Some refer to the leading form of capitalism since the 1980s as "shareholder capitalism," but I prefer "financialized capitalism." Corporate governance has relied on financialized metrics in

[1] Stanford University; email: admati@stanford.edu. Forthcoming in *Oxford Review of Economics* special volume that asks "Capitalism: what has gone wrong, what needs to change and how to fix it." I am grateful to Vikramaditya Khanna, John Muellbauer, Paul Pfleiderer, Amit Seru, Timur Sobolev, and Graham Steele for helpful comments.

recent decades, and the opaque, fragile, distorted and poorly regulated financial system illustrates starkly what has gone wrong with a system in which key institutions fail society.

Throughout the discussion, it will become clear that the underlying problems are often rooted in a mix of distorted incentives and various forms of confusion or flawed narratives. I therefore focus on the broader issues around how people form preferences in making decisions and how conflicts of interest can further interfere and exacerbate confusion and bad policy.

Fixing capitalism must start with seeing the challenges for what they are. The devil is then in the details of how to improve transparency and governance to prevent the abuse of power across the system. Better norms and rules for markets and institutions can put us on a path towards more trustworthy and less corruptible versions of capitalism.

II. Words and reality

The Oxford Dictionary defines capitalism as "an economic and political system in which a country's trade and industry are controlled by private owners for profit rather than by the state." The contrast between private and government-controlled systems presents a false dichotomy. It obscures the fact that private ownership in civilized societies, and the success of trade and industry at scale, *depend* on the competence and integrity of governments and legal systems that confer and protect property rights and facilitate transactions and contracts.

Defining capitalism as just an economic system that relies on "free market competition" also fails to acknowledge that markets, competition, contract enforcement, corporations, and adjudication of disputes require proper legal institutions.

If legal frameworks are critical to the workings of capitalism, then the political processes shaping relevant government institutions and policies, and the way legal institutions work, are essential in understanding and trying to "fix" capitalism. As economist Abba Lerner (1972) stated, "Every economic transaction is a solved political problem." Yet, when studying markets, contracts, or even policy, economists often ignore politics and the frictions impacting laws and all enforcement mechanisms that are critical for making any market system work.

The "neoliberal view," originating in the 1980s and sometimes referred to as the "Washington Consensus," promoted "free markets" and minimal state involvement. Taken to the extreme, this view accords with some of the simple dictionary definitions of capitalism and reflects the same blind spots about the role of political and legal systems in ensuring that markets work properly.

Some neoliberals take democracy for granted or implicitly link capitalism and democracy without considering the challenge of making the institutions of democracy work. More recently, with democracies appearing fragile, many instead claim and accept that governments are incompetent or corrupt and look to corporations, business leaders and the wealthy to solve society's problems. We hear renewed calls for "corporate social responsibility" and declarations of a new era in which some type of "better" capitalism will replace the current "shareholder capitalism."

Those who suggest private-sector solutions to society's challenges typically fail to reflect on *why* democratic governments are failing. How might market participants, including corporations and their leaders, contribute to this failure? Do they undermine and weaken governments' ability, effectiveness, and willingness to act in the public interest as they pursue their goals? Problems can arise especially if people in government depend on and are unduly influenced by those in the private sector who can provide political contributions, expertise, and lucrative opportunities. Aside from the challenge of how to make "better capitalism" actually work, this focus can divert attention from the need to ensure democratic institutions do better.

The false choice between "free market capitalism" and "big government" misses the point. At issue is not the *size* of government. Both governments and private sector organizations should be nimble and efficient to best advance society's goals. In organizing critical services such as defense, police, education, banking or healthcare, governments' roles are relatively larger. If they enable the private sector to provide some of these services, governments play the role of customers, regulators and enforcers, needing to monitor and ensure that providers comply with contracts with the government or others and with all laws. To be trustworthy, all institutions in both the private sector and in government must be transparent and have effective governance and accountability mechanisms preventing the abuse of power.

Market participants often seek to make credible *commitments* to facilitate economic exchange. Since "talk is cheap," the ability to make credible commitments, such as to repay loans, may be critical. Contracts and laws help facilitate formal commitments that go beyond trusting social or ethical norms. All contracts and laws, including constitutions that represent strong societal commitments, require enforcement and adjudication to work. Enforcement in turn requires uncovering verifiable information about the actions of different parties, which can be challenging.

