The Economic and Moral Foundations of the Business Roundtable's New Statement on the Purpose of a Corporation

Atrey Bhargava

Abstract: The new statement of purpose at the Business Roundtable (BR) of 2019 marks the formal acknowledgement by the corporate[1] sector of the need to re-evaluate the purpose of corporations. The BR has acknowledged the need to value other stakeholders important to corporations and tone down on their hitherto defined purpose of corporations that solely gave primacy to shareholder value. This paper is novel in the regard that it argues that not only is the change in the statement of purpose of corporations desirable, but it is also required to maintain the long-term relevance of the corporate sector. The first section defines and critically analyzes the rationale and the subsequent implications of maintaining shareholder primacy as the principal purpose of corporations. The second section elaborates the 'new purposes' outlined by the BR. The purposes defined are noteworthy yet insufficient for they should also include an effort to increase minority representation across corporate governance structures. The third section mentions the actionable steps immediately being taken up by corporations and financial intermediaries to act on the new statement of purpose. This list is not exhaustive but serves only to argue that structural changes can happen in the realm of finance and corporations. The last section of the paper makes explicit the moral underpinnings of purpose in the corporate sector. The explanation borrows from the stated mission of Seven Pillars Institute that seeks to understand the purpose of finance as not one of serving money but one of helping people and society.

Section 1 Corporations, Profit and Shareholders: A Brief History

This section outlines the rationale behind how profits and correspondingly shareholder primacy came to be the dominant purpose of corporations since the 1980s. While profitability had always been one of the objectives of corporations, Milton Friedman's seminal article titled 'The Social Responsibility of Business is to Increase its Profits' in the *New York Times Magazine* gave profit maximization a predominant position in public discourse and monetary theory. Friedman argued that

[1] Through the course of the paper, the business and corporate community, as well as the financial sector, will be used interchangeably to imply a similar meaning.

social responsibilities are limited to individuals and do not extend to the business community because corporate executives are using not their own but someone else's money if they act in the social interest (Friedman). The ability to use someone else's money should be limited to government because the corporate executive does not have adequate information about social problems and subsequently, the necessary capability to engage in social responsibilities. This argument is further supported by his belief that "collectivist ends (such as climate change) can be attained without collectivist means (Friedman)." Not only has the latter proven to be a naïve belief in an age teetering on climate disaster, for climate change is a collectivist problem, ("United Nations Study," May 10th 2020) but the former disregards the integral role corporations and finance plays in determining fundamental changes in society.[2] Moreover, because corporations have played a key role in accelerating collectivist crises such as climate change ("Climate Business, Harvard Business Review"), there exists a greater need for them to reflect on their mistakes and act to reverse the effects of previous practices.

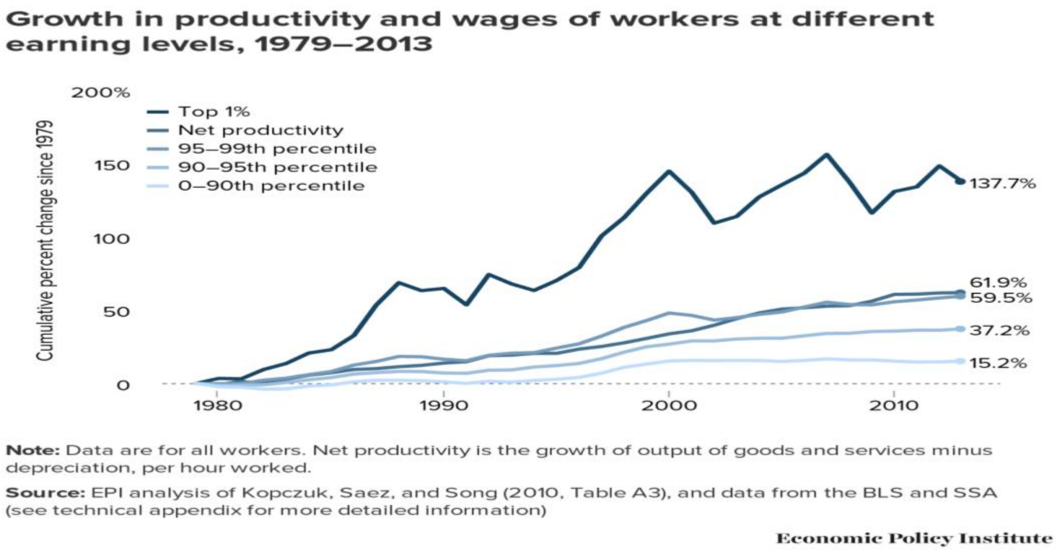
As a consequence of Friedman's theory that declared delivering profits as the principal aim of corporations, there were shifts in financial and corporate practices creating greater inequality, a decline in real wages, a reduction in the power of trade unions, and an increase in unsustainable, often environment degrading, growth in the past four decades.[3]

