



*Open Letter Re:
the Business Roundtable’s Commitment to Corporate Actual Responsibility*

August 12, 2020

Mr. Joshua Bolten
President & CEO
Business Roundtable
1000 Maine Avenue SW
Suite 500
Washington, D.C. 20024

Dear Mr. Bolten:

Next week marks the first anniversary of the Business Roundtable’s vocal renunciation of “shareholder primacy” in a statement that claimed to “redefine the purpose of a corporation” and committed 181 CEOs “to lead their companies for the benefit of all stakeholders—customers, employees, suppliers, communities and shareholders.”¹ We and our organizations were intrigued by the vision of corporate actual responsibility² that this statement seemed to contemplate, but we have also noticed the lack of concrete follow-on action.

As the chief executives who signed the BRT statement would surely attest, a serious strategic commitment is not something merely announced. It requires a timeline, milestones, resources, and—most importantly—tangible targets and ongoing measurement. No such steps appear to have been taken. Moreover, the

1. “Business Roundtable Redefines the Purpose of a Corporation to Promote ‘An Economy That Serves All Americans,’” Press Release, 8/19/2019

2. Oren Cass, “Constraining the Corporation,” American Compass, 8/5/2020.

most recent “Principles of Corporate Governance” listed on the BRT website dates from 2016,³ which seems inconsistent with last year’s call to redefine the corporation’s purpose.

Indeed, BRT’s premise appears to be that other stakeholders should be considered for purposes of delivering shareholder value. BRT’s then-chairman, JPMorgan Chase & Co. CEO Jamie Dimon, led the announcement by observing that, “major employers are investing in their workers and communities because they know it is the only way to be successful over the long term.”⁴ Of course, actions necessary to long-term success are taken on behalf of shareholders. Obligations to “stakeholders” have meaning only if they at least sometimes take precedence, producing actions costly to shareholders for the benefit of others.

We recognize how the market’s competitive pressures discourage any one firm from hampering short-term profitability for the sake of corporate actual responsibility. But that is precisely where an institution like the Business Roundtable could play such a valuable role, were it genuinely committed to addressing interests beyond those of the shareholders who control the firms themselves. We therefore ask that you consider taking the following actions:

1. Establish Clear Priorities Focused on the Corporation’s Role.

Declaring everyone a stakeholder and everything a priority is a surefire recipe for avoiding meaningful action or accountability. Firms have directed their efforts toward diversity, sustainability, and charitable initiatives. While laudable, such activities are themselves insufficient to meet your redefined purpose for the corporation, which you said was intended “to promote an economy that serves all Americans.”

The needed social functions for which firms are the indispensable contributors, by contrast, are creating good jobs for **workers**, maintaining a workplace compatible with **family** life, providing the economic foundation and supporting the public institutions vital for strong **communities**, and advancing the long-term prosperity of **the nation**.

3. “Principles of Corporate Governance,” BusinessRoundtable.org, accessed 8/10/2020.

4. “Business Roundtable Redefines the Purpose of a Corporation to Promote ‘An Economy That Serves All Americans,’” Press Release, 8/19/2019.

2. *Measure and Disclose.*

The extraordinary collection of business talent represented by BRT's members has the scale and expertise to establish and report standardized metrics that would allow the public to evaluate the performance of their firms. For example:

- **Workers**
 - Number of employees earning below a family wage of at least 200% the federal poverty line plus benefits
 - Wage growth over first five years of employment
 - Ratio of non-supervisory employees to engaged independent contractors
- **Families**
 - Share of employee hours subject to variable scheduling
 - Share of employees with access to paid family leave and paid sick leave
 - Share of employees departing to fulfill care-giving responsibilities who are subsequently rehired
- **Communities**
 - Payroll growth outside of highest-income metro areas
 - Share of new-graduate-hires from local institutions
- **The Nation**
 - Ratio of capital expenditure to shareholder distribution
 - Ratio of domestic to foreign operating expenditures
 - Ratio of political and lobbying expenditures to tax payments

These particular metrics are illustrative. No doubt, BRT could improve upon them, taking into consideration both data availability and alignment with desirable practices and outcomes. BRT could then become a clearinghouse for defining, recording, and publicizing the data for its members' firms and, ultimately, other firms likewise committed to responsible conduct.

3. *Support Legislative Reforms.*

While corporate executives are correct to lament the collective-action problem that discourages corporate actual responsibility, they have an obvious remedy available: to speak together in support of rules that would require all of them to behave as they believe they should. Unfortunately, corporate lobbying since the creation of the Business Roundtable has largely contemplated the opposite. From lobbying against stronger anti-monopoly rules and labor protections in the 1970s⁵ to working against more assertive rules on the misuse of over-the-counter derivatives after the financial crisis of 2008,⁶ BRT has historically supported policies that support the concentration of wealth and power.

Even today, BRT's corporate governance priorities are limited to restricting the power of proxy advisory firms, reducing shareholder voting power, and eliminating "complex and burdensome U.S. financial laws and regulations."⁷ Without speaking to the merits of any of these proposals, none of them represent a meaningful attempt to "redefine the purpose of a corporation."

By contrast, if BRT were serious about corporate obligations to stakeholders other than shareholders, it could for example lead a push for nationwide action to restrict anticompetitive practices like non-compete and no-poach agreements,⁸ afford workers representation on corporate boards,⁹ and prevent abuse of the H-1B visa system.¹⁰ BRT members could likewise pledge to invest in rebuilding public institutions capable of combatting corruption.¹¹

We remain intrigued by BRT's and its members' commitment to acknowledging and fulfilling their social obligations beyond maximizing shareholder returns. Absent reasonable action, though, it is difficult to avoid the conclusion that executives of large corporations are incapable of acting as even they say they should, without being compelled by significant public policy changes.

5. Eileen Shanahan, "Antitrust Bill Stopped By a Business Lobby," *New York Times*, 11/16/1975.

6. Kara Scannell, "Big Companies Go to Washington to Fight Regulations on Fancy Derivatives," *Wall Street Journal*, 7/10/2009.

7. "Corporate Governance," BusinessRoundtable.org, accessed 8/10/2020.

8. Evan Starr, "The Use, Abuse, and Enforceability of Non-Compete and No-Poach Agreements," Economic Innovation Group, Feb. 2019.

9. "Deutschland AG Rethinks Workers' Role in Management," *The Economist*, 2/1/2020.

10. Rachel Rosenthal, "Tech Companies Want You to Believe America Has a Skills Gap," *Bloomberg*, 8/4/2020.

We would like to hear from you about what steps BRT has taken to date, what others it has planned, and how we might work constructively together.

Sincerely,

Oren Cass
Executive Director
American Compass

Sarah Miller
Executive Director
American Economic
Liberties Project

Terry Schilling
Executive Director
American Principles Project

cc: Kristen Silverberg
Executive Vice President, Policy
Business Roundtable

Transmitted via email