

Corporate Governing: Promises and Risks of Corporations as Socio-Economic Reformers

Law Working Paper N° 730/2023

September 2023

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For helpful feedback, suggestions, and discussions I am indebted to Emilie Aguirre, Carlos Ball, Sarah Dadush, Jens Dammann, Marco Dell’Erba, Alperen Gözlügöl, Caleb Griffin, Adil Haque, Chris Havasy, Joan MacLeod Heminway, Alan Kluegel, Aneil Kovvali, Casimiro Antonio Nigro, David Noll, Chrystin Ondersma, Adriana Robertson, Mark Roe, Giovanni Strampelli, Leo Strine, Roberto Tallarita, Tobias Tröger, and participants at the Seminar at Bocconi University School of Law in Milan in May 2023 and at the National Business Law Scholars Conference in June 2023. Thanks to Walter Wynkoop for research work. Financial support from Rutgers Law School is gratefully acknowledged. All errors and omissions are mine.

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Abstract

Corporations are involved in public affairs: racial equity, women's rights, LGBTQIA rights, climate efforts are just a few examples of an increasingly long list of areas in which corporations are active and vocal. One phenomenon is well-known: corporations promote, contrast, or finetune governmental initiatives through political messaging. In addition, corporations perform quasi-governmental functions when the actual government cannot (because of its dysfunction) or does not want to (because of its political credo) perform such functions. Economists, legal scholars, and policymakers are split as to whether corporations should take this role. This Paper contributes to the literature in several ways. First, it maps various areas of reform by corporations in the socio-economic sphere. Then, it provides legal and policy frameworks for corporate governing by analyzing the underlying conducts under our current laws and by evaluating its multifaceted normative merits: Is there a business case for corporate governing? Is corporate governing strategically wise for corporations? Does it help social advocacy and society at large? Does corporate governing undermine actual government and imperil democratic institutions? Further, this Paper assesses corporate governing by looking into its promises and risks from a corporate and from a societal perspective and singles out two risks. First, corporate governing cannot help society in fields in which corporations have a conflicting interest, like on themes such as antitrust, tax, labor, privacy, financial and corporate reform. Second, with corporations having a greater role in policymaking, citizens may become less accustomed to expecting reform via traditional politics: addressing this risk requires efforts from citizens, civil society, and politicians to preserve democratic values and institutions—corporate governance can help but cannot be the driving force.

Keywords: Corporations, Stakeholder Capitalism, Stakeholderism, ESG, CSR, Social Activism, Corporate Governance, Politics, Corporate Lobbying, Corporate Purpose, Corporate Law, Corporate Constituencies, Corporate Governance, Shareholder Primacy, Corporate Speech, Social Advocacy

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by Matteo Gatti*

Corporations are involved in public affairs: racial equity, women's rights, LGBTQIA rights, climate efforts are just a few examples of an increasingly long list of areas in which corporations are active and vocal. One phenomenon is well-known: corporations promote, contrast, or finetune governmental initiatives through political messaging. In addition, corporations perform quasi-governmental functions when the actual government cannot (because of its dysfunction) or does not want to (because of its political credo) perform such functions. Economists, legal scholars, and policymakers are split as to whether corporations should take this role.

This Paper contributes to the literature in several ways. First, it maps various areas of reform by corporations in the socio-economic sphere. Then, it provides legal and policy frameworks for corporate governing by analyzing the underlying conducts under our current laws and by evaluating its multifaceted normative merits: Is there a business case for corporate governing? Is corporate governing strategically wise for corporations? Does it help social advocacy and society at large? Does corporate governing undermine actual government and imperil democratic institutions? Further, this Paper assesses corporate governing by looking into its promises and risks from a corporate and from a societal perspective and singles out two risks. First, corporate governing cannot help society in fields in which corporations have a conflicting interest, like on themes such as antitrust, tax, labor, privacy, financial and corporate reform. Second, with corporations having a greater role in policymaking, citizens may become less accustomed to expecting reform via traditional politics: addressing this risk requires efforts from citizens, civil society, and politicians to preserve democratic values and institutions—corporate governance can help but cannot be the driving force.

* Professor of Law, Rutgers Law School; Research Member, ECGI. For helpful feedback, suggestions, and discussions I am indebted to Emilie Aguirre, Carlos Ball, Sarah Dadush, Jens Dammann, Marco Dell'Erba, Alperen Gözlügöl, Caleb Griffin, Adil Haque, Chris Havasy, Joan MacLeod Heminway, Alan Kluegel, Aneil Kovvali, Casimiro Antonio Nigro, David Noll, Chrystin Ondersma, Adriana Robertson, Mark Roe, Giovanni Strampelli, Leo Strine, Roberto Tallarita, Tobias Tröger, and participants at the Seminar at Bocconi University School of Law in Milan in May 2023 and at the National Business Law Scholars Conference in June 2023. Thanks to Walter Wynkoop for research work. Financial support from Rutgers Law School is gratefully acknowledged. All errors and omissions are mine.

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INTRODUCTION

In early 2022, Florida lawmakers presented the “Parental Rights in Education” bill,¹ better known as “Don’t Say Gay,” which restricts discussions on sexual orientation and gender identity in classrooms.² The bill ignited a public fight between the Sunshine State and one of the most important businesses operating there, The Walt Disney Company. Upon presentation of the bill, Disney faced immediate scrutiny for financially supporting some of its sponsors.³ Despite an internal memo expressing support for the LGBTQ+ community, Disney employees and creative partners demanded a public stand against the bill.⁴ The bill was subsequently passed by the Florida Senate and sent to Governor Ron DeSantis.⁵ As Disney’s CEO announced support for efforts to protect the LGBTQ+ community,⁶ DeSantis publicly criticized the company and signed the bill into law. Disney then issued the following public statement:

Florida’s HB 1557, also known as the “Don’t Say Gay” bill, should never have passed and should never have been signed into law. Our goal as a company is for this

¹ Fla. HB 1557 (2022) (codified at Fla. Stat. Ann. § 1001.42(8)(c)(3)).

² Dana Goldstein, *Opponents Call It the ‘Don’t Say Gay’ Bill. Here’s What It Says*, N.Y. TIMES (Mar. 18, 2022), <https://www.nytimes.com/2022/03/18/us/dont-say-gay-bill-florida.html>.

³ *Someone v. The Walt Disney Company*, C.A. No. 2022-1120-LWW (Del. Ch., Jun. 27, 2023), at *3.

⁴ *Id.* at *5.

⁵ *Id.*

⁶ *Id.* at *5-6.

law to be repealed by the legislature or struck down in the courts, and we remain committed to supporting the national and state organizations working to achieve that. We are dedicated to standing up for the rights and safety of LGBTQ+ members of the Disney family, as well as the LGBTQ+ community in Florida and across the country.⁷

In response, DeSantis proposed revoking Disney's self-governance rights in certain districts (the so-called RCID), which the Florida House of Representatives swiftly approved, with the effect of dissolving the special districts in June of 2023.⁸ DeSantis signed the dissolution bill into law and stated that Disney was accountable for certain prior taxes and debts.⁹ After Disney's stock price declined,¹⁰ the company was sued, albeit unsuccessfully, by one of its shareholders to get access to Disney's books and records.¹¹ Litigation between Disney and Florida concerning the RCID also ensued and is ongoing.¹²

All the while, and in the wake of hundreds of anti-LGBTQ+ bills introduced in state legislatures,¹³ several companies and brands, including Anheuser-Busch, Target, Kohl's, and North Face, have faced backlash from conservative groups and calls for boycotts for their support of the LGBTQ+ community during Pride Month.¹⁴ These companies have been criticized for their partnerships with trans influencers and featuring drag queens in their advertisements.¹⁵ The attacks had an impact on stock prices, with some analysts downgrading ratings for Target and Anheuser-Busch due to the ongoing controversy.¹⁶ Target faced further

⁷ *Id.*

⁸ *Id.* at 9-10. See *infra* note 12

⁹ *Id.* at *10-11.

¹⁰ *Id.* at *11 (mentioning that "stock price fell during the summer [of 2022] from \$145.70 per share on March 1 to \$91.84 on July 14. On November 9—the day after Governor DeSantis was reelected—Disney's stock fell to \$86.75 per share").

¹¹ *Id.* at *1-2. For more detail on the *Simeone* case, see *infra* text accompanying notes 278-291.

¹² The Florida legislature eventually decided not to dissolve the RCID, but Governor DeSantis proposed installing a state-appointed board of supervisors to govern the district. Governor DeSantis signed a bill that effectively took control of the RCID and appointed five members to a reconstituted board of supervisors. However, the newly appointed board discovered that before DeSantis signed the bill, the prior board had passed restrictive covenants and a development agreement giving Disney certain rights. DeSantis then signed another bill to allow the new board of supervisors to void these agreements. Florida and Disney are now litigating the legality of the agreements and of the legislation to repeal them. *Id.* at 16-17.

¹³ American Civil Liberties Union, *Mapping Attacks on LGBTQ Rights in U.S. State Legislatures*, 2023, <https://www.aclu.org/legislative-attacks-on-lgbtq-rights> (last updated Jul. 21, 2023) (counting, as of July 21, 2023, 228 bills in 2023 alone).

¹⁴ Christina Chaddar Berk, *Boycotts hit stocks hard. Here's what might be next for Bud, Target and others caught in the anti-Pride backlash*, CNBC (June 3, 2023), <https://www.cnbc.com/2023/06/03/anti-pride-backlash-what-target-anheuser-busch-and-others-should-expect-next.html>.

¹⁵ *Id.*

¹⁶ See Nick Halter, *Target, in the Crosshairs, is Taking a Beating on Wall Street*, AXIOS (June 2, 2023), <https://www.axios.com/local/twin-cities/2023/06/02/target-stock-prices-tumble-pride-boycotts>; Kristopher J. Brooks, *Bud Light gets stock downgrade just weeks after Dylan Mulvaney fallout*, CBS NEWS (May 12, 2023), <https://www.cbsnews.com/news/bud-light-dylan-mulvaney-stock-downgrade-anheuser-busch-sales/>. To be sure, during the drop of Target's stock, the whole retail sector experienced losses. See Michael King, *The Real Reason Target's Stock is Dropping Has Nothing to Do with Right-wing Protests Over Pride*, CBS NEWS (June 2, 2023, 11:53AM), <https://www.cbsnews.com/atlanta/news/the-real-reason-targets-stock-is-dropping-has-nothing-to-do-with-right-wing-protests-over-pride/>.

criticism for moving Pride merchandise due to concerns for worker safety, a decision that ended up offending LGBTQ+ advocates.¹⁷ Anheuser-Busch experienced a sizeable drop in sales¹⁸ and was called out by Dylan Mulvaney, the trans influencer with whom Bud Light had partnered, for neither standing by her publicly nor reaching out after the backlash.¹⁹

* * *

These are hardly isolated stories. Corporations are more and more involved in public affairs: racial justice, gender parity and reproductive rights, LGBTQIA rights, climate efforts, voting rights, gun control, are just a few examples of an increasing list of areas whereby corporations are active and vocal in the public discourse.

One phenomenon is well-known and very much in flux: as the examples above show, corporations take political action to contrast, promote, or finetune governmental initiatives. Traditionally, this has coincided with lobbying to foster a corporation's own private interests.²⁰ But these days corporations also embrace progressive causes and participate in policy initiatives by providing coordination and expertise to a political cause. When this phenomenon happens, which I dub "corporate socio-economic advocacy,"²¹ like-minded citizens applaud, while others are outraged.²²

Another similar phenomenon receives less attention but is as important: at times, corporations perform quasi-governmental functions when the actual government cannot (because of its dysfunction) or does not want to (because of its political credo) perform such functions.²³ Unlike in lobbying where corporations put pressure on the government to do or

¹⁷ Emily Stewart, *Target Giving in to Conservative Pressure on Pride Is Not a Great Sign*, VOX (May 25, 2023, 11:22 AM), <https://www.vox.com/politics/2023/5/25/23737338/target-abrprallen-pride-boycott-bud-light-trans-controversy-stock-price>.

¹⁸ Julie Creswell, *Cheaper Than Water? Retailers Try to Unload Bud Light*, N.Y. TIMES (May 31, 2023), <https://www.nytimes.com/2023/06/29/business/bud-light-sales.html>.

¹⁹ Carlos De Loera, *Dylan Mulvaney says Bud Light never contacted her after anti-trans backlash*, L.A. TIMES (Jun. 30, 2023), <https://www.latimes.com/entertainment-arts/story/2023-06-30/dylan-mulvaney-bud-light-transphobic-backlash-trans-rights>. Mulvaney argued that hiring a trans person without publicly supporting them can enable transphobic and hateful behavior and have serious consequences for the community. The controversy occurred amid a wider context of attacks on trans rights.

²⁰ See *infra* Section I.C.

²¹ In the communications discipline, this phenomenon has been defined as "corporate social advocacy" See e.g. Melissa D. Dodd & Dustin W. Supa, *Conceptualizing and Measuring "Corporate Social Advocacy" Communication: Examining the Impact on Corporate Financial Performance*, 8 PUB. REL. J. (2014).

²² Christine Moorman, *Commentary: Brand Activism in a Political World*, 39 J. PUB. POL'Y & MARKETING 388, 389 (2020) (noting that the partisan nature of sociopolitical issues is a key element for brand activism):
an essential feature of political activism is the partisan nature of the issue on which the activities are focused. This means there will be firm stakeholders—consumers, partners, employees, policy makers, and so on—who want to maintain the status quo on these issues and those who seek a changed world. As a result, when brands engage on these topics, they need to pick a side and either challenge or defend the status quo.

See also Yashoda Bhagwat, Nooshin L. Warren, Joshua T. Beck & George F. Watson, IV, *Corporate Sociopolitical Activism and Firm Value*, 84:5 J. MARKETING 1 (2020).

²³ See e.g. Dirk Matten & Andrew Crane, *Corporate Citizenship: Toward an Extended Theoretical Conceptualization*, 30 ACAD. MGMT. REV. 166, 172 (2005) (describing that corporations intervene because, as a result of globalization, states can no longer guarantee the provision of traditional public goods: "corporations have tended to partly take over (or are expected to take over) certain functions with regard to the protection, facilitation, and enabling of citizens' rights—formerly an expectation placed solely on governments."); Andreas

not do certain things, now corporations undertake actions that are traditionally carried out by governments in lieu of, or in addition to, governments. When corporations have the political will to step into the government's shoes, they use their skills and means to offer society, or at least a portion of it (typically a corporation's workforce), better or different conditions than those awarded or established by the government: for example, better access to healthcare or other benefits, improving the conditions of some underrepresented community, not selling firearms to those below twenty-one, and so on. I call this "government substitution" and the overall phenomenon, together with corporate socio-economic advocacy, "corporate governing."²⁴

Corporations are politically engaged to protect their own business interests in recruiting talent and captivating customers,²⁵ and in responding to pressures from the workforce²⁶ and investors.²⁷ Also, the *public* expects corporations to pursue and achieve public interest goals that cannot be secured via traditional political action. This is particularly true in the United States where congressional paralysis has de facto made corporations a political ally of last resort in a series of political battles. As a result, corporations undertake actions that are traditionally carried out by governments in lieu of, or in addition to, governments. In particular, social activists resort to corporations to (i) have a powerful ally in fighting certain *governmental actions* (minorities disenfranchisement, women's right to choose), and (ii) counter *governmental inaction* in certain key areas (climate first and foremost, but also diversity, equity and inclusion (DEI), gun control).

G. Scherer & Guido Palazzo, *The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy*, 48 J. MGMT. STUDIES 899, 900 (2011) (summarizing the literature that has described this phenomenon).

²⁴ I consider corporate socio-economic advocacy a type of corporate governing activity and not mere advocacy because of the political power of corporate messaging, with which corporations send signals to markets and stakeholders about what to expect from their future internal and external actions. To use Professor Martin Petrin words, "corporations have structural power by being able to set the agenda and by their ability to shape the economic environment." See Martin Petrin, *Beyond Shareholder Value: Exploring Justifications for a Broader Corporate Purpose* 9 (November 1, 2020), <https://ssrn.com/abstract=3722836>.

²⁵ According to a 2019 survey by Accenture, "62% of customers expect companies to take a stand on social issues, . . . with 53% of consumers likely to complain if they are unhappy with the brand's words or actions, while 47% will switch to other brands, and 17% may never come back." Abas Mirzaei, Dean C. Wilkie & Helen Siuki, *Woke Brand Activism Authenticity or the Lack of It*, 139 J. BUS. RES. 1, 1 (2022). See also Jennifer S. Fan, *Woke Capital: The Role of Corporations in Social Movements*, 9 HARV. BUS. L. REV. 441, 453 (2019) (noting that "[e]mployees and consumers, particularly millennials, expect and may even demand that corporate leaders speak up"). See *infra* note 303 and accompanying text.

²⁶ See e.g. Anat Alon-Beck, *Times They Are A-Changin': When Tech Employees Revolt*, 80 MD. L. REV. 120 (2020) (discussing the role of tech workers in pushing for corporate policy changes). See also Jennifer S. Fan, *Employees as Regulators: The New Private Ordering in High Technology Companies*, 2019 UTAH L. REV. 973 (2020) (chronicling the concessions made by Big Tech companies after employees challenged existing social norms and also noting mandatory arbitration was abandoned also for discrimination claims).

²⁷ See, e.g. Michal Barzuza, Quinn Curtis & David H. Webber, *Shareholder Value(s): Index Fund ESG Activism and the New Millennial Corporate Governance*, 93 S. Cal. L. Rev. 1243, 1250 (2020) (describing how executives are pressured to not simply attain firm profitability, but also meet environmental, social, and governance (ESG) goals); Dorothy S. Lund, *Asset Managers as Regulators*, 171 U. PA. L. REV. 77 (2023) (describing how large asset managers operate as regulators of last resort, adopting rules that bind corporation on issues such as climate change and workplace diversity).

This phenomenon was facilitated by social media campaigns as tools that reignited political activism on the worker and consumer fronts.²⁸ Corporations are now expected, if not pressured, to take a public stand on the hot-button political issue of the day and some economists and legal scholars have welcomed with more or less caution, if not endorsed, this new role played by corporations.²⁹ Some others, including academics and politicians are more skeptical, if not overtly critical, of this approach.³⁰ In more than one case, opposing the “woke” corporations is a policy platform to run for the highest office.³¹

This Paper builds on the burgeoning literature on corporate social activism. Studies by Professor Tom Lin and Professor Jennifer Fan laid important blocks in describing the phenomenon and framing it within the broader context of social activism and social movements.³² While their assessments of corporations’ involvement in the public sphere is cautiously positive overall,³³ some other accounts in the literature are more critical. Recent articles by Professors Saura Masconale and Simone Sepe and by former Chief Justice Leo Strine find the phenomenon more problematic: though they do not contest that social activism may be aligned with a corporation’s business interests, their concern is on the political implications of such activism, given that managers act as unelected policymakers who may alienate some of their stakeholders over divisive topics.³⁴ In a recent book, Professor Stephen Bainbridge echoes

²⁸ See Fan, *supra* note 23, at 444, 473-74; Tom C.W. Lin, *Incorporating Social Activism*, 98 B.U. L. REV. 1535, 1544-45 (2018).

²⁹ See e.g. Oliver Hart & Luigi Zingales, *Companies Should Maximize Shareholder Welfare Not Market Value*, 2 J.L. FIN. & ACCT. 247 (2017); Leo E. Strine, Jr., *Restoration: The Role Stakeholder Governance Must Play in Recreating a Fair and Sustainable American Economy: A Reply to Professor Rock*, 76 BUS. LAW. 397 (2021) [hereinafter Strine, *Restoration*]; Leo E. Strine, Jr., *Good Corporate Citizenship We Can All Get Behind? Toward a Principled, Non-Ideological Approach to Making Money the Right Way*, 78 BUS. LAW. 329 (2023) [hereinafter Strine, *Good Corporate Citizenship*] (with many caveats and lamenting that “[a] rancorous debate is raging.”); Fan, *supra* note 5; Lin, *supra* note 28; Anil Kovvali, *Stark Choices for Corporate Reform*, COLUM. L. REV. (forthcoming, 2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4067505.

³⁰ For a description of accounts critical of “woke corporations,” see Saura Masconale & Simone M. Sepe, *Citizen Corp.- Corporate Activism and Democracy*, 100 WASH. U. L. REV. 257, 260 & 278-81 (2022). For a popular book overtly critical of corporations’ political involvement, see VIVEK RAMASWAMY, *WOKE INC.: INSIDE CORPORATE AMERICA’S SOCIAL JUSTICE SCAM* (2021). See also generally STEPHEN M. BAINBRIDGE, *THE PROFIT MOTIVE: DEFENDING SHAREHOLDER VALUE MAXIMIZATION* (2023) (criticizing corporate social activism).

³¹ Josh Kraushaar, “Woke, Inc.” author launches GOP presidential campaign, AXIOS (FEB. 21, 2023), <https://www.axios.com/2023/02/22/vivek-ramaswamy-2024-presidential-election> (describing the launch of the presidential campaign by Vivek Ramaswamy, author of “Woke, Inc.”—see *supra* note 12); Jessica Guynn, “Woke mind virus”? ‘Corporate wokeness’? Why red America has declared war on corporate America, USA TODAY (Jan. 2023), <https://www.usatoday.com/story/money/2023/01/04/desantis-republicans-woke-big-business-war/10947073002/> (describing DeSantis’ use of anti-wokism as a political platform).

³² See Lin, *supra* note 28; TOM C.W. LIN, *THE CAPITALIST AND THE ACTIVIST: CORPORATE SOCIAL ACTIVISM AND THE NEW BUSINESS OF CHANGE* 89 (2022); Fan, *supra* note 25.

³³ See LIN, *supra* note 32, at 163 (“Contemporary corporate social activism offers not only a new path to social progress, but also a new perspective for our roles in making this progress real. It offers us a way to see ourselves in a broader, more diverse, and more complete fashion—beyond narrow definitions of activist and capitalist—as a complete person.”); Fan, *supra* note 25, at 445, (“despite the perils associated with the involvement of corporate law within social movements, there is the promise of meaningful change.”).

³⁴ See Masconale & Sepe, *supra* note 30, at 305-11; Strine, *supra* note 29, at 357-58.

their concerns³⁵ and, in addition, cast doubts on the profitability of corporate social activism.³⁶ Somewhere in the middle, a recent article by Professor Omari Scott Simmons concludes that “[p]olitics should not be avoided [by corporations] but managed in a nuanced way pursuant to effective board oversight of [enterprise risk management].”³⁷ To be sure, other fields of research also touch upon several themes addressed here. Current debates on stakeholderism inquire whether as a matter of law or as policy prescription directors should (or may) pursue the types of initiatives I describe here as corporate governing.³⁸ The literature on ESG and on the influence of large asset managers on their portfolio companies explores several initiatives that corporations undertook because of shareholder pressures, which overlap with some of the initiatives I analyze here.³⁹ The literature on corporate lobbying and political spending warns of the risks of unfettered use of the corporate levers to influence the political process.⁴⁰

This Paper eviscerates corporate governing by raising these fundamental questions: Can and should corporations be vested with a role in government substitution and corporate socio-economic advocacy? What are the benefits and the risks for corporations, on the one hand, and for society at large, on the other hand? What are the corporate governance checks and balances, if any, to ensure that neither the corporation’s constituencies nor the polity at large can be exploited? This requires significant unpacking. In doing so, this Paper expands the existing literature on several dimensions and makes the following contributions.

First, this Paper maps and provides a taxonomy for various areas of corporate governing. It provides a high-level survey of selected instances of corporate governing in fields such as racial equity, women rights, LGBTQIA rights, climate, voting rights and preservation of democratic institutions, and gun control, whereby in each case I draw a distinction between initiatives of government substitution and those of corporate socio-economic advocacy.⁴¹ I note that while the former consists of a typical corporate action affecting internal governance, the scope of intervention of the latter is typically external (exerting pressure on legislatures and regulators, for the most part).⁴²

Second, this Paper offers a doctrinal and normative framework for analyzing corporate governing in both its declinations, corporate socio-economic advocacy and government substitution. After concluding that none amounts to a violation of existing corporate laws,⁴³ I address the multifaceted normative merits of corporate governing. One of the main reasons the

³⁵ BAINBRIDGE, *supra* note 30, at 149-51 (noting that “exercise of political power by undemocratically selected technocrats skilled predominately in business and finance amounts to authoritarianism by the wrong authorities.”).

³⁶ *Id.* at 105-24.

³⁷ Omari Scott Simmons, *Political Risk Management*, 64 WM. & MARY L. REV. 707, 781 (2023).

³⁸ See e.g. Kovvali, *supra* note 29 (for both the arguments that directors and officers may pursue such initiatives and that corporate law should expressly reflect that). For a reply, see Matteo Gatti & Chrystin Ondersma, *The Perils of a Stakeholderist Corporate Law Reform: A Reply to Professor Kovvali*, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4541189 (forthcoming COLUM. L. REV. FORUM 2023) (concurring with the former argument but criticizing the latter). For a brief account on the stakeholderism debate, see *infra* Section I.B.

³⁹ See Lund, *supra* note 27, at 19-32 (describing board diversity and climate risk). See also Barzuza, Curtis & Webber, *supra* note 27, at 1265-68 & 1272-75 (same). See *infra* Section I.A (for a brief account on ESG).

⁴¹ See *infra* Section II.A.

⁴² See *infra* Section III.A.

⁴³ See *infra* Part III.

current debate has been not only very contentious but also inconclusive is that the analysis has for the most part lumped separate normative dimensions. We have been trying to answer the wrong questions and neglected to answer the right ones. This Paper offers four distinct normative questions:⁴⁴ Is there a *business case* for corporate governing? Is corporate governing *strategically wise* for corporations? Does it help social advocacy, that is, is it ultimately effective in advocating certain social causes and does it help society at large? Does corporate governing undermine actual government and *imperil democratic institutions*?

The answer to the first two questions is cautiously affirmative: there are no a priori reasons for negating that corporate governing may enhance firm value and is strategically sound.⁴⁵ The important caveat here is that the outcome of corporate governing is highly dependent on context: key factors are the policy issue at hand, firm characteristics, authenticity, adherence to the firm's core mission and its prior messaging, and the expectations of its stakeholders and of the various markets in which the company operates (product, labor, stock, and so forth). Some initiatives turn out beneficial, some others do not: corporate governing must be conceptualized like any other initiative or project a corporation undertakes—risky but potentially profitable. External commentators should realize that most companies are aware of the risks and rewards associated with corporate governing: in fact, they plan around and have structures in place to absorb such risks. While this Paper concedes that interest misalignment between decision makers and stakeholders exists, this is a risk that corporate governance tools, if adequately recalibrated, can absorb.⁴⁶

The other two normative questions (the social advocacy case and the risk that corporate governing might imperil democratic institutions) are more problematic. As to the former, one should not worry about social activists—they are adults and aware of the risk of corporate co-optation of their agenda for strategic purposes. If they see that partnering with a corporation is not yielding the desired results, they can part ways: it takes two to tango.⁴⁷ On the other hand, it is more problematic to establish whether corporate governing is beneficial for society at large: while this is largely dependent on one's politics, it is inevitable to find dissenters along the way.⁴⁸ Just as problematic is the risk that we end up delegating vital socio-economic issues to corporations and cease to pursue the main avenue of politics and actual government.⁴⁹

Third, based on the proposed normative framework described above, this Paper investigates the promises and risks of corporate governing. Crucially, I analyze the trade-offs separately, first from the corporation's perspective and then from a societal standpoint. On the corporate front, if carefully planned and executed, corporate governing can benefit corporations in recruiting, employee morale, marketing, and ultimately profitability.⁵⁰ But as to the risks, corporations may alienate stakeholders with contrasting political views, shareholders may be uneasy with their firm funding causes they disagree with, and the current corporate governance framework may not be equipped to effectively manage broader agendas that may conflict with

⁴⁴ See *infra* Part IV.