While there has been much positive discourse about full employment at the 3.9% unemployment rate in recent years, real wage peaked in 2015 and has since been falling because of inflation. Even up till 2015, the rise in wages for production and nonsupervisory employees has been incomparable to the increase in corporate profits thereby engendering greater inequality in the system (Watson, "Real Wage Growth is Actually Falling"). This phenomenon speaks to the decoupling of pay (wages) and economy-wide overall productivity. While net productivity grew 72.2% between 1973 and 2014, i.e. 1.3% annually, inflation-adjusted hourly compensation of the median worker only rose by 8.7% or 0.2% annually. This decoupling of wages and productivity has increased the bargaining power of capital owners in wage relations. While these changes cannot be solely attributed to government policies induced by Friedman-styled economics, it is not too far to say they have had a significant impact in heightening overall economic inequality (Bivens and Mishel, Economic Policy Institute). To surmise a problem in the system, observe just one fact: "the richest

[2] These fundamental changes can be structural changes. An example of this is the ability for financial corporations to positively affect sustainable growth by investing in green technology and the like. More such changes are outlined in section 3.

[3] This is not an exhaustive list of consequences but only seeks to highlight some of the outcomes of holding shareholder value as the primary purpose of corporations.

130,000 families in America now hold nearly as much wealth as the bottom 117 million families combined (Saez and Zucman)."[4] The following charts illustrate the growth of productivity and wages of workers and also the ensuing inequality at different earning levels.



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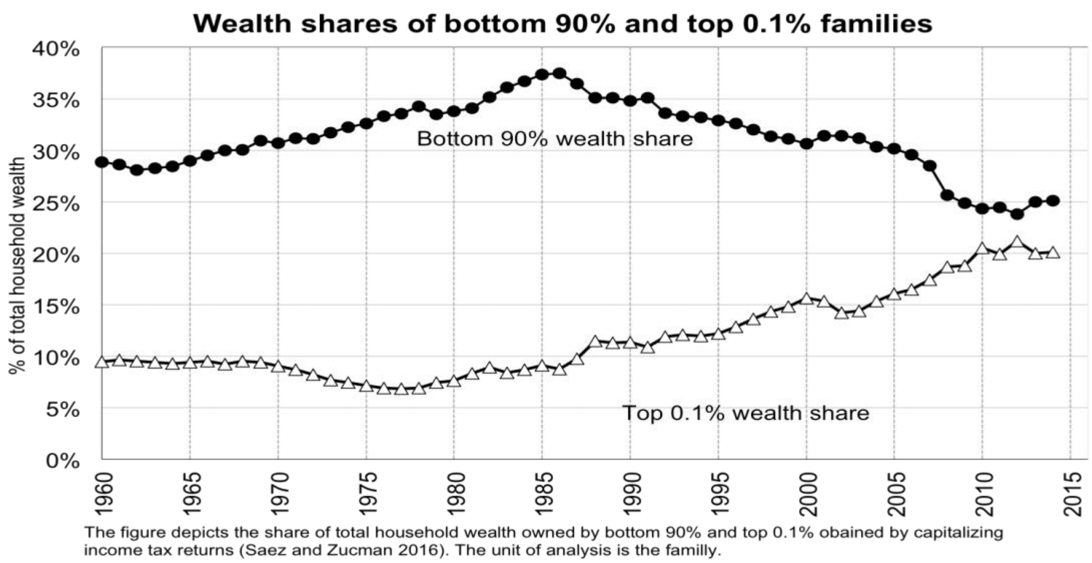

