Accountable Capitalism Act

For much of their history, American corporations tried to balance the interests of all of their stakeholders, including employees, customers, business partners, and shareholders. But in the 1980s, corporations adopted the belief that their only legitimate and legal purpose was "maximizing shareholder value."

This shift is a root cause of many of America's fundamental economic problems. 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 their earnings to shareholders.

That has redirected trillions of dollars that might have otherwise gone to workers or long-term investments, with predictable results. Since the advent of shareholder value maximization, worker productivity has risen steadily but real wages for the median worker have been basically flat and the share of national income that goes to workers has dropped markedly. Big American companies have chronically under-invested, opening the door to foreign competitors. Because 84% of American-held shares are owned by the top 10% of our richest households, while more than 50% of American households own no stock at all, these decisions have made better off Americans even richer at all costs.

There is an urgent need to ensure that American corporations produce broad-based growth that help workers and shareholders alike. In August 2019, even the Business Roundtable acknowledged the need to incorporate more stakeholder input, stating that that their statement of principles "does not accurately describe the ways in which we and our fellow CEOs endeavor every day to create value for all our stakeholders, whose long-term interests are inseparable."

To promote public accountability and empower all corporate stakeholders, the **Accountable Capitalism Act** will:

- Require very large American corporations to obtain a federal charter as a "United States corporation," which will obligate 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 new Office of United States Corporations at the Commerce Department. The new federal charter obligates company directors to consider interests of all stakeholders – including employees, customers, shareholders, and 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 embraced with strong results.

- Require substantial employee participation on the boards of United States corporations: Borrowing from successful approaches in Germany and other developed economies, United States corporations must ensure that no fewer than 40% of directors are selected by the corporation's employees, giving workers a stronger voice in corporate decisions.

- Restrict sales of company shares by the directors and officers of United States corporations: Top corporate executives are now largely compensated in company equity, giving huge financial incentives to focus solely on shareholder returns. To protect long-term interests of all stakeholders, directors and officers of United States corporations are prohibited from selling company shares within five years of receiving them or within three years of a stock buyback.

- Require United States corporations to obtain shareholder and board approval for all political expenditures: 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 and gives workers and their representatives the ability to provide input on political activities.

- Ensure that United States corporations that engage in repeated and egregious illegal conduct may have their charters revoked: 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, 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 in a modified form.