AUGUST 15, 2018

Warren Introduces Accountable Capitalism Act

Comprehensive Legislation to Eliminate Skewed Market Incentives and Return to the Era When American Corporations and American Workers Did Well Together

Read Senator Warren's Op-Ed: Companies Shouldn't Be Accountable Only to Shareholders

Read Letter of Support from Academics and Investors

Bill Text | One-Pager

Washington, DC - United States Senator Elizabeth Warren (D-Mass.) today introduced the Accountable Capitalism Act to help eliminate skewed market incentives and return to the era when American corporations and American workers did well together. The legislation aims to reverse the harmful trends over the last thirty years that have led to record corporate profits and rising worker productivity but stagnant wages.

For most of our country's history, American corporations balanced their responsibilities to all of their stakeholders - employees, shareholders, communities - in corporate decisions. It worked: profits went up, productivity went up, wages went up, and America built a thriving middle class.

But in the 1980s a new idea quickly took hold: American corporations should focus only on maximizing returns to their shareholders. That had a seismic impact on the American economy. In the early 1980s, America's biggest companies dedicated less than half of their profits to shareholders and reinvested the rest in the company. But over the last decade, big American companies have dedicated 93% of earnings to shareholders - redirecting trillions of dollars that could have gone to workers or long-term investments. The result is that booming corporate profits and rising worker productivity have not led to rising wages.

Additionally, because the wealthiest top 10% of American households own 84% of all American - held shares-while more than 50% of American households own no stock at all - the dedication to "maximizing shareholder value" means that the multi-trillion dollar American corporate system is focused explicitly on making the richest Americans even richer.

"There's a fundamental problem with our economy. For decades, American workers have helped create record corporate profits but have seen their wages hardly budge. To fix this problem we need to end the harmful corporate obsession with maximizing shareholder returns at all costs, which has sucked trillions of dollars away from workers and necessary long-term investments," **said Senator Warren.** "My bill will help the American economy return to the era when American companies and American workers did well together."

Since the passage of the Republican tax bill, American companies have already announced more than half a trillion dollars in stock buybacks this year while real wages remain flat. There is an urgent need to end the grip of shareholder value maximization and return to the era when American corporations produced broad-based growth that helped workers and shareholders alike. The Accountable Capitalism Act:

- **Requires very large American corporations to obtain a federal charter as a "United States corporation," which obligates company directors to consider the interests of all corporate stakeholders:** American corporations with more than $1 billion in annual revenue must obtain a federal charter from a newly formed Office of United States Corporations at the Department of Commerce. The new federal charter obligates company directors to consider the interests of all corporate stakeholders - including employees, customers, shareholders, and the communities in which the company operates. This approach is derived from the thriving benefit corporation model that 33 states and the District of Columbia have adopted and that companies like Patagonia, Danone North America, and Kickstarter have embraced with strong results.
- **Empowers workers at United States corporations to elect at least 40% of Board members:** Borrowing from the successful approach in Germany and other developed economies, a United States corporation must ensure that no fewer than 40% of its directors are selected by the corporation's employees.
- **Restricts the sales of company shares by the directors and officers of United States corporations:** Top corporate executives are now compensated mostly in company equity, which gives them huge financial incentives to focus exclusively on shareholder returns. To ensure that they are focused on the long-term interests of all corporate stakeholders, the bill prohibits directors and officers of United States corporations from selling company shares within five years of receiving them or within three years of a company stock buyback.
- **Prohibits United States corporations from making any political expenditures without the approval of 75% of its directors and shareholders:** Drawing on a proposal from John Bogle, the founder of the investment company Vanguard, United States corporations must receive the approval of at least 75% of their shareholders and 75% of their directors before engaging in political expenditures. This ensures any political expenditures benefit all corporate stakeholders.
- **Permits the federal government to revoke the charter of a United States corporation if the company has engaged in repeated and egregious illegal conduct:** State Attorneys General are authorized to submit petitions to the

Office of United States Corporations to revoke a United States corporation's charter. If the Director of the Office finds that the corporation has a history of egregious and repeated illegal conduct and has failed to take meaningful steps to address its problems, she may grant the petition. The company's charter would then be revoked a year later - giving the company time before its charter is revoked to make the case to Congress that it should retain its charter in the same or in a modified form.

###