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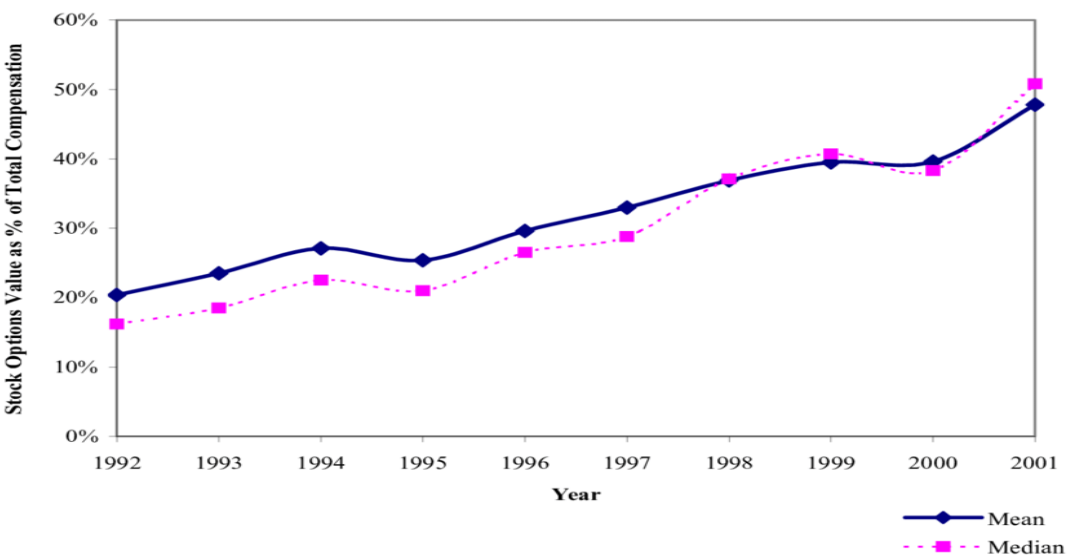
[4] They use sources from the Survey of Consumer Finances, (SCF) from the Federal Reserve Board, and the Distributional National Accounts (DINA) to estimate this.

[5] Josh Bivens and Lawrence Mishel – Economic Policy Institute. (Figure 1)

[6] Saez and Zucman - University of California Berkeley. (Figure 2)

There has also been a marked decline in the power of trade unions. Leading up to the 1970s, there was a significant difference between the relative wages of unionized and non-unionized employees. Richard Freeman and James Medoff's seminal work on '*What Do Unions Do*' reported that the union differential (the difference in the wages between unionized and non-unionized workers) in the 1970s was 20-30%. Moreover, evidence suggests wage dispersion in union firms was about 25% lower than in non-union firms, thereby indicating lower levels of inequality because of the higher collectivized bargaining power of labor owners arising from trade union membership (Blanchflower and Bryson). Even the number of people involved in trade unions has declined. While union membership extended to nearly 33 percent of the workforce in the 1940s, unionized workers only represent 11.3 percent of the workforce today, private-sector unionization is at a mere 6.6 percent (Blanchflower and Bryson). The work of Gomez and Tziounis uses data from 2,159 publicly listed US firms between 1992-2001 to argue union presence is significantly associated with lower levels of CEO compensation (and reduced inequality) by decreasing performance-pay measures such as stock option values (Gomez and Tziounis). The following chart shows the consistent increase of stock options value as a percentage of total compensation since the early 1990s. It serves to emphasize another phenomenon heightening inequality in the system.



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[7] Gomez and Tziounis - The Leverhulme Trust. (Figure 3)

Government regulations, such as the Taft Hartley Act of 1947, Ronald Reagan's hardline stance (Rosenstiel, "In Showdown with Air Traffic Controllers*")* on trade unions, and other economic (globalization) and structural factors e.g., the decline of the manufacturing sector in the USA (West and Lansang, "Global Manufacturing Scorecard"), are reasons for the dearth of trade unions in our present situation. While unions may not have a solely positive impact on corporate performance, the decline of unions has exacerbated income inequality.