⁴⁵ See *infra* Sections IV.A-B.

⁴⁶ See *infra* Section V.A.2 and Part VI.

⁴⁷ See *infra* Section IV.C.1.

⁴⁸ See *infra* Section IV.C.2.

⁴⁹ See *infra* Section IV.D.

⁵⁰ See *infra* Section V.A.1.

shareholder and stakeholder desires.⁵¹ To be sure, none of these problems seems insurmountable with some policy refining.

As far as society is concerned, the discussion gets trickier. True, corporate governing can be advantageous, especially in certain areas where corporate governing achieved goals difficult to achieve via the ordinary avenues of politics. One example for all is how consequential corporate initiatives have been in attaining crucial political wins at the national level for the LGBTQIA movement.⁵² Yet, corporate governing raises several societal risks, including that it is undemocratic as it lacks accountability and representativeness; it is divisive and anti-pluralistic; its reach is partial; corporations might lose interest or, worse, be opportunistic, absent, or antagonistic to society's quests; and abandoning traditional politics is a risky proposition. These risks can be lumped into two broad categories: one holds that corporate governing will not do enough for the societal ails that need fixing, and the other that corporate governing is plain dangerous.

As to the criticism that corporate governing does not go far enough for society, I warn that it is not going to foster true social progress, especially with respect to distributional matters (tax, antitrust, labor and employment, privacy, financial and corporate reform, and so on) in which corporations have interests in conflict with society. This is an important cautionary tale to keep in mind before embarking in potentially perilous policy changes that would entrust executives of larger mandates and roles than they currently have.

The criticism that corporate governing is dangerous takes issue, on the one hand, with corporations being undemocratic tools that sacrifice dissenter's rights over policies that have failed to be approved via the democratic process, and on the other hand, with the risk that actual politics and democratic institutions will be weakened if the reformist space is occupied predominantly by corporations. While this Paper explains the former set of problems is not as severe as some posit, the risk of abandoning politics can be devastating. Short of a blanket prohibition, which is not in the cards if only because of First Amendment jurisprudence, there do not seem to be handy policy fixes. Addressing this risk is hard and requires ambitious efforts from multiple actors to avoid atrophy of our quest for political change via traditional democratic institutions. All this requires change in norms, political goodwill, and possibly reform of politics itself—all areas in which corporate governance can help but cannot be the driving force.

Fourth and lastly, this Paper predicts that corporate governing will realistically continue and surveys certain corporate governance safeguards for sounder corporate governing.⁵³ Given that the prospects of seeing an actual reform are somewhat remote, this Paper suggests that it will be up to corporations and Delaware courts to finesse adequate guardrails to avoid the risk that executives unilaterally push down agendas on corporations and its stakeholders. Adopting internal guidelines, being transparent about and following such guidelines, involving the board and in certain cases shareholders are steps that would improve the process, increase stakeholder protections, and keep courts and backlash at bay.

The menu: Part I frames corporate governing within the broader context of environmental, social and governance issues (ESG) pressures, stakeholderism, and corporate lobbying. Part II describes some of the main corporate governing initiatives that corporations have taken over the last few years and suggests that corporations have been active because of

⁵¹ See *infra* Section V.A.2.

⁵² See *infra* Section V.B.1.

⁵³ See *infra* Part VI.

social and economic reckonings, coupled with the inability of traditional politics to produce meaningful reform. Part III tackles the positive law question of the consequences of corporate governing under applicable corporate laws. Part IV analyzes the normative merits of corporate governing from a plurality of angles: business case, strategic case, impact on social advocacy and society and large, and consequences for democratic institutions. Part V describes the promises of corporate governing and warns about its risks by separately focusing on the corporation and its stakeholders, on the one hand, and on society at large, on the other hand. Part VI suggests possible corporate governance safeguards to avoid abuses by corporations and their fiduciaries.

I. CORPORATE ENGAGEMENT IN THE PUBLIC SPHERE

Corporations' business has been intertwined with public affairs for a long time. In the 1980s and 1990s the consensus had it that corporations could not only work in parallel tracks with the public sector but that they could take over several functions of the former and run them as eminently private enterprises.⁵⁴ But the shrinking of the public sector⁵⁵ and dysfunction in politics⁵⁶ created a vortex in which corporations got sucked into having to deal with broader societal problems.⁵⁷ Activists took notice.⁵⁸

Below, I offer a brief sketch of the main moving parts of corporate engagement in public policy issues. First, in Section I.A I start with investor pressure and describe the bottom-up movement that put ESG at the center of the corporate agenda. I then sketch in Section I.B the other dynamic of top-down (self-)regulation: stakeholderism. No discussion on corporations and policymaking is complete without a look at corporate political spending and lobbying, which are addressed in Section I.C. Subsequently, in Part II I describe corporate governing, the core topic of this Paper.

A. Bottom-up Push from Investors: ESG

It is impossible to overstate the role of ESG in the last decade or so.⁵⁹ Corporations have faced increasing pressure from institutional investors on ESG matters. In 2022, the prevalence of proposals related to environmental and social issues continued to grow. With a

⁵⁴ John B. Goodman & Gary W. Loveman, *Does Privatization Serve the Public Interest?*, HARV. BUS. REV. (Nov.-Dec. 1991), <https://hbr.org/1991/11/does-privatization-serve-the-public-interest>.

⁵⁵ Lin, *supra* note 28, at 1558-61 (noting at 1559 that “[c]ontemporary corporations and businesses exert their influence on traditional, public government functions like never before. Privately-owned for-profit schools, prisons, utilities, and military forces—once hard to imagine—are now common. The U.S. government regularly uses private contractors affiliated with major corporations for combat missions, intelligence affairs, and diplomatic efforts. Furthermore, large corporations today operate akin to private nation-states.”).

⁵⁶ See *infra* Section II.B.2.

⁵⁷ Marcel Kahan & Edward Rock, *The Emergence of Welfarist Corporate Governance* (Eur. Corp. Governance Inst. Law Working Paper, No. 683/2023), http://ssrn.com/abstract_id=4328626 (arguing that we are in a welfarist era of corporate governance.).

⁵⁸ Lin, *supra* note 28, at 1561 (noting that “[a]s the spheres of government and business converge, social activists will understandably seek change not only through the traditional avenues of government and public policy, but also through the private boulevards of business and corporate policy.”).

⁵⁹ For a history of the term “ESG,” see Elizabeth Pollman, *The Making and Meaning of ESG* (Eur. Corp. Governance Inst. Law Working Paper, No. 659, 2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4219857.

record number of submissions,⁶⁰ environmental and social proposals constitute the majority of all shareholder proposals received by Russell 3000 companies (58% in 2022),⁶¹ and have earned “record levels of support” in recent years.⁶²

In 2018, in a famous letter to CEOs, BlackRock’s CEO Larry Fink emphasized the importance of companies establishing social purposes.⁶³ That letter admonished CEOs that corporations should strive to create long-term value and serve all stakeholders.⁶⁴ Fink announced that BlackRock, an institution holding shares of some 14,000 companies worldwide, would display its commitment to these principles through engagement and voting.⁶⁵ State Street and Vanguard made similar announcements that sustainability and climate issues are at the forefront of their engagement efforts.⁶⁶

Investor-driven policy initiatives on the social activism front are well documented.⁶⁷ A study by Professors Barzuza, Curtis and Webber shows how aggressively and successfully the Big Three have waged high-profile public campaigns on matters, especially gender diversity on corporate boards.⁶⁸ They theorize that the efforts of the Big Three index funds (BlackRock, Vanguard, and State Street) were motivated by a desire to appeal to the social values of millennial

⁶⁰ Daniel Litowitz & Lara Aryani, *Trends in ESG Proposals in the 2022 Proxy Season*, HARV. L. SCH.: F. ON CORP. GOVERNANCE (Nov. 28, 2022), <https://corpgov.law.harvard.edu/2022/11/28/trends-in-es-proposals-in-the-2022-proxy-season/>.

⁶¹ *Id.* The number of environmental and social proposals it tracked increased from 133 in 2021 to 142 in 2022. *2023 Proxy Season Preview and 2022 Proxy Season Highlights*, BROADRIDGE https://www.broadridge.com/_assets/pdf/broadridge-2023-proxy-pulse-report.pdf (last visited July 7, 2023).

⁶² Kahan & Rock, *supra* note 57, at 19 (noting that the percentage of proposals gaining more than 30% support rose from 0% in 2000 to 36% in 2018). Investor support for ESG initiatives and strategies is expected to continue growing. *Id.* at 16–18.

⁶³ Larry Fink, *2018 Letter to CEOs: A Sense of Purpose*, BLACKROCK (2018), <https://www.blackrock.com/corporate/investor-relations/2018-larry-fink-ceo-letter> [<https://perma.cc/3YYU-MAEL>].

⁶⁴ Barzuza, Curtis & Webber, *supra* note 27, at 1273.

⁶⁵ Sean Griffith & Dorothy Lund, *Conflicted Mutual Fund Voting in Corporate Law*, 99 B.U.L. REV. 1151, 1186 (2019). In 2022, Fink addressed investors’ climate concerns, encouraging CEOs “to set short-, medium-, and long-term targets for greenhouse gas reductions.” Kahan & Rock, *supra* note 57, at 18. In 2019, BlackRock backed its statements on climate by divesting its actively managed funds from all coal stocks. Barzuza, Curtis & Webber, *supra* note 27, at 1274.

⁶⁶ *See id.* at 1275.

⁶⁷ For a comprehensive study on the role of asset managers as regulators, see Lund, *supra* note 27.

⁶⁸ State Street made a big public statement on gender diversity with its 2017 Fearless Girl campaign, which involved the installation of a bronze statue of a girl in front of Wall Street’s charging bull statue. *See* Barzuza, Curtis & Webber, *supra* note 27, at 166; Bethany McLean, *The Backstory Behind That ‘Fearless Girl’ Statue on Wall Street*, THE ATLANTIC (Mar. 13, 2017), <https://www.theatlantic.com/business/archive/2017/03/fearless-girl-wall-street/519393>. The initiative was launched to promote one of State Street’s investment funds that invested in companies with gender-diverse boards. Barzuza, Curtis & Webber, *supra* note 43, at 166. The campaign also influenced competitors BlackRock and Vanguard to publicly pressure companies to improve their gender diversity. *Id.* Both firms also emphasized that they would vote against boards of corporations with poor performance in this area. *Id.*

investors.⁶⁹ Since millennials appear more inclined to support progressive environmental, social, and governance initiatives, investment funds are more eager to advocate for the same policies.⁷⁰

As asset managers have become more vocal on social issues, corporations feel the pressure to adjust their policies accordingly:⁷¹ investors' voices led to greater diversity on corporate boards and improved climate-disclosures.⁷² Because of investor pressure, corporations feel more receptive to such inputs and involve themselves in the same pressing social issues, which has led some legal commentators to describe large asset managers as regulators of last resort.⁷³

B. Top-Down Recalibration: Stakeholderism

Given this pressure from investors, it is unsurprising that in recent years the corporate purpose debate revamped. In the United States, the scholarly debate traces to an exchange in the early 1930s,⁷⁴ likely ignited by the famous *Dodge v. Ford* case of 1919.⁷⁵ In 1970, future Nobel prize winner Milton Friedman published a famous article in *New York Times Magazine*, dismissing corporate social responsibility theories because corporate executives would be spending "someone else's money" and promoting maximizing shareholder wealth.⁷⁶ A few years later, Michael Jensen and William Meckling published their influential article *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, in which they argued that managers of corporations should act as agents of shareholders⁷⁷ and focus exclusively on their wealth.⁷⁸ Over

⁶⁹ See generally *id.* (noting that since index funds cannot compete on returns, they attract clients by showing a good track-record on social issues such as climate and gender diversity).

⁷⁰ *Id.* at 1304 ("By aggressively and publicly staking out a progressive position on board diversity, index funds credibly signal that they are in tune with millennial values and differentiate themselves from less aggressive competitors"). In fact, Larry Fink's 2019 letter to CEOs explained why understanding the ideals of millennials is so critical for American companies. See Bernard S. Sharfman, *Opportunism in the Shareholder Voting and Engagement of the 'Big Three' Investment Advisers to Index Funds* 25 (J. Corp. L. Working Paper, No. 3, 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3995714 (foreshadowing what he termed the "largest transfer of wealth in history," Fink reasoned that around \$24 trillion will flow from baby boomers to millennials).

⁷¹ *Id.* at 1304–05 ("The remarkable result is that the most important shareholders in our economy are now beholden to the social values of the up-and-coming generation of investors."); see also Kahan & Rock, *supra* note 6, at 23–25 (arguing that the push towards social responsibility will grow stronger as the percentage of assets devoted to values-based investment increases). See also Cathy Hwang & Yaron Nili, *Shareholder-Driven Stakeholderism*, U. Chi. L. Rev. Online (Apr. 15, 2020), <https://lawreviewblog.uchicago.edu/2020/04/15/shareholder-driven-stakeholderism-hwang-nili/>.

⁷² Kahan & Rock, *supra* note 57, at 23–24. See also Barzuza, Curtis & Webber, *supra* note 27, at 1276 (noting that after State Street's statement, more than three hundred companies added female directors to their boards).

⁷³ See Lund, *supra* note 27.

⁷⁴ Adolph A. Berle, Jr., *Corporate Powers as Powers in Trust*, 44 HARV. L. REV. 1049 (1931) (arguing that corporate powers were held in trust for shareholders); E. Merrick Dodd, Jr., *For Whom Are Corporate Managers Trustees?*, 45 HARV. L. REV. 1145 (1932) (arguing that corporate "powers were held in trust for the entire community").

⁷⁵ 170 N.W. 668, 684 (Mich. 1919) (holding that the purpose of a corporation is to produce profits for shareholders). See *infra* notes 256–258 and accompanying text.

⁷⁶ Milton Friedman, *The Social Responsibility of Business is to Increase Its Profits*, NY TIMES MAG. 32, Sept. 13, 1970.

⁷⁷ Michael C. Jensen & William H. Meckling, *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, 3 J. FIN. ECON. 305 (1976).

⁷⁸ *Id.* at 308–10.

the next several decades, mainstream corporate law scholars endorsed shareholder wealth maximization⁷⁹ and in 2001 Professors Reinier Kraakman and Henry Hansmann declared the triumph of shareholder value.⁸⁰

Nonetheless, other voices kept advocating for a stakeholder approach. Prominent proponents include Martin Lipton, who rebuked hostile takeovers by promoting stakeholder capitalism,⁸¹ and Professors Margaret Blair and Lynn Stout, who set forth a view of the corporation as a joint project comprised of various team members working together for mutual gain.⁸² Stakeholder theory maintains that managers and directors could and should cater to the interests of, and to maximize the value allocated to, employees, creditors, customers, suppliers, local communities, and so forth.⁸³

While judges and scholars continued to dispute what directors were required to do under the law,⁸⁴ the debate was revitalized at the end of the last decade. In his famous 2018 letter, Larry Fink warned CEOs that “[c]ompanies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.”⁸⁵ In August 2019, the Business Roundtable, the lobbying organization of CEOs of America’s largest corporations, embraced the stakeholder approach in a one-pager signed by its CEO members

⁷⁹ See ROBERT C. CLARK, *CORPORATE LAW* 682 (1986) (noting that courts stand behind the idea that the purpose of the business corporation is to make profits for its shareholders); Stephen M. Bainbridge, *Director Primacy: The Means and Ends of Corporate Governance*, 97 NW. U. L. REV. 547, 563 (2003) (noting that “most corporate law scholars embrace some variant of shareholder primacy”); D. Gordon Smith, *The Shareholder Primacy Norm*, 23 J. CORP. L. 277, 280 (1998) (“The shareholder primacy norm is considered fundamental to corporate law.”); Henry Hansmann & Reinier Kraakman, *The End of History for Corporate Law*, 89 GEO. L.J. 439, 439 (2001); Ann Lipton, *What We Talk About When We Talk About Shareholder Primacy*, 69 CASE W. L. REV. 863, 866 (2019) (“most commenters would likely agree that shareholder primacy, whatever its faults, accurately describes the legal regime today, either as a formal matter or in practical effect.”). For the view that “the law does not *require* that managers maximize shareholder wealth,” see Jonathan R. Macey, *The Central Role of Political Myth in Corporate Law* 22 (2019), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3435676 (“Officers and directors respond to incentives, and therefore are highly subject to powerful market constraints that lead them to maximize shareholder value even though the law does not.” *Id.*).

⁸⁰ Hansmann & Kraakman, *supra* note 79, at 440-41 (celebrating the consensus amongst scholars, business officials, and policymakers that “managers of the corporation should be charged with the obligation to manage the corporation in the interests of the shareholders.”).

⁸¹ Martin Lipton, *Takeover Bids in the Target’s Boardroom*, 35 BUS. LAW. 101 (1979).

⁸² Margaret M. Blair & Lynn A. Stout, *A Team Production Theory of Corporate Law*, 85 VA. L. REV. 247, 250-51 (1999).

⁸³ STEPHEN BAINBRIDGE, *THE NEW CORPORATE GOVERNANCE IN THEORY AND PRACTICE*, 9-10 (2008) (describing stakeholder theory).

⁸⁴ Compare Leo E. Strine, Jr., *The Dangers of Denial: The Need for A Clear-Eyed Understanding of the Power and Accountability Structure Established by the Delaware General Corporation Law*, 50 WAKE FOREST L. REV. 761, 768 (2015) (concluding that “[d]espite attempts to muddy the doctrinal waters, a clear-eyed look at the law of corporations in Delaware reveals that, within the limits of their discretion, directors must make stockholder welfare their sole end, and that other interests may be taken into consideration only as a means of promoting stockholder welfare.”) with LYNN STOUT, *THE SHAREHOLDER VALUE MYTH: HOW PUTTING SHAREHOLDERS FIRST HARMS INVESTORS, CORPORATIONS, AND THE PUBLIC* 31 (2012) (arguing that far from requiring managers and directors to exclusively pursue shareholder wealth maximization, the business judgment rule and other judicial doctrines in Delaware allow boards broad latitude to make decisions for businesses).

⁸⁵ Fink, *supra* note 63.

titled “Statement on the Purpose of a Corporation” (the BRT Statement).⁸⁶ In the document, which draws from works by Professor Colin Mayer and by Martin Lipton,⁸⁷ each stakeholder, including employees, suppliers, and customers, is considered “essential.”⁸⁸ As Fink and the BRT Statement reignited the debate,⁸⁹ not only did politicians take notice,⁹⁰ but the current draft of “*Restatement of the Law, Corporate Governance*” by the American Law Institute includes new language on the objective of a corporation that moves towards a stakeholderist direction.⁹¹

C. Rent Protection: Corporate Political Spending, Lobbying, and Politics at Work

Corporations deploy considerable expenditures each year to protect and advance their interests.⁹² Far from being a new phenomenon, corporate money in U.S. politics simply reached

⁸⁶ *Statement on the Purpose of a Corporation*, Bus. Roundtable (Aug. 19, 2019), <https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans>.

⁸⁷ For Mayer, see COLIN MAYER, PROSPERITY: BETTER BUSINESS MAKES GREATER GOOD (2018) (proposing a new agenda for establishing the corporation as a force for societal prosperity) and COLIN MAYER, FIRM COMMITMENT: WHY THE CORPORATION IS FAILING US AND HOW TO RESTORE TRUST IN IT (2013) (arguing the corporate structure is flawed and proposing several alternatives). For Lipton, see Martin Lipton, *Corporate Governance: The New Paradigm*, Harv. L. Sch. F. on Corp. Governance (Jan. 11, 2017), <https://corpgov.law.harvard.edu/2017/01/11/corporate-governance-the-new-paradigm/#1>.

⁸⁸ *Statement on the Purpose of a Corporation*, *supra* note 86. In particular, for customers, the business leaders promised to “deliver value,” in a way that includes “meeting or exceeding” customer expectations. For employees, the leaders committed to providing “fair” compensation, “important benefits,” education and training, and “diversity and inclusion, dignity and respect.” For suppliers, the leaders committed to dealing in a way that is both ethical and fair. For communities, the leaders committed to respect, environmental protection, and sustainable practices. For shareholders, the leaders committed to the generation of long-term value, as well as “transparency and effective engagement.” *Id.*

⁸⁹ Most accounts were critical. See e.g. Edward B. Rock, *For Whom Is the Corporation Managed in 2020?: The Debate over Corporate Purpose*, 76 BUS. LAW. 370, 370–78, 394 (2021) (“The private lawyer’s worry, of course, is that using private law to solve social problems will destroy the value generating potential of private law while failing to solve the social problems, leaving all of us worse off.”); see also Lucian A. Bebchuk & Roberto Tallarita, *The Illusory Promise of Stakeholder Governance*, 106 CORNELL L. REV. 91, 91 (2020) (criticizing the BRT Statement as opportunistic). But see Jens Dammann & Daniel Lawrence, *CEOs’ Endorsements of Stakeholder Values: Cheap Talk or Meaningful Signal? An Empirical Analysis*, J. CORP. L. (forthcoming 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4458576 (finding that corporations whose CEOs had signed the BRT Statement experienced statistically significant positive abnormal stock market returns relative to other corporations).

⁹⁰ Senators Elizabeth Warren and Bernie Sanders embraced the stakeholder approach in corporate law reform proposals they put forth while they were vying for the Democratic nomination in the 2020 presidential election. See Accountable Capitalism Act, S. 3348, 115th Cong. § 5 (2018)); Corporate Accountability and Democracy Plan, BernieSanders.com, <https://berniesanders.com/issues/corporate-accountability-and-democracy/> [<https://perma.cc/EF45-BPGV>].

⁹¹ *Restatement of the Law, Corporate Governance*, Am. L. Inst., <https://www.ali.org/publications/show/corporate-governance-rs/#drafts>.

⁹² For instance, in the U.S., Fortune 100 companies spent \$2 billion on lobbying efforts between 2014 and 2017, the U.S. Chamber of Commerce spent nearly \$82 million in the first nine months of 2020 (and over \$77 million in 2019), and the Business Roundtable spent around \$17 million in the first nine months of 2020 (and almost \$20 million in 2019). See *US Chamber of Commerce*, OPEN SECRETS, <https://www.opensecrets.org/orgs/us-chamber-of-commerce/summary?id=D000019798> [<https://perma.cc/3YCN-7727>]; *Client Profile: Business Roundtable*, OPEN SECRETS, <https://www.opensecrets.org/federal-lobbying/clients/summary?cycle=2019&id=D000032202> [<https://perma.cc/6HZL-DWSU>].

an accelerated speed in the wake of the controversial *Citizens United* decision.⁹³ Not only has spending increased since then,⁹⁴ but corporations have also lobbied heavily to prevent any rule that would require them to disclose how much they spend on political campaigns.⁹⁵

Opacity is in fact a strategy: often the lobbying effort occurs without the public even noticing, thanks to indirect lobbying via intermediaries such as the U.S. Chamber of Commerce and the Business Roundtable⁹⁶ on whose boards corporations' representatives sit.⁹⁷ As Professors Lucian Bebchuk and Rob Jackson noted, "corporations contribute to entities that spend significant sums on politics, yet these intermediaries do not have to disclose either the identity of the corporations that make these contributions or the amounts that they contribute."⁹⁸ The Chamber of Commerce does not disclose the identities of its donors.⁹⁹

Lobbying expenditures are directed overwhelmingly to conservative candidates and committees.¹⁰⁰ Even smaller organizations—such as the American Legislative Exchange Council ("ALEC"), which presents itself as a public interest non-profit—raise money from corporations and conservative foundations and then draft and lobby pro-business on matters, such as minimum wage, "right to work" bills, tort reform, and tax cuts.¹⁰¹ Hence, in many cases,

⁹³ See *Citizens United v. Fed. Election Comm'n*, 558 U.S. 310, 336–66 (2010) (prohibiting the government from restricting independent expenditures for political communications by corporations, including nonprofit corporations, labor unions, and other associations, so long as such spending is independent of a party or a candidate).

⁹⁴ In the five years after *Citizens United*, super PACs, corporations, labor unions, and other outside groups spent almost \$2 billion on federal elections—two and a half times more than the in years preceding *Citizens United*. See DANIEL I. WEINER, CITIZENS UNITED FIVE YEARS LATER, BRENNAN CTR. FOR JUST. 4 (2015), https://www.brennancenter.org/sites/default/files/2019-08/Report_Citizens_United_%205_Years_Later.pdf [<https://perma.cc/3LXQ-MLKX>].

⁹⁵ See Luigi Zingales, *Corporations Fight Push for Donation Disclosure*, GULF TIMES (June 3, 2013, 11:24 PM), <https://www.gulf-times.com/story/355016/Corporations-fight-push-for-donation-disclosure> [<https://perma.cc/G24M-3USK>]; Lucian A. Bebchuk, Robert J. Jackson Jr., James D. Nelson & Roberto Tallarita, *The Untenable Case for Keeping Investors in the Dark*, 10 HARV. BUS. L. REV. 1, 3–4 (2020).

⁹⁶ John M. de Figueiredo & Brian Kelleher Richter, *Advancing the Empirical Research on Lobbying*, 17 ANN. REV. POL. SCI. 163, 165 (2014) (noting that large corporations are far more represented in these lobbying efforts than small business interests, with the latter typically using trade associations).

⁹⁷ In one study, industry intermediaries such as these spent over \$1.5 billion in a six-year period. See Lucian A. Bebchuk & Robert Jackson, *Shining Light on Corporate Political Spending*, 101 GEO. L.J. 923, 931 (2013). In 2012, interest groups spent \$3.5 billion to lobby the federal government, several times more than the roughly \$750 million interest groups and that PACs (including super-PACs) were spending annually on campaign contributions at the time.

⁹⁸ *Id.* at 930.

⁹⁹ DAN DUDIS, THE CHAMBER OF SECRETS: AN INVESTIGATION INTO WHO FUNDS THE NOTORIOUSLY OPAQUE U.S. CHAMBER OF COMMERCE, PUB. CITIZEN 3 (Sept. 13, 2017), https://chamberofcommercewatch.org/wp-content/uploads/2017/09/Chamber_of_Secrets_members_report.pdf.

¹⁰⁰ The lobbying activity of the U.S. Chamber of Commerce has included opposing minimum wage increases, labor and employment provisions of bills designed to enhance family and medical leave, bills designed to protect pregnant women from discrimination, occupational safety and health rights, and so forth. See the full list at *Downloadable Lobbying Databases*, U.S. SENATE, https://www.senate.gov/legislative/Public_Disclosure/database_download.htm [<https://perma.cc/7YBS-YF6U>].