Promoters of "free market capitalism" often display hostility towards governments, a sentiment reflected in former President Ronald Reagan's 1981 statement "government is not the solution to our problem; government *is* the problem." Whereas libertarians question any power of the state and even the notion of a "social contract," most adherents of the neoliberal versions of capitalism implicitly acknowledge the essential role of laws, at least for protecting property rights and for basic public safety. Regulations of business activities, however, are typically viewed with suspicion by many.

A common refrain in this context is that regulations are "costly" or "impede innovation and growth." Such claims, rarely made about "laws" (although laws and regulations differ mainly in enforcement tools rather than substance), often fail to make critical distinctions between private costs and benefits and the *social* considerations we must apply to all rules. Setting and enforcing quality standards for air, water, food, buildings, infrastructure and medicine can clearly have social benefits that far exceed any private costs of compliance and the public cost of enforcement.

Economies thrives on well-designed and effective rules and enforcement. Of course, badly designed and poorly enforced rules can cause great harm. Complexity and opacity can hide inefficiencies, benefitting the few who know the details and ways around rules. Examples include complex tax code with many loopholes and ineffective collection and competition laws and enforcement that enable few to benefit at others' expense. Arguing that because some laws or regulations fail to produce sufficient benefits we should have "fewer" rules is as flawed as claiming that because some economic activity is not beneficial, we should have less economic activity.

If governments do not set and enforce rules, then markets organize around private power structures or ordering. In this case powerful participants may be able to set the rules and enforcement mechanisms that work best for them. For example, we frequently "acknowledge" and "agree" to coercive "terms of service" or to mandatory arbitration, whose details are impossible or prohibitively costly to negotiate and whose opaque enforcement we cannot understand or affect. We do so because we have little choice or alternatives and we lack power in the situation.

III. Corporate persons

Corporations are key to modern capitalism, but their special features and roles that are important for understanding their relations with governments and societies are often misunderstood by economists. Adam Smith, considered by many to be the Father of Capitalism, spoke of butchers, brewers and bakers, whose regard for their self-interest is the reason we expect our dinner. The 18th century producers of dinners were likely individuals working for small businesses or sole proprietorships. Modern industrial capitalism relies on organizations that can get much larger and vastly more complex, and whose durability surpass all humans. The "invisible hand" of markets, and the legal systems that facilitate them, face new and difficult governance challenges in this context.

Corporations are artificial legal "persons" enabled to exist with specific rights and obligations by governments and legal systems. Importantly, *corporations are separate and distinct from all their stakeholders*. Before the 17th century, businesses were organized primarily as partnerships, and incorporation privileges were reserved to churches and municipalities. The Dutch East India Company (VOC) was the first business organization allowed by the government to shield assets legally from shareholders (and shareholders' creditors) and from the government (Dari-Mattiacci et al., 2017). Limited liability, an additional privilege that became common later and is now taken for granted, protects shareholders and other stakeholders from corporate creditors and makes it easier for shares to trade.

Asset shielding and legal separateness are essential to the success of the corporate form because they enable corporations to sign long-term contracts and take on large-scale projects while raising funds from many investors. Basic economic models, however, treat "firms" as assets "owned" by shareholders or view corporations as "nexuses of contracts" organized for efficient production. Both views are incomplete. Shareholders do not own corporations but rather have certain legal rights depending on the corporations' governance structure. It is also impossible to use private contracts among all stakeholders to replicate the asset shielding and legal separateness that is the critical essence of the corporate form (Hansmann and Kraakman, 2000, Pistor, 2019).

The legal separateness of corporations creates significant governance challenges because it matters who controls corporate decisions or acts on the corporation's behalf, what their incentives and constraints are, and how others within and outside the corporation are impacted. As the corporation operates in the markets and interacts with government and legal institutions, the rights and obligations of everyone involved matter to the outcomes.