The third significant consequence of Friedman's theory has been the rise in environmental pollution and the subsequent existential threat from climate change. Data from the World Bank's World Development Indicators database show that while global GDP per capita increased between 1990 and 2016, global trends for air pollution have also followed a similar upward trajectory ("World Bank Indicators"). If fossil-fuel extraction over the next quarter-century continues at the same rate as the previous 25 years, the Carbon Majors report claims "that we are on course for a 4°C rise in average temperatures by the end of this century — accelerating the loss of biodiversity and the rise of food insecurity, to name but two consequences ("The Carbon Majors Database")." At the moment, just 100 companies contribute to 71% of the world's greenhouse gases (*Ibid*). While the pursuit of climate degrading policies cannot solely be traced to profits in the short-run, the impact of these policies will affect us in the long-run. It is thus essential for both corporate and financial institutions to mitigate the effects of climate change.

All the changes mentioned above have been facilitated by policy decisions and ideologies such as trickle-down economics influenced by Friedman's free-market theory, which have dominated policy reform during the Reagan era. The main pillars of Reaganomics are: 1) reduction in growth of government spending, 2) reduction in marginal tax rates on income from both labor and capital, 3) reduction in financial regulation (one of its effects is the growth of the shadow banking sector and a culture of securitization of assets within the financial sector),[8] and (4) reduction in inflation by controlling the growth of the money supply (Niskanen, "Reaganomics"). Similarly, since the passage of the GOP tax plan of 2017, there has been not only a rise in corporate profits but also an acceleration in new stock buyback programs authorized by the bill's passage (Palladino, "Stock Buybacks, Driving a high-profit, low-wage economy*")*.[9] Since 2012, major US corporations have taken out nearly $4.6 trillion that could have been used to facilitate the growth of the corporation and/or the welfare of

[8] Both these factors had an instrumental role in contributing towards the financial crisis. For more please see, Gorton & Metrick, "*Getting up to speed on the financial crisis: A one weekend reader's guide.*", JEL 2012.

[9] Stock buyback programs are open market share repurchases that reduce the number of outstanding shares in the market, resulting in an increase in price per share. These buybacks are often financed by profits accrued by a corporate entity during a given year.

its employees. (Winck, "Buybacks as the stock market's source of buying power"). Such and other governmental policies have facilitated the growth of the corporate sector in a manner that results in higher inequality and climate risk.

It is not just the responsibility of the financial sector but also the government and monetary authorities to ensure corporations develop in a different way from the past. A recent speech by Sarah Breeden from the Bank of England discusses the necessary supervisory role monetary and governmental authorities must play to ensure corporations and financial intermediaries develop in a way that fights climate change. She argues it is in the benefit of finance not only to consider short-term risks, but broader long-term systemic risks caused by climate change in order to develop financial portfolios and corporate regulations that can mitigate the climate catastrophe (Breeden, "Avoiding the Storm").

To be clear, the above factors are only some of the reasons for the world's current difficulties. Other factors that have contributed to systemic change in the nature of corporations are globalization (its subsequent effect on wages, unemployment, and labor force participation rate through supply chain effects), and technological change (Autor, Dorn and Hanson, "Untangling Trade and Technology"*)*. Let's focus on the endogenous changes within organizations and governmental policies that have contributed to our current position.

Section 2 The New Purpose of Corporations

This section presents what the new purpose of corporations can and should be following the purpose statement made by the Business Roundtable (BR). The purposes already established at the BR are:

1) increasing value to consumers
2) investing in employees through better compensation and training programs
3) dealing ethically with competitors and other suppliers
4) increasing community engagement and developing mechanisms to mitigate climate change and protect the environment
5) maintaining the importance of shareholders

However, the BR neglected to list another important purpose: increasing minority representation.