¹⁰¹ Andrew Prokop, *How ALEC Helps Conservatives and Businesses Turn State Election Wins into New Laws*, VOX (Mar. 27, 2015), <https://www.vox.com/2014/11/17/7186057/american-legislative-exchange-council> (last

several corporations currently professing to support progressive causes in fact donate substantial sums to legislation that goes in the opposite direction.¹⁰²

Similarly, sometimes corporations attempt to advance their self-interest by creating, or funneling money to, faux grassroots organizations that purport to be acting in pursuit of social causes. This lobbying is known as “astroturf activism.”¹⁰³ Corporations ranging from Big Oil to Big Tobacco to Big Pharma have engaged in astroturfing to shape public perception by creating fake citizens groups or scientific bodies to publish articles or ostensible “research” that undermines evidence on climate change or health science.¹⁰⁴ Employers also mobilize their workers to lobby for causes that the former, but not necessarily the latter, care about: workers are expected to support their employers not only with logistical help but also by helping to persuade public opinion.¹⁰⁵ Hertel-Fernandez shows how employer mobilization can actually shape congressional work, as legislative staffers find it helpful “especially when it involves having employees express their support for or opposition to particular policy proposals.”¹⁰⁶

* * *

While the forces described in the Sections above are hardly homogeneous, one common denominator is the link between corporate executives and policymaking. Though the

updated Mar. 27, 2015, 12:57 PM). See also Mike McIntire, *Conservative Nonprofit Acts as a Stealth Business Lobbyist*, N.Y. TIMES (Apr. 21, 2012), <https://www.nytimes.com/2012/04/22/us/alec-a-tax-exempt-group-mixes-legislators-and-lobbyists.html?pagewanted=all> (noting that some corporations donate over \$100,000 a year to the organization and corporate representatives sit at ALEC conferences with legislators on various task forces that address topics like telecom, health care, and product liability).

¹⁰² See Jacob S. Hacker & Paul Pierson, *Foreword* to BRUCE FREED, KARL SANDSTROM, PETER HARDIN, DAN CARROLL, CARLOS HOLGUIN & ANDREW FELDMAN, *CONFLICTED CONSEQUENCES*, Ctr. for Pol. Accountability 2 (2021), <https://politicalaccountability.net/reports/cpa-reports/conflicted-consequences>. Corporate funds were used to “seat candidates who have gerrymandered legislative districts and put in place ballot restrictions harming black people; opposed action to address climate change; opposed LGBTQ rights; attacked the Affordable Care Act, including during the pandemic; and sought to restrain women’s reproductive rights.” Strine, *Restoration*, *supra* note 29, at 422, n.84; see also Leo E. Strine, *Fiduciary Blind Spot: The Failure of Institutional Investors to Prevent the Illegitimate Use of Working Americans’ Savings for Corporate Political Spending*, 97 WASH. U. L. REV. 1007, 1027–29 (2020) (documenting the difficulties of tracking such spending given that it is funneled through dark committees and thus neither investors nor the public can know how much is given by whom and to whom).

¹⁰³ See JOHN BRAITHWAITE & PETER DRAHOS, *GLOBAL BUSINESS REGULATION* 489 (2000) (providing examples of astroturf NGOs, including Consumers for World Trade, a pro-GATT industry coalition, Citizens for Sensible Control of Acid Rain, a coal and electricity industry coalition, and the National Wetlands Coalition, a coalition of US oil companies and real estate developers); see also generally Melissa J. Durkee, *Astroturf Activism*, 69 STAN. L. REV. 201 (2017) (discussing the ways in which businesses imitate grassroots organizations).

¹⁰⁴ See George Monbiot, *The Denial Industry*, GUARDIAN (Sept. 19, 2006, 10:45 AM), <https://www.theguardian.com/environment/2006/sep/19/ethicalliving.g2?INTCMP=SRCH>. Businesses also hire teams of individuals who pose as disinterested members of the public (often creating multiple profiles), but in fact promote corporate causes. George Monbiot, *The Need to Protect the Internet from ‘Astroturfing’ Grows Ever More Urgent*, GUARDIAN (Feb. 23, 2011, 7:01 AM), <https://www.theguardian.com/environment/georgemonbiot/2011/feb/23/need-to-protect-internet-from-astroturfing>.

¹⁰⁵ See ALEXANDER HERTEL-FERNANDEZ, *POLITICS AT WORK: HOW COMPANIES TURN THEIR WORKERS INTO LOBBYISTS* 118 (2018) (noting that employers are increasingly recruiting their workers—sometimes in coercive ways—to help them run their causes).

¹⁰⁶ *Id.* at 164 (describing survey work showing that 49% of congressional staffers find it “extremely or very useful” when employees “offer assistance with legislation”); see also *id.* at 163–72 (examining how employer mobilization can impact congressional decision-making).

phenomena are interconnected, this work will mainly analyze the issue of corporations as socio-economic reformers, as Part II describes.

II. CORPORATIONS AS REFORMERS—WHERE ARE WE NOW (AND WHY)?

This Part II explores areas where corporations have been particularly active in socio-economic policymaking. After Section II.A surveys some of the most impactful, and often controversial, actions of corporations in response to important events and societal interests, Section II.B addresses the underlying reasons for intervention.

A. *Areas of Corporate Governing*

Corporate governing consists of two broad types of activity. One is when corporations engage in political action to promote, contrast, or finetune official governmental initiatives, which I call corporate socio-economic advocacy: in such circumstances, they provide coordination, logistics, expertise, and funding to a political cause. The other type of political action occurs when corporations step in with initiatives mimicking governmental action: I call this government substitution.

To be sure, neither phenomenon is new. It is well known that corporations were initially used as special governmental arms to achieve public goods.¹⁰⁷ While corporations slowly but surely succeeded in becoming eminently private enterprises, amid the Progressive Era they found themselves pressured to implement the first employee benefits plans and pension systems.¹⁰⁸ It was during the 1960s that some corporations exemplified the type of social activism that has become more commonplace today.¹⁰⁹ At this historical juncture, corporate involvement is at an all-time high. In the subsections below, I survey selected instances of recent corporate governing initiatives and distinguish between government substitution and corporate socio-economic advocacy.

1. *Government Substitution*

Government substitution initiatives consist of internal corporate actions that aim to directly protect one or more constituencies when the government is inactive—whether because

¹⁰⁷ MORTON J. HORWITZ, *THE TRANSFORMATION OF AMERICAN LAW, 1780-1860* 110-112 (1977) (mentioning that by 1800 legal theory enabled judges and jurists to regard business enterprises such as banks, insurance companies and transportation facilities as arms of the state, and that “[t]he archetypal American corporation of the eighteenth century is the municipality, a public body charged with carrying out public functions.” *Id.* at 112); John Coates IV, *Corporate Speech and the First Amendment: History, Data, and Implications*, 30 CONST. COMMENT. 223, 226 (2015) (noting that “corporations from their inception in English (and hence, American) history were extensions of government”); ADAM WINKLER, *WE THE CORPORATIONS: HOW AMERICAN BUSINESSES WON THEIR CIVIL RIGHTS* 4 (2018) (mentioning that when the Constitution was adopted there were few business corporations chartered: “two banks, two insurance companies, six canal companies, and two toll bridge operators.”); CARLOS A. BALL, *THE QUEERING OF CORPORATE AMERICA: HOW BIG BUSINESS WENT FROM LGBTW ADVERSARY TO ALLY* 10 (2019) (“The colonists and early Americans largely viewed corporations as entities whose function was to help society achieve public ends.”).

¹⁰⁸ *Id.* at 13 (mentioning corporate disability benefits and retirement programs at Procter & Gamble as early as 1915).

¹⁰⁹ Lin, *supra* note 28, at 1541. While others remained uninvolved, some companies openly supported civil rights leaders and organizations. *Id.* at 1541-42 (noting that businesses also directly assisted in the enactment of the Civil Rights Acts of 1964 and 1968).

of political decision or constitutional paralysis. The paragraphs below survey selected instances of such an activity.

a. *Racial Equity*. The aftermath of George Floyd's killing generated protests and racial reckoning in a magnitude unseen in decades and Corporate America was affected too. Corporate policies or programs designed to achieve racial equality are some of the most commonly adopted initiatives.¹¹⁰ Between May 2020 and October 2022, companies pledged approximately \$340 billion to achieve racial equality.¹¹¹ Apple created a coding camp for Black coders and computer engineers¹¹² and set aside \$100 million to fund its Racial Equity and Justice initiative focusing on education, economic equality, and criminal justice reform.¹¹³ Google followed suit by committing \$175 million to various causes to improve the status of African American entrepreneurs, job seekers, students, and developers already working within its ecosystem.¹¹⁴ Sephora and other national retailers made a pledge to source 15% of their product offerings from Black-owned businesses.¹¹⁵ Target created a consulting service to assist Black-owned local small businesses.¹¹⁶ Viacom and WarnerMedia started initiatives to fund and air more social justice content.¹¹⁷ Netflix pledged to invest \$100 million or 2% of its cash equivalents into banks that primarily work with Black communities.¹¹⁸ JPMorgan Chase committed \$30 billion to help promote racial equity and close the racial wealth gap by funding and investing in Black entrepreneurs.¹¹⁹

¹¹⁰ See generally Megan Armstrong, Eathyn Edwards & Duwain Pinder, *Corporate Commitments to Racial Justice: An Update*, MCKINSEY (Feb. 21, 2023), <https://www.mckinsey.com/bem/our-insights/corporate-commitments-to-racial-justice-an-update> (showing that as of October 2022, forty percent of Fortune 1000 companies have at least made statements in support of racial justice). A 2022 survey of around 300 U.S. public, private, and nonprofit corporations run by The Conference Board revealed that companies took a public stand on racial equality more frequently than any other issue. See Paul Washington, *The US Corporate Response to Recent Supreme Court Decisions*, THE CONF. BD. (July 19, 2022), [https://www.conference-board.org/topics/civil-justice-society/US-corporate-response-to-Supreme-Court-decisions](https://www.conference-board.org/topics/civil-justice/society/US-corporate-response-to-Supreme-Court-decisions) (demonstrating that 61% of companies took a public stance on racial equity).

¹¹¹ Armstrong, Edwards & Pinder, *supra* note 110.

¹¹² *Id.*

¹¹³ See Kif Leswing, *Tim Cook Commits \$100 million to Apple Program for Racial Justice After Killing of George Floyd*, CNBC (June 11, 2020, 12:55 PM), <https://www.cnbc.com/2020/06/11/apple-racial-equity-and-justice-initiative-100m.html>; see also *Apple Commits \$100 Million to Racial Equity Programs While Disclosing its Own Diversity Hiring Record*, DALL. NEWS (Jan. 18, 2021, 12:00 PM), <https://www.dallasnews.com/business/technology/2021/01/18/apple-commits-100-million-to-racial-equity-programs-while-disclosing-its-own-diversity-hiring-record/> (noting that Apple said 53% of its newly hired employees in the United States were from historically underrepresented groups).

¹¹⁴ See Jacob Kastrenakes, *Google Commits \$175 Million to Racial Equity with Focus on Black-owned Businesses*, THE VERGE (June 17, 2020, 5:22 PM), <https://www.theverge.com/2020/6/17/21294692/google-175-million-racial-equity-black-businesses-entrepreneurs-commitment> ().

¹¹⁵ LIN, *supra* note 32, at 89; see also Melissa Repko & Lauren Thomas, *After George Floyd was Killed, Retailers Pledged to Put Black-owned Brands on Shelves. Here's How it's Going*, CNBC (May 25, 2021, 2:34 PM), <https://www.cnbc.com/2021/05/25/retailers-diversity-pledges-put-more-black-owned-brands-on-shelves.html> (describing other initiatives by companies like Lowes, Ulta Beauty, and Walmart and detailing the progress of the 15 Percent Pledge).

¹¹⁶ LIN, *supra* note 32, at 89.

¹¹⁷ *Id.*

¹¹⁸ *Id.*

¹¹⁹ *Id.* at 89-90.

b. Women's Rights. Once the leaked Supreme Court memo warned that *Roe* was likely to be overturned, a small group of companies announced that they would cover travel expenses for any employees in need of abortions.¹²⁰ Starbucks, Tesla, Yelp, Airbnb, Netflix, Patagonia, DoorDash, JPMorgan Chase, Levi Strauss, PayPal, Amazon, and Reddit all indicated that they would reimburse their employees for travel expenses associated with transportation to an abortion-friendly state.¹²¹ Shortly after, many more adopted the same policy, including Johnson & Johnson, Meta, and Disney.¹²²

c. LGBTQIA Rights. Since Lotus Development extended corporate benefits to its employees' domestic partners in the early 1990s,¹²³ the pursuit of LGBTQIA rights via corporations has effectively resulted in one of the main incubators of corporate governing: "companies have helped to spur a rapid evolution in public opinion in the United States, with a majority of Americans now supporting not only marriage equality but also laws to prevent discrimination against gay people."¹²⁴ For instance, in response to North Carolina's 2016 House Bill 2 (HB2), which required transgender individuals to use the public restrooms that corresponded with their biological sex,¹²⁵ Target introduced its transgender bathroom policy allowing transgender employees and customers to use the bathroom that corresponds with their gender identity.¹²⁶ The company later announced that it would also spend \$20 million to add a private bathroom to each of its stores.¹²⁷ Instead of responding to specific government actions or laws, other companies have implemented their own policies to protect members of the LGBTQIA community.¹²⁸

¹²⁰ Emma Goldberg, *These Companies Will Cover Travel Expenses for Employee Abortions*, N.Y. TIMES (Aug. 19, 2022), <https://www.nytimes.com/article/abortion-companies-travel-expenses.html>.

¹²¹ *Id.*

¹²² These announcements came with serious risks. Lawmakers in Texas were quick to threaten Citigroup and Lyft for establishing such reimbursement policies. Daniel Wiessner, *Legal Clashes Await U.S. Companies Covering Workers' Abortion Costs*, REUTERS (June 27, 2022, 4:08 PM), <https://www.reuters.com/world/us/legal-clashes-await-us-companies-covering-workers-abortion-costs-2022-06-26/>. Like Texas, Oklahoma law allowed citizens to sue anyone aiding or abetting an abortion as early as six weeks into a pregnancy. Chris Marr & Robert Iafolla, *Can States Ban Employer Abortion Aid? Post-Roe Limits Explained*, BLOOMBERG L. (June 28, 2022, 10:17 AM), <https://news.bloomberglaw.com/daily-labor-report/can-states-ban-employer-abortion-aid-post-ro-limits-explained>.

¹²³ BALL, *supra* note 107, at 105-12.

¹²⁴ Richard Socarides, *Corporate America's Evolution on L.G.B.T. Rights*, NEW YORKER (Apr. 27, 2015), <https://www.newyorker.com/business/currency/corporate-americas-evolutionon-l-g-b-t-rights>, cited by Fan, *supra* note 4, at 477). The Conference Board's 2022 study indicated that LGBTQIA rights is the second most frequently addressed topic by corporations, trailing only racial equality. *See* Washington, *supra* note 110.

¹²⁵ *See* Lin, *supra* note 28, at 1547-50.

¹²⁶ Nathan Layne, *Retailer Target Says Transgender People Can Use Bathroom of Their Choice*, REUTERS (Apr. 19, 2016, 6:05 PM), <https://www.reuters.com/article/us-target-lgbt/retailer-target-says-transgender-people-can-use-bathroom-of-their-choice-idUSKCN0XG2VU>. Because North Carolina's law did not affect private businesses, Target was free to set its own policy contradicting the state's bill.

¹²⁷ Khadeeja Safdar, *Target Adds Private Bathrooms to Quell Transgender Debate*, WALL ST. J. (Aug. 18, 2016, 5:53 PM), <https://www.wsj.com/articles/target-to-spend-20-million-to-roll-out-private-bathrooms-to-all-stores-1471453630>.

¹²⁸ For instance, in 2016, Airbnb adopted an "Open Doors" policy requiring all hosts and guests to agree to a non-discrimination code mandating that they "treat all fellow members of [the Airbnb] community, regardless of race, religion, national origin, disability, sex, gender identity, sexual orientation or age, with respect, and without judgment or bias." Shannon McMahon, *Airbnb Launches 'Open Doors' Policy to Combat Discrimination*,

In connection with Pride Month, some American corporations have decided to launch specific ad campaigns or product collections highlighting the theme.¹²⁹ Yet, in 2023, Target's LGBTQIA merchandise was the subject of controversy, as conservative individuals and groups pushed back at the campaign and claimed that it was inappropriately directed at children.¹³⁰ According to Forbes, during the boycotts over the Pride Month collections, Target's stock declined at least 14% in a single month.¹³¹ Target attempted to minimize the backlash by removing some of the products from its shelves,¹³² but doing so subjected the company to more backlash from the LGBTQIA community, which was upset that Target gave in to conservative pressure.¹³³ Bud Light and its parent company Anheuser-Busch experienced a similar cycle of PR fallouts and boycotts after launching an LGBTQIA support campaign featuring Dylan Mulvaney, a transgender social media influencer.¹³⁴ Conservatives were extremely disgruntled to see Bud Light working with Mulvaney.¹³⁵ Boycotts led sales of Bud Light to fall by 20 percent, resulting in a reported \$25 billion loss in market value,¹³⁶ and the marketing executives who led the campaign were put on leave of absence.¹³⁷

d. *Climate*. Walmart set some of its first sustainability goals when it initially partnered with the Environmental Defense Fund back in 2005.¹³⁸ The company has committed to removing one billion tons of greenhouse gas emissions from its global supply chain by 2030.¹³⁹ One of its initiatives, "Project Gigaton," encourages its suppliers to decrease their carbon footprints.¹⁴⁰ Seventy percent of Walmart's suppliers are participating in the program and committing to reducing emissions.¹⁴¹ Amazon has made similar efforts, committing to become

SMARTER TRAVEL (Sept. 9, 2016), <https://www.smartertravel.com/airbnb-launches-policy-to-combat-discrimination/>; see also Katie Benner, *Airbnb Adopts Rules to Fight Discrimination by Its Hosts*, N.Y. TIMES (Sept. 8, 2016), <https://www.nytimes.com/2016/09/09/technology/airbnb-anti-discrimination-rules.html>.

¹²⁹ See Stewart, *supra* note 17.

¹³⁰ *Id.*

¹³¹ See *supra* note 16.

¹³² See Stewart, *supra* note 17.

¹³³ See Anne D'Innocenzio & Dee-ann Durbin, *Target on the Defensive After Removing LGBTQ+-Themed Products*, L.A. TIMES (May 24, 2023, 4:38 PM), <https://www.latimes.com/business/story/2023-05-24/target-on-the-defensive-after-removing-lgbtq-themed-products> (mentioning that the president of the Human Rights Campaign criticized Target for pushing Pride Month displays "into the proverbial closet.")

¹³⁴ See Matthew Impelli, *Anheuser-Busch Stock Drops 20% as Bud Light Sales Struggle*, NEWSWEEK (May 31, 2023, 1:36 PM), <https://www.newsweek.com/anheuser-busch-stock-drops-20-percent-bud-light-sales-struggle-1803680>.

¹³⁵ *Id.*

¹³⁶ Derek Saul, *Anheuser-Busch Faces 'Permanent' 15% Decline In Bud Light Sales—But Now May Be 'Attractive' Time To Buy Stock*, FORBES (June 6, 2023, 1:12 PM), <https://www.forbes.com/sites/dereksaul/2023/06/06/anheuser-busch-faces-permanent-15-decline-in-bud-light-sales-but-now-may-be-attractive-time-to-buy-stock/?sh=4cf85895197c>.

¹³⁷ Elizabeth Napolitano, *Bud Light executives put on leave after Dylan Mulvaney uproar, report says*, CBS NEWS (Apr. 25, 2023), <https://www.cbsnews.com/news/bud-light-dylan-mulvaney-transgender-anheuser-busch/>.

¹³⁸ See *Our Partnership with Walmart Brings Big Change*, ENV'T DEF. FUND (July 27, 2019), <https://www.edf.org/partnerships/walmart>.

¹³⁹ *Id.*

¹⁴⁰ Dieter Holger, *Walmart Makes Progress on Emissions Target By Winning Over Suppliers, CSO Says*, WALL ST. J. (Apr. 12, 2022, 12:55 PM), <https://www.wsj.com/articles/walmart-makes-progress-on-emissions-target-by-winning-over-suppliers-cso-says-11649782501>.

¹⁴¹ *Id.*

net-zero carbon by 2040.¹⁴² The company has also allocated \$2 billion towards the development of decarbonization technologies and the deployment of renewable energy.¹⁴³ In 2023, United Airlines launched a fund for sustainable aviation fuel.¹⁴⁴ The fund was established to invest in startups working to produce sustainable fuel for commercial airplanes.¹⁴⁵ Companies like Air Canada, Boeing, JPMorgan Chase, Honeywell International, and General Electric have all contributed to the fund, giving it a total of \$100 million as initial investments.¹⁴⁶

e. January 6, Voting Rights. Democratic institutions in the U.S. experienced stress tests in recent times. After President Trump, his political allies, journalists, and other media personalities rallied behind the narrative that the results of 2020 presidential election were “stolen,” many citizens have begun to question the validity of the U.S.’s democratic system.¹⁴⁷ Following the January 6 riots, Facebook blocked President Trump and Twitter suspended his account.¹⁴⁸ Because Trump declined to condemn the rioters, social media companies restricted his access to their platforms based on his potential to incite violence and spread misinformation.¹⁴⁹ Furthermore, Twitter removed 70,000 accounts associated with the far-right conspiracy theory known as QAnon.¹⁵⁰ Many Trump acolytes were blocked as well.¹⁵¹

On another front, Georgia leads the pack of states passing legislation making it more difficult for citizens to exercise their voting rights, with an expected negative effect that would disproportionately affect racial minorities.¹⁵² All the while, companies have adopted initiatives to boost voting rights: Apple and Twitter have given their employees paid time off to vote in November elections or volunteer at a polling location.¹⁵³ Uber and hundreds of other companies

¹⁴² See *Amazon Announces \$2 Billion Climate Pledge Fund to Invest in Companies Building Products, Services, and Technologies to Decarbonize the Economy and Protect the Planet*, AMAZON (June 23, 2020), <https://press.aboutamazon.com/2020/6/amazon-announces-2-billion-climate-pledge-fund-to-invest-in-companies-building-products-services-and-technologies-to-decarbonize-the-economy-and-protect-the-planet>.

¹⁴³ *Id.*

¹⁴⁴ Amrith Ramkumar, *United Airlines Creates Fund for Sustainable Aviation Fuel*, WALL ST. J. (Feb. 21, 2023, 8:00 AM), <https://www.wsj.com/articles/united-airlines-creates-fund-for-sustainable-aviation-fuel-1f24de23>.

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ See Lisa Hagen, *Poll: A Third of Americans Question Legitimacy of Biden Victory Nearly a Year Since Jan. 6*, USNEWS & WORLD REP (Dec. 28, 2021, 2:40PM), <https://www.usnews.com/news/politics/articles/2021-12-28/poll-a-third-of-americans-question-legitimacy-of-biden-victory-nearly-a-year-since-jan-6>. A University of Amherst poll revealed that more than a third of Americans believed President Biden’s victory was illegitimate.

¹⁴⁸ See Grace Dean, *From Cutting All Ties with Trump to Pulling Political Donations, Here’s How Corporate America has Responded to the Capitol Insurrection*, BUS. INSIDER (Jan 17, 2021, 7:55 AM), <https://www.businessinsider.com/capitol-siege-trump-company-responses-riots-political-donations-2021-1>.

¹⁴⁹ *See id.*

¹⁵⁰ *Id.*

¹⁵¹ *Id.*

¹⁵² See Richard Fausset, Nick Corasaniti & Mark Leibovich, *Why the Georgia G.O.P.’s Voting Rollbacks Will Hit Black People Hard*, N.Y. TIMES (Mar. 25, 2021), <https://www.nytimes.com/2021/03/25/us/politics/georgia-black-voters.html> (identifying new restrictions like limited drop boxes for mail ballots, more rigid voter identification requirements for absentee balloting and prohibitions on providing food or water to people waiting in line to vote); *see also* Jane C. Timm, 19 States Enacted Voting Restrictions in 2021. What’s Next?, NBC NEWS (Dec. 21, 2021, 7:02 AM), <https://www.nbcnews.com/politics/elections/19-states-enacted-voting-restrictions-2021-rcna8342>.

¹⁵³ Lauren Frias, *Apple Joins Twitter in Policy Giving Employees Paid Time Off to Vote in the November Election*, BUS. INSIDER (July 24, 2020, 8:02 PM), <https://www.businessinsider.com/apple-giving-employees-paid-time-off-vote-volunteer-election-day-2020-7>.

also joined the Time to Vote movement, which was created to formally encourage workers to vote by offering paid time off on election day.¹⁵⁴

f. Guns. The 2018 mass-shooting at Parkland's Marjory Stoneman Douglas High School in Florida led to corporate involvement in gun control initiatives.¹⁵⁵ After the tragedy, where seventeen people were killed with a semiautomatic AR-15 rifle, large retailers, banks, and investment firms all instituted new policies.¹⁵⁶ Dick's Sporting Goods and Walmart both changed their practices in order to establish stronger restrictions than those required by federal law.¹⁵⁷ After Parkland, Dick's immediately stopped selling all assault-style rifles, removed high-capacity magazines from its inventory, and vowed to no longer sell them as well.¹⁵⁸ Mass shootings over the years also influenced Walmart to adopt similar policies: it terminated assault rifle sales in 2015 and raised the minimum age for gun purchases to 21 in 2018.¹⁵⁹ Citibank and Bank of America came up with new policies.¹⁶⁰ Citigroup restricted its client retailers from offering bump stocks and high-capacity magazines, and the sale of guns without a background check or to those below twenty-one.¹⁶¹ Bank of America refused to give loans to gun manufacturers making military-inspired firearms for civilian use.¹⁶²

2. Corporate Socio-Economic Advocacy

Corporate socio-economic advocacy consists of various types of corporate messaging aimed at promoting, contrasting, or finetuning official governmental initiatives.¹⁶³ Below is a section of some high-profile instances of such type of advocacy.

a. Racial Equity and Immigration. Corporations were not shy in publicizing their reactions to events that defined President Trump's term in office.¹⁶⁴ The Trump Muslim Ban, an executive order that went into effect in January 2017, was met with serious opposition from U.S. corporations and their leaders.¹⁶⁵ At least 153 large and midsize companies spoke out against the travel ban.¹⁶⁶ Close to a hundred tech companies went a step further, filing an amicus brief

¹⁵⁴ *Id.*

¹⁵⁵ See Lin, *supra* note 28, at 1554–57; Masconale & Sepe, *supra* note 30, at 270.

¹⁵⁶ See Lin, *supra* note 28, at 1554–57.

¹⁵⁷ See Masconale & Sepe, *supra* note 30, at 270.

¹⁵⁸ Lin, *supra* note 28, at 1554–57. Not only did the store halt sales, but it also destroyed \$5 million worth of rifles that it had in stock at the time. Laura M. Holson, *Dick's Sporting Goods Destroyed \$5 Million Worth of Guns*, N.Y. TIMES (Oct. 8, 2019), <https://www.nytimes.com/2019/10/08/business/dicks-sporting-goods-destroying-guns-rifles.html>.

¹⁵⁹ Nandita Bose & Melissa Fares, *Walmart Faces Pressure to Stop Gun Sales After Latest U.S. Mass Shootings*, REUTERS (Aug. 5, 2019, 3:39 PM), <https://www.reuters.com/article/us-walmart-guns-pressure/walmart-faces-pressure-to-stop-gun-sales-after-latest-u-s-mass-shootings-idUSKCN1UV22X>. Although the Parkland shooting led to more drastic changes, Dicks Sporting Goods had previously established a policy to stop selling firearms or ammunition to anyone under 21 years of age.