Early business corporations were monopolies with special charters, often engaged in trade or infrastructure and intertwined with governments (Harris, 2020). Over the years, incorporation became essentially "free" in many jurisdictions. Today corporations control the vast bulk of economic activity. Some of them are opaque shells with no employees and virtually no oversight. Their sole purpose may be to achieve secrecy or enable opaque asset shielding, and whether they benefit society or enable more wrongdoing is unclear at best (Burgis, 2020). Other corporations are vast and complex organizations with hundreds of subsidiaries and numerous customers, employees, shareholders and creditors around the globe.

Corporations, individually and collectively, have substantial political power, and thus they impact society much beyond their market activities. They can have great impact on policy outcomes, including the structure of laws and regulations affecting everyone and the process of their enforcement. Not only can corporations attain outsized market power, they can make it challenging for governments and legal system to protect citizens from undue harm by corporations.

Economic outcomes are ultimately determined by the balance of power among individuals, corporations and governments. In China, for example, the central government and top party leaders shape markets aggressively and control the information available to citizens. The distinction between "state owned" and "privately owned" corporations in China is effectively meaningless because the government exerts enormous power over all corporations and this power does not flow only from share ownership (Milhaupt, 2020). In the U.S., by contrast, constitutions and laws at the federal and state levels constrain governments' power over citizens and corporations are considered part of the private sector. Over the years, U.S. corporations have gained many civil rights through courts that go much beyond property rights and include liberty rights initially meant for citizens. Citizens and government bodies, particularly at the state and local level, are often at a disadvantage when challenging corporations in the US (Winkler, 2018).

When corporations, i.e., individuals acting on corporations' behalf, break laws or cause harm, the consequences vary by jurisdiction. In the U.S., corporations can be held criminally liable, but cases against corporations are rarely adjudicated in courts. The opacity of the process by which the government settles any charges with corporations raises significant questions about whether the outcomes uncover truth, administer justice, and have deterrent effects (Garrett, 2016).

Whereas laws related to corporate governance or competition apply immediately to corporations, for other parts of the law, particularly criminal law, corporations are an odd fit. Human criminals can go to prison, but organizations cannot even if they cause major harm. Corporate executive or directors rarely face meaningful consequences when wrongs occur on their watch (Eisinger, 2017). Limited liability seems to extend much beyond the corporations' contractual obligations, and the legal "veil" that separates corporations from humans can become a thick shield of immunity for corporate leaders. Protection may apply even if crimes were committed "by" the corporation and the leaders could have done more to prevent them but failed to do so.

Corporations sometimes interact with many governments and operate in multiple jurisdictions. They can choose where to incorporate, the laws governing their contracts and, separately yet, the jurisdiction that would apply the law and adjudicate contract disputes. Highly paid lawyers can help corporations and wealthy individuals navigate such decisions.

Interacting with multiple jurisdictions can give corporations even more power as they "shop" for laws and play off governments and legal systems against one another. Jurisdictions often compete to attract corporations by offering subsidies and creating laws friendly to managers and investors (Pistor, 2019). This "competitiveness" dynamic can lead policymakers to prioritize the interests of local or other favored corporations over the interests of their own citizens or citizens of other jurisdictions. The resulting race to the bottom in rules can cause significant harm to people and to the economy (Shaxson, 2018, Mattli and Woods, 2009, Admati and Hellwig, 2013). Corporate power also affects international relations, trade and global institutions and rules (Mikler, 2018).

The complex interactions among corporations, governments, and individuals across political and legal systems shape markets and are obviously important for economic outcomes, yet economists pay little attention to the issues. Their blind spots to frictions related to governance, law and politics may be related to the notion due to Ronald Coase that private contracting is all that is needed for efficient outcomes. Aside from issues around bargaining power, contracts require effective enforcement, for which a capable third party is generally needed and many issues arise. In addition, if there are externalities, many of those affected do not have contracts and must be protected by the government. The logic of contracting, moreover, does not transfer to the realm of politics because the ability of governments and political leaders to commit to future actions through contracts is much more limited (Acemoglu, 2003).