1) Increasing Value to Consumers

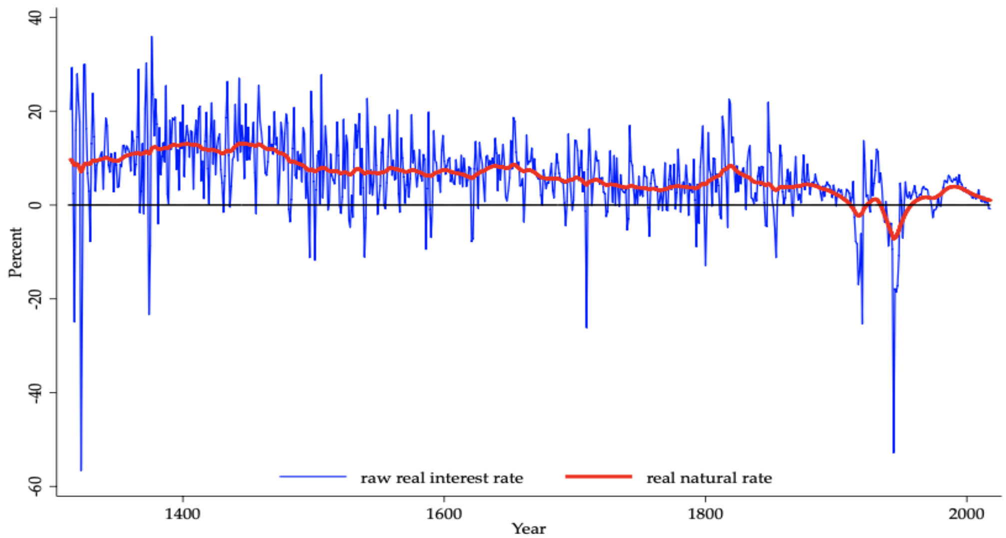
The first purpose advocates increasing value to consumers. One of the ways to attain (1) is by reinvesting profits in research and development (R&D) and workforce training. This purpose contrasts with the prevalent practice of stock buybacks. Endogenous growth theory dictates that reinvesting profits in research & development and workforce training has positive implications for long-term economic growth. The Solow model is now the prevailing understanding which observes that economic growth must come from technological progress instead of capital accumulation. Romer develops a growth model to showcase how technological progress is driven by the invention of new products, which in turn emerges from investment in (R&D) by profit-seeking entrepreneurs (Chu, "From Solow to Romer"). Thus, while the pursuit of profit is necessary for technological change through R&D development, a sufficient portion of the profits also needs to be reinvested into R&D to ensure the continuation of economic growth and an increase of consumer value.

2) Investing in Employees

The second purpose embraced by the BR calls for a sustained effort by the business community to increase compensation of employees and develop skill training programs to ensure their continued growth and productivity. The effect of labor unions in curbing wage dispersion and economic inequality was discussed in the previous section. Not only is this increase in the power of labor and trade unions desirable, but a change in the ratio of labor compensation to capital is also essential to re-create effective demand in the medium and long run. The pandemic, however, complicates our understanding of how labor compensation is to be measured subsequently. The work of Singh, Jordà and Taylor documents the medium and long-run impacts of previous pandemics and finds that following a pandemic the natural rate of interest declines because of a rise in precautionary saving and a waning of investment demand.

This decline in the interest rate implies a severe reduction in output because of the severance of investment demand and investment supply channels. These channels negatively affect labor supply and complicate the already difficult challenge for the BR. To illustrate this, the organization studies the rates of return on assets, stretching back to the 14th century and covering fifteen major pandemics where more than 100,000 people died. (Singh, Jordà and Taylor, "Consequences of Pandemics"). Further, its work also finds a rise in real wages following a pandemic often occurs. Therefore, the BR should take the short-term rise of wages with a grain of salt. It should compare the wage figures with other determinators such as the labor force participation rate in order to have a more comprehensive idea about the economic outlook of the country.

While endorsing this new BR purpose, it is important to remember inherent complications in future evaluations of this purpose because of changes in labor supply and distortions in short-term wages caused by pandemic.



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3) Dealing Ethically with Competitors and Other Suppliers

The third purpose pronounced by the BR is the principle of dealing ethically with competitors and other suppliers. This purpose is intended to ensure that free markets regulate themselves by employing competition, supply, demand and self-interest. Clearly free markets cannot regulate themselves effectively. As Tim Wu argues very succinctly in the *New Yorker*, "there is, in short, a major blind spot (oligopolistic markets) in our nation's oversight of private power, one that affects both consumers and competition (Wu, "The Oligopoly Problem")." He finds that most industries in America are controlled by 2-3 huge firms. For example, while drugstores seem to offer unlimited choices in toothpaste, just two firms, Procter & Gamble and Colgate-Palmolive control more than 80 percent of the market (Wu, *Ibid*). The growth of American oligopolistic markets calls for a greater focus on antitrust laws (Wu, "The Curse of Bigness", 10-14) and this is not limited to the industrial but also the technology sector currently witnessing oligopolistic domination among a few giants. In its 'Project Voldemort' dossier, for example, Snapchat details the many ways in

[10] Singh, Jordà, and Taylor - Federal Reserve Bank of San Francisco (Figure 4).

which Facebook tried to undermine its business (Wells and Seetharam, "Project Voldemort Dossier"). While purpose (3) was highlighted by the BR, there needs to be substantive change within industries and government policies to ensure corporations deal ethically with their suppliers and competitors in the future.

