

## Reintroducing the Accountable Capitalism Act

Written by Staff Reports  
Friday, 18 October 2019 01:00

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### **Making CORPORATIONS accountable; making workers prosperous**

WASHINGTON, D.C. – U.S. House Assistant Speaker Ben Ray Luján, D-N.M., and U. S. Senator Elizabeth Warren, D-Mass., announced Oct. 4 they will reintroduce the Accountable Capitalism Act to help eliminate skewed market incentives and return to the era when the success of American corporations translated into success for American workers. The legislation aims to reverse the harmful trends over the last 30 years that have led to record corporate profits, productivity, and CEO pay, but stagnant wages for workers.

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. It called for American corporations to focus only on maximizing returns to their shareholders. That had a seismic impact on the American economy. Over the last decade, big American companies dedicated 93% of earnings to shareholders, redirecting trillions of dollars that could have gone to workers or long-term investments. The result was booming corporate profits and rising worker productivity that did not lead to rising wages.

Additionally, because the wealthiest 10 percent of American households own 84% of all American-held market shares, while more than 50% of American households own no stock at all, this dedication to “maximizing shareholder value” means that the multi--trillion dollar American corporate system is focused explicitly on making wealthier Americans even richer. In fact, in the year following passage of the Republican tax bill, large American companies announced nearly \$1 trillion in stock buybacks while making no major impact on hiring and investment.

“Our economy is not working for the American worker. The Republicans’ disastrous policies and Trump Administration’s agenda has shortchanged the average worker while lavishing benefits on corporate interests. That must change,” Luján said. “I’m proud to work with Sen. Elizabeth Warren to introduce this legislation that uplifts the voices of America’s middle--class and gives workers a fighting shot at achieving the American Dream. This landmark legislation will reduce income inequality, strengthen companies, and help ensure a fair and just economy for our families.”

“Year after year, corporate profits soar thanks to American workers. The average wages of these workers remain flat while corporations shovel out cash to their executives and shareholders and suck trillions of dollars and necessary long-term investments from workers,” Warren said. “That’s why I keep fighting [along] with colleagues like Rep. Luján to pass this bill and get workers what they deserve.”

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 addresses this need by:

- Requiring 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

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federal charter from a newly--formed Office of U.S. 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 where the company operates. This approach is derived from the thriving benefit corporation model that 35 states and the District of Columbia have adopted, and that companies like Patagonia, Danone North America, and Kickstarter have voluntarily embraced with strong results.

- Empowering workers at U.S. corporations to elect at least 40 percent of board members: Borrowing from the successful approach in Germany and other developed economies, a U.S. corporation must ensure that no fewer than 40 percent of its directors are selected by the corporation's employees.
- For the reintroduction of their bill this Congress, Warren and Luján strengthened the protections in the bill to ensure that worker--appointed directors provide meaningful representation that worker--appointed directors are protected from retaliation, and that workers have access to the same information as shareholders.
- Restricting the sales of company shares by the directors and officers of U.S. corporations: Top corporate executives are now compensated mostly in company stock, 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 U.S. corporations from selling company shares within five years of receiving them, or within three years of a company stock buyback.
- Prohibiting U.S. corporations from making any political expenditures without the approval of 75 percent of its directors and shareholders: Drawing on a proposal from John Bogle, the founder of the investment company Vanguard, U.S. corporations must receive the approval of at least 75 percent of their shareholders and 75 percent of their directors before engaging in political expenditures. This ensures any political expenditures benefit all corporate stakeholders.
- Permitting the federal government to revoke the charter of a U.S. corporation if the company has engaged in repeated and egregious illegal conduct: State Attorneys General are authorized to submit petitions to the Office of U.S. Corporations to revoke a U.S. corporation's charter.

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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, they 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 a modified form.

Warren first introduced the Accountable Capitalism Act in August 2018 to reverse the harmful corporate trend over the last 30 years that has produced record corporate profits for American companies, but stagnant wages for American workers. Later in 2018, her legislation gained momentum in the U.S. House of Representatives as Luján, then-incoming House Assistant Speaker; Rep. Mark Pocan, D-Wis., co-chair of the Congressional Progressive Caucus; Rep. Stephen Lynch, D-Mass.; Rep. Brendan Boyle, D-Pa.; and Rep. Jan Schakowsky, D-Ill. introduced companion legislation.