IV. Financialized capitalism

Financial markets, financial metrics and financial firms play important roles in modern capitalism. Whereas some sectors, such as digital platforms, operate in most states with little government intervention, the financial system deals with money, including currencies issued by central banks, and it is always intertwined with governments. I discuss the financial sector as a stark example of the governance issues at the heart of the crisis in capitalism and democracy. Similar forces play out elsewhere with some variations.

The incorrect but prevalent notion that shareholders "own" corporations has led scholars in law and economics since the 1980s to focus on the agency problem of compelling managers to maximize "shareholder value." The stated purpose of shareholder value maximization has meant in practice that managerial compensation has become tied to financialized metrics such as share prices, reported profits, or return on equity. For this approach to produce efficient outcomes requires many assumptions, in particular that these financialized metrics capture the preferences of all shareholders and that markets, contracts, and laws protect the interests of all other stakeholders effectively. These assumptions rarely hold in the real world.

In a 2005 book entitled *The Battle for the Soul of Capitalism,* Jack Bogle, founder of Vanguard mutual funds, provided a scathing account of the failure of financialized corporate governance in the 1990s and early 2000s to serve "the investing public." Not only does financialized corporate governance often work poorly for most shareholders, the conflict between managers who target financial metrics and society's broader interests creates more inefficiencies when financial markets are distorted and when governments and laws fail to alleviate governance distortions and may actually exacerbate them (Admati, 2017).

Mayer (2013) and others have argued recently that corporations should commit to broader agendas rather than focus on shareholders. Many advocate "stakeholder capitalism" and urge businesses to incorporate Environmental, Social and Governance (ESG) targets. Credible commitments, however, can be difficult to create and often require third parties. In practice, at least in Delaware, the primary jurisdiction for public corporations in the US, boards of directors frame such strategies as ultimately benefitting shareholders in the long run (Lund and Pollman, 2021).

In all corporations, managers attempting to maximize share price have incentives to take risks and continue borrowing once debt is in place because of their conflict of interest with existing creditors (Admati et al., 2018). Distortive tax subsidies that favor debt funding over equity for corporations, with no valid justification, contribute to this problem. This "ratchet effect" is particularly intense for banks, which borrow heavily and benefit from subsidized guarantees.

Actions that benefit shareholders while shifting risks and costs to others take many forms in today's global system (Pistor, 2019). Investors at the end of long and opaque intermediation chains, often innocent savers, and the citizens who may suffer collateral harm, can neither understand nor control the risk they are forced to bear.

The financial crisis of 2007-2009 resulted from inadequate regulations and ineffective enforcement that allowed an enormous buildup of risk. Risks were obscured and investors, rating agencies and policymakers could not or failed to evaluate them properly. Extraordinary supports by governments and central banks propped up the system when it came near implosion but a great recession followed nonetheless. Despite promises of reform, the system remains reckless and distorted. Banks can persist as dysfunctional "zombies" and complex regulatory metrics are not only poor at detecting banks' weaknesses, they often create further distortions and exacerbate systemic risk (Admati and Hellwig, 2013, 2019).

The impact of the Great Recession went much beyond the economy and upended political forces in many nations and in the geopolitical system (Tooze, 2018). Central banks and governments acted to prevent defaults, thus concealing regulatory failures on a massive scale, many citizens in democracies became angry, and societies became more polarized. Since 2008, and especially since the onset of Covid-19, central banks have become ever more active in propping financial markets, housing, governments, and large corporations by buying debt claims of various types. Who can access central banks loans, what collateral is acceptable, and the rates at which central banks lend are important decisions with economic impact, yet they rarely face scrutiny.

Global "hot money" and opaque offshore finance have grown dramatically as the financial system became more global. Shaxson (2018), Bullough (2019), and Burges (2020) describe the history and practices of this system, which undermines tax collection and allows criminals and kleptocrats to launder dirty money, often with help from mainstream financial corporations and with governments doing little to stop it.

Ineffective laws fail to address money laundering, as illustrated by occasional revelations, such as Danske Bank's €200 billion multi-year money-laundering operation that involved a branch in Estonia. A leak from a US Financial Crimes Enforcement Network database in 2020 reveals, as the International Consortium of Investigative Reporters states, "the role of global banks in industrial-scale money laundering — and the bloodshed and suffering that flow in its wake."[2]

A key reason for the failure to improve the financial system is that those who benefit from it actively obscure its problems, advancing narratives that muddle the debate and confuse policymakers and the public. A common threat that scares politicians is that "credit and growth will suffer" if banks are required to borrow less and use more equity funding. In fact, the system produces inefficient boom and bust cycles that greatly harm the economy. The debate on banking regulations is muddled by many other flawed claims (Admati and Hellwig, 2013, 2019).

