



Education, Features, Law and Politics, National

The Inevitable Benefit-Corporation Revolution Is Coming!

April 23, 2018

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The philosophical “Idea of Progress” holds that progress is inevitable. Critics of the theory maintain that advances in technology and historical changes in forms of government have not always resulted in social progress. Concededly, social progress has not been linear, as reactionary forces—those vested in the status quo or who fear change inconsistent with their static worldviews—often take us two steps back for every step forward. But over the long-term, humanity’s collective experience has been one of social progress as well.

Socioeconomic systems have advanced from local bartering to regulated global capitalism, with consequent increases in wealth, life expectancy and literacy. Societal organization has evolved from primitive tribes to nations, empires, united states and regional economic unions, enabling the creation and funding of social institutions benefiting ever-larger numbers of people. Some futurists expect that as our world grows smaller and we colonize space many countries will become initially more racially diverse but inevitably less so through intermarriage, and that the planet’s governance will necessarily become increasingly regionalized and global. Even the long “arc of the moral universe,” the great American prophet reminded us, “bends towards justice.”



The time of the Benefit Corporation is now.



The Idea of Progress does not suggest that we passively wait for social progress to happen. Instead it urges those who foresee inevitable social reforms to actively hasten their arrival. Foremost among necessary actions is to elect Progress-ives. Policymakers who as a rule should plan for the inevitable. If increased mobility and migration is a natural outcome of a shrinking planet, why build walls designed to temporarily stem that tide. If, as the moving and momentous March for Our Lives revealed to the world, excessive gun violence on our streets is destined to the dustbin of history, why vote for any politician who opposes banning assault weapons.

Social constructs must be re-thought when, like telephone landlines and cathode tube TVs, they no longer serve our needs and become obsolete. One construct that requires revision is the legal underpinning of corporate law that makes executives fiduciaries to their corporation's shareholders. Since the 1970s, spurred by Chicago-school "free market" economists, executives have increasingly perceived that fiduciary duty as compelling them to maximize shareholder profits at the expense of everything else.

This now-embedded, institutionalized misconception has ushered in an era of corporate greed that underlies many of the ills of modern American society. It has led to reduced wages and benefits for laborers, excessive compensation for executives, and income and wealth inequality that increases poverty, impairs citizens' health, educations and job opportunities, and induces dangerous levels of borrowing and risk-taking in our economy.

The drive for profits has resulted in election financing imbalances that have enabled a corporate takeover of government, such that we now have an Environmental Protection Agency that guts clean air and water rules, a Department of Housing that reduces the availability of affordable housing, a Consumer Financial Protection Board that protects banks instead of consumers, a Congress and President that added a trillion dollars to the national debt through unneeded tax cuts for corporations and the wealthy, and a raft of elected officials who don't care that 70% of Americans want assault weapons off our streets.

A slight and readily achievable pragmatic tweak in corporate law could make a vast difference towards eliminating these imbalances and improving our collective welfare. State and federal legislators should enact laws that incentivize the creation of Benefit Corporations. Rather than being driven purely to maximize profits for shareholders, executives of Benefit Corporations have

fiduciary duties to maximize the welfare of all their “stakeholders”—which include their employees, their customers and their communities as well as their shareholders.

Boards and shareholders of purely profit-oriented enterprises tend to hire executives who will make them richer by cutting labor costs and lobbying for loosened regulations to reduce production costs. Benefit Corporations, dedicated by law to their workers and communities as well as profits, tend to be managed by executives with broader and longer-term perspectives. The more Benefit Corporations that are chartered, the faster wages will rise and the sooner we’ll return to having a government that serves the majority of the people rather than the affluent few.

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Since 2010, thirty-three states have passed legislation permitting the creation of Benefit Corporations. To date more than 5000 privately-held companies have chosen Benefit status, and at an accelerating rate, with most incorporating within the past year. Several foreign publicly traded corporations are converting to B-status, but only one U.S. public company has done so.

Legislators must encourage public corporations to make the shift. States should provide tax incentives dedicated solely to Benefit companies. Public utilities, telecommunications providers and cable systems should receive government-granted monopolies or be allowed to buy bandwidth and access public infrastructure only if they convert to Benefit Corporations. Government contractors should be limited to Benefit Corporations.

Developing socially responsible corporations is necessary if we are going to save the middle class and retain America’s place in the world. Many people, in fact, including leading venture capitalists, believe that transforming from a greed-dominated corporate culture to a socially responsible one is inevitable. Let’s hasten that evolution by electing Progressives who are dedicated to enacting legislation that will incentivize Benefit Corporations into existence.