The Ethics of Networks: Fairness, Power, and Responsibility in Venture Capital

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Extended Abstract

Venture capital (VC) networks are often celebrated as engines of innovation and growth. Yet the same relational infrastructures that channel resources and confer legitimacy also create ethical dilemmas about fairness, power concentration, and societal impact. This paper systematically reviews 150 peer-reviewed studies across finance, management, entrepreneurship, and network science to examine how VC networks shape not only strategic outcomes but also ethical challenges in entrepreneurial ecosystems.

We conceptualize VC networks as evolving systems of relational interdependence among investors, entrepreneurs, and institutions. These networks orchestrate capital, certify legitimacy, and govern access to opportunities. Our review identifies four central ethical tensions:

- Fairness of access: Central networks privilege elite actors (top-tier VCs, serial founders), raising distributive justice concerns for excluded entrepreneurs.
- Responsibility of gatekeepers: Central investors act as arbiters of legitimacy and exit pathways, creating duties of accountability and transparency.
- Bias and exclusion: Homophily and reputational spillovers reinforce underrepresentation of women, minorities, and peripheral geographies.
- Systemic fragility: Dense networks accelerate the diffusion of shocks (dotcom bust, crypto crashes), raising questions about responsibility for stability.

By reframing VC networks as ethical infrastructures, we extend Social Capital, Resource Dependence, and Stakeholder theories. Networks do not simply facilitate investment strategies; they distribute opportunities, risks, and value creation across society.

Ethical and Policy Considerations

Our synthesis reveals that network finance is not ethically neutral. It embeds moral and societal questions at three levels:

- Micro (entrepreneurs): Exclusion from central networks limits opportunity and perpetuates inequality.
- Meso (investors/networks): Central actors exercise power that carries obligations for fairness and transparent governance.

- Macro (ecosystems/policy): Global VC networks redistribute value toward dominant financial centers, raising concerns about technological sovereignty and local welfare.

These challenges invite policy interventions and ecosystem design choices. First, transparency requirements for syndication and co-investment structures could help demystify gatekeeping practices. Second, incentives for diversity and inclusion—through targeted public funds, LP mandates, or tax advantages—may broaden access for underrepresented founders and investors. Third, cross-border coordination (dual-listing frameworks, harmonized M&A protocols) can reduce dependency on single dominant hubs. Finally, public–private partnerships can support balanced ecosystems, ensuring that foreign capital supplements rather than displaces local reinvestment.

Scholars must therefore address both methodological rigor and normative implications, recognizing that research on VC networks has ethical consequences for justice, inclusion, and resilience. For practitioners and policymakers, the findings underscore the need to design ecosystems that democratize access, strengthen accountability, and align innovation finance with the public good.

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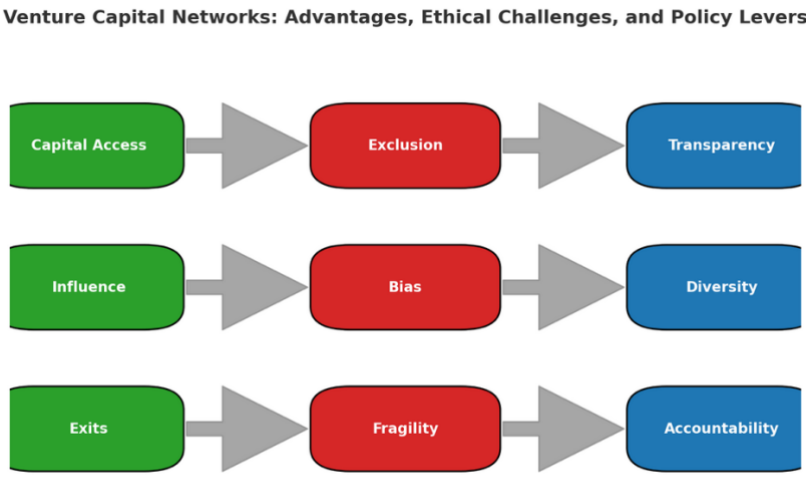

Figure 1. **Venture Capital Networks: Advantages, Ethical Challenges, and Policy Levers.** Network advantages such as capital access, influence, and exits can generate ethical challenges—including exclusion, bias, and fragility—that invite policy responses focused on transparency, diversity, and accountability.