4) Increase Community Engagement, Mitigate Climate Change, Protect the Environment

The fourth purpose enunciated by the BR is supporting the communities in which corporations operate. This is not limited to but includes the protection of the environment by embracing sustainable practices across all businesses. Some short-term goals to alleviate environmental stress are mentioned in Section 3, but suggesting how financial and corporate policy will be incorporated to protect the environment is beyond the scope of this paper.[11] It is imperative for corporations to strengthen their relationships with the communities they work in and address broader collectivist problems, often a result of their actions. While these collectivist problems include the protection of the environment, they can also go beyond it.

5) Maintaining the Importance of Shareholders

The last purpose is maintaining shareholder primacy and thus the pursuit of profits as an objective of business. This essay contends that while this purpose has been foregrounded over the previous four decades, it can and should co-exist with other objectives mentioned by the BR. A blind pursuit of any one of the roundtable's objectives can have distortionary impacts on economic growth, much as what we see today.

A Sixth Purpose

Another essential purpose not mentioned by BR is increasing minority representation in corporate boardrooms, governance bodies, and senior and midlevel management. The 2018 study published by the Alliance for Board Diversity and Deloitte finds that 38.6 percent of Fortune 100's board seats and 34 percent of Fortune 500's board seats are held by women and minorities in 2016. While the rates have been growing and the estimated diversity in boardrooms is supposed to reach 40 percent by 2024 (Report on Women and Minorities, *WSJ*), in light of recent events, it is vital to reconsider the pace at which this reform is happening. The recent resignation of billionaire Alexis Ohanian from Reddit's board in his support for the Black Lives Matter movement (Rodriguez, "Reddit co-founder Resigns") shows the urgency required to provide

[11] For more please see, Nunn, O'Donnell, Shambaugh, Goulder, Kolstad, and Long, "Economics of Climate Change".

broader diversity in corporate boardrooms and hopefully in corporate decision-making in the future.

There is not one uniform metric to measure the relative importance of each objective for there is no one single solution. Each sector of the economy requires a unique strategy to adapt for the future. Corporations and financial intermediaries should reflect on and incorporate these objectives to maintain their salience in the future. The relevance is not limited to long-term profitability, but also includes the confidence in the corporate sector by the broader public. Unlike the recent past, however, there cannot be one purpose of corporations if the business community is striving to regain the trust and confidence of government authorities and public. The acknowledgement there are multiple stakeholders to which corporations are accountable, means there are multiple reasons for the business community to exist. Corporations will play definitive and impactful roles in determining not only the future of this generation but also of the planet.

Section 3 What Can be Done Immediately?

Steps are being immediately taken by corporations and financial intermediaries to work towards protecting the environment: Purpose 4 of the business roundtable. It is important to mention this is not an exhaustive list but only serves to showcase the ability for corporations and financial intermediaries to effect change towards the purposes propounded by the BR.

Some of the immediate steps taken by corporations to fight climate change are: 1) concessional finance for climate financing, 2) establishing climate finance partnerships, 3) urging companies to become Certificate B corporations, 4) Proper disclosure of companies with risks of climate change.

Finance is going to play a critical role in making a transition to low carbon and resilient growth. Parallels from the World Bank's concessional finance for climate financing program are instructive. Some climate financing programs where the World Bank has devoted its resources in conjunction with other sources of climate finance are in areas of energy, water, transportation, agriculture, and disaster management. Some projects include: 1) Investment in Morocco's Inclusive Green Growth Program, 2) Catalyzing Private Sector Engagement in Turkey's Renewable Energy and Energy Efficiency Markets, and 3) Investment in Senegal's River Basin Climate Change Resilience Development Project. The World Bank also supports some projects that require concessional financing (i.e. would not have been financed otherwise). In many instances, by initially pouring capital in, the World Bank has successfully crowded in other private sources of capital leading to a project that would not have happened in the counterfactual (The World Bank Group, "Finance for Climate Action"). While investment by US private firms in financing smart-climate tools for developing countries can be an objective for the future where enough externalities have been developed in the global green energy market, there exists opportunities for U.S corporations to invest in the U.S green market and an effort can be taken to invest in both concessional as well as immediately profitable finance.