In the politics of banking, which is also key to the failures of democracies in this case, bank robber Willie Sutton's maxim "banks are where the money is" applies. Politicians view guarantees and implicit subsidies as virtually free, because the costs and the distortions in the system are invisible and spread out and because nobody is ever held accountable. Politicians prefer to ignore invisible risk and view banks as sources of funding for favored projects.

Far from an exemplar of "free market capitalism," the financialized system illustrates the symbiotic and corruptive relationships that governments often form with important corporations. It also illustrates the power some can gain by impacting policy with misinformation and deception.

V. Misinformation, Deception and Power

Misinformation and deception affect all elements of our economic and political systems. Governments may fail the public when issues are confusing to voters and policymakers, and more so if the jargon impenetrable and flawed claims are hard to detect. When citizens get angry about government failures, deception can again manipulate their beliefs and divert attention away from the actual problems. There is virtually no accountability for using subtle deceptive tactics.

People make decisions in all realms based on what they believe to be their preferences and on what they know. In an ideal world, market prices aggregate dispersed information and the "wisdom of the crowd" improves knowledge and decisions. In reality, "wisdom" may get greatly distorted because of opacity and the incentives of some of those involved.

In markets and politics, advertising can provide information, but most ads intend to impact preferences and decisions. Wu (2016) discusses the history of "attention merchants" who engage in "the epic battle to get inside our heads." Persuading consumers to buy products, investors to fund projects, or citizens to vote in particular ways requires resources, access, and skills. "Influencers" of various kinds, marketing experts, lobbyists, consultants, and public relations

[2] https://www.icij.org/investigations/fincen-files/heres-what-is-changing-after-the-fincen-files-shook-the-world-of-banking/

professionals often provide these services. In a slightly different vein, advocacy by lawyers can also be thought of as reflecting persuasion skills.

Thomas Jefferson said that "whenever the people are well informed, they can be trusted with their own government." However, it is difficult and sometimes impossible for the public, even with the help of media, to detect wrongdoings in complex organizations. Out-of-court settlement or arbitration agreements are opaque, often including neither denial nor admission of wrongdoings by corporations and their leaders. Drawing lines that define when deceptive or corrupt conduct become illegal is difficult, and proving anyone's intent to engage in such conduct is also challenging. As a result, wrongdoings and power abuse can persist, invisibly and "legally" with little accountability and deterrence.

Akerlof and Shiller (2016) note that trying to manipulate people's preferences is indigenous to markets. At the dawn of the 20th century snake oil sellers boasted that their products would cure many ailments. Tobacco companies engaged in deception for decades, denying facts they knew about the harm of tobacco and the addictiveness of nicotine. Climate change deniers used similar tactics (Oreskes and Conway, 2011), leading to many missed opportunities to address the issues that have caused enormous harm. In marketing painkiller OxyContin, Purdue Pharma deceived consumers, doctors, and the Food and Drug Administration for years about the addictiveness of OxyContin (Meier, 2018), and millions suffered as a result. When consumers cannot evaluate claims, only effective regulations can help, but subtly flawed research is rarely caught or punished.

Markets for policy ideas may also fail to produce the right outcomes. Coining the term "thin political markets" for situations where the issues are not salient and appear esoteric to the public, and where conflicted experts have undue impact, Ramanna (2015) discusses accounting standards, whose setting has been increasingly influenced by financial firms since the 1980s. The rules, which one can view as the "underbelly of capitalism," enable "creative accounting," benefitting corporate leaders and bankers and enabling payouts to shareholders while exposing others to more risk.

