Grow the Pie: How Great Companies Deliver Both Purpose and Profit, by Alex Edmans. Cambridge: Cambridge University Press, 2020. 382 pp.

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Alex Edmans wants to restore popular trust in capitalism. He aims to do so by defending his normative vision of a central aspect of capitalism—the free functioning of for-profit firms, especially those that are publicly traded. His vision is, as the book title suggests, for these organizations to aim at "growing the pie," where the *pie* encompasses all of the forms of "social value" that they can effect and *growing* the pie consists in increasing the total amount of social value rather than merely transferring value from one group to another. His desired audience is wide: it includes capitalism's elites—investors, executives, boards of directors—and commoners, including workers and citizens.

Edmans's book is divided into four parts: the why, what, how, and "bigger picture" of pie growing. Edmans's view of the *why* behind corporate pie growing is that increasing social value is both noninstrumentally valuable and closely linked to long-term profitability. He chides "pie-splitters" who think that the total amount of social value is fixed and the only kinds of mistakes companies can make are "errors of commission," causing a loss of social value. The pie-growing mind-set, by contrast, thinks that we can increase the total amount of social value and should avoid errors of omission, that is, failures to create social value. The link between pie growing and profitability is delineated by what Edmans charmingly calls "pieconomics." Pieconomics specifies both how the pursuit of profit should come only by way of adding social value and how pie-growing firms can be the most profitable in the long term. To make the latter point, he draws on studies about the financial performance of firms that enjoy high levels of employee satisfaction, customer satisfaction, and high scores along environmental, social, and governance (ESG) measures.

In the second part of the book—on the *what* of pie growing—Edmans seeks to vindicate some oft-criticized corporate practices as good for pie growing. He first tackles the growing disparity between executive and worker pay. His central claim is that, if executives contribute to growing the pie, then their stratospheric levels of pay need not be viewed as coming at the expense of others, including workers. He also lays out some evidence for thinking that, when executive compensation comes primarily in the form of company shares with long holding periods, companies perform well for all stakeholders. The following chapters on shareholder engagement and stock buybacks follow a similar pattern: Edmans argues that, done well (or under certain conditions), these practices can be a part of companies growing the pie rather than enriching some at others' expense (pie splitting).

Edmans closes the book with some concrete suggestions about the *how* of implementing pieconomics, in part by reflecting on his early career in the finance industry. His advice addresses policy makers, investors, workers, and citizens. His

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penultimate chapter aims to provide a "bigger picture" of how the principles of pieconomics can be extended beyond the firm to the decision-making of nation-states (including about trade and immigration) and the attitudes of individuals (including how to avoid a "pie-splitting" attitude about workplace competition). He concludes by summarizing his themes and findings and also clarifying and augmenting some of his earlier prescriptions.

Edmans's book has laudable ambitions, and in it he offers many plausible and, I think, salutary suggestions. His writing is straightforward and engaging, appropriate to the wide audience he hopes to reach. But I find it difficult to discern a coherent normative perspective behind his view, which I worry impedes his ultimate aim of vindicating capitalism from popular distrust. Start with the basic idea behind Edmans's titular slogan of "growing the pie"—the idea of creating *social value.* What is social value? It encompasses a wide array of things in the book: for shareholders, financial returns; for workers, pay, benefits, autonomy, and opportunities for professional development; for the government, tax revenues; for the environment, various forms of conservation—the list goes on. What unifies this motley list of goods as what, in the aggregate, companies should promote? One possibility is that Edmans is a tacit welfarist utilitarian. People benefit from many kinds of things; we should maximize welfare gains, and social value consists in any and all welfare gains for those connected to companies. If so, then we arrive at something like Edmans's injunction for companies to grow the pie. This would also explain his persistent concern with "errors of omission," which would be one kind of failure to maximize utility-as-welfare.

