

# Cambridge Elements

Elements in Corporate Governance

edited by

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## INVESTING IN INNOVATION

*Confronting Predatory Value  
Extraction in the US Corporation*

William Lazonick

*The Academic-Industry Research Network*



Cambridge University Press & Assessment  
978-1-009-41073-1 — Investing in Innovation  
Confronting Predatory Value Extraction in the U.S. Corporation  
William Lazonick  
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Shaftesbury Road, Cambridge CB2 8EA, United Kingdom  
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New Delhi – 110025, India  
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[www.cambridge.org](http://www.cambridge.org)  
Information on this title: [www.cambridge.org/9781009410731](http://www.cambridge.org/9781009410731)

DOI: 10.1017/9781009410700

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First published 2023

*A catalogue record for this publication is available from the British Library.*

ISBN 978-1-009-41073-1 Paperback  
ISSN 2515-7175 (online)  
ISSN 2515-7167 (print)

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First published online: May 2023

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**Abstract:** Business corporations interact with household units and government agencies to make investments in productive capabilities required to generate innovative goods and services. When they work harmoniously, these three types of organizations constitute “the investment triad.” The Biden administration’s Build Back Better agenda to restore sustainable prosperity in the United States has focused on investment in productive capabilities by government agencies and household units. Largely absent from the Biden agenda have been policy initiatives to ensure that, given government and household investment in productive capabilities, the governance of major US business corporations supports investment in innovation. This Element explains how corporate financialization, manifested by predatory value extraction in the name of “maximizing shareholder value,” undermines investment in innovation in the United States. It concludes by outlining a policy framework, beginning with a ban on stock buybacks, that confronts predatory value extraction and puts in place social institutions that support sustainable prosperity.

**Keywords:** innovation, financialization, corporate governance, value creation, value extraction

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ISBNs: 9781009410731 (PB), 9781009410700 (OC)  
ISSNs: 2515-7175 (online), 2515-7167 (print)

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