Auditors are meant to reassure investors and others that financial disclosures can be trusted and to catch and alert them of misleading disclosures. However, auditors are paid by the corporations they audit, and routinely fail to fulfill their stated duties. Carillion, a large construction company involved heavily with the UK government, engaged in deception for years until its 2018 failure that harmed many. The title of Wylie (2020) prompted by this scandal coins the term "bandit capitalism" and refers to "the corruption of the British state." Wirecard, a German payment company that was championed by politicians and given clean bills of health by auditors and regulators despite years of warnings about fraud, collapsed in June, 2020.

Yet another challenge for democracies today comes from the massive troves of data that corporations collect, particularly via internet platforms that are part of our daily lives, and the opaque way in which they use it. Social media platforms have enormous power over speech and discourse, but it is difficult to assess their impact on society. The platforms often allow anonymous content and use algorithms that seek to maximize engagement. Understanding the potential harms to society from digital platforms and devising proper policies requires research. However, the corporations controlling the data may not allow truly independent researchers access to enough of it without censoring (Persily and Tucker, 2020).

Why do people believe flawed claims or fail to challenge them? One reason is that people may believe only what they *want* to believe. Upton Sinclair famously said (in *I, Candidate for Governor of California and How I got Licked,* 1934) "It is difficult to get a man to understand something when his salary depends on his not understanding it." Social psychologists study willful blindness, motivated reasoning, groupthink and moral disengagement (Bandura, 2015). Political economists explore regulatory capture, where regulators start identifying with the regulated rather than act on behalf of the public. Capture goes beyond economic incentives, such as revolving doors, and includes insidious forms of intellectual and social capture.

Academics tend to see themselves as immune to capture, but this view itself reflects willful blindness (Zingales, 2013). Biases can be subconscious, and common sense suggests we must be aware of people's motives and of distorted data, e.g., based on accounting. Theoretical models, even if they "explain" (as in "explaining" cigarette smoking by theorizing that cigarettes have health benefits) or get "calibrated" may have no connection to reality, in which case they are inadequate for policy (Pfleiderer, 2020). A risk manager in a large U.S. bank who is familiar with academic research quipped: "with such friends [as academics], who needs lobbyists?"

VI. Conclusion

Capitalism as practiced has undermined governance across our economic and political systems. Institutions and processes are too opaque, the rules too often work poorly, and accountability is lacking. To make the laws and institutions in the private sector and in government trustworthy, we must strive to improve governance everywhere. Trustworthy institutions can enable and facilitate innovation and prosperity while preserving our planet and promoting justice and human rights.

Ultimately, governments must address the harms brought about by financialized capitalism so that corporations can help the economy and serve society without creating distortions and undermining key institutions of democracy. More transparency, which requires proper disclosure, strong systems to encourage whistleblowers, reliable auditing, and better rules and accountability across all institutions, including consequences for leaders who can but fail repeatedly to prevent harm, are essential. So is the engagement of un-conflicted experts in policy, and competent independent media that helps counter deception and misinformation. Better education about how markets, corporations, politics and laws work, starting possibly in high school, can be extremely useful.

Academics can play a particularly important role through research, teaching, and broader engagements. To do so most effectively requires looking out the window, stepping out of narrow silos, and examining carefully the explicit and implicit assumptions we and others make. Providing thoughtful policy advice, speaking up to challenge flawed claims especially on issues that are confusing to many, and helping to hold power to account, can be viewed as civic duties. With the privilege of expertise and the freedom to speak, we should use our voices for good.

References

Acemoglu, Daron (2003), "Why not a political Coase theorem? Social conflict, commitment, and politics," *Journal of Comparative Economics* **31**(4), 620-652.

Admati, Anat R. (2017), "A Skeptical View of Financialized Corporate Governance," *Journal of Economic Perspectives* 31(3), 131-150.

Admati, Anat R. and Martin F. Hellwig, *The Bankers' New Clothes: What's Wrong with Banking and What to Do about It*, (2013). Princeton, Princeton.

Admati, Anat R. and Martin F. Hellwig (2019), "The Parade of Bankers New Clothes Continues: 34 Flawed Claims Debunked," Working Paper, available here.

Admati, Anat R., Peter M. Demarzo, Martin F. Hellwig and Paul Pfleiderer (2018), "The Leverage Ratchet Effect," *Journal of Finance* **73**(1), 145-198.

