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What's New About Stakeholder Capitalism?

CEOs were willing to sign the Business Roundtable statement because the 'stakeholders' blessed with their commitment were already their shareholders.

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Lucian Bebchuk and Roberto Tallarita helpfully document how last summer's Business Roundtable mission statement did *not* outline a radical new vision of stakeholder capitalism ("‘Stakeholder’ Capitalism Seems Mostly for Show," op-ed, Aug. 7). In fact, the statement is almost a carbon copy of the famous credo of Johnson & Johnson, beacon of capitalism, in place since 1943 (see separate file).

What's notable in both is the hierarchy of corporate priorities: customers and employees before stockholders. The philosophy stresses a venerable business truth that long precedes the cries for corporate social responsibility and ESG investing: Shareholder profits are earned by catering to customers and rewarding employees. Shareholder capitalism works for everyone, and the Business Roundtable has known that for a long time.

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Messrs. Bebchuk and Tallarita could have saved themselves a lot of effort by simply pointing out the essential similarity between shareholders and stakeholders. For large, publicly traded companies, inclusion in major stock-market indices necessitates a substantial degree of ownership by investors who take a passive strategy. The largest shareholders of many publicly traded companies are mutual funds and exchange-traded funds that form the core of any sound retirement account. You would be hard-pressed to find a community in this country that doesn't include middle-class public- and private-sector employees with union pensions or 401(k) accounts containing some passive ownership of multiple public companies.

The real reason CEOs were willing to sign the Business Roundtable statement is that the purported "stakeholders" blessed with their newfound commitment were already their shareholders. The signatories are now free to serve their communities with distinction—and without much difference.

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