¹⁶⁰ Lin, *supra* note 28, at 1556.

¹⁶¹ *Id.* These limitations applied to any clients who used a variety of the bank's services.

¹⁶² *Id.*

¹⁶³ For the explanation why I consider this a type of corporate *governing* activity (and not simply mere advocacy), see *supra* note 24.

¹⁶⁴ Lin, *supra* note 28, at 1550–52.

¹⁶⁵ *Id.*

¹⁶⁶ Vanessa Fuhrmans, *A Watershed Moment in CEO Activism*, WALL STREET J. (Apr. 4, 2017, 9:00 AM), <https://www.wsj.com/articles/a-watershed-moment-in-ceo-activism-1491310803> (indicating that, “In 84% of instances, it was the CEO directly who took the stand.”).

protesting the order.¹⁶⁷ A Nike executive condemned President Trump's order in an email to employees.¹⁶⁸ The CEO of Netflix expressed his distaste with the policy on social media and indicated it would hurt their employees all over the world.¹⁶⁹ When the Supreme Court upheld a third version of the ban in 2018, the president of Microsoft and the CEO of Airbnb released public statements condemning the decision.¹⁷⁰ Also, corporate CEOs indicated their displeasure with Trump's handling of the August 2017 "Unite the Right" rally carried out by white nationalists in Charlottesville, Virginia,¹⁷¹ and some of them resigned from presidential advisory councils.¹⁷² Trump's termination of the Deferred Action for Childhood Arrivals (DACA) program inspired more corporate executives to get involved in the political arena.¹⁷³ Facebook's Mark Zuckerberg and Apple's Tim Cook were two of the most prominent CEOs to make public statements opposing Trump's decision.¹⁷⁴ Executives at Microsoft, Google, Goldman Sachs, Disney, and eBay also encouraged Congress to defend DACA.¹⁷⁵

b. Women's Rights. Although the *Dobbs*¹⁷⁶ case overturning *Roe v. Wade* dominated the headlines, survey data from The Conference Board showed that only around 10% of U.S. companies made any public statements about the Supreme Court decision.¹⁷⁷ On the other hand, Yale's School of Management conducted a study which summarized the policies adopted by 118 of the first companies to respond to the *Dobbs* decision, as the ensuing subsection illustrates.¹⁷⁸

c. LGBTQIA Rights. Since the beginning of 2020, 44% of companies have expressed a public position about LGBTQIA rights.¹⁷⁹ This area demonstrates how corporations are willing to challenge government actions through corporate socio-economic advocacy. The response to HB2, which required transgender individuals to use the public restrooms that corresponded with their biological sex, displayed the efficacy of corporate intervention.¹⁸⁰ Companies like

¹⁶⁷ Fan, *supra* note 25, at 459 (mentioning that Google, Lyft, and Twitter pledged or donated millions of dollars to the American Civil Liberties Union (ACLU) and other groups supporting immigrants and refugees).

¹⁶⁸ Tony Connelly, *Nike's Mark Parker Condemns Trump's Muslim Travel Ban in Staff Email Rallying Support for Sir Mo Farah*, THE DRUM (Jan. 30, 2017, 9:31 AM), <https://www.thedrum.com/news/2017/01/30/nikes-mark-parker-condemns-trumps-muslim-travel-ban-staff-email-rallying-support-sir> (mentioning that the executive encouraged employees to stand up for the company's commitment to diversity).

¹⁶⁹ See T.C. Sottek, *Netflix CEO: 'Trump's Actions Are So Un-American It Pains Us All'*, VERGE (Jan. 28, 2017, 5:14 PM), <https://www.theverge.com/2017/1/28/14426536/netflix-reed-hastings-trump-immigration-executive-order>.

¹⁷⁰ Fan, *supra* note 25, at 466.

¹⁷¹ Lin, *supra* note 28, at 1552–53.

¹⁷² *Id.*

¹⁷³ *Id.* at 1553–54.

¹⁷⁴ *Id.*

¹⁷⁵ See Zach Wichter, *C.E.O.s See a 'Sad Day' After Trump's DACA Decision*, N.Y. TIMES (Sept. 5, 2017), <https://www.nytimes.com/2017/09/05/business/chief-executives-see-a-sad-day-after-trumps-daca-decision.html#:~:text=%E2%80%9CThis%20is%20a%20sad%20day,then%20punish%20them%20for%20it.%E2%80%9D>.

¹⁷⁶ *Dobbs v. Jackson Women's Health Org.*, 142 S. Ct. 2228 (2022) (holding that since the Constitution makes no reference to abortion and no such right is therefore protected by any of its provisions, the authority to regulate abortion must be returned to the states and their elected representatives).

¹⁷⁷ See Washington, *supra* note 110.

¹⁷⁸ See Jeffrey Sonnenfeld, Steven Tian & Georgia Hirsty, *A List of Companies Supporting Abortion Rights After the Roe v. Wade Ruling Shows Which Firms are Stepping Up, and Why*, FORTUNE

¹⁷⁹ *Id.*

¹⁸⁰ See Lin, *supra* note 28, at 1547–50.

Apple, Bank of America, Facebook, General Electric, and Google voiced their disapproval of the North Carolina legislature's action.¹⁸¹ More than two hundred corporations signed a letter with the Human Rights Campaign advocating for the law to be repealed.¹⁸² When companies like PayPal and Deutsche Bank cancelled business expansion in the state, North Carolina's losses grew to over \$3 billion.¹⁸³ Eventually, the law was partially repealed after a new governor took over in 2017.¹⁸⁴ The ongoing feud between Disney and Florida Governor Ron DeSantis described in the Introduction is possibly the most high-profile fight between a large corporation and an elected politician. After DeSantis signed into law an Act commonly referred to as the "Don't Say Gay" bill, Disney and its then-CEO publicly criticized the law and vowed to aid in its repeal.¹⁸⁵ As tensions escalated, DeSantis signed legislation removing some of Disney's special privileges, and litigation ensued with each side suing the other.¹⁸⁶ All the while, the Delaware Chancery Court denied a Section 220 of the Delaware General Corporation Law ("DGCL")¹⁸⁷ request for books and records that was seeking access to emails amongst Disney directors in connection with the dispute with the Governor.¹⁸⁸

d. Climate. When President Trump announced his decision to withdraw the United States from the Paris climate accord in 2017, corporate leaders expressed disappointment and promised to continue their own efforts to tackle the effects of climate change.¹⁸⁹ Elon Musk and Bob Iger chose to leave President Trump's economic advisory council based on their disagreement with the choice.¹⁹⁰ Companies like Apple, Facebook, Google, and Microsoft published full-page advertisements in prominent newspapers in order to publicly demonstrate their resentment.¹⁹¹ Many of the CEOs of those corporations and others also expressed their personal dissatisfaction on social media.¹⁹²

e. January 6, Voting Rights. January 6 prompted a long list of companies to no longer donate to politicians or groups that refused to acknowledge the legitimacy of the election:¹⁹³ corporations like Amazon, AT&T, American Express, Coca-Cola, Deloitte, Facebook, Intel, Microsoft, Nike, and a host of other companies indicated that they would pause PAC

¹⁸¹ *Id.* at 1548–49.

¹⁸² *Id.* at 1549.

¹⁸³ *Id.*

¹⁸⁴ *Id.*

¹⁸⁵ See *supra* text accompanying notes 1–12. See also Masconale & Sepe, *supra* note 30, at 271; Elizabeth Blair, *After Protests, Disney CEO Speaks out Against Florida's 'Don't Say Gay' Bill*, NPR (Mar. 10, 2022, 9:10 AM), <https://www.npr.org/2022/03/08/1085130633/disney-response-florida-bill-dont-say-gay> (detailing then-CEO Bob Chapek's announcement that "Disney has signed the Human Rights Campaign's statement opposing similar legislative efforts. He also said the company will pledge five million dollars to organizations "working to protect" LGBTQ+ rights, including the Human Rights Campaign (HRC).").

¹⁸⁶ *Id.*

¹⁸⁷ DEL. CODE ANN. tit. 8, § 220(b) (2023).

¹⁸⁸ See *infra* text accompanying notes 278–288.

¹⁸⁹ See Daniel Victor, *'Climate Change Is Real': Many U.S. Companies Lament Paris Accord Exit*, N.Y. TIMES (June 11 2017), <https://www.nytimes.com/2017/06/01/business/climate-change-tesla-corporations-paris-accord.html>.

¹⁹⁰ *Id.*

¹⁹¹ *Id.*

¹⁹² *Id.*

¹⁹³ See Dean, *supra* note 148.

contributions and other donations to lawmakers who voted against election certification.¹⁹⁴ Further, the discriminatory provisions of Georgia's 2021 SB 202 voting law sparked outrage among major Georgia-headquartered corporations and their executives.¹⁹⁵ Merck's CEO Ken Frazier called for companies to take a stand against government efforts to restrict voting rights.¹⁹⁶ Alongside Frazier were Coca-Cola and Delta, who also criticized their home state's new voting law.¹⁹⁷ In July of 2021, major corporations again formed a coalition when they signed on to a letter specifically urging Congress to pass new legislation expanding the 1965 Voting Rights Act.¹⁹⁸ The companies asked Congress to enact an updated law restoring some of the provisions of the original Voting Rights Act and negating the *Shelby County v. Holder*¹⁹⁹ decision that eliminated portions of the law.²⁰⁰

f. Guns. After the 2022 mass shooting that killed 19 children and two adults at an elementary school in Uvalde, Texas, more than 200 CEOs sent a letter demanding that Congress pass gun control legislation.²⁰¹ Pointing to a study finding that incidents involving guns have become the number one cause of child deaths, business leaders from companies like Condé Nast and Levi Strauss expressed their desire for stronger firearm regulations.²⁰² Two separate shootings at Walmart stores in 2019 had sparked a similar outcry from corporate executives.²⁰³ The CEOs of Uber, Gap, Lyft, and Twitter were just some of the powerful figures who signed a letter urging the Senate to pass a law requiring background checks on all gun sales.²⁰⁴

¹⁹⁴ Melinda Fakuade, *A Running List of Corporate Responses to the Capitol Riot*, VOX (Jan. 14, 2021, 11:45 AM), <https://www.vox.com/the-goods/22227717/brands-corporate-response-capitol-dc-riot-insurrection-mob-pac-donations>.

¹⁹⁵ Masconale & Sepe, *supra* note 30, at 271.

¹⁹⁶ Kevin Stankiewicz, *'There is No Middle Ground' — Black CEOs Urge Companies to Oppose Restrictive Voting Laws*, CNBC (Mar. 31, 2021, 4:28 PM), <https://www.cnbc.com/2021/03/31/ken-frazier-black-ceos-urge-firms-to-oppose-restrictive-voting-laws.html>.

¹⁹⁷ David Shepardson & Uday Sampath Kumar, *Delta, Coca-Cola Blast Home State Georgia's Voting Restrictions As 'Unacceptable'*, REUTERS (Mar. 31, 2021, 7:25 AM), <https://www.reuters.com/article/us-usa-georgia-voting-companies/delta-coca-cola-blast-home-state-georgias-voting-restrictions-as-unacceptable-idUSKBN2BN1M9>; David Gelles & Andrew Ross Sorkin, *Hundreds of Companies Unite to Oppose Voting Limits, But Others Abstain*, N.Y. TIMES (May 27, 2021), <https://www.nytimes.com/2021/04/14/business/ceos-corporate-america-voting-rights.html> (mentioning that hundreds of other companies followed Frazier's lead and signed a statement opposing any legislation making it harder for people to vote.).

¹⁹⁸ Tucker Higgins, *More than 150 Companies Call on Congress to Strengthen Voting Rights Act*, CNBC (July 14, 2021, 12:46 PM), <https://www.cnbc.com/2021/07/14/companies-call-on-congress-to-strengthen-voting-rights-act.html>.

¹⁹⁹ *Shelby Cnty., Ala. v. Holder*, 570 U.S. 529 (2013) (holding that the Voting Rights Act's original coverage formula used to determine which states were subject to preclearance when amending voting regulations or passing voting laws was outdated, therefore rendering the provision unconstitutional).

²⁰⁰ Higgins, *supra* note 199.

²⁰¹ Colin Lodewick, *Over 200 CEOs Demand Action on Gun Control Not Just Because it's the Right Thing to Do: They Say it Costs \$280 Billion a Year for Taxpayers*, FORTUNE (June 9, 2022, 2:52 PM), <https://fortune.com/2022/06/09/ceos-demand-action-gun-control-senate-uvalde-shooting/>.

²⁰² *Id.*

²⁰³ See Amelia Lucas, *Chief Executives of 145 Companies Urge Senate to Pass Gun Control Laws*, CNBC (Sep. 12, 2019, 2:25 PM), <https://www.cnbc.com/2019/09/12/chief-executives-of-145-companies-urge-senate-to-pass-gun-control-laws.html>.

²⁰⁴ *Id.*

B. *Why Are Corporations Involved?*

Corporations engage in corporate governing for a combination of reasons. This Section II.B illustrates the two most significant ones. First, the mid-to-late 2010s have been an era of important change on the political front, in which American society had to deal with a series of cultural and political shocks and reckonings, which Subsection II.B.1 will survey. Second, dysfunctional American politics took a turn for the worst. Because bipartisanship is now a relic, as described in Subsection II.B.2, there is little expectation for major and necessary reform via traditional politics—corporations are thus considered realistic agents of any future change.

1. *Shocks and Reckonings*

With the Great Recession still in full swing, the 2010s gave rise to grassroots social movements that have questioned the socio-economic status quo in ways unseen since the Sixties. Over the past years, the United States has witnessed a series of transformative social and political movements with a lasting impact on the nation. Movements like Occupy Wall Street, Black Lives Matter, Fight for \$15, #MeToo, March for Our Lives, and climate protests have emerged and galvanized parts of the American public, particularly in younger generations.²⁰⁵ Millennials and Zoomers, both inside and outside corporations, have played a significant role in driving social change in response to the movements mentioned above, as well as in reacting to Trump's presidency.²⁰⁶ Challenging social expectations and advocating for a more inclusive and equitable society, younger generations have vocally pushed for workplace policies that address sexual harassment and discrimination.²⁰⁷ Outside the corporate world, they have actively participated in protests, boycotts, and online campaigns, leveraging social media platforms to amplify their voices and hold both individuals and institutions accountable.²⁰⁸

Indeed, social media platforms have revolutionized social activism, empowering individuals to form movements and act on a larger scale.²⁰⁹ This has impacted markets and businesses in significant ways,²¹⁰ by facilitating the rapid spread of awareness and engagement through boycotts, marches, viral videos, and hashtag campaigns.²¹¹ Platforms like Diet Prada and other brand watchdogs have emerged as influential forces in exposing wrongdoing and holding companies accountable for their actions.²¹² Executives fear damaging viral videos or

²⁰⁵ See Lin, *supra* note 28, at 1547; Barzuza, Curtis & Webber, *supra* note 27, at 1283-1303.

²⁰⁶ It is reported that 56% of millennials expect CEOs and other business leaders to speak out. See Fan, *supra* note 25, at 454 (citing WEBER SHANDWICK & KCR RESEARCH, CEO ACTIVISM IN 2017: HIGH NOON IN THE C-SUITE 5 (July 24, 2017), <http://www.webershandwick.com/news/article/ceo-activism-in-2017-high-noon-in-the-c-suite>).

²⁰⁷ See Barzuza, Curtis & Webber, *supra* note 27, at 1296-97 (mentioning the Wayfair debacle, whereby its employees walked out because the company entered into and honored a contract to supply furniture to a migrant detention center during the Trump era).

²⁰⁸ Fan, *supra* note 25, at 474 (discussing how in the aftermath of the Parkland shooting, “the students moved the corporations to action; they are also the ones sustaining the gun control movement”).

²⁰⁹ Marcia Mundt, Karen Ross & Charla M Burnett, *Scaling Social Movements Through Social Media: The Case of Black Lives Matter*, 4:4 SOCIAL MEDIA + SOC’Y (2018), <https://journals.sagepub.com/doi/epub/10.1177/2056305118807911>.

²¹⁰ See e.g. Lund, *supra* note 27, at 43 (mentioning that the Big Three have changed their traditionally passive stance on political contributions after bad press: BlackRock’s shift occurred after pressure from academics and unfavorable press).

²¹¹ Lin, *supra* note 28, at 1544.

²¹² Jonah Engel Bromwich, *We’re All Drinking Diet Prada Now*, N.Y. TIMES (Mar. 14, 2019), <https://www.nytimes.com/2019/03/14/fashion/diet-prada.html>.

negative trending hashtags more than a newspaper story for the potentially far deeper negative impact of these forms of communications on their brand reputation and stock prices.²¹³

Of course, investors have played a crucial role, especially because the landscape of institutional investors has undergone a significant transformation in response to the rise of social activism and emergence of the ESG movement. Investors, particularly those from the millennial and Zoomer generations, have demonstrated a growing preference for companies that align with their values and prioritize social and environmental responsibility, and businesses have adapted.²¹⁴

Employees, especially but not uniquely in the tech industry, have played a crucial role in driving change within organizations.²¹⁵ Movements like #MeToo and BLM have sparked conversations about workplace culture and compelled employers to reevaluate their practices and create new roles within their organizations to lead efforts in diversity, equity, and inclusion.²¹⁶ Employees have become more eager and felt more empowered to speak up, shedding light on instances of misconduct and holding employers accountable. Through their collective voices, they have pushed for tangible changes in policies, training programs, and overall organizational culture; their activism has reshaped the expectations placed on employers, especially in their role as agents of change inside and outside their organizations.

All this increased exposure has encouraged corporations to take a more active role in addressing and solving social issues. Today, most public companies no longer remain silent regarding pressing topics that are often debated on a national scale,²¹⁷ because in this new

²¹³ Lin, *supra* note 28, at 1545; Dammann & Lawrence, *supra* note 89, at 16 (noting that “‘naming and shaming’ matters since there is broad evidence to suggest that, by and large, CEOs care deeply about their public reputations.” (Citing Matthew S. Johnson, *Regulation by Shaming: Deterrence Effects of Publicizing Violations of Workplace Safety and Health Laws*, 110 AM. ECON. REV. 1866, 1866 (2020))).

²¹⁴ See generally Barzuza, Curtis & Webber, *supra* note 27. Ruby Brownen-Trinh & Ajan Orujov, *Corporate socio-political activism and retail investors: Evidence from the Black Lives Matter campaign*, 80 J. CORP. FIN. 102417 (2023).

²¹⁵ See Fan, *supra* note 26, at 1008–14 ; Beck, *supra* note 26; see also Daisuke Wakabayashi & Jessica Silver-Greenberg, *Facebook To Drop Forced Arbitration in Harassment Cases*, N.Y. TIMES (Nov. 9, 2018), <https://www.nytimes.com/2018/11/09/technology/facebook-arbitration-harassment.html>; Jena McGregor, *Google and Facebook Ended Forced Arbitration for Sexual Harassment Claims. Why More Companies Could Follow.*, WASH. POST (Nov. 12, 2018), <https://www.washingtonpost.com/business/2018/11/12/google-facebook-ended-forced-arbitration-sex-harassment-claims-why-more-companies-could-follow/>.

²¹⁶ Mary Brooke Billings, April Klein & Yanting (Crystal) Shi, *Investors’ Response to the #MeToo Movement: Does Corporate Culture Matter?*, Eur. Corp. Gov. Inst. Fin. Working Paper No. 764/2021, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3466326; Geri Strengel, *Black Lives Matter Protests Moves Corporate DEI Initiatives Center Stage*, FORBES (JUN. 17, 2020), <https://www.forbes.com/sites/geristengel/2020/06/17/black-lives-matter-protests-moves-corporate-dei-initiatives-into-the-spotlight/?sh=7429f6327a0d>.

²¹⁷ Masconale & Sepe, *supra* note 30, at 269.

environment staying silent may have negative implications.²¹⁸ Thus, their involvement has significantly increased.²¹⁹

2. *Failings of Traditional Politics*

Another important factor of corporate involvement is that politics is slow, captured, and in perennial gridlock, so corporations are seen as more reliable agents of change than traditional politics.²²⁰ Professors Kahan and Rock explain that as political gridlock impedes the effective regulation of activities that generate externalities (for example, through imposition of a carbon tax), it is rational for investors to expect corporations to act since their investors' payoff increases from a multi-firm focus.²²¹

What is it that makes it so difficult for American politics to work? This is an issue with various contributing factors that has kept political scientists and constitutional law scholars occupied for quite a while.²²² To begin, citizens' polarization has played a key role in which media and social media have recently been playing a key aggravating factor.²²³ The political media and social media run business models in which division, outrage, and the politics of anger pay-off: they drive to higher ratings and engagement numbers.²²⁴

Of course, American constitutional design does not help, especially if one seeks to pass reform at the federal level.²²⁵ But passing laws at the federal level is notoriously hard and thus rare. In theory, to pass an agenda, one political party must hold the Presidency and the two

²¹⁸ Disney's initial approach to "Don't Say Gay" bill was to stay silent. Its stakeholders did not take it well:

[Disney CEO]'s memo was met with pervasive disappointment and frustration from Disney employees and creative partners. Some—including actors, directors, writers, and animators—called the memo "weak" and "unacceptable." Others demanded that Disney take a public stand against HB 1557.

Simeone, C.A. No. 2022-1120-LWW, at *5 (footnotes omitted). Corporations may also feel peer pressure to speak as other corporations are expressly denouncing silence. In the aftermath of George Floyd's killing, Netflix issued a statement that said: "To be silent is to be complicit." See Lisa M. Fairfax, *Racial Rhetoric or Reality? Cautious Optimism on the Link Between Corporate #BLM Speech and Behavior*, 2022 COLUM. BUS. L. REV. 118, 121 (2022).

²¹⁹ Masconale & Sepe, *supra* note 30, at 269.

²²⁰ See e.g. Fan, *supra* note 25, at 452, 471 (noting that "[the] institutional failure has created a vacuum which corporations are now filling." *Id.*); Lund, *supra* note 27, at 9; Kahan & Rock, *supra* note 57, at 47-48; Strine, *Restoration*, *supra* note 29; Kovvali, *supra* note 29.

²²¹ *Id.* at 17. See also *id.* at 47: "the political system has proven unable to deal with the problems facing society in an effective way."

²²² See generally Richard H. Pildes, *The Age of Fragmented Politics*, 32 J. DEMOCRACY 146 (2021) (describing how social media and other novel ways of communication exacerbated polarization and fragmentation in politics, making it extremely hard to govern and pass reforms).

²²³ Pildes, *supra* note 222.

²²⁴ Paul Barrett, Justin Hendrix & Grant Sims, *How tech platforms fuel U.S. political polarization and what government can do about it*, BROOKINGS (SEPT. 27, 2021), <https://www.brookings.edu/blog/techtank/2021/09/27/how-tech-platforms-fuel-u-s-political-polarization-and-what-government-can-do-about-it/>.

²²⁵ Socio-economic reforms are more impactful if passed at the federal level, especially those aimed at protecting weaker constituencies. Otherwise, in the best case, the beneficiaries of such reform will be only those who live in a blue state, and, in the worst case, a race to the bottom will ensue. Cf. Matteo Gatti & Chrystin Ondersma, *Can A Broader Corporate Purpose Redress Inequality? The Stakeholder Approach Chimera*, 46 J. CORP. L. 1, 14 (2020).

legislative chambers of Congress. This so-called trifecta in federal politics is rare.²²⁶ The absence of a trifecta leads to gridlock and partisan stalemates, which further intensifies political polarization and impedes effective governance. The composition and internal rules of the Senate play a significant role. The Senate's structure, where each state is represented by two senators regardless of population, gives disproportionate power to smaller, less populous states. This can result in the Senate being unrepresentative of the broader population and can hinder the implementation of popular policies that seemingly enjoy support from citizens.²²⁷ To make things even worse, the filibuster rule at the Senate adds to political dysfunction.²²⁸ This practice prevents the majority party from implementing its policy agenda and perpetuates the gridlock.²²⁹ It is no surprise that embattled American businesses who fear reform (oil & gas, for example) have kept good ties with some key-median voters at the Senate, to ensure they effectively veto threatening pieces of legislation.²³⁰

Furthermore, federal courts have played a crucial role in maintaining the status quo on social and economic issues. The presence of judges with ideological leanings can shape court decisions and influence the direction of public policy.²³¹

All this makes it hard to envision that significant changes will happen via traditional politics—this is why the corporate route is considered a feasible second best to achieve socio-economic policy goals.²³²

²²⁶ Wikipedia, *Control of the U.S. Senate and House of Representatives: 1855-2025*, (last visited, Jul. 27, 2023), https://upload.wikimedia.org/wikipedia/commons/7/72/Combined--Control_of_the_U.S._House_of_Representatives_-_Control_of_the_U.S._Senate.png (showing that a government trifecta at the federal level has been achieved only for 12 of the last 42 years).

²²⁷ On several issues, there is consensus among voters of the necessity of reform: for example, labor reform, minimum wage, and gun control are measures that, when polled, garner overwhelming approval from voters. According to a 2020 Gallup poll, 65% of Americans approve of unions (83% of registered Democrats, 45% of registered Republicans, and 64% of independents). Megan Brennan, *At 65%, Approval of Labor Unions in U.S. Remains High*, Gallup (Sept. 3 2020), <https://news.gallup.com/poll/318980/approval-labor-unions-remains-high.aspx>. Similarly, six out of ten Americans support a federal \$15 minimum wage (Amina Dunn, *Most Americans support a \$15 federal minimum wage*, PEW RESEARCH CENTER (Apr. 22, 2021), <https://www.pewresearch.org/fact-tank/2021/04/22/most-americans-support-a-15-federal-minimum-wage/>), and seven out of ten American support gun control legislation (Sara Burnett, *AP-NORC poll: Most in US say they want stricter gun laws*, AP NEWS (Aug. 23, 2022), <https://apnews.com/article/gun-violence-covid-health-chicago-c912ecc5619e925c5ea7447d36808715>).

²²⁸ The filibuster allows a minority party in the Senate to obstruct legislation by requiring a supermajority of 60 votes to proceed. While initially intended to protect minority rights and foster compromise, the filibuster has increasingly been used as a tool for partisan obstructionism. Catherine Fisk & Edward Chemerinsky, *The Filibuster*, 49 STAN. L. REV. 181 (1997).

²²⁹ Tim Wu, *The Oppression of the Supermajority*, N.Y. TIMES (Mar. 5, 2019), <https://www.nytimes.com/2019/03/05/opinion/oppression-majority.html>.

²³⁰ Srijita Datta & Jorja Siemons, *Joe Manchin cuts climate deal with Democrats but remains backed by family orbit of oil and gas*, OPEN SECRETS (Aug. 5, 2022) <https://www.opensecrets.org/news/2022/08/joe-manchin-cuts-climate-deal-with-democrats-but-remains-backed-by-family-orbit-of-oil-and-gas/>.

²³¹ Lund, *supra* note 27, at 9: “Even after rules are promulgated, they are often challenged and given a “hard look” by courts that may lead to invalidation.”

²³² See *supra* note 233.