But this utilitarian interpretation of pie-growing is in tension with several of the subsidiary principles and claims that Edmans puts forward. First, consider how he deals with pie-growing trade-offs, that is, the fact that a company's pie-growing efforts will often harm some of its stakeholders. Imagine, for instance, that to develop a highly demanded new cleaning product, a company must shut down some factories that make an increasingly obsolete detergent. This will put many people out of work and impoverish the communities where the plants are located. But still (let's assume), this is what will best grow the pie overall. Now, what to do about the workers and communities harmed by this? Edmans suggests that those harmed by a company's pie-growing actions should be compensated by the company as far as it "can" or "to the extent possible" (e.g., 75). Setting aside the issue of how to understand this "can," it is clear that such compensation will often conflict with utilitarian pie-growing. It will involve redistributing resources that could be more optimally allocated from the perspective of maximizing increases in social value. What licenses such a departure from pie-growing? Some appeal to Kaldor–Hicks efficiency (since Edmans mentions that pie-growing requires going "further" than Pareto efficiency [50])? And, whatever this principle is, how does it relate to the utilitarian pie-growing principle? As a competing *pro tanto* duty? As a side constraint on the promotion of utility? Or as a distinct constraint of distributive justice?

Textual evidence for the last suggestion comes toward the end of the book in a quote that represents an even more striking departure from the utilitarian pie-growing principle: “Pieconomics argues that redistribution for its own sake can be desirable, even if there are disincentive effects, as long as they’re not major.… A leader may prefer a smaller pie that’s more evenly distributed, particularly if material stakeholders are better off” (285–86). This is a surprising claim. If, by “prefer smaller pie,” Edmans straightforwardly means that a company may forgo a larger increase in social value for a smaller one, then this is one of the “errors of omission” that his pie-growing principle forbids.

And what about the notion of “material stakeholders” deployed in this quote? Edmans describes two forms of materiality: “business” materiality—stakeholders who pertain to a company’s profitability—and “intrinsic” materiality—stakeholders a company decides to care about, such as when a company chooses to focus on helping local dementia patients (72–73). Edmans thinks that a company should prioritize stakeholders that are material in either sense, especially when pie-growing requires making trade-offs. But this also does not fit well with utilitarian pie-growing. What if, for example, the young children living downstream from a company’s polluting factory are not material to the company in either sense? Perhaps this is where Edmans would appeal to the role of governments in promoting pie-growing and also helping the victims of pie-growing trade-offs (261–63).

There are other examples, including Edmans’s claim that workers are not as entitled to share a firm’s profits as its investors, because investors’ rewards for investing in a firm are “risky” compared to workers’ (171). But the claims discussed above should suffice to illustrate my general point: utilitarianism (specifically, welfarist utilitarianism) provides the most natural interpretation of Edmans’s underlying pie-growing principle, but this does not fit well with several of his auxiliary normative principles and claims. He can’t have his pie and eat it too.

Now, there may be ways of showing that Edmans’s auxiliary principles do, in the end, cohere with utilitarian pie growing. Perhaps they are akin to the secondary principles of rule-utilitarianism. Another possibility, which I think hews closer to Edmans’s intention, is pragmatic: he wants to restore trust in capitalism, and unfiltered pie-growing will sometimes undermine this aim, for example, when displaced workers are left high and dry by companies that have traded their jobs for pie-growing gains. So he offers auxiliary principles that, while they often inhibit pie growing, are necessary for pie growing to rehabilitate public opinion of capitalism. Either way, further explanation is needed—to show how the auxiliary principles are ultimately in the service of pie growing or why they are needed to restore trust in capitalism. The latter would also require Edmans to clarify how and to what extent his auxiliary principles, understood as distinct principles or values, place constraints on corporate pie growing. And this, in turn, may point Edmans in interesting, very different directions, on which his pie-growing principle takes its place alongside, or even behind, principles or values that together define the trustworthy operation of firms within a just society. Indeed, this is just what many business ethicists and political philosophers have been working on for some time.

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