THE VITRUVIAN SHAREHOLDER

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Abstract

Leonardo's Vitruvian Man is a 1490 drawing that raises the possibility that a person may exist in two distinct dimensions at the same time. By doing so, the drawing makes reference to the idea that one person could occupy more than a single position at a time and that our world may need to account for this more complex reality. This Paper is the first to adapt the idea and apply it in an entirely new legal context: U.S. corporate governance, most markedly, retail investing.

The proportions of Leonardo's Vitruvian Man allow the human figure to fit both a circle and a square, which, in the Renaissance iconography, represent respectively the secular dimension and the divine dimension. Analogously, human shareholders who balance the tradeoffs originating in their dual nature as human beings and investors are able to obtain returns that satisfy their interests and values as human beings and as investors, in a Renaissance equilibrium. I dub these investors *Vitruvian shareholders* because they figuratively fit both a square—as investors—and a circle—as human beings. The coexistence of dimensions is determined by ideal, or quasi-ideal, proportions. Vitruvian shareholders' proportions are rooted in a harmonious way to solve tradeoffs as investors and human beings.

Vitruvian shareholding and its Renaissance proportions are able to bring humankind to the center of the corporate governance universe—much like Renaissance placed humankind at the center of the human experience. Vitruvian shareholding and its Renaissance proportions make corporations remarry their original role as institutions created to foster the interest of the *res publica*, which we can translate to public interest. They bridge the gap between civic society and the corporate sector. They bring corporations to mirror the wealth of cultures, heritages, and weltanschauungs of individuals characterized by different ethnicities, socio-economic status, educational backgrounds, and life experiences. But, Vitruvian shareholding accomplishes these results only if three conditions are met, which can be referred to as *Vitruvian shareholding criteria*.

First, an individual's investment should not be so significant that the person would incentivized to reap all the benefits as investors, first, and *deal* with the externalities born as an inhabitant of a shared planed and a member of civic society later. When that happens, an individual would be incentivized to extract as much value as possible from a corporation, knowing that they would use such extracted value to escape the negative effects on society and the planet that their governance decisions cause. In other words, highly concentrated financial interests externality minimization because it is more cost-efficient to offset externalities on an individual basis when the marginal benefits originating from extracting actions and behaviors largely exceed the costs borne as members of society and inhabitants of a shared planet.

Second, interests in the corporate sector and governance of corporations should be spread across as many individuals as possible—virtually everyone. This, obviously, does not mean that

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equities should be equally distributed across people. Rather, it suggests that society can claim back control over the corporate sector only if virtually everyone has an interest, large or small, in the corporate sector and participate in the common effort to steer corporations.

Third, shareholders mold corporations insofar as they vote their shares. So, Vitruvian shareholding is conditional upon shareholders actually voting their shares. Today retail investors vote less than 30% of the shares they own, and those who vote typically have significant blocs. This means that people with small investments do not vote their shares. As a result, inequality rooted in share ownership is exponentially amplified by voting patterns: only the wealthy who have largely invested in equities exert leverage on corporations and make their values reflected in corporate policies and behaviors.

This Paper discusses the Vitruvian shareholder concept. It also investigates the mechanics of Vitruvian Shareholder decision-making and describes the Vitruvian shareholding criteria. Last, drawing on my scholarship, this Paper suggests two pathways to foster Vitruvian shareholding that do not require transfer payments. The first one, based on private ordering, consists in the creation of a *Universal Fund*, as discussed in the book *Citizen Capitalism: How a Universal Fund Provides Influence and Income to All*. The second pathway relies on market forces as well as on technologies that make access to securities markets and engagement with corporations more affordable and appealing for individuals such as mobile-first commission-free investing apps and online sources of investing information.