CAVEAT INVESTOR: AN ALTERNATIVE TO THE FUDICIARY THEORY OF THE CORPORATION

Speaker: Dr Waheed Hussain, The Wharton School of the University of Pennsylvania
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Abstract
According to the dominant view, managers have an obligation to maximise returns for shareholders because they act as the agents of shareholders when they manage the firm's assets. I argue that this view is inconsistent with an important aspect of the modern business corporation, namely limited liability. I go on to explore the possibility of formulating a better understanding of managerial responsibilities based on an analogy between capital markets and consumer markets. If consumers have a right to expect that the products they buy are safe, then perhaps investors have a similar right to expect that their investments are profit-oriented. In both cases, the rights in question place corresponding duties on managers. The end result would be a deflated view of the requirement that managers increase returns for shareholders, and a framework for understanding the full range of managerial responsibilities.

Speaker bio
Waheed Hussain is Assistant Professor of Legal Studies and Business Ethics at the Wharton School of the University of Pennsylvania. His research interests lie at the intersection of business, economics and political philosophy. His work has appeared in a variety of academic journals, including Philosophy & Public Affairs, Economics and Philosophy, Journal of Business Ethics, Business Ethics Quarterly, and the Journal of Moral Philosophy. For the academic year 2013/14 he is a Laurance S. Rockefeller Visiting Faculty Fellow at Princeton University, where he is working on a book about the political dimensions of corporate governance.