III. CAN CORPORATIONS ENGAGE IN CORPORATE GOVERNING? ASSESSING LEGAL RISK

In this Part III, I analyze the legal aspects of corporate governing: Do corporate governing actions and initiatives raise any significant legal issues for corporations and their directors and officers? Caselaw and legal scholarship answer the question in the negative: corporate governing is not particularly problematic from a corporate law perspective.

To begin, corporate governing is a non-issue from an authority standpoint, considering that *ultra vires* doctrines have long been discarded.²³³ Issues relating to corporate purpose are in fact litigated under fiduciary duties doctrines.²³⁴ When it comes to such doctrines, it is useful to run separate analyses for the two types of corporate governing activities: I address government substitution in Section III.B and then turn my attention to corporate socio-economic advocacy in Section III.C. Preliminarily, Section III.A offers a framework for evaluating the various actions and initiatives surveyed in Part II, a framework which will be useful for both the legal analysis offered in this Part III and the normative analysis of Part IV.

A. Framework for Evaluating Corporate Governing Actions and Initiatives

The survey in Part II shows how corporations have been dealing with socio-economic matters that at first impression would seemingly transcend the core business of the corporation.²³⁵ In fact, I argue that dealing with such matters is part of running a business. To better grasp the essence of corporate governing and in preparation for the legal and normative analyses addressed in Parts III and IV, I offer a framework to help determine when and how certain corporate actions relate to matters that may be pertinent and beneficial for a corporation to act upon. I make two distinctions here, one based on the *impact* of the underlying socio-economic matter *on the corporation*, and the other based on the *scope of the* corporate governing *action or initiative*.

1. Direct or Indirect Impact on the Corporation of the Underlying Socio-Economic Matter

First, one must distinguish corporate governing initiatives based on how the corporation is impacted by the underlying socio-economic matter. Some matters affect the corporation *directly*. For example, when Lotus Development extended corporate benefits to its employees' domestic partners,²³⁶ it was pursuing a policy to grant equal pay for equal work to its workforce. By doing so it was strengthening its relationship with members—actual and prospective—of its workforce: this is something that affects its business directly. Similarly, initiatives to reimburse for travel expenses associated with transportation to states that do not have anti-abortion laws²³⁷

²³³ See e.g. BAINBRIDGE, *supra* note 30, at 13 (“at one time issues of corporate social responsibility were litigated under the *ultra vires* doctrine. Today, however, with the erosion of the *ultra vires* doctrine, questions of corporate purpose doctrine are litigated not under that doctrine but under that of fiduciary obligation.”). See also Strine, *Good Corporate Citizenship*, *supra* note 29, at 340 (noting that “as a matter of statutory corporate law, corporations are typically empowered to conduct their affairs toward any lawful end by any lawful means.”).

²³⁴ See Dalia T. Mitchell, *From Dodge to eBay: The Elusive Corporate Purpose*, 13 VA. L. & BUS. REV. 155, 175 (2019).

²³⁵ The selection is admittedly partial, as there are many other areas left out (think for instance at corporations' reactions to Russia's invasion of Ukraine: see Kish Parella, *Corporate Foreign Policy in War*, 63 BC L. REV. (forthcoming 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4223298).

²³⁶ See *supra* text accompanying note 123.

²³⁷ See *supra* note 121 and accompanying text.

seek to provide logistical help to female employees who might otherwise abandon their jobs and move to other states, and to signal solidarity to the female workforce more generally. All measures aimed at improving some plight of the workforce attempt to offer employees better protections than those coming from the state, especially when the government itself is *directly* challenging the workforce (and thus the corporation).

Some other matters affect the corporation only *indirectly*, for instance when the socio-economic impact of a governmental policy (of lack thereof) somehow reverberates into the company's operations but without limiting the company or its internal stakeholders. Many initiatives on climate are by design supposed to alleviate the impact of climate change for the collective benefit—this would in turn indirectly benefit the corporation if other firms took similar steps and climate disaster were averted.²³⁸ As another example, consider the initiatives at Viacom and WarnerMedia aimed at increasing social justice content²³⁹ or at Sephora with its pledge to source 15% of their product offerings from Black-owned businesses.²⁴⁰ These initiatives foster communities that, despite doing business with the corporation, are outside of the firm's perimeter. Yet, corporations nevertheless expect indirect benefits in terms of enhanced relationships not only with the outside communities that are the beneficiaries of their initiatives, but also with consumers, workers, and ultimately shareholders.²⁴¹

2. *Internal or External Corporate Governing Initiative*

Second, one must distinguish based on the *scope* of a corporation's initiative, whether *internal* or *external*. On the one hand, internal initiatives consist of properly understood corporate actions, which can cover a wide variety of areas. For instance, these include improvements for worker conditions: not just higher pay, but also more inclusion and opportunities for underrepresented groups, better access to healthcare, abandoning mandatory arbitration, higher benefits, and so forth. Internal actions can also target consumer welfare: for example, easing terms and conditions of sales to build brand loyalty, abandoning mandatory arbitration, abandoning discriminatory practices, and discontinuing unhealthy or unsustainable products. Internal actions can also be directed to address broader goals such as climate-related concerns: for instance, setting stricter standards of environmental compliance.²⁴² Corporate actions, as opposed to mere statements, represented 40% of the sample in a recent empirical study analyzing 293 events of corporate sociopolitical activism initiated by 149 firms across 39 industries.²⁴³

On the other hand, external initiatives do not entail any formal corporate action but consist of various types of corporate messaging—from the CEO down—that seek to influence public opinion and exert pressure on actual policymakers, whether lawmakers, regulators, or

²³⁸ See, e.g., Madison Condon, *Externalities and the Common Owner*, 95 WASH. L. REV. 1, 5 (2020) (arguing that climate activism by some in the institutional investor industry is explainable as a way to tame systemic risk); John C. Coffee, Jr., *ESG, Common Ownership, and Systematic Risk: How They Intersect* (Eur. Corp. Governance Inst., Law Working Paper No. 541/2020, 2021), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3678197 (arguing that large index funds have been pushing for mandating ESG disclosures to help reduce systemic risk); Jeffrey N. Gordon, *Systematic Stewardship*, 47 J. CORP. L. 627 (2022).

²³⁹ See *supra* note 117 and accompanying text.

²⁴⁰ See *supra* note 115 and accompanying text.

²⁴¹ See *infra* Section IV.A.

²⁴² See *supra* note 238.

²⁴³ Bhagwat, Warren, Beck & Watson, *supra* note 22, at 16.

members of the judiciary. Most of what I call corporate socio-economic advocacy consists of external initiatives.²⁴⁴

While external initiatives have been on many people's radars because of the resonance of public feuds like the one between Disney and DeSantis, historically it has been mostly via internal corporate actions that corporations have catered to constituencies other than shareholders.²⁴⁵

B. Government Substitution

This type of conduct occurs when a corporation takes on a quasi-governmental role when the actual government is dysfunctional or deliberately avoids certain functions for political reasons. The adoption of measures to substitute government actions in achieving socio-economic policy goals for the benefit of some corporate constituencies or society has long been analyzed by the corporate purpose literature²⁴⁶ and case law.²⁴⁷

The fundamental question this conduct raises is if it is consistent with profit maximization. Of course, whether profit maximization is *the* goal corporations must pursue is debated these days.²⁴⁸ Thus, to address the legality of government substitution, it is best to perform separate analyses depending on the perspective taken with respect to corporate purpose—stakeholderism or shareholderism.

Under a stakeholderist view of the firm, there should be little questions on the legality of government substitution. Stakeholderism recognizes that corporations have a broader set of responsibilities beyond maximizing shareholder value, and performing quasi-governmental functions can be seen as fulfilling those responsibilities.²⁴⁹ At a minimum, the legal recognition of government substitution may be less of a problem in jurisdictions that have adopted a constituency statute, whereby considerations for goals other than shareholder value are expressly permitted.²⁵⁰

²⁴⁴ Of course, external initiatives also include outright political contributions from corporations to candidates, PACs, and other intermediaries such as ALEC and U.S. Chamber of Commerce, which is a theme that I briefly touched upon *supra* in Section I.C but is outside the core of my inquiry and is well-covered in the literature cited therein.

²⁴⁵ Consider, for instance, the extension of benefits to domestic partners. See *supra* note 123 and accompanying text.

²⁴⁶ The debate was ignited by Milton Friedman in his famous 1970 article: see Friedman, *supra* note 76. Subsequent literature delved deeply into the issue. See e.g. CLARK, *supra* note 79, at 677-96.

²⁴⁷ See e.g. AP Smith Mfg. Co. v. Barlow, 98 A.2d 581, 13 N.J. 145, 13 N.J. Eq. 145 (1953) (validating charitable contributions). For an analysis, see *infra* note 253 and accompanying text.

²⁴⁸ See *supra* Section I.B.

²⁴⁹ See *supra* text accompanying notes 82-83*ali*.

²⁵⁰ See Strine, *Good Corporate Citizenship*, *supra* note 29, at 340 (“In a majority of American states . . . specific statutes empower boards to take action benefiting certain corporate constituencies, and thus enhance board discretion even further.” Citing Lucian Bebchuk, Kobi Kastiel & Roberto Tallarita, *For Whom Corporate Leaders Bargain*, 94 S. CAL. L. REV. 1467, 1489 (2021) (finding thirty-three states with constituency statutes in force during the period from 2000 to 2019)). See e.g. Pennsylvania Statutes Title 15 Pa.C.S.A. Corporations and Unincorporated Associations § 1715 (establishing that “[i]n discharging the duties of their respective positions, the board of directors, committees of the board and individual directors of a business corporation may, in considering the best interests of the corporation, consider to the extent they deem appropriate: (1) The effects of any action upon any or all groups affected by such action, including shareholders, employees, suppliers, customers and creditors of the corporation, and upon communities in which offices or other establishments of the corporation are located. . . .”).

Yet, even under a *shareholderist* approach, where the primary focus is on maximizing shareholder value, pointing to the long-term benefits of corporate actions can find the protection under the business judgment rule. The business judgment rule shields directors and officers from personal liability for their decisions so long as they can demonstrate that they had no interest in the subject matter and their actions were informed and rational.²⁵¹ Famously, establishing these prerequisites is not particularly hard.²⁵² In practical terms, so long as the long-term benefits of corporate actions are articulated, and proper decision-making processes are followed, the business judgment rule will shield directors and managers from shareholder suits.

Legal precedents support the idea that actions of government substitution in which some stakeholders are being awarded better treatment than the bare minimum under applicable law can be treated as business decisions and thus qualify for the protections of the business judgment rule. For instance, courts have engaged with, and effectively validated, corporate philanthropy: the *AP Smith Manufacturing*²⁵³ case established that decisions regarding philanthropy are no different from any other decisions entrusted to the board of directors and, therefore, their decisions should be subject to the same degree of judicial deference.²⁵⁴ If devoting some resources to charity does not amount to a violation of fiduciary duties, neither does selecting a course of action that on its face does not prioritize profits in the immediate term. Decision-makers who forego potential profits out of concern for some long-term implications of the underlying project enjoy the protection of the business judgment rule: in *Shlensky v. Wrigley* the court was satisfied with finding that directors resolved not to install lights in a baseball stadium—which meant no nighttime games and less revenue/profits—because directors did not want to alienate residents in the surrounding neighborhood.²⁵⁵

²⁵¹ See AMERICAN LAW INSTITUTE, PRINCIPLES OF CORPORATE GOVERNANCE (1994), Section 4.01(C). See also Stephen M. Bainbridge, *The Business Judgment Rule as Abstention Doctrine*, 57 VAND. L. REV. 83, 107 (2004) (arguing that the rule is meant to incentivize responsible risk-taking for the benefit of the business and its investors); BAINBRIDGE, *supra* note 30, at 48; Jill E. Fisch & Steven Davidoff Solomon, *Should Corporations Have a Purpose?*, 99 TEX. L. REV. 1309, 1323 (2021) (noting that “the proposition that existing law prohibits corporate decision makers from considering and incorporating the interests of stakeholders and society” is overstated); Gatti & Ondersma, *supra* note 225, at 10; Lucian A. Bebchuk, Kobi Kastiel & Roberto Tallarita, *Does Enlightened Shareholder Value Add Value?*, 77 BUS. LAW. 731, 751 (2022); Strine, *Good Corporate Citizenship*, *supra* note 29, at 340.

²⁵² See e.g. *Shlensky v. Wrigley*, 237 N.E.2d 776, 779 (Ill. App. Ct. 1968) (not second guessing a decision to not install lights at Chicago Cubs’ baseball stadium Wrigley Field, which according to the plaintiff resulted in the loss of potentially significant revenue and establishing that “the authority of the directors in the conduct of the business of the corporation must be regarded as absolute when they act within the law, and the court is without authority to substitute its judgment for that of the directors.”); *Kamin v. Am. Express Co.*, 383 N.Y.S.2d 807, 810-11 (Sup. Ct. 1976) (not second guessing a decision to forego a significant tax advantage to avoid a capital loss in the income statement and establishing that “[t]he directors’ room rather than the courtroom is the appropriate forum for thrashing out purely business questions . . .”).

²⁵³ *AP Smith Mfg.*, 98 A.2d 581, at 160-61.

²⁵⁴ See BAINBRIDGE, *supra* note 30, at 45 (quoting Nancy J. Knauer, *The Paradox of Corporate Giving*, 44 DEPAUL L. REV. 1, 19–20 (1994): “corporate managers and fundraisers agree that corporate transfers to charity represent a calculated purchase of advertising services or goodwill”). See also David Rosenberg, *Delaware’s “Expanding Duty of Loyalty” and Illegal Conduct: A Step towards Corporate Social Responsibility*, 52 SANTA CLARA L. REV. 81, 103 n.16 (2012) (“Corporate philanthropy or altruism is certainly protected from review in most cases by the business judgment rule.”). Geoffrey Miller, *Narrative and Truth in Judicial Opinions: Corporate Charitable Giving Cases*, 2009 MICH. ST. L. REV. 831, 839 (2009).

²⁵⁵ *Shlensky*, 237 N.E.2d 776, at 180-81.

Other cases, such as the famous *Dodge v. Ford*²⁵⁶ and its more recent iteration *eBay v. Newmark*,²⁵⁷ which on their face would seem to limit directors' freedom to depart from strict profit maximization, can also be reconciled with judicial deference as described above: several commentators of *Dodge* and of *eBay* maintain that such cases had an adverse outcome for the directors because during deposition the directors explicitly admitted their goal was to *not* benefit shareholders.²⁵⁸ But the consensus among courts and scholars has it that, in the absence of such an admission, directors can still enjoy the deference of the business judgment rule if they are wary enough to show in the deliberative process that they reasonably believe the action in question, say a benefits expansion for some members of the workforce, is also *rationally related* to the long-term interest of the shareholders.²⁵⁹—for example, on the grounds that happier employees are more productive and can lead to better innovation.²⁶⁰

In sum, even if a jurisdiction does not adhere to stakeholderism, the broad protection warranted by the business judgment rule makes government substitution-type activity very hard to challenge on corporate law grounds. Of course, this is not to say that *all* government substitution actions a corporation might take also comply with other applicable laws, which is an issue I cannot address in this Paper. Certainly, following the recent Supreme Court decisions invalidating affirmative action as a school admission criterium,²⁶¹ whether certain corporate

²⁵⁶ *Dodge*, 170 N.W. 668, at 684 (holding that the purpose of a corporation is to produce profits for shareholders but adding that a judge will not second-guess decisions stemming from the business judgment of directors).

²⁵⁷ *eBay Domestic Holdings, Inc. v. Newmark*, 16 A. 3d 1, 11 (Del. Ch. 2010). See Matthew T. Bodie, *The Next Iteration of Progressive Corporate Law*, 74 WASH. & LEE L. REV. 739, 762 (2017) (“The eBay decision was disheartening for stakeholder theorists because of its express ratification of shareholder primacy.”). But at closer look, the case is consistent with Delaware past jurisprudence. In *dicta*, the Court took issue with Newmark and Buckmaster’s express disavowal of shareholder wealth maximization, stating that the corporate form “is not an appropriate vehicle for purely philanthropic ends, at least not when there are other stockholders interested in realizing a return on their investment.” *Id.* Even this *dicta*, however, does not suggest that philanthropic goals are impermissible, but rather merely that they should not be the exclusive goal of for-profit corporations. Further, the opinion suggests that *had* Newmark and Buckmaster established the existence of a specific culture and established that their takeover defense was designed to protect it, their pill would have been protected. *Id.* Indeed, the Delaware courts have made clear that takeover defenses *are* permissible when deployed as a “good faith effort to protect a specific corporate culture.” *Id.* at 34 citing *Paramount Commc’ns, Inc. v. Time Inc.*, 1989 WL 79880, at *4 (Del. Ch. July 14, 1989), *aff’d*, 571 A.2d 1140 (Del.1989).

²⁵⁸ See BAINBRIDGE, *supra* note 30, at 46; Strine, *supra* note 84, at 777 (labeling *Dodge* and *eBay* as “confession cases”).

²⁵⁹ BAINBRIDGE, *supra* note 30, at 60 (quoting *Revlon Inc. v. MacAndrews & Forbes Hldgs., Inc.*, 506 A.2d 173, 182). See also Rock, *supra* note 89, at 379 (“[I]n managing the business, the board of directors may consider the interests of other stakeholders, so long as there is some ‘rational relation’ to shareholder value.” Cited by *Simeone*, C.A. No. 2022-1120-LWW, at *28 n.138); Strine, *Good Corporate Citizenship*, *supra* note 29, at 338. See *infra* note 287 and accompanying text.

²⁶⁰ Cf. ZOE ADAMS & SIMON DEAKIN, *THE OXFORD HANDBOOK OF CORPORATE LAW AND GOVERNANCE* 1037, 1038, 1057, 1060-61 (Jeffrey N. Gordon & Wolf-Georg Ringe eds., 2018) (surveying a body of empirical work suggesting that worker protections are positively correlated with productivity and innovation at the firm level).

²⁶¹ *Students for Fair Admissions v. Harvard*, 600 U.S. ____ (2023) (holding that race-based affirmative action programs in college admissions processes violate Title VI of the Civil Rights Act of 1964 as well as the Equal Protection Clause of the Fourteenth Amendment); *Students for Fair Admissions, Inc. v. University of North Carolina*, 600 U.S. ____ (2023) (same).

actions seeking to close the racial (or gender) gap may ultimately be invalidated by the Roberts Court is something open to debate,²⁶² but in the meanwhile corporations are treading carefully.²⁶³

C. *Corporate Socio-Economic Advocacy*

Whilst corporate socio-economic advocacy raises similar issues,²⁶⁴ it has generated more emotional responses from its detractors. The refrain is normally that corporations should worry more about their results of operations and less about politics.²⁶⁵ Notably, the conduct of Disney's board in its criticism towards Florida's "Don't Say Gay" legislation was challenged by a plaintiff in a books and records request under Section 220 DGCL, which was denied by the Delaware Chancery Court in *Simeone v. The Walt Disney Company*.²⁶⁶

To wit, corporate socio-economic advocacy represents a particular form of lobbying whereby corporations advocate for societal causes that at first glance may not seem to directly align with their immediate business interests. Unlike traditional lobbying, which typically pursues interests solely related to the corporation and its bottom line,²⁶⁷ this type of lobbying seeks to advance broader socio-economic goals.

Given the significant expansion of corporate political speech stemming from *Citizens United*²⁶⁸ and *Hobby Lobby*,²⁶⁹ few would question in the abstract the legality of corporate lobbying.²⁷⁰ While at first glance such expansion would seem to indicate that a corporation may use its clout and purse to push a socio-economic agenda, certain speech can still theoretically generate director or officer liability if it is contrary to director fiduciary duties: one could hypothesize a CEO's reckless twitter rant so incendiary and offensive that it alienates the bulk of a corporation's customer base and results in significant lost revenue. So the question is under which circumstances lobbying for socio-economic goals could trigger breaches of fiduciary duties. Rarely. For companies not subject to the duty of care pursuant to Section 102(b)(7) of

²⁶² Daniel Wiessner, *Affirmative action ruling could place target on US corporate diversity programs*, REUTERS (Jun. 30, 2023), <https://www.reuters.com/legal/affirmative-action-ruling-could-place-target-us-corporate-diversity-programs-2023-06-30/>. See also Kelsey Butler & Patricia Hurtado, *Affirmative Action's End Will Crush the Diversity Talent Pipeline*, BLOOMBERG (Oct. 30, 2022), <https://www.bloomberg.com/news/features/2022-10-30/supreme-court-may-end-affirmative-action-crushing-diversity-at-us-colleges#xj4y7vzkg>.

²⁶³ Jeff Green, *US Companies Caught in Diversity Crossfire Are Frozen by Uncertainty*, BLOOMBERG (Jul. 29, 2023), <https://www.bloomberg.com/news/articles/2023-07-29/us-companies-worry-they-could-face-legal-action-over-dei-initiatives?sref=DIvSyJQr>.

²⁶⁴ "Under existing corporate law rules, political speech decisions are by default governed by the same rules as ordinary business decisions." Lucian A. Bebchuk & Robert J. Jackson, Jr., *Corporate Political Speech: Who Decides?*, 124 HARV. L. REV. 83, 87 (2010).

²⁶⁵ Stephen Bainbridge, *Investors Want Returns, Not Political Fights*, BARRON'S (Jul. 6, 2023), <https://www.barrons.com/articles/investors-wants-returns-not-political-fights-c0dc18b>; Phil Gramm & Mike Solon, *Keep Politics out of the Boardroom*, WALL ST. J. (Jul. 19, 2018), <https://www.wsj.com/articles/keep-politics-out-of-the-boardroom-1531952912>.

²⁶⁶ C.A. No. 2022-1120-LWW (Del. Ch., Jun. 27, 2023). See *infra* text accompanying notes 278-291.

²⁶⁷ See *supra* Section I.C.

²⁶⁸ *Citizens United*, 558 U.S. 310 (2010). See *supra* note 93.

²⁶⁹ *Burwell v. Hobby Lobby Stores, Inc.*, 573 U.S. 682 (2014) (allowing exemptions from a regulation that its owners religiously object to if there is a less restrictive means of furthering the law's interest).

²⁷⁰ In fact, social advocates are said to have taken advantage of this expansion of corporate powers. Lin, *supra* note 28, at 1573. See also Strine, *Good Corporate Citizenship*, *supra* note 29, at 350 (noting the contradiction in criticizing corporations for endorsing progressive causes after having rallied in favor, and being the principal beneficiary of, corporate political speech).

the DGCL (around 90% of Delaware corporations),²⁷¹ only bad faith could trigger liability.²⁷² That is a high bar for plaintiffs who must establish a conscious disregard for one's duties.²⁷³ It is unclear how expressing views on policy matters that, at least on their face, affect various stakeholders of the corporation can ever amount to that. Again, even under a strict shareholderist approach, defendants could point that the policy matters the corporation is advocating would benefit the long-term welfare of the corporation and its stockholders.²⁷⁴ Under a stakeholderist approach even the faintest doubts would dissipate.

But even if directors *are* subject to the duty of care, the analysis hardly changes because of how broad director and officer discretion is pursuant to the business judgment rule, as the previous subsection indicates. So long as directors can show that their actions are disinterested, informed, and rational,²⁷⁵ which is not a hard thing to do,²⁷⁶ they will find a liability shield.²⁷⁷

This analysis is confirmed by the Chancery Court *Simeone* decision in June 2023, which denied a Section 220 claim on Disney's books and records concerning its decision to criticize

²⁷¹ Roberta Romano, *Corporate Governance in the Aftermath of the Insurance Crisis*, 39 EMORY L.J. 1155, 1160-61 (1990) (mentioning that, by 1990, more than 90% of 180 randomly sampled Delaware corporations had amended the charter to adopt the exculpatory provision).

²⁷² Virtually all U.S. states allow corporations to include in their charter provisions that aim at either limiting or eliminating directors' personal liability for breaching duty of care. Most notably, section 102(b)(7) of the DGCL empowers corporations to eliminate "the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director." DEL. CODE ANN. tit. 8, § 102(b)(7) (2023). The provision was passed in 1986 in the aftermath of *Smith v. Van Gorkom*, 488 A.2d 858, which shattered the calm waters of the business judgment rule to impose monetary liability for failure to comply with the duty of care in the sale of the company. Under Section 102(b)(7) of the DGCL, the certificate of incorporation of a Delaware corporation may contain a "provision eliminating ... the personal liability of a director ... for monetary damages for breach of fiduciary duty ..., [except]: (i) [f]or any breach of the director's duty of loyalty ...; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law" Corporations routinely include in their charters provisions of this kind. Holger Spamann, *Monetary Liability for Breach of the Duty of Care?*, 8 J. LEG. ANALYSIS 337, 338 (2016). Thus directors of most corporations are only subject to claims arising from violation of the duty of loyalty or of the duty to act in good faith, neither of which is waivable. For corporations with a Section 102(b)(7) waiver, the main issue is to determine whether directors failed to act in good faith and courts equate bad faith with "utter dereliction of duty." Bad faith is triggered whenever a "fiduciary intentionally fails to act in the face of a known duty to act, demonstrating a conscious disregard for his duties." See *Lyondell Chem. Co. v. Ryan*, 970 A.2d 235, 243 (Del. 2009) (citing *Brehm v. Eisner* (In re Walt Disney Co. Derivative Litig.), 906 A.2d 27, 67 (Del. 2006)).

²⁷³ See *Lyondell*, 970 A.2d, at 243. To be sure, one could take the view that corporate governing is inherently risk given the chance of backlash and should be adequately planned from a risk management standpoint, in which case insufficient or lack of planning may become outcome determinative in a bad faith claim.

²⁷⁴ For more detail, see *infra* notes 304-310 and accompanying text.

²⁷⁵ See AMERICAN LAW INSTITUTE, PRINCIPLES OF CORPORATE GOVERNANCE (1994), Section 4.01(C).

²⁷⁶ See *supra* note 252.

²⁷⁷ John C. Coates et al, Brief of Corporate Law Professors as Amici Curie in Support of Respondents, *Friedrichs v. California Teachers Ass'n* No. 14-915 (U.S. Nov. 2015), at 8 https://scholarship.law.duke.edu/faculty_scholarship/3546 (noting that fiduciary "duties do not compel directors to use corporate funds to speak, or avoid speaking, in political controversies as they believe shareholders would prefer, because the most basic of corporate law doctrines—the 'business judgment rule'—precludes judicial review of board decisions, absent evidence of a conflict of interest or a complete failure to exercise any care."). See also Victor Brudney, *Business Corporations and Stockholders' Rights Under the First Amendment*, 91 YALE L.J. 235, 257-58 (1981).