There has also been a growth in climate finance partnerships. At Davos 2020, parties to the climate finance partnership (CFP) - France, Germany, the Hewlett and Grantham foundations, and BlackRock –decided to accelerate the flow of capital into climate-related investments in emerging markets, reaching agreement on the core terms and structure of their flagship blended finance investment vehicle. This unique mixture of philanthropic, public and private sector capital will be targeted towards select countries in South East Asia, Latin America, and Africa (Davos 2020, Press Release). Further facilitating such partnerships and building new ones are other immediate ways in which the corporate sector can make an impact on climate change.

Urging companies to comply with Certificate B regulations would help facilitate a new model of business that balances purpose and profit. These businesses are legally required to consider the impact of their decisions on their workers, customers, suppliers, community, and the environment. More than 3,000 companies in 150 industries and 71 countries have declared themselves to be Certificate B corporations. As of right now, giants such as Ben & Jerry's, Eileen Fisher, and Amalgamated Bank have already declared themselves to be Certificate B approved.[12]

The fourth recommendation of this section is to urge corporations to declare their risks from climate change accurately. This information should also be made public to ensure the forces of demand and supply can ensure that adequate investment reaches the necessary sectors. The CEO of Blackrock, the world's largest asset manager, Larry Fink, has called for a fundamental reshaping of finance in his letter addressed to other CEOs last year. While he still retains long-run profitability as the primary purpose of corporations, he finds that companies cannot reach long-term profits unless they address the needs of a broad range of stakeholders (Fink, "CEO Letter"). In 2017, both Vanguard, the world's second-biggest asset manager, and Black Rock required Exxon Mobil to produce a report on climate change and the associated risks with it. Such measures, however, have not been sustained (Rosenbaum, "Blackrock and Vanguard on Climate Change"). Moreover, not only other asset managers but also other corporations need to take the challenge of changing the purposes of corporations. As Fink pronounces, there is a need to make sustainability the new

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12 Certificate B corporations, for more please see here.

standard of investment, equate climate risk and investment risk, have a massive re-allocation of capital, and most importantly, to do so immediately (Fink, *Ibid*).[13]

Section 4 Ethics Analysis

The BR made the novel argument the purpose of corporations should be changed, and this is the central inquiry of this section of the paper. It is not uncommon for people to change their purpose in life. This argument, however, when extended to institutions and structures becomes a little bit more complicated.[14] The work of Masashiko Aoki helps in understanding the mechanisms of endogenous institutional change. He provides us with a "unified, analytical and conceptual framework for understanding the roles of social, political, economic and organizational factors, as well as the nature of their interdependencies, in the process of institutional change" (Aoki, "Endogenous Institutional Change"). Using a game-theoretic approach, Aoki concludes that institutions do change but warrants the institutions in the "past and the future are mutually interlinked in a complex manner"(Aoki, Ibid).[15] This statement implies not only do new institutions preserve the old institutions in some way, but also, and more importantly, even after the change, institutions retain some characteristics of their predecessors. These changes are also caused by both exogenous and endogenous changes. Modes of institutional change can be likened to a dialectical framework of understanding broader change in history (Hegel's Dialectics, *Stanford Encyclopedia of Philosophy*). Let us now evaluate the ethical justification for adopting the new expanded purpose of finance.

Utilitarian Analysis

Utilitarianism is a teleological theory that takes the outcome or end-result of actions as the primary metric upon which to judge morality. The goodness or wrongness of conduct is determined from the net sum of the good and bad it produces to all the implicated parties. Based on the principle of utility, the most predominant form of utilitarian theory – Bentham's classical utilitarianism – finds that the ethical guide to

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13 For more please see report by McKinsey Global Institute, *"Climate Risk and Response: Physical Hazards and Socio-Economic impacts"*, January 16th, 2020.

14 This essay assumes that it is reasonable to equate corporations to a broader idea of an institution or structure in order to facilitate this analysis.