Akerlof, George A. and Robert J. Shiller (2016), *Phishing for Phools: The Economics of Manipulation and Deception*, Princeton, Princeton.

Bandura, Albert (2015), *Moral Disengagement: How People Do Harm and Live with Themselves*. New York, Worth.

Bogle, John C. (2005), *The Battle for the Soul of Capitalsm,* Yale University Press, New Haven, CT.

Bullough, Oliver (2019), *Moneyland: The Inside Story of the Crooks and Kleptocrats Who Rule the World*. New York. St. Martin's Press.

Burgis, Tom (2020), *Kleptopia: How Dirty Money Is Conquering the World*, Harper Collins, New York.

Dari-Mattiacci, Giuseppe, Oscar Gelderblom, Joost Jonker, and Enrico C. Perotti (2017), "The Emergence of the Corporate Form," *Journal of Law, Economics, and Organization*, **33**(2), 193–236.

Eisinger, Jesse (2017), *The Chickenshit Club: Why the Justice Department Fails to Prosecute Executives*, New York, Simon and Schuster.

Garrett, Brandon (2016), *Too Big to Jail, How Prosecutors Compromise with Corporations*, Cambridge, MA, Belknap Press.

Hansmann, Henry and Reinier Kraakman (2000) "The Essential Role of Organizational Law," *Yale Law Journal*, **110**(3), 387-440.

Harris, Ron (2020), *Going the Distance: Eurasian Trade and the Rise of the Business Corporation, 1400-1700,* Princeton, Princeton.

Lerner, Abba P. (1972), "The Economics and Politics of Consumer Sovereignty," *The American Economic Review*, 62(1/2), 258-266.

Lund, Dorothy and Elizabeth Pollman (2021), "The Corporate Governance Machine," ECGI Working Paper Series in Law 564/2021.

Mattli, Walter and Ngaire Woods (editors) (2009), *The Politics of Global Regulation*, Princeton, Princeton.

Mayer, Colin (2013), *Firm Commitment: Why the corporation is failing us and how to restore trust in it*, Oxford, Oxford.

Meier, Barry (2018), *Pain Killer: An Empire of Deceit and the Origin of America's Opioids Epidemic*, New York, Random House.

Mikler, John (2018), *The Political Power of Global Corporations*, Cambridge, Polity.

Milhaupt, Curtis J. (2020), "The State as Owner --- China's Experience," *Oxford Review of Economic Policy* 36(2), 362-379.

Oreskes, Naomi and Erik M. Conway (2011), *Merchants of Doubt: How a Handful of Scientists Obscured the Truth on Issues from Tobacco Smoke to Climate Change*, N, Bloomsbury.

Persily, Nathan and Joshuah A. Tucker (2020), *Social Media and Democracy*: *The State of the Field, Prospects for Reform,* Cambridge, Cambridge.

Pfleiderer, Paul (2020), "Chameleons: The Misuse of Theoretical Models in Finance and Economics," *Economica* 87(345), 81-107

Pistor, Katharina (2019), *Code of Capital: How the Law Creates Wealth and Inequality*, Princeton, Princeton.

Ramanna, Karthik (2015), *Political Standards: Corporate Interest, Ideology, and Leadership in the Shaping of Accounting Rules for the Market Economy*, Chicago, Chicago.

Shaxson, Nicholas (2018), *The Finance Curse: How Global Finance is Making Us All Poorer*. London, Bodley Head.

Tooze, Adam (2018), *Crashed: How a Decade of Financial Crises Changed the World*, New York, Viking.

Winkler, Adam (2018), *We the Corporations: How American Businesses Won Their Civil Rights, New York*, New York, Liveright.

Wylie, Bob (2020), *Bandit Capitalism: Carillion and the Corruption of the British State*, Edinburgh, Birlinn.

Wu, Tim (2016), *The Attention Merchants: The Epic Scramble to Get Inside Our Heads*. New York, Knopf.

Zingales, Luigi (2013), "Preventing Economists Capture," in *Preventing Regulatory Capture: Special Interest Influence and How to Limit it*, Daniel Carpenter and David Moss, eds. Cambridge, Cambridge.