Florida's "Don't Say Gay Bill."²⁷⁸ One of the reasons for such denial was that the shareholder did "not provide[] a credible basis from which to infer possible wrongdoing."²⁷⁹

In *Simeone*, the plaintiff claimed that Disney's public opposition" to HB 1557 amounted to a possible breach of fiduciary duty by the Board and certain Disney officers, because the company lost rights and powers associated with the RCID, which resulted in a drop in the stock price.²⁸⁰ But the court firmly, and unsurprisingly, rejected this assertion on the grounds that the plaintiff was *merely disagreeing* with a board decision, something that absent decision-making pathologies warrants judicial deference even if "the decision turned out poorly in hindsight."²⁸¹

On the one hand the Chancery Court recognized the challenges a corporation faces when addressing divisive topics, especially given that shareholders have diverse preferences beyond the "shared goal of corporate profitability[, which] may not align with the company's position on political, religious, or social matters."²⁸² On the other hand, the court noted that shareholders understand that "the board is empowered to direct the corporation's affairs"²⁸³ and that the board "held the sort of deliberations that a board should undertake when the corporation's voice is used on matters of social significance."²⁸⁴ Disney's public stand wasn't aprioristic. In fact, the company opted for silence at first, and only after discussing with the board "the communications plan, philosophy and approach regarding Florida legislation and employee response,"²⁸⁵ did the CEO announce opposition to the bill.²⁸⁶

The Chancery Court confirmed long-standing Delaware case law allowing boards, in the exercise of business judgment, to pursue interests of corporate stakeholders as "rationally related" to building long-term value.²⁸⁷ Quoting *eBay*, the court abstained from questioning "rational judgments about how promoting non-stockholder interests . . . ultimately promote stockholder value."²⁸⁸ Further, the Chancery Court also denied, quite correctly, that Disney "'ignored a known risk' of negative consequences from opposing the legislation[.]"²⁸⁹ by noting

²⁷⁸ *Simeone*, C.A. No. 2022-1120-LWW, at *18 (establishing that "plaintiff does not meet the standard for a Section 220 inspection for three independent reasons[:] [f]irst, the purposes described in the demand are not the plaintiff's own purposes [but rather of his counsel doing work for the Thomas More Society]; [s]econd, the plaintiff has not provided a credible basis from which to infer possible wrongdoing; [t]hird, the defendant has provided the plaintiff with all necessary and essential documents").

²⁷⁹ *Id.*

²⁸⁰ *Id.* at *23-24.

²⁸¹ *Id.* at *24-25.

²⁸² *Id.* at *25.

²⁸³ *Id.* (citing 8 *Del. C.* § 141(a) and noting that the Disney shareholders were on notice because of a publicly available internal policy on political engagement). *Cf.* The Walt Disney Company, *Political Giving and Participation in the Formulation of Public Policy in the United States* at 1 (July 2020), <https://thewaltdisneycompany.com/app/uploads/2020/07/Political-Giving-and-Participation-in-the-Formulation-of-Public-Policy-2020.pdf>. *But see*, for a response to this line of arguing, Bebchuk & Jackson, *supra* note 264, at 113 (referring to "generic objections that may be raised in response to the many existing mandatory corporate law rules that protect minority shareholders from diversions of value by the majority").

²⁸⁴ *Simeone*, C.A. No. 2022-1120-LWW, at *26.

²⁸⁵ *Id.* at *27.

²⁸⁶ *Id.*

²⁸⁷ *Id.* (citing, among other things, *Revlon*, 506 A.2d 173, at 182: "A board may have regard for various constituencies in discharging its responsibilities, provided there are rationally related benefits accruing to the stockholders."). *See also supra* note 257.

²⁸⁸ *Id.* at *28. *Cf. eBay*, 16 A.3d 1, at 34.

²⁸⁹ *Id.* at *29.

that while the board “could have avoided political blowback by remaining silent on HB 1557[,] . . . doing so could have damaged the company’s corporate culture and employee morale.”²⁹⁰ For the court, “the weighing of these key risks by disinterested [directors did] not evidence a potential lack of due care, let alone bad faith.”²⁹¹

IV. SHOULD CORPORATIONS ENGAGE IN CORPORATE GOVERNING? THE DIFFERENT NORMATIVE ANGLES

If corporate governing is generally permissible under existing corporate law regimes, it remains an open question whether corporate governing is valuable from a normative standpoint, that is, whether it is good corporate policy to entertain corporate governing activities.²⁹² There are various analytical angles to fully appreciate if corporate governing is normatively sound. I thus split the normative question into four separate ones: First, is there a business case for corporate governing, that is, does corporate governing enhance firm’s value? Second, assuming there is a business case, does it make sense for a corporation to pursue corporate governing from a strategic point of view? Third, is there a social advocacy case for corporate governing: Does it help the cause of social activists and does society at large benefit from it? Fourth, is there a political case for corporate governing: Are democratic institutions imperiled by corporations being active on the political front? Raising these normative questions will set the stage for examining, in Part V, promises and risks associated with corporate governing.

A. The Business Case for Corporate Governing: Does It Enhance Firm Value?

An analysis of the normative merits of corporate governing must start with the business case: Are corporate governing initiatives good for business? While this is eminently an empirical question,²⁹³ the answer is highly dependent not only on the area of intervention (certain areas may be perceived as less divisive than others), but also on the specific circumstances and goals of each individual corporation.²⁹⁴ In other words, some corporate governing may benefit, and

²⁹⁰ *Id.* at *29-30.

²⁹¹ *Id.* at *30.

²⁹² Simmons, *supra* note 37, at 713-14 (noting that “[b]oard failure to adequately oversee political risk, even when it evades legal liability, can have serious negative implications for corporate strategy and value.”).

²⁹³ See the studies cited *infra* notes 302-304.

²⁹⁴ Cf. Jessica Vredenburg, Sommer Kapitan, Amanda Spry & Joya A. Kemper, *Brands Taking a Stand: Authentic Brand Activism or Woke Washing?*, 39 J. PUB. POL’Y & MARKETING 444 (2020) (noting that some brands match activist messaging, purpose, and values with prosocial corporate practice, and engage in authentic brand activism, thus creating potential for social change and gains in brand equity; in contrast, brands that detach their activist messaging from their purpose, values, and practice, enact inauthentic brand activism through the practice of “woke washing”); Mirzaei, Wilkie & Siuki, *supra* note 25; Henri Servaes & Ane Tamayo, *The Impact of Corporate Social Responsibility on Firm Value*, 59 MANAGEMENT SCIENCE 1045, 1058-59 (2013) (finding that certain firms are better positioned than others in translating CSR initiatives into wealth creation and noting in particular that “firms with poor reputations are unlikely to reap any immediate benefits (in terms of shareholder value creation) from engaging in CSR . . . [and i]n fact, such activities may appear disingenuous and may well have the opposite effect.”).

some may hurt.²⁹⁵ For every Patagonia²⁹⁶ and Ben & Jerry's,²⁹⁷ which have been leading the pack of those doing well by doing good,²⁹⁸ there may well be an Anheuser-Busch²⁹⁹ and a P&G³⁰⁰ miscalculating risks and benefits around a corporate governing initiative. Evaluating whether corporate governing enhances firm value requires a detailed understanding of the corporation's operations, of their priors with sociopolitical messaging,³⁰¹ and of the expectations of the

²⁹⁵ Bhagwat, Warren, Beck & Watson, *supra* note 22, at 16:

We contend that while [corporate sociopolitical activity (CSA)] is a risky marketing strategy that investors are generally wary of, it may also be advantageous. Investors on average react negatively to CSA, especially when it deviates from the values of key stakeholders and signals the firm's resource-intensive commitment to activism. However, they also reward activism when it closely aligns with stakeholders. In addition, . . . customers reward CSA when it resonates with their personal values and attest that it can be an effective means for firms to appeal to their target markets.

²⁹⁶ Patagonia has a market reputation of a values-driven company that adopts practices seeking to progress social change in terms of sustainability, equity, and transparency. It is regarded as a model in pursuing such goals while at the same time being a very successful business. See Vredenburg, Kapitan, Spry & Kemper, *supra* note 294, at 450; Ron Carucci, *How Patagonia's Purpose Is Once Again Raising The Bar On Doing The Right Thing*, FORBES (Apr. 21, 2021), <https://www.forbes.com/sites/roncarucci/2021/04/21/how-patagonias-purpose-is-once-again-raising-the-bar-on-doing-the-right-thing/?sh=7d0e110f777c>.

²⁹⁷ Jordyn Holman & Thomas Buckley, *How Ben & Jerry's Perfected the Delicate Recipe for Corporate Activism*, BLOOMBERG (Jul. 22, 2020), <https://www.bloomberg.com/news/features/2020-07-22/how-ben-jerry-s-applied-its-corporate-activism-recipe-to-blm#xj4y7vzkg>; Alison Beard, *Why Ben & Jerry's Speak Out*, HARV. BUS. REV. (Jan. 13, 2021), <https://hbr.org/2021/01/why-ben-jerrys-speaks-out>.

²⁹⁸ Joon S. Lim & Cayley Young, *Effects of Issue Ownership, Perceived Fit, and Authenticity in Corporate Social Advocacy on Corporate Reputation*, 47.4 PUB. REL. REV. (2021) (analyzing Ben & Jerry's social media activity and finding that perceived authenticity and perceived fit are positive predictors for corporate reputation).

²⁹⁹ See *supra* text accompanying notes 134-136. To be clear, I am only saying that Anheuser-Busch miscalculated its customers response, but not inferring that its actions constituted a breach of applicable corporate law because, unlike Ron DeSantis, I do not pretend to be a Belgian corporate lawyer and I cannot opine on it (Bud Light's parent company AB-InBev is incorporated in Belgium and subject to its corporate law). At the time of this writing the Florida Governor attracted attention for threatening to sue via one of the Florida state pension funds the board of Anheuser-Busch. For a description and rebuttal, see Benjamin Edwards, *Ron DeSantis' Legal Threats Against Bud Light's Parent Company Are Dumb and Bad for Florida*, THE DAILY BEAST (updated Jul. 24, 2023, 4:13PM EDT), <https://www.thedailybeast.com/ron-desantis-legal-threats-against-bud-lights-parent-company-are-dumb-and-bad-for-florida>.

³⁰⁰ In January 2019, P&G's brand Gillette released an ad to address toxic masculinity, which replaced the brand's tagline "The Best a Man Can Get" with "The Best a Man Can Be." Backlash on social media ensued immediately with twice as many "dislikes" than "likes" on YouTube, the ad agency received death threats, and boycott campaigns were launched. While the CEO defended the campaign, this episode is one of the textbook examples of failed brand messaging—key to the failure, according to marketing experts, was the sharp departure from the brand's traditional product-focused and men-centered advertising. See Susan Fournier, Shuba Srinivasan & Patrick Marrinan, *Turning Socio-Political Risk to Your Brand's Advantage*, 13.2 NIM MARKETING INTEL. REV. 18, 24 (2021).

³⁰¹ See *infra* note 306 and accompanying text.

markets in which the corporation operates: product market,³⁰² labor market,³⁰³ and stock market.³⁰⁴ In certain cases, corporate governing practices can benefit corporations: these

³⁰² Scott Hirst, Kobi Kastiel & Tamar Kricheli-Katz, *How Much Do Investors Care About Social Responsibility?* 50, BU Sch. of L. Research Paper No. 4115854 (2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4115854 (finding that individuals are willing to forgo some monetary gains to promote social interests and that individuals are willing to forgo greater amounts when consuming and donating than when investing); Fan, *supra* note 4, at 454 (reporting U.S. Bureau Labor Statistic data according to which ninety million Americans self-identify as “conscious consumers” and the overall conscious consumer market in the United States was worth \$3.2 trillion in 2017); Lin, *supra* note 55, at 1579-80 (citing initiatives at Walmart and JPMorgan Chase that allowed the companies to expand into new markets); Elena-Mădălina Vătămănescu, Dan-Cristian Dabija, Patrizia Gazzola, Juan Gabriel Cegarro-Navarro & Tania Buzzi, *Before and After the Outbreak of Covid-19: Linking Fashion Companies' Corporate Social Responsibility Approach to Consumers' Demand for Sustainable Products*, J. CLEANER PROD. 321 (2021) 128945 (presenting survey data relating to Italian consumers' reactions to social and environmental sustainability practices of fashion companies in the aftermath of Covid-19 and finding that consumers attach great importance to such practices). *See supra* note 295.

³⁰³ Michal Barzuza, Quinn Curtis & David H. Webber, *The Millennial Corporation: Strong Stakeholders, Weak Managers* 21-22, Eur. Corp. Governance Inst., Law Working Paper No. 687, 2023, http://ssrn.com/abstract_id=3918443 (citing empirical literature supporting the notion that “[s]ocial demand has made executing on ESG issues essential to attracting and retaining talent”); Alex Edmans, *Does the Stock Market Fully Value Intangibles? Employee Satisfaction and Equity Prices*, 101 J. FIN. ECON. 621 (2011) (finding that employee satisfaction predicts positive returns); M.V. LEE BADGETT, LAURA E. DURSO, ANGELIKI KASTANIS & CHRISTY MALLORY, *THE BUSINESS IMPACT OF LGBT-SUPPORTIVE WORKPLACE POLICIES* (2013), <https://escholarship.org/uc/item/3vt6t9zx> (finding strong evidence that LGBTQ-supportive policies create openness amongst LGBTQ employees and fairly strong evidence that these policies lead to less discrimination in the workplace, augment health results, improve job satisfaction, and greater job commitment).

³⁰⁴ ALEX EDMANS, *GROW THE PIE: HOW GREAT COMPANIES DELIVER BOTH PURPOSE AND PROFIT* 105-6, 112 (2022) (surveying empirical studies showing correlation between social and financial performance); Samuel M. Hartzmark & Abigail B. Sussman, *Do Investors Value Sustainability? A Natural Experiment Examining Ranking and Fund Flows*, 74 J. FIN. 2789 (2019) (finding that investors are attracted toward high-sustainability investments); Hanh Song Thi Pham, Hien Thi Tran, *CSR Disclosure and Firm Performance: The Mediating Role of Corporate Reputation and Moderating Role of CEO Integrity*, 120 J. BUS. RES. 127, 135 (2020) (finding that firm reputation and CEO integrity respectively mediates and moderates the effect of CSR disclosure on financial performance); Mostafa Monzur Hasan, Adrian (Wai Kong) Cheung & Trevor Marwick, *Corporate Sexual Orientation Equality Policies and the Cost of Equity Capital*, 34 J. BEHAV. & EXPERIMENTAL FIN. (2022) 100664 (finding that firms with supportive sexual orientation equality policies are related to a lower cost of equity capital); Allen Ferrell, Hao Liang & Luc Renneboog, *Socially Responsible Firms*, 122 J. FIN. ECON. 585, 586 (2016) (finding correlation between social responsibility scores and firm valuation); Anahit Mkrtchyan, Jason Sandvik & Vivi Zhu, *CEO Activism and Firm Value*, Working Paper (2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3699082 (finding positive stock reactions to CEO activism); Brownen-Trinh & Orujov, *supra* note (finding that “retail investors’ reactions depend on the credibility of the CSA engagement and on the credibility of the company itself[and] . . . that the positive reaction of retail investors to CSA is more likely to be influenced by moral sentiment rather than by fundamentals or attention bias.”). *See also* Bhagwat, Warren, Beck & Watson, *supra* note 22, at 11-12, 16 (finding that, on average, corporate sociopolitical activism elicits an adverse short-term reaction from investors, but adding that in some instances such activism proves quite advantageous) and Dammann & Lawrence, *supra* note 89 (finding that corporations signatory to the BRT Statement experienced abnormal returns compared to other corporations). *But see* Ulrich Atz, Tracy Van Holt, Zongyuan Zoe Liu & Christopher Bruno, *Does Sustainability Generate Better Financial Performance? Review, Meta-analysis, and Propositions 1*, Working Paper (Jul. 22, 2022) (forthcoming J. SUSTAINABLE FIN. & INV.), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3708495 (surveying “1,141 primary peer-reviewed papers and 27 meta-reviews (based on ~1,400 underlying studies) published between 2015 and 2020[]” and suggesting that “the financial performance of ESG investing has on average been indistinguishable from conventional investing (with one in three studies indicating superior performance)”; Tommaso Bondi, Vanessa

benefits may arise due to the corporation's ability to attract top talent or maintain strong relationships with customers, which can ultimately contribute to increased firm value.³⁰⁵

Marketing strategy scholars cite some key features of an effective initiative. First, it is crucial that the corporation's message is perceived as authentic by the public:³⁰⁶ many PR fallouts stemmed from initiatives that were perceived as opportunistic.³⁰⁷ Second, the corporate governing initiative must align with the expectations and political beliefs of the various stakeholders of the corporation.³⁰⁸ In this latter regard, it is important to stress that in several occasions corporations have intervened *precisely* as a result of bottom-up pressures from their stakeholders—typically their customers³⁰⁹ or employees.³¹⁰

Note that, by being actively engaged in the field, corporations are supposed to have a good understanding of their own operations and of the associated risks and rewards: when it

Burbano & Fabrizio Dell'Acqua, *When to Talk Politics in Business: Theory and Experimental Evidence* 32, Working Paper (Feb. 13, 2023), <https://drive.google.com/file/d/13yKVkP-B-YAuehCWmxMPgKtKHuHtXEt9/view?pli=1> (presenting a formal model and empirical evidence showing that “when [public] opinion is symmetrically divided, communication of a stance in either ideological direction is on average negatively received[.] . . . when opinion is (sufficiently) asymmetric, firms can benefit from pandering to popular stakeholder opinion.” (footnote omitted)); John C. Coates IV, *Corporate Politics, Governance, and Value Before and After Citizens United*, 9 J. EMPIRICAL LEGAL STUD. 657, 658 (2012) (finding a negative correlation between political activity and shareholder value); Bebachuk, Jackson, Jr., Nelson & Tallarita, *supra* note 95, at 8–9 (noting that the mixed empirical evidence is partial because corporations are not obligated to thoroughly disclose their whole political spending).

³⁰⁵ Bhagwat, Warren, Beck & Watson, *supra* note 22, at 16 (“Customers pay attention to and make long-lasting purchase decisions based on [corporate sociopolitical activism]”). See *supra* note 304.

³⁰⁶ See Mirzaei, Wilkie & Siuki, *supra* note 25, at 1 (citing Edelman research):

more than half of consumers believe brands' involvement in social issues is mainly a marketing ploy to sell more products. However, if consumers trust the brand on social issues, not only they buy from the brand, 7 out of 10 will advocate for, and defend the brand . . . This is more than 20 percentage point higher than just trusting the brand on product quality (5 out of 10).

See also Holger J. Schmidt, Nicholas Ind, Francisco Guzmán & Eric Kennedy, *Sociopolitical Activist Brands*, 31 J. PROD. & BRAND MGMT 40 (2022); Servaes & Tamayo, *supra* note 294; Vredenburg, Kapitan, Spry & Kemper, *supra* note 294; Fournier, Srinivasan & Marrinan, *supra* note 300, at 22–24 (describing that Nike's bold political stances attract less attention because of the company's long history of tackling hot-button issues); Lim & Young, *supra* note 297 (describing Ben & Jerry's social media strategy and its perception by the public); Fan, *supra* note 4, at 454; Nathalie Spielmann, Susan Dobscha, & L. J. Shrum, *Brands and Social Justice Movements: The Effects of True versus Performative Allyship on Brand Evaluation*, 8 J. ASSOCIATION CONSUMER RES. 83 (2023) (showing that for the period following Blackout Tuesday in June 2020, “true ally” brands performed better than “performative ally” brands and neutral brands (staying silent)).

³⁰⁷ *Id.*; see also Daniel Victor, *Pepsi Pulls Ad Accused of Trivializing Black Lives Matter*, NY TIMES (Apr. 5, 2017), <https://www.nytimes.com/2017/04/05/business/kendall-jenner-pepsi-ad.html>.

³⁰⁸ See *supra* note 295.

³⁰⁹ While this should not surprise corporate governance scholars who are aware of the impact of the ESG movement on corporate behavior (see *supra* Section I.A), this is not a recent pattern. Take LGBTQIA rights, which have been among the first that got bolstered by corporate governing, especially in terms of government substitution (see BALL, *supra* note 107, at 95–125 (describing corporate domestic partnership benefits in the 1990s)). There, corporations took initiative only after being called out for decades by various activists' campaigns. *Id.* at 31–58 (chronicling boycotts and other actions in the 1970s against phone companies for their discriminatory hiring, TV networks for their depiction of queer people, and Coors for their discriminatory and anti-union positions).

³¹⁰ For instance, Disney's initial reaction to the “Don't Say Gay” bill was silence, until it got pressured to speak by workers and its creative partners. See *supra* text accompanying note 4. For the theory that “ESG [i]s a product of social demand,” see Barzuza, Curtis & Webber, *supra* note 303.

comes to assessing the implications of corporate governing initiatives, we should expect corporations to be aware of the underlying risks.³¹¹ When the decision to undertake an initiative is made, one would assume management has gathered sufficient information to value the pros and cons and decided accordingly. Mistakes do happen, but companies are better situated than external actors to assess the underlying risk/reward proposition.

Disney CEO Bob Iger summarized this quite eloquently when, in the 2023 annual shareholder meeting of Disney, he responded to a shareholder who inquired why Disney was engaging in cultural/social disputes when their mission, in such shareholder's view, should just be entertainment:

Iger: I think my job is to strive to do what I think is best for our business, and that includes doing what's best for our cast members—our employees—and what will enable both to flourish. I don't think we should or can weigh in on every issue, and I also understand there are going to be gray areas. There are going to be times when we decide to weigh in on an issue that we believe is worthy of debate because of its relevance and importance to our business or to our employees. And there are times when I actually believe we shouldn't. But I strongly feel that we alone have to determine whether, when or how to weigh in on an issue, whether it's private or public, of course with the standard that, when we take a position on those matters, there's a true reason why we have. And in almost all cases, it has to be because it directly affects our business or our people.³¹²

Ultimately, the evaluation of the business merits of corporate governing should be based on an analysis of the corporation's specific circumstances, its intended outcomes, and the knowledge and expertise of the decision makers. It is within this context that the potential benefits and drawbacks of corporate governance practices can be properly assessed.

Two potential objections should be considered.

First, one may see the use of corporate funds for corporate speech and political activities as problematic, on the argument that “most individual shareholders cannot obtain full information about corporate speech or political activities, even after the fact, nor can they prevent their savings from being used to speak in ways with which they disagree.”³¹³ While the critique is correct in the abstract, it does not change the current analysis: true, shareholders might not be aligned with the underlying policy, but that has nothing to do with whether adopting a certain policy internally or advocating for a statutory adoption of a policy can benefit or hurt the bottom line. Sometimes they will and sometimes they won't. There is little difference from a corporate governance perspective between these decisions and, say, entering a new

³¹¹ See *infra* text accompanying notes 324-333. See generally Simmons, *supra* note 37.

³¹² Quoted in Doug Chia, *Guardians of the VSM Galaxy*, Vol. 2, SOUNDBOARD GOVERNANCE (May 2023), <https://www.soundboardgovernance.com/post/guardians-of-the-vsm-galaxy-vol-2> (emphasis added).

³¹³ Coates et al., *supra* note 277. To be fair, the Brief by John Coates and other corporate law professors is less about advocating against the use of corporate funds for political goals than about confuting the idea—stemming from *Citizens United*, 558 U.S. 310 at 370—that investors currently have tools to resist such initiatives, which is in fact a sensible critique (I address it in Part VI where I sketch some policy avenues to minimize the risks raised by corporate governing).

market, launching a new product line, hiring a particular individual for a marketing campaign.³¹⁴ All are matters where shareholders can neither obtain “full information” on the underlying decision-making process (unless they litigate), nor prevent their savings from being used for implementing the underlying project. To be clear, I do not ignore that corporate political speech and engagement raise very delicate issues if compared to pure business decisions—first and foremost, executives may have political preferences and interests diverging from those of shareholders.³¹⁵ But such issues relate less to a firm’s financial profitability than to the underlying risks for our democracy of an abuse of corporate governing—Section IV.D below addresses such risks.

Second, some might object that embracing the business case of corporate governing implies endorsing stakeholderism or, at a minimum, enlightened shareholder value (ESV), which stands for considering “stakeholder interests ‘instrumentally,’ as means for advancing the goal of long-term shareholder value maximization.”³¹⁶ ESV has in turn been subject to recent criticism by Professors Bebchuk, Kastiel and Tallarita, who argue that ESV would at best make a small difference, would hardly make a significant one, would imply massive trade-offs for the most important corporate decisions, and would therefore come with some costs in terms of confusion for executives and impediment or delay of reforms that could truly protect stakeholders.³¹⁷ In fact, I concur with these remarks,³¹⁸ including that trade-offs exist—but then again, *firms too are aware of such trade-offs* and have been operating under the assumption that they exist. It is in the job description of executives to balance all various stakeholders’ expectations and pressures as regards to highly divisive socio-economic issues.³¹⁹ To be sure, such balancing act exists irrespective of what corporate purpose credo one subscribes to because, no matter what their ultimate goal is, firms need to operate in markets, and it is in markets that these expectations and pressures emerge. In any event, for current purposes of framing the normative question of whether there can be a business case for corporate governing, irrespective of how we name the conduct (whether stakeholderist, shareholderist or a combination of the two), firms engage in corporate governing *because they have to*. Corporate governing is a response to a business risk/opportunity that firms *must* navigate in the 2020s. Negating that there is a risk/opportunity in corporate governing and calling for policies that prohibit or substantially limit corporate governing on the grounds that such an activity represents a distraction or, worse, an ideological

³¹⁴ Cf. Robert H. Sitkoff, *Corporate Political Speech, Political Extortion, and the Competition for Corporate Charters*, 69 U. CHI. L. REV. 1103, 1105 (2002).

³¹⁵ Bebchuk & Jackson, *supra* note 264, at 90 (noting that, compared to straight lobbying, in which corporations and shareholders are aligned in seeking rules that would benefit the business, with some political spending and speech a divergence of interests may arise with respect to many political issues that corporations may choose to influence). See also *id.* at 96 (noting that “shareholders may attach expressive significance to corporate political speech that goes far beyond the amount spent.”).

³¹⁶ Bebchuk, Kastiel & Tallarita, *supra* note 251, at 735 (citing Virginia Harper Ho, *Enlightened Shareholder Value: Corporate Governance Beyond the Shareholder-Stakeholder Divide*, 36 J. CORP. L. 59 (2010)).

³¹⁷ Bebchuk, Kastiel & Tallarita, *supra* note 251, at 733-34.

³¹⁸ See Gatti & Ondersma, *supra* note 225, at 9-10 (criticizing a stakeholderist corporate law reform as ineffective and potentially perilous for weaker constituencies).

³¹⁹ See generally Simmons, *supra* note 37.

pet project of executives³²⁰ is akin to ignoring reality.³²¹ In fact, Bebchuk, Kastiel & Tallarita do concede that even under a strict shareholder value norm, stakeholder concerns may and should be taken into account.³²² These days, such concerns are often satisfied by corporate governing activity. All in all, one cannot simply answer the business case question in the abstract. Determining whether corporate governing is sound corporate policy depends on what the single corporation does and what are, with respect to the policy issue at hand, the expectations in the various markets in which it operates—especially the product and labor markets. It may well be that *some* corporations will benefit, for instance from a recruiting perspective or from a consumer loyalty perspective, while some others will do less so.³²³ In any event, there is no reason to assume that a corporation that acts in the field does not know the risks associated with what it is doing.³²⁴ While everyone is free to draw conclusions with the benefit of hindsight, it would be presumptuous to pretend to know risks and rewards associated with any such actions better than the corporation itself.

While this should settle the debate on the business merits, the newfound risk of political backlash requires supplementing the analysis with some further inquiry on the *strategic* merits, which I address in the ensuing subsection.

B. The Strategic Case for Corporate Governing: Does It Give Rise to Strategic Risk?

Could there be a downside for the corporation to act even when there is a business case? One could argue that even when there is *potentially* a business case, some initiative may result in a strategic mistake. Some actions might backfire and generate resentment from a segment of the consumer, employee, or investor bases. In a way, the distinction between the business and the strategic might echo the juxtaposition between short- and long-termism, which is well-known to corporate governance scholars.³²⁵ The risk that corporate governing may result in a short-lived gain but backfire in the long term is very much apparent to observers of the recent “anti-woke” crusade by some conservatives.

³²⁰ See e.g. Strine, *supra* note 29, at 353 (noting that “[w]hen, rather than making a decision based on profit, a board uses the corporation’s resources to advance a social or a political cause, conservative thinkers balk . . . because there is no basis on which to presume a convergence of social and political beliefs on the part of investors, or that they invested to advance those beliefs.”).

³²¹ Professor Stephen Bainbridge recently wrote, to criticize corporate involvement on public policy issues, that “as making business decisions becomes more like political decisions, we not only ask managers to step outside of their wheel house but to juggle increasing demands by increasing numbers of constituencies.” BAINBRIDGE, *supra* note 30, at 96. His descriptive analysis is in fact correct: this is what it takes to run a business nowadays. Yet, the normative takeaway that we should not ask management to oblige does not grasp the fact that this is what the *marketplace* now requires. See generally Simmons, *supra* note 37 (arguing that political risk is a crucial function of enterprise risk management).

³²² Bebchuk, Kastiel & Tallarita, *supra* note 251, at 744 (mentioning that this was also the approach by Milton Friedman, *supra* note 76, whom they quote: “providing amenities to [the local] community or to improving its government . . . may make it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects.”).

³²³ See *supra* text accompanying note 299.

³²⁴ For a similar analysis, though in the context of their critique to ESV, see Bebchuk, Kastiel & Tallarita, *supra* note 251, at 750.

³²⁵ See generally MARK. J. ROE, *MISSING THE TARGET: WHY STOCK-MARKET SHORT-TERMISM IS NOT THE PROBLEM* (2022) (deconstructing the short-termism critique).

In fact, this dynamic has emerged with some frequency as of late: just consider the Disney, Bud Light, and Target examples.³²⁶ Often, the backlash is orchestrated by those sitting on the opposite side of the ideological spectrum,³²⁷ as is the case with the Disney/DeSantis quarrel.³²⁸ When politicians perceive that corporations are invading their lane, they react, especially toward corporate socio-economic advocacy that is directed against measures passed by state legislatures.

In all such cases, the gain from the corporate governing initiative may ultimately be illusory. Thus, even if in theory it may make sense from a business and financial point of view that a company takes a stance on an issue, (a) political backlash can cause more harm than benefits for the corporation (think of increased regulatory fervor fueled by opposing politicians),³²⁹ and (b) the very policy goal pursued via corporate governing may be jeopardized because of the distraction generated by the corporation pursuing it and politicians fighting against it.

The Bud Light and Target episodes³³⁰—no matter how unfairly exploited for political gain—show how this type of risk is potentially greater than the one concerning the business case: though corporations may have a good handle of what happens in their (and their stakeholders’) spheres, they may not foresee broader societal changes, especially in terms of sentiment towards certain causes.³³¹

Nevertheless, a closer look, even accounting for strategic risk, the normative merits of corporate governing do not differ much from what I observed with respect to the business case. The fact that some political or other longer-term backlash may harm *some* corporations, does not imply that the overall corporate governing activity is doomed to experience this outcome. It is also quite possible that some corporations affected by the backlash (i) have factored in, and decided to assume, the associated risk,³³² and/or (ii) have prepared counternarratives or other contingency plans. Corporations are run by professional senior executives who (should) know, or supervise people who (should) know, how to handle this type of reputational risk³³³ and reap the rewards associated with handling the underlying corporate governing initiative. Contrary to

³²⁶ See *supra* text accompanying notes 1-19 & 129-136.

³²⁷ For a description of the risks associated with alienating politicians, especially state governments and legislatures, see Bhagwat, Warren, Beck & Watson, *supra* note 22, at 5.

³²⁸ See *supra* text accompanying notes 6-12.

³²⁹ Florida retaliated against Disney by revoking special tax and other benefits the company had been enjoying for over 50 years. See *supra* note 8 and accompanying text. A Section 220 DGCL claim ensued lamenting, among other things, that the company “fail[ed] to appreciate the known risk that [its] political stance would have on its financial position and the value of Disney stock.” *Simeone*, C.A. No. 2022-1120-LWW, at *11-12.

³³⁰ See *supra* text accompanying notes 14-19.

³³¹ Cf. Bridget Bowman, ‘A country on fire’: New poll finds America polarized over culture, race and ‘woke’, NBC NEWS (Apr. 26, 2023), <https://www.nbcnews.com/meet-the-press/first-read/-country-fire-new-poll-finds-america-polarized-culture-race-woke-rcna81592>.

³³² See e.g. Ann Lipton, *The Revolution Will Be Marketed*, BUSINESS LAW PROF. BLOG (Sept. 8, 2018), https://lawprofessors.typepad.com/business_law/2018/09/therevolution-will-be-marketed.html (discussing Nike’s endorsing deal with Colin Kaepernick and finding “difficult to believe that [Nike CEO] Knight was unaware this is a controversial move; it seems *designed* to be controversial.”)

³³³ Simmons, *supra* note 37, at 714. Cf. also Stavros Gadinis & Amelia Miazad, *Corporate Law and Social Risk*, 73 VAND. L. REV. 1401, 1401 (2020) (arguing that “ESG serves shareholders’ interests, not because of its upside potential to increase profits, but because it helps companies identify and manage social risks to their business.”).

the idea that such initiatives are rushed decisions to score cheap political points, they are expected to be planned by companies with structures and safeguards in place to absorb the related risks.³³⁴

All in all, commentators should be wary of advocating for wholesale approaches simply because corporate governing alienates some politicians. First, upsetting state or local politics may precisely be the goal corporations have in mind when they do public policy advocacy.³³⁵ Second, while sometimes corporations see a potential opportunity they decide to take a chance on, some other times they have no choice but to navigate a risk when asked to take a position over a pressing issue—Disney for example escalated tensions with DeSantis because of pressures from stakeholders.³³⁶ Finally, fearing and succumbing to politicians' initial reactions may bolster their autocratic tendencies; as this point transcends a cost-benefit analysis at the firm-level, it requires a separate normative analysis, which ensues in the two subsections below.

C. The Social Advocacy Case for Corporate Governing: Do Social Activists and Society Ultimately Benefit?

The normative merits of corporate governing become harder to decipher when one considers its impact on society, which is obviously a broad topic beyond the confines of traditional corporate governance. Because corporate governing is geared to make an impact on society, it is essential to understand its normative implications for social activists, on the one hand, and for civil society, on the other hand.

1. *Social Activists.* The former category is easier to address. Social activists decide to partner up with corporations because they expect to achieve something they would not otherwise score alone.³³⁷ In a way, from their perspective, corporate governing is a strategic partnership with one or more corporations on some high-stakes issue. So long as they perceive the bargain is worth it, they will engage with corporations and solicit their involvement. If social activists find corporate governing counterproductive, they have the power to stop the collaboration with the corporation. True, some fake grassroots movements will continue to be around, but “true” social activists can keep corporations honest and disavow any initiative they consider misaligned with their mission. It takes two to tango. If they don't stop the dance, it's because in their strategic calculus, corporate governing works.

Whether corporate governing works for social activism is something to test based on its effectiveness in the past, by looking at the solutions corporations managed to offer to pressing policy issues. Some corporations have demonstrated a commitment to certain social causes and showed their ability to deliver some results. In these cases, corporate governing did serve as a mechanism for promoting social change. Similar cases may follow the same path. Past tangible achievements bolster the argument for corporations as potential allies in addressing societal concerns. Assessing the track record of corporate governing can provide insights into its capacity to drive meaningful change. In this regard, corporations are considered important

³³⁴ Simmons, *supra* note 37, at 734. *See supra* note 273.

³³⁵ *See supra* note 22 and accompanying text. *See also supra* note 332.

³³⁶ *See supra* text accompanying note 4.

³³⁷ *See* Lin, *supra* note 28, at 1574 (“By using the resources and expertise of businesses, activists can have a broader, more diverse reach and a more effective impact than they otherwise could on their own”).

catalysts for much progress on LGBTQIA rights.³³⁸ True, as noted by Professor Lund with respect to asset manager’s policymaking efforts, the sensitivity and divisiveness of some issues raise concerns about how effective corporate engagement in the public sphere can be.³³⁹ While corporations may have the intention to address societal issues, their actions may fall short due to fear of political backlash.³⁴⁰ Especially in this age of overt “anti-woke” sentiment by many on the right, corporations might prefer to play it safe to avoid attracting the ire of politicians and their electorate. This limitation raises questions about the sufficiency of corporate efforts to bring about meaningful change and whether relying on corporate governing is adequate to address complex social challenges.³⁴¹ But again, social activists can decide for themselves.

2. *Civil Society*. Assessing whether civil society benefits from corporate governing is much trickier given the difficulty to define with precision the category (should it entail the immediate stakeholders of the corporation or also larger swaths of the population?) and take its pulse (how to measure the impact of a corporate governing initiative on civil society?). That said, and to begin, one’s political views inevitably influence the perception of corporate governing on society: as former Chief Justice Leo Strine wrote, people tend “to like corporate conduct that echoes their beliefs and to call corporate conduct discordant with their beliefs illegitimate.”³⁴² Also, one’s philosophy as to the role of corporations in society matters. On the one hand, advocates of market-based solutions may view corporate governing as an effective means to address societal issues without pervasive governmental intervention.³⁴³ On the other hand, critics of corporate political expression rebut that, when shareholders are in disagreement with the corporation’s political orientation, they have no opt-out mechanisms.³⁴⁴

Of course, it is inevitable that *some* in society will fret about a corporate governing initiative,³⁴⁵ no matter how popular among citizens—after all, unanimity is impossible to

³³⁸ See e.g. BALL, *supra* note 107; Fan, *supra* note 23, at 476-83; Sanjukta Brahma, Konstantinos Gavrilidis, Vasileios Kallinterakis, Thanos Verousis, Mengyu Zhang, *LGBTQ and finance*, 86 INT’L. REV. FIN. ANALYSIS 8-9 (2023) 102547.

³³⁹ Lund, *supra* note 27, at 42-44. *Cf. also* Moorman, *supra* note 22, at 389 (noting the inherent divisiveness of a corporations’ political initiatives).

³⁴⁰ *Id.*

³⁴¹ See *infra* Section V.B.2.

³⁴² Strine, *Good Corporate Citizenship*, *supra* note 29 at 346.

³⁴³ See e.g. Lipton, *supra* note 87 (supporting stakeholderism as a recipe to avoid more pervasive governmental regulation).

³⁴⁴ See e.g. Coates et al., *supra* note 277, at 5; Bebchuk & Jackson, *supra* note 259.

³⁴⁵ See e.g. Stephen Bainbridge, *Woke Business: Putting the Nike-Kaepernick Ad Controversy into Context: The Problem of Social Justice Warrior CEOs*, PROFESSORBAINBRIDGE.COM (Sept. 5, 2018), <https://www.professorbainbridge.com/professorbainbridgecom/2018/09/woke-business-putting-the-nike-kaepernick-ad-controversy-into-context-the-problemof-social-justice.html> (lamenting that “it simply would not occur to [social justice warriors] . . . like [Nike CEO Phil] Knight that there are folks who would take offense from the Kaepernick ad.”).

achieve.³⁴⁶ Yet this raises understandable concerns, which I dub “dissenter’s rights.”³⁴⁷ For any corporate governing action, there will be some in the shareholder base, in the workforce, or in broader society who will disagree with such an action and feel uncomfortable with the corporation’s using its levers to achieve the underlying socio-political goal. To exemplify, I use the following roadmap to track the impact of corporate governing on various constituencies:

i) Investors. The analysis in the previous subsections has mainly focused on shareholders (particularly those who prioritize wealth maximization)³⁴⁸ and indicated that, though no firm answer can be offered in the abstract, there are circumstances in which shareholders can be well served by corporate governing.³⁴⁹ Still, even with an action that results in some verifiable financial gain, it is quite possible that some in the shareholder base might still object based on political or religious beliefs. Corporate scholarship has elucidated that in many cases beneficial owners (like investors in a 401(k) plan) cannot really use the Wall Street rule and sell the stock to invest into an issuer more aligned with their credo.³⁵⁰ This is essentially a corporate governance problem for which some in the literature have proposed solutions.³⁵¹

ii) Employees and Stakeholder Communities. Similarly, while the preceding subsections describe how corporate governing can positively impact employees and similar stakeholder communities (such as business partners or gig workers),³⁵² a similar dissenter issue arises: the typical example is that of a conservative who works at a corporation whose CEO publicly embraces one or more liberal causes (but of course examples can go in the opposite direction). The concern is that contrarian employees would feel less free when they perceive they are expected to conform to the view of the employer.³⁵³ For employees, who are typically dependent on the corporation for their livelihood and may lack viable exit strategies, this is considered a far bigger risk than for dissenting shareholders.³⁵⁴

³⁴⁶ Strine, *Good Corporate Citizenship*, *supra* note 29, at 334:

Encouraging corporations to act on society when you like the policies they support but arguing that they should not act when you oppose the policies is a natural human tendency, of course. But, until the world is comprised solely of people and thus corporations exactly like you, it does not chart a principled path forward.

For a discussion on possible unanimous shareholder approval as requirement for political speech, see Bebchuk & Jackson, *supra* note 264, at 115.

³⁴⁷ The following description is indebted to a recent article by former Chief Justice Leo Strine, in which he lays out the risks for a pluralistic society when corporations push a policy agenda to its various stakeholders and employees. *See* Strine, *Good Corporate Citizenship*, *supra* note 29, at 355-60.

³⁴⁸ However, there are also shareholders, such as the shareholders described by Hart & Zingales who are interested in “values” and seek to balance financial and non-financial goals. For the latter group, corporate governing may be seen as a way to align corporations with the broader societal objectives they care about. *See* Hart & Zingales, *supra* note 29.

³⁴⁹ *See supra* Sections IV.A (discussing the business case) and IV.B (discussing the strategic case). *Cf.* Masconale & Sepe, *supra* note 30, at 305 (“Corporate activism increases, rather than reduces, shareholder value.”).

³⁵⁰ *See e.g.* Coates et al., *supra* note 277.

³⁵¹ *See generally* Bebchuk & Jackson, *supra* note 264 (discussing corporate political spending and proposing various measures including disclosures, independent director approval, and shareholder approval). *See also* Strine, *Good Corporate Citizenship*, *supra* note 29 (proposing a series of measures as guardrails against executive abuses).

³⁵² Lin, *supra* note 55, at 1573. *See also* the literature cited *supra* in note 303. *See* Part II.A for a description of selected initiatives that benefit such categories.

³⁵³ Masconale & Sepe, *supra* note 30, at 265.

³⁵⁴ *Id.* *See also* Strine, *Good Corporate Citizenship*, *supra* note 29, at 356-57 (same).

iii) *Broader Society*. The analysis above is also useful if we look at broader society. Corporate governing can reverberate outside the corporation with positive impact on citizens and society at large. Effective corporate governing can contribute to a more sustainable and inclusive economic system in ways that may have not been achieved as effectively by politics alone.³⁵⁵ Additionally, corporations that embrace social responsibility through their initiatives can influence societal values, norms, and ultimately policymakers.³⁵⁶ But again, some citizens will be outraged by corporations for using their powers to influence society in this manner.³⁵⁷

D. The Political Case for Corporate Governing: Does It Imperil Democratic Institutions?

Finally, an important dimension of the normative analysis revolves around the implications of corporate governing on our democratic institutions. The overarching question is how society is imperiled by corporations being active on the political front and de facto becoming crucial catalyzers for social change. As an observer put it, “[t]he fact that companies, rather than Congress or the courts, are shifting in response to political activism in the United States says something profound—about American tribalism, the demise of political cooperation, and the rise of a sort of liberal corporatocracy.”³⁵⁸

This issue is quite problematic, and before addressing in Section V.B.2 some of the associated risks, to help frame such analysis, some key aspects deserve attention. First, the presence of unelected policymakers raises concerns. Scholars such as Lin,³⁵⁹ Masconale and Sepe,³⁶⁰ and Bainbridge,³⁶¹ echoing fund literature by Coates³⁶² and Lund,³⁶³ have pointed to the potential risks associated with decision-makers in corporations holding significant political power without being elected to public office. This phenomenon challenges democratic principles by concentrating authority in the hands of individuals who lack the legitimacy that elected representatives possess and are not representative of society at large.³⁶⁴

³⁵⁵ Lin, *supra* note 28, at 1574-79 (mentioning the deeper social impact that corporations could help attain, along with improving operations and funding at social activist organizations); Fan, *supra* note 23, at 490 (noting that corporations have the ability to, among other things, “increase public attention on particular social issues” and “provide funding to the social movement organization”).

³⁵⁶ Cf. Kahan & Rock, *supra* note 57, at 53:

we see the promise of welfarism as playing out in the political realm by potentially changing the political economy of social regulation and thereby facilitating needed regulatory change. While welfarism looks to the corporate sector to make up for the regulation of externalities that political dysfunction blocks, it may, somewhat ironically, ultimately have a greater impact on improving our politics than on changing private enterprise.

³⁵⁷ The corporate literature has shown unease not only in finding satisfactory solutions but also in participating to the discussion. Leo Strine described the underlying debate as “rancorous.” Strine, *Good Corporate Citizenship*, *supra* note 29, at 329 & 344.

³⁵⁸ Derek Thompson, *Why Are Corporations Finally Turning Against the NRA?*, ATLANTIC (Feb. 26, 2018), <https://www.theatlantic.com/business/archive/2018/02/nra-discounts-corporations/554264/> (cited by Fan, *supra* note 4, at 471).

³⁵⁹ Lin, *supra* note 28, at 1588 (mentioning corrosion of democratic values).

³⁶⁰ See generally Masconale & Sepe, *supra* note 30, at 305-11.

³⁶¹ BAINBRIDGE, *supra* note 30, at 150.

³⁶² John C. Coates, IV, *The Future of Corporate Governance Part I: The Problem of Twelve*, 1, 5-6 (Harv. Pub. L. Working Paper No. 19-07, Sept. 20, 2018), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3247337.

³⁶³ Lund, *supra* note 27, at 44-45.

³⁶⁴ See *infra* Section V.B.2.

Second, corporate money in politics and corporate influence in policymaking go hand in hand. The influence of corporate contributions and lobbying efforts on political campaigns and policymaking processes is a hotly debated topic and not just in scholarly circles.³⁶⁵ The substantial financial resources at the disposal of corporations can potentially distort the democratic decision-making process, favoring the interests of those with significant financial power over the broader public interest.³⁶⁶ In this regard, the concept of “supercitizens” introduced by Masconale and Sepe inserts another layer to the normative analysis.³⁶⁷ It highlights the increasing influence of corporations to select areas of intervention—this is a game ordinary individual citizens play in a much lower league. This power asymmetry can undermine democratic foundations and potentially diminish the ability of ordinary citizens to shape public policy outcomes.

Finally, delegating too much to corporations while giving up on traditional politics requires careful consideration. If corporations increasingly take on roles traditionally reserved for government bodies, accountability, and transparency mechanisms, which are inherent to democratic governance, might be eroded.³⁶⁸

* * *

There are many different dimensions to normatively assess corporate governing. Some relate to value judgments that are typical of corporate governance analysis: think of shareholder value (or *values*) maximization in the short and, when strategic issues are assessed, long term. Yet, some other crucial analytical dimensions transcend traditional corporate governance frameworks—whether social advocacy and society benefit from corporate governing or whether such an activity imperils democratic institutions are not the issues corporate governance scholars normally grapple with.

While the business and the strategic are not particularly hard to navigate, the other two raise bigger questions. The social advocacy issue is less problematic than the broader societal implications of corporate governing. Put simply, if corporate governing is ever found counterproductive by social activists, they have the power to stop the dance. True, some fake grassroots movements/astroturf activity will continue, but “true” social activists will have the ability to disassociate from the initiative if they feel partnering with corporations is unhelpful or worse, detrimental. If they keep tangoing, it’s because in their strategic calculus, corporate governing works.

The broader societal and political implications of corporate governing are harder to assess. While the goal of this Part IV is to frame the relevant questions, to address them more fully, I further dissect the main risks of corporate governing in Part V and assess some of the proposed policies to contain them in Part VI.

V. THE PROMISES AND RISKS OF CORPORATE GOVERNING

With the groundwork laid out in Part IV, I turn to analyze the promises and risks associated with corporate governing in this Part V. Importantly, I hold separate analyses by

³⁶⁵ See *supra* Section I.C.

³⁶⁶ See e.g. Bebchuk & Jackson, *supra* note 264; Strine, *Good Corporate Citizenship*, *supra* note 29.

³⁶⁷ See Masconale & Sepe, *supra* note 30, at 282-85.

³⁶⁸ See *infra* note 443 and accompanying text.

looking from a corporation perspective first (Section V.A) and then from a societal one (Section V.B).

A. The Promises and Risks of Corporate Governing for Corporations

1. Promises to Corporations

From a corporation's perspective, corporate governing initiatives can in the abstract yield benefits.³⁶⁹ Social initiatives that align with the values of current and potential customers can enhance loyalty and expand the customer base. While companies such as Patagonia and Ben & Jerry's are the first that normally come to mind,³⁷⁰ many other companies have benefited from positioning themselves as virtuous actors on key social issues: Walmart's partnership with the Environmental Defense Fund has helped the company launch new sources of revenue via environmentally friendly products and cost saving through smarter energy practices;³⁷¹ the Big Three managed to lure younger generations into responsible investing;³⁷² Lyft swayed clients from Uber in the immediate aftermath of Trump's Muslim ban;³⁷³ Nike's market share soared after offering an endorsement deal to Colin Kaepernick.³⁷⁴ Likewise, initiatives promoting sustainability or diversity, equity, and inclusion (DEI) can impress job candidates, facilitate talent recruitment, and improve the level of the workforce.³⁷⁵ Such initiatives also boost morale among existing employees who support them³⁷⁶—in some cases, existing employees are the actual initiators of the initiatives.³⁷⁷ The above advantages, which may cumulate, are expected to reverberate in the results of the corporation for the benefits of shareholders, as empirical studies suggest.³⁷⁸

2. Risks to Corporations

While there may be advantages to corporate governing, businesses also face risks, which are the flip side of the promises above. One of the primary risks of corporate governing is the alienation of a corporation's own stakeholders who hold political views opposite to the corporate action in question. This can lead to unhappy workers and potential backlash from

³⁶⁹ As indicated *supra* in Section IV.A, whether potential benefits translate into actual one is an empirical question that can only be answered with the benefit of context and hindsight. The same applies to potential and actual risks. Thus, from a corporation's perspective, corporate governing represents a risk that can yield either to a reward or to PR or other damage.

³⁷⁰ See *supra* notes 296-297.

³⁷¹ LIN, *supra* note 32, at 113-14.

³⁷² See generally Barzuza, Curtis & Webber, *supra* note 27.

³⁷³ Marisa Kendall, *In Trump backlash, Lyft ends up on top*, MERCURY NEWS (Jan. 31, 2017), <https://www.mercurynews.com/2017/01/31/lyft-scores-first-ever-app-store-win-over-uber/>.

³⁷⁴ See Kovvali, *supra* note 29, at 46-47.

³⁷⁵ Justin McCarthy, *Environmental Record a Factor for Most U.S. Job Seekers*, GALLUP (Apr. 13, 2021) <https://news.gallup.com/poll/346619/environmental-record-factor-job-seekers.aspx>; DELOITTE, 2023 GEN Z AND MILLENNIAL SURVEY 7, [HTTPS://WWW.DELOITTE.COM/GLOBAL/EN/ISSUES/WORK/CONTENT/GENZMILLENNIALSURVEY.HTML](https://www.deloitte.com/global/en/issues/work/content/genzmilennialsurvey.html). See the literature cited *supra* note 303.

³⁷⁶ See Edmans, *supra* note 303.

³⁷⁷ See *supra* note 26.

³⁷⁸ See the literature cited *supra* note 304.

other stakeholders.³⁷⁹ Examples of these fallout abound: Bud Light,³⁸⁰ Target,³⁸¹ companies whose executives took an advisory role during Trump's presidency.³⁸² This risk is ever greater now that conservative groups are targeting corporations they consider too progressive with boycotts and online campaigns.³⁸³

Of course, among stakeholders we have shareholders. Some of them may be reluctant to see "their money" spent on causes they do not believe in.³⁸⁴ Some others may be wary of actions that carry strategic risks and might ultimately backfire, as described in Section IV.B. These shareholders may argue that it is not in the corporation's best interest to be distracted by politics,³⁸⁵ let alone to make enemies among politicians, as this could result in increased regulatory scrutiny, investigations, and counter-activism.³⁸⁶ The Disney/DeSantis feud is an example of how the risk of becoming a prominent target for regulation and counter-activism can escalate.³⁸⁷

Depending how popular a given policy is among voters, corporations may or may not decide to act upon it if they anticipate that they will likely embark in a zero-sum or negative-sum initiative. Public opinion preferences on polarizing policy issues are of course everchanging and corporations might have a hard time recognizing what will best serve their interests *ex ante*.

More generally, the existing corporate law and governance ecosystem may not be well-suited for handling the complexities and potential conflicts associated with corporate governing.³⁸⁸ When a corporation pursues a broader agenda or mandate that goes against the preferences of shareholders or stakeholders, existing governance mechanisms may struggle to hold corporate executives and boards accountable, especially when it is not exactly clear to

³⁷⁹ See *supra* notes 352-354 and accompanying text.

³⁸⁰ See *supra* note 18-19.

³⁸¹ See *supra* note 16-17.

³⁸² Tanya Dua, *Under Armour is the latest brand facing backlash after CEO praises Trump*, DIGIDAY (Feb. 8, 2017), <https://digiday.com/marketing/armour-latest-brand-facing-backlash-ceo-praises-trump/> (mentioning backlash at Under Armour, LL. Bean, and New Balance for their CEO's associations with Trump).

³⁸³ See *supra* Section IV.B.

³⁸⁴ See e.g. Friedman, *supra* note 76; Bebchuk & Jackson, *supra* note 264, at 112; Coates et al., *supra* note 277, at 4-5; Strine, *Good Corporate Citizenship*, *supra* note 29, at 331; BAINBRIDGE, *supra* note 30, at 92.

³⁸⁵ See Bainbridge, *supra* note 265.

³⁸⁶ See Lin, *supra* note 28, at 1582-83:

Politicians could subject businesses that take social positions adverse to their political interests to greater scrutiny, negative commentary, and possibly punitive actions, like cancellations of tax subsidies and government contracts. And likewise, those politicians could heap favors onto those that adhere to social positions aligned with their own in a corrupt manner, leading to cronyism in the marketplace.

³⁸⁷ See *supra* notes 1-12 and accompanying text.

³⁸⁸ See generally Bebchuk & Jackson, *supra* note 264 and Coates et al., *supra* note 277. See also Strine, *Good Corporate Citizenship*, *supra* note 29, at 351-52.

whom they should be. As lines of accountability become hazier, the system may lack necessary checks and balances to ensure transparency³⁸⁹ and responsible decision-making.³⁹⁰

In summary, the risks corporations face when they engage in corporate governing are multi-faceted. Corporations risk alienating stakeholders with contrasting political views, shareholders may be uneasy with their firm funding causes they disagree with, and the current corporate governance framework may not be equipped to effectively manage broader agendas that may conflict with shareholder and stakeholder desires. These risks highlight the need for careful consideration and accountability when corporations engage in political action or perform quasi-governmental functions, which is a task I take on in Part VI.

B. The Promises and Risks of Corporate Governing for Society at Large

1. Promises to Society

Corporate governing presents some unique qualities in achieving the underlying socio-economic goals.

Feasibility of “Reform.” Corporate governing offers a feasible avenue for addressing pressing policy issues when the government is dysfunctional or unwilling to act due to political constraints. With their resources and expertise, corporations can step in and fill the void left by the government, providing practical solutions to societal challenges.³⁹¹

Flexibility and Speed. Corporations have the advantage of being nimble and adaptable in their decision-making processes. Unlike the often slow and bureaucratic nature of politics, corporate entities can quickly respond to emerging issues and adjust their strategies accordingly. This flexibility enables them to address pressing concerns with agility and innovation, bypassing the delays often associated with legislative and regulatory processes. Timely responses to societal demands ensure that pressing issues are addressed.³⁹²

Knowledge. Compared to the public sector, corporations may have superior expertise and be in possession of greater data in certain areas, especially technology.³⁹³ In addition, they can leverage that knowledge through their powerful advertising arms to shape public opinion.³⁹⁴ Furthermore, corporations possess diverse workforce and management teams, which brings together individuals with assorted backgrounds, expertise, and perspectives. Many of these individuals champion social and economic causes and reforms.³⁹⁵ With their knowledge, corporations can better navigate the intricacies of contemporary and complex social issues. The

³⁸⁹ For instance, because the corporate and securities law system does not offer adequate remedies for misleading statements that do not meet a materiality test (*Basic Inc. v. Levinson*, 485 U.S. 224, 231–32 (1988)), we may not be equipped to respond to “a worrying increase in the amount of misleading information produced by companies, including information on environmental and social aspects” (Federica Balluchi, Arianna Lazzini & Riccardo Torelli, *CSR and Greenwashing: A Matter of Perception in the Search of Legitimacy* 1 (Dec. 15, 2020), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3721199 (quoted by BAINBRIDGE, *supra* note 30, at 87)).

³⁹⁰ See *infra* Part VI for some corporate governance fixes to policy suggestions to improve corporate governance.

³⁹¹ Fan, *supra* note 25, at 471; Lin, *supra* note 28, at 1574–75; Kovvali, *supra* note 29, at 23–34; Kahan & Rock, *supra* note 57, at 52; Strine, *Restoration*, *supra* note 29, at 434.

³⁹² See e.g. Kovvali, *supra* note 29, at 23–24.

³⁹³ Simmons, *supra* note 37, at 766.

³⁹⁴ *Id.*

³⁹⁵ Cf. Barzuza, Curtis & Webber, *supra* note 303, at 21–22; DELOITTE, *supra* note 375.

ability to harness the collective intelligence of the workforce enhances the quality and effectiveness of corporate governing initiatives.³⁹⁶

Amplifying Grassroot Activism. From the perspective of grassroot activists, engaging with corporations can be an effective means of exerting “prime time” pressure and gaining media coverage for their causes.³⁹⁷ By partnering with corporations, activists can draw attention to specific issues and amplify their voices, benefiting from corporate influence and reach.

Conduit to Actual Reform. Some view corporations’ initiatives as first, almost necessary steps, to finally get to a full-blown reform. One reason is that first mover corporations expect a levelled playing field to force their competitors to adhere to the norms they had first introduced.³⁹⁸ Others believe that, once corporations move in a certain direction, opposing politicians would take notice and recalibrate their priors.³⁹⁹ In addition, drawing on Professor Dorothy Lund’s take on asset manager’s influence on corporate policy, corporate governing of multinational companies could bypass international coordination issues in policymaking and set forth transnational practices.⁴⁰⁰

Private Sector in America. In the United States, the private sector is perceived as a more fertile avenue for change compared to traditional politics. This perception stems from a combination of factors, including the ideology of a more individualistic society,⁴⁰¹ but also a changing workforce composition, particularly in high-profile industries like technology.⁴⁰²

Only Game in Town. For liberals and progressives, corporations can represent the only viable avenue of reform in some conservative states or when national politics tilt to the right as during the Trump presidency: whenever political support for their causes is lacking, allying with Corporate America might mean securing (or protecting) some fundamental rights.⁴⁰³

In general, the vocation of corporate governing is fixing some ails affecting society that politics cannot or will not fix. If one looks at its advantages from a societal standpoint, corporate governing helps address pressing policy issues when Congress fails to act swiftly or to act at all. In this regard, corporate governing has managed to achieve important results: corporate initiatives were instrumental in attaining crucial wins at the national level for the LGBTQIA movement;⁴⁰⁴ JPMorgan Chase’s commitment to revitalize Detroit resulted in increases in real

³⁹⁶ Lin, *supra* note 28, at 1574-78.

³⁹⁷ *Id.* at 1575-76.

³⁹⁸ Kahan & Rock, *supra* note 57, at 52 (arguing that the more corporations engage in ESG the more they will push lawmakers to embrace ESG reforms to level the playing field between ESG-prone companies and holdouts).

³⁹⁹ Kovvali, *supra* note 29, at 34.

⁴⁰⁰ Lund, *supra* note 27, at 7. True, Lund’s observation relates to the influencing power of the Big Three which, all else being equal, would be much more centralized than several multinationals adopting their own initiatives. Yet, even without large funds’ input, corporations have internationally converged on certain macro initiatives, such as the push for DEI.

⁴⁰¹ *Cf.* Kovvali, *supra* note 29, at 34.

⁴⁰² See *supra* note 26. See also Lund, *supra* note 27, at 37 (noting that though intellectual support for privatization has somewhat receded in recent times, it remains an important part of the policymaking toolkit).

⁴⁰³ *Cf.* Dorothea Roumpi, Panagiotis Giannakis & John E. Delery, *Adoption of LGBT-friendly practices: The effect of institutional pressures and strategic choice*, 30 HUM. RESOUR. MANAG. J. 604, 617 (2019) (finding that organizations with liberal CEOs in states that do not have laws protecting LGBTQIA employees are more likely to adopt LGBT-friendly practices). See *supra* Section II.A.2 for examples of salient corporate governing actions during the Trump presidency.

⁴⁰⁴ See generally BALL, *supra* note 107 (chronicling how big business became an important ally to promote marriage equality and rebuke discriminatory laws and regulations).

per capita income and “gross city product” and, given the success, JPM Morgan is insisting with similar initiatives in other cities;⁴⁰⁵ though ending the gun violence epidemic is unfortunately nowhere near, Corporate America’s response to the Parkland (and subsequent) shooting(s) represented a sea change on the overall perception of the gun industry not just in public opinion but within the capitalist establishment;⁴⁰⁶ the aftermath of George Floyd’s murder prompted several businesses to pledge an aggregate of \$50 billion to help fight racial inequality;⁴⁰⁷ corporate boards are more diverse now than they were only a few years ago.⁴⁰⁸

True, none of the above initiatives by themselves can be problem-solving, but a pragmatist might reckon that incremental improvements of this sort are better than no improvements. Of course, there are associated risks as the ensuing subsection illustrates.

2. *Risks to Society*

Corporate governing raises several societal risks, including that it is undemocratic as it lacks accountability and representativeness; it is divisive and anti-pluralistic; its reach is partial; corporations might lose interest or, worse, be opportunistic, absent, or antagonist to society’s quests; corporations contribute to the gridlock; and abandoning traditional politics is a risky proposition. The paragraphs below describe such risks and this Section V.B.2 closes with an assessment of the most problematic among them. As a disclaimer, this Paper defines (and addresses solely) corporate governing as corporate engagement with socio-economic issues that matter to citizens (race and gender relations, sexual orientation, climate, voting rights, guns) and does not cover the adjacent, yet different, issue of corporate money and influence in politics, which is well covered in the literature.⁴⁰⁹

Undemocratic for Lack of Accountability and of Representativeness. The most recurring concern in the literature is the lack of political accountability of the executives and managers who make policy choices. Some see this as fundamentally undemocratic because the decision-makers are unelected by the polity:⁴¹⁰ those who want to make policy impact should run for office, the argument goes; surreptitiously passing what detractors call divisive politics defies the rules of

⁴⁰⁵ LIN, *supra* note 32, at 110-13 (citing data collected by the Chicago Fed).

⁴⁰⁶ *Id.* at 3-4.

⁴⁰⁷ However, whether the pledges translated into real progress is unclear given the lack of transparency on the implementation of the various initiatives; also, the bulk of the pledged money (around \$45 billion) is for home ownership programs at JPM Morgan Chase and Bank of America, which non-Black citizens can apparently tap into. See Tracy Jan, Jena McGregor & Meghan Hoyer, *Corporate America’s \$50 Billion Promise*, WASH. POST (Aug. 23, 2023), <https://www.washingtonpost.com/business/interactive/2021/george-floyd-corporate-america-racial-justice/>.

⁴⁰⁸ Fairfax, *supra* note 234, at 166-68.

⁴⁰⁹ Therefore, my description of the risks of corporate governing does not extend to the severe political and economic risks of a rule of law corrupted by money in politics. For a thorough critical assessment of the latter risks, see Coates, *supra* note 107, at 266-75. See also Dorothy S. Lund & Leo E. Strine, Jr., *Corporate Political Spending Is Bad Business*, HARV. BUS. REV. (Jan.–Feb. 2022).

⁴¹⁰ See e.g. Masconale & Sepe, *supra* note 30, at 305-11; Coates, *supra* note 107 (discussing the implications of *Citizens United*). Note that similar concerns have been raised with respect to the related issue of the influence exerted by large asset managers on corporations. See Coates, *supra* note 362, at 5-6; Lund, *supra* note 27, at 44-45.

the democratic game.⁴¹¹ Some others point out that the decision-makers, who are said to mostly come from privileged backgrounds, and to skew white and male, are not representative of society at large.⁴¹²

Divisiveness and Lack of Pluralism. As noted, picking the wrong political battle, and alienating various stakeholders are corporate-level risks.⁴¹³ Of course, such an action can have a broader impact on society at large. This is the case for corporate governing initiatives that can alienate significant parts of the workforce and reinforce the idea that many Americans lose their fundamental freedoms when they are at work.⁴¹⁴ Sadly, in many cases, corporations (and thus society) face lose-lose situations: “talk” and alienate some (or many, depending on the issue); “not talk” and alienate many (or some, depending on the issue).

Partial Reach of Corporate Governing. Another criticism is that corporate governing cannot do enough to cure society’s ails because it is partial by nature: the initiatives cover only stakeholders of a particular firm. One may speculate that it may well be a partial phenomenon that at best covers only large corporations,⁴¹⁵ mostly the public ones.⁴¹⁶ A theory in support is that firms want self-imposed regulation because it helps those with the bigger size.⁴¹⁷ Similarly, one can argue that corporate governing can only be “afforded” by those in non-competitive markets.⁴¹⁸ At a minimum, given its partial nature, corporate governing raises a hold-out problem: firms that truly opt to embrace pro-stakeholder values may expect to be punished with returns lower than those who have opted out.⁴¹⁹

Flaky Corporate Governing. One could argue that even if partial, corporate governing is at least incrementally positive for those affected, no matter how limited the scope. Yet there still

⁴¹¹ This line of criticism is a staple of Milton Friedman’s famous opposition to corporate social responsibility. See Friedman, *supra* note 76 (“those who favor the taxes and expenditures in question have failed to persuade a majority of their fellow citizens to be of like mind and that they are seeking to attain by undemocratic procedures what they cannot attain by democratic procedures.”). But see Kahan & Rock, *supra* note 27, at 53: “[welfarism] may ultimately have a greater impact on improving our politics than on changing private enterprise”).

⁴¹² See generally Jill E. Fisch, *The “Bad Man” Goes to Washington*, 75 *FORD. L. REV.* 1593 (2006); Ronald J. Gilson, *Corporate Governance versus Real Governance*, 34 *J. APPL. CORP. FIN.* 8, 11 (2022); Strine, *Good Corporate Citizenship*, *supra* note 29, at 354.

⁴¹³ See *supra* Section V.A.2.

⁴¹⁴ Drawing on ELIZABETH ANDERSON, *PRIVATE GOVERNMENT: HOW EMPLOYERS RULE OUR LIVES (AND WHY WE DON’T TALK ABOUT IT)* (2017), see Strine, *Good Corporate Citizenship*, *supra* note 29, at 355-57 (noting at 357 that “a system that facilitates corporate inculcation of certain political and social values is disadvantageous for workers, because it could make them have to shop for red or blue companies, or just endure working hours in an atmosphere that lacks the pluralism and freedom that represents a key part of being an American.”).

⁴¹⁵ Cf. Yaron Nili & Kobi Kastiel, *The Corporate Governance Gap*, 131 *YALE L.J.* 782 (2022).

⁴¹⁶ Alperen A. Gözlügöl & Wolf-Georg Ringe, *Private Companies: The Missing Link on The Path to Net Zero* (Eur. Corp. Governance Inst., Law Working Paper No. 635, 2022, forthcoming *J. CORP. L. STUDIES* 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4065115.

⁴¹⁷ JOHN BRAITHWAITE, *REGULATORY CAPITALISM: HOW IT WORKS, IDEAS FOR MAKING IT WORK BETTER* 22 (2008).

⁴¹⁸ Mark J. Roe, *Corporate Purpose and Corporate Competition*, 99 *WASH. U. L. REV.* 233 (2021) (arguing that only firms operating in noncompetitive settings can afford to pursue a stakeholderist agenda, while those under the pressure of competitive markets might take a more cautious approach).

⁴¹⁹ *Id.*; Matteo Gatti & Chrystin Ondersma, *Stakeholder Syndrome: Does Stakeholderism Derail Effective Protections for Weaker Constituencies?*, 100 *N.C. L. REV.* 167, 224 (2021) (discussing stakeholderism and noting that voluntary stakeholderism may be affected by a holdout problem); Kahan & Rock, *supra* note 57, at 41-43.

can be drawbacks. Corporations can lose interest in corporate governing. This could happen for several factors: for instance, conservative push-back becomes successful;⁴²⁰ corporations could face less investor pressure to act on ESG matters, a trend that some have already observed in the apparent disengagement by some large asset managers;⁴²¹ socio-economic activism could become less central in the discourse in the years to come and thus less “fashionable” for corporations to engage; activist shareholders and stock markets more generally might start to put pressure on corporations to drop social activism on the grounds that it alienates politicians or large swaths of the electorate.

Opportunistic Corporate Governing. Similarly, some fear corporations would only intervene when it’s convenient to them or when they do not fear backlash. Professor Tom Lin noted that corporations do not typically take up religious or other social conservative causes.⁴²² Professor Dorothy Lund mentioned the tepid initiatives undertaken by corporations because of pressure from large asset managers, who try to appease most and not anger anyone:⁴²³ Lund notes, for example, that containing sexual harassment has not been high on the agenda of the Big Three.⁴²⁴ Similarly professors Barzuza, Curtis and Webber mention that index funds intervene aggressively when the cost of intervention is low (women on boards) and tread lightly when it is not (carbon footprint).⁴²⁵

Absent (or Antagonistic) Corporate Governing. There’s worse: corporations will *not* intervene on matters where they have a conflicting interest. Whenever the underlying policies advocated by reform advocates are expected to have an adverse effect on a corporation’s bottom line, corporations will not activate.⁴²⁶ Therefore, in several fields of business law, corporations will

⁴²⁰ Jeff Green & Phil Kuntz, *Anti-LGBTQ Backlash Puts a Chill on Corporate America’s Rhetoric*, BLOOMBERG (Jun. 29, 2023), <https://www.bloomberg.com/news/articles/2023-06-29/us-companies-were-less-vocal-on-pride-month-during-anti-lgbtq-protests?leadSource=uverify%20wall&sref=DIVsyJQr#xj4y7vzkg> (reporting that mentions of Pride Month were down on earnings calls and in filings for the first time in five years); Jeff Green, *Businesses Are Quietly Rethinking Their DEI Efforts: Equality*, BLOOMBERG (Jul. 27, 2023), <https://www.bloomberg.com/news/newsletters/2023-07-27/businesses-are-quietly-rethinking-their-dei-efforts-equality>; Green, *supra* note 263.

⁴²¹ See William W. Bratton, *Shareholder Primacy versus Shareholder Accountability* 34 (Eur. Corp. Governance Inst. Law Working Paper, No. 726/2023), http://ssrn.com/abstract_id=4431055 (noting that asset managers have been implementing schemes for passing voting decisions to their clients in response to backlash from red state politicians opposing climate change mitigation).

⁴²² Lin, *supra* note 28, at 1586.

⁴²³ Lund, *supra* note 27, at 4 (noting that “the need to ensure client approval indicates that the Big Three will mandate only tepid changes in corporate behavior, and that their rules are not likely to bring about the sweeping changes that may be necessary to address pressing social problems”).

⁴²⁴ *Id.* at 5.

⁴²⁵ Barzuza, Curtis & Webber, *supra* note 27, at 1305-06.

⁴²⁶ Gatti & Ondersma, *supra* note 419, at 229-30. See also BAINBRIDGE, *supra* note 30, at 109-111 (quoting at 109-110 Lucian A. Bebchuk, Kobi Kastiel & Roberto Tallarita, *Stakeholder Capitalism in the Time of COVID* 55 (Feb. 9, 2022), <https://ssrn.com/abstract=4026803>) (discussing how corporations did (not) cater to stakeholders in the wake of the Covid-19 pandemic and arguing that “if corporate leaders chose not to protect the environment, employees, or other stakeholders in a time when stakeholders needed extraordinary protection and shareholders enjoyed a booming market, it is not reasonable to expect them to protect stakeholders in normal times.”)).

not cooperate. Consider labor and employment matters,⁴²⁷ data protection,⁴²⁸ antitrust,⁴²⁹ tax,⁴³⁰ financial reform,⁴³¹ corporate reform where management has rents to protect (e.g., proxy access, executive compensation),⁴³² lobbying and political spending.⁴³³ Not only do corporations not help on such matters, but they in fact *lobby against*: for instance, some businesses that otherwise appear quite active in promoting progressive causes via corporate governing show unequivocal anti-union track records.⁴³⁴ Perhaps corporate governing is useful to corporations because it lures enough social activists to distract public opinion from what once was an undisputed assumption: that corporations are generally against pro-social measures. While the analysis in this Paper shows that this may no longer be true in many fields, in other fields with a greater distributive component like labor, tax, antitrust, and so on, corporate governing might have perilous side-effects.⁴³⁵ This analysis is also confirmed by studies on executives' political affiliation: CEOs' political contributions substantially skew Republican⁴³⁶ and top executives voter registration skews Republican by a seven-to-three ratio.⁴³⁷ How to reconcile this with the observation that corporate governing is for the most part fostering liberal goals? The literature

⁴²⁷ Gatti & Ondersma, *supra* note 419, at 216-19.

⁴²⁸ Karl Evers-Hillstrom & Rebecca Klar, *Corporate lobbying could imperil sweeping data privacy bill*, THE HILL (Aug. 3, 2022), <https://thehill.com/lobbying/3585322-corporate-lobbying-could-imperil-sweeping-data-privacy-bill/>.

⁴²⁹ Emily Birnbaum, *How big tech defeated the biggest antitrust push in decades on Capitol Hill*, L.A. TIMES (DEC. 20, 2022), <https://www.latimes.com/business/technology/story/2022-12-20/how-big-tech-defeated-the-biggest-antitrust-push-in-decades-on-capitol-hill>.

⁴³⁰ Brian Kelleher Richter, Krislert Samphantharak & Jeffrey F. Timmons, *Lobbying and Taxes*, 53 AM. J. POL. SCIENCE 893 (2009) (finding that firms that spend more on lobbying in a given year pay lower effective tax rates in the next year); Mike Tanglis, *THE PRICE OF ZERO: THE 55 CORPORATIONS THAT PAID ZERO IN FEDERAL INCOME TAXES SPENT \$450 MILLION ON POLITICAL SPENDING* (2021), <https://www.citizen.org/wp-content/uploads/Price-of-Zero.pdf>.

⁴³¹ Brian Slodysko, Ken Sweet & The Associated Press, *Army of lobbyists worked to water down bank rules that regulated SVB and Signature: 'You couldn't throw an elbow without running into one'*, FORTUNE (Mar. 21, 2023), <https://fortune.com/2023/03/21/army-lobbyists-worked-water-down-bank-rules-regulated-svb-signature-dodd-frank/>.

⁴³² Bebachuk & Jackson, *supra* note 264, at 91.

⁴³³ See Lund, *supra* note 27, at 45:

if the Big Three were to push the government to take steps to limit the influence of corporate spending in politics, and to regulate business to respond to the risk of climate change or improve workplace diversity, there would be less of a need for them to intervene to adopt rules. The fact that they have not done so suggests that they may benefit from playing the role of regulator of last resort.

⁴³⁴ Gatti & Ondersma, *supra* note 419, at 216-19 (documenting corporations' union busting efforts at Walmart, Google, Amazon, and Starbucks); Strine, *Good Corporate Citizenship*, *supra* note 29 at 333 n.7 (arguing that "[c]orporations often oppose laws that protect workers, consumers, or the environment" and providing a long list of examples). Corporations' opaque contributions to the U.S. Chamber of Commerce and ALEC confirm this suspicion. See *supra* notes 100-101 and accompanying text.

⁴³⁵ In other words, managers will be very careful in trading-off value with values when real money is on the table. "Managers' incentives are aligned more closely with the shareholders' interest in value maximization than with ESG concerns." BAINBRIDGE, *supra* note 30, at 97. See also Dorothy S. Lund & Elizabeth Pollman, *The Corporate Governance Machine*, 121 COLUM. L. REV. 2563, 2565-66 (2021) (arguing that "a vast array of institutional players—proxy advisors, stock exchanges, ratings agencies, institutional investors and associations—enshrine shareholder primacy in public markets.").

⁴³⁶ Alma Cohen, Moshe Hazan, Roberto Tallarita & David Weiss, *The Politics of CEOs*, NBER Working Paper, no. 2019, <http://www.nber.org/papers/w25815>.

⁴³⁷ Vyacheslav Fos, Elisabeth Kempfs & Margarita Tsoutsoura, *The Political Polarization of Corporate America* (Working paper June 29, 2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3784969.

on billionaires' politics has an explanation: while the extremely wealthy have liberal positions on social issues, they support Republican candidates because economic issues are more important to them.⁴³⁸

Corporations Are Contributing to Gridlock in DC. One can push this critique a step further and suggest that corporations are responsible for political gridlock, especially at the federal level. Lobbying and political contributions indicate that this is the case.⁴³⁹ Bill Niskanen, former Reagan economic advisor and former chairman of the Cato Institute, famously praised gridlock on the argument that businesses flourish when legislative inertia persists because of less public spending and less chances of new legislation.⁴⁴⁰ It comes as no surprise, that the bulk of political contributions is opaque and comes from the extremely wealthy.⁴⁴¹ In addition, because of gridlock, corporations' clout increases *precisely* because of corporate governing, with which they can direct society to places where they are comfortable while keeping at bay policies to which they object. Under this lens, corporate governing can be seen as corporations responding to a crisis of their own making, from which they can benefit on a few different levels.⁴⁴²

Death of Politics. Finally, if delegating to corporations means the potential abandonment of traditional politics, that is risky. If corporations increasingly take on roles traditionally reserved for government bodies, the accountability and transparency mechanisms inherent in democratic governance will be eroded.⁴⁴³ This quasi-feudal delegation of power to non-state actors raises questions about whether corporate governing mechanisms are adequate to ensure the public interest is protected.⁴⁴⁴

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⁴³⁸ BENJAMIN I. PAGE, JASON SEAWRIGHT & MATTHEW J. LACOMBE, *BILLIONAIRES AND STEALTH POLITICS* 86-87 (2019) (mentioning that both Robert Koch and Sheldon Alston went on record as pro-choice but nevertheless support Republicans for their policies on the budget and their anti-union stance).

⁴³⁹ Soo Rin Kim, *Just 12 megadonors accounted for 7.5% of political giving over past decade, says report*, ABCNEWS (Apr. 20, 2021), <https://abcnews.go.com/Politics/12-megadonors-accounted-75-political-giving-past-decade/story?id=77189636>.

⁴⁴⁰ William A. Niskanen, *Give Divided Government a Chance*, CATO INST. (Oct. 1, 2006), <https://www.cato.org/commentary/give-divided-government-chance#>. In a similar vein, see Phil Gramm & Mike Solon, *Keep Politics out of the Boardroom*, WALL ST. J. (Jul. 19, 2018), <https://www.wsj.com/articles/keep-politics-out-of-the-boardroom-1531952912> (“Arguments for imposing political and social objectives on business often are little more than rationalizations for forcing businesses to abide by values that have been rejected in Congress and the courts.”).

⁴⁴¹ See generally PAGE, SEAWRIGHT & LACOMBE, *supra* note 438. See also *supra* notes 99-101 and accompanying text.

⁴⁴² For a similar point, but with respect to asset managers, see Lund, *supra* note 27, at 33 (noting that the Big Three “appear to enjoy exercising regulatory heft as a result of government dysfunction. Rather than using their power to alleviate rent-seeking by industry (which they also engage in), they choose to maintain the status quo, which positions them to attract new clients and satisfy existing ones.” Footnote omitted.).

⁴⁴³ See former head of sustainable investing at BlackRock Tariq Fancy, *The Secret Diary of a “Sustainable Investor” — Part 1*, Aug. 21, 2021, MEDIUM (AUG. 21, 2021), <https://medium.com/@sosoofancy/the-secret-diary-of-a-sustainable-investor-part-1-70b6987fa139> (discussing ESG investing and warning about the peril that corporate initiatives may lead the public into accepting that business is the best-suited economic policy reformer). See also BAINBRIDGE, *supra* note 30, at 92; Lin, *supra* note 28, at 1585-86 (mentioning accounts that warn about plutocracy). Cf. also Jacob S. Hacker, *Privatizing Risk without Privatizing the Welfare State: The Hidden Politics of Social Policy Retrenchment in the United States*, 98 AM. POL. SCI. REV. 243, 248 (2004) (pointing to the risk of a gradual shift in a policy due to a shift in those empowered to control its form and function).

⁴⁴⁴ For an assessment, see *infra* text accompanying notes 471-473.

The above risks can be lumped into two broad categories: one is that corporate governing will not do enough for the societal ills that need fixing, and the other that corporate governing is plainly dangerous.

a) *Corporate Governing Is Not Enough*. Some of the risks above are warnings that corporate governing is not going to foster true social progress, especially with respect to distributional matters.⁴⁴⁵ This is a cautionary tale for citizens more so than for social activists themselves (who one would assume must be already aware of that). But it is an important cautionary tale to keep in mind in policy circles before embarking in potentially perilous changes that would entrust executives of larger mandates and roles than they currently have. I am thinking of an official institutionalization of stakeholderism, that is, an express reform expanding fiduciary duties of directors and officers.⁴⁴⁶ An express and official shift of fiduciary duties would be unhelpful because of the enhanced lobbying risk embedded in a broader stakeholderist agenda, which would likely implicate that executives will portray themselves as the experts on the underlying socio-economic issue—that they know more about how to achieve societal goals than legislators and