15 Aoki finds that "institutions generated endogenously at one point of time become exogenous constraints and/or enabling facilitators for further institutional dynamics in their own domains as well as beyond. There are spiral movements for the newly born to eventually become the established, on which basis further institutional evolution can be molded ad infinitum."

action consists of following the act that which produces the greatest happiness or well-being to the greatest number. So long as the total amount of good resulting from a behavior or choice surpasses the sum of the bad, the conduct is considered ethical (Utilitarianism, Seven Pillars Institute).

Simplistically, this framework dictates, as shareholder primacy is still valued in the objectives established by the BR, following the new purpose (that involve a broader range of stakeholders than the earlier purpose) is a more utility-maximizing approach. This statement, however, requires a further explanation. To authentically achieve the new purposes established by the BR, there is a need to reduce the importance of shareholder primacy in exchange for other purposes that need to be immediately bought into the foreground. As the benefits accrued by the new purposes benefit a quantitatively higher number of people, following the guidelines outlined at the BR would be the ethical thing to do from a utilitarian standpoint. This conclusion should not indicate that all private institutions need necessarily always work towards social benefit. It only says that corporations should formulate a more distributive understanding of justice to provide more utility to society.[16]

Deontological Analysis

Deontology is a normative theory that proposes certain choices are required, forbidden, or permitted according to a series of principals and ensuing rules. Unlike consequentialist theories that evaluate the 'goodness' of conduct by the outcome, deontological theories focus on what ought to be our choices as determined by moral duties.

Changing the purpose of corporations is not only for a consequent good, but it is also right and something corporations and financial intermediaries ought to do. While the purpose of corporations was different in the past because we were still practicing Friedman-style neoliberal economics,[17] both the needs of society and corporations have come together today to make a case for valuing other stakeholders. This idea is borrowed from Unger's idea of Moral Progress that argues, "with regard to certain morally bad forms of behavior, humanity has morally progressed beyond it being even the least bit normal for anyone to engage in behaviors of those forms (Unger, "Living high and letting die")." Thus, while certain practices such as funding and supporting

[16] This essay is not ignorant of the structural changes that, for example, would ensue with a green economy in the future. Keeping within the framework of utilitarian analysis, however, this essay maintains the importance of mitigating these structural costs through policy programs and necessitates the need to change towards the new goals of corporations for broader societal benefit.

[17] The earlier forms of capitalistic expansion have helped in the generation of externalities that have now made the now powerful international capitalist system.

environment-polluting companies were prevalent in the past, they cannot be continued.

The world warrants that individual and collectivist goals cannot be decoupled anymore. The pursuit of naked self-interest that derives from theories of psychological egoism fails in a situation where the needs of the individual and the society are inseparable from one another. It is now time to expand the realm of self-interest and develop an ethical egoism that benefits more stakeholders in the corporate sector. (Landau, 92-94). Focusing on purposes other than just shareholder primacy is what corporations need to do to fulfil their moral duties in our current position of increasing income inequality and being threatened with extinction because of climate change. This moral justification for changing the purpose of corporations is congruous with rationality for it remains one way for corporations to retain their long-term salience.

Conclusion

The Seven Pillars Institute advocates for the purpose of finance to be one of serving people by helping them save, manage and raise money. The Institute further maintains for finance only to pursue shareholder primacy is not enough. The role of finance in society is higher. Simply equating finance with efficiency and money leads to missing the main link in the equation, one that connects all the parts of finance and holds primary importance within the structure: people. (Bhala, "Editorial") Since finance is part of the broader corporate framework, these arguments can be extended to other corporations as well.

This paper appreciates the acknowledgement by the business sector of the need to change the purpose of corporations. It also would like to provide the warning sounded by journalist Katrina Vanden Heuvel who retorted "with this statement, big finance has shown a conscience, but the fight is far from over" (Heuvel, "Big business is suddenly showing a conscience"). While the steps outlined in Section 3 have been taken up by multiple corporations, an understanding of the new purpose of the corporation has not yet resonated with the entire broad US and international private sector. This paper provides the ethical and economic underpinnings for a required change in corporate purpose. The paper also suggests immediate steps for corporations to affect climate change mitigation and workforce-oriented policies. COVID-19 only complicates the challenging road ahead. Yet, changing the purpose of corporations from shareholder to stakeholder primacy remains the only long-term way by which corporations can at best, command respect, and at worst, survive.

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