

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.” By 1997, the Business Roundtable declared that the “principal objective of a business enterprise is to generate economic returns to its owners.”

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, corporate America’s commitment to “maximizing shareholder return” is a commitment to making the richest Americans even richer at all costs. There is an urgent need to return to the era when American corporations produced broad-based growth that helped workers and shareholders alike. The Accountable Capitalism Act provides:

- Very large American corporations must 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.
- The boards of United States corporations must include substantial employee participation: 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.
- Sales of company shares by the directors and officers of United States corporations are restricted: 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.
- United States corporations must 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.
- A United States corporation that engages in repeated and egregious illegal conduct may have its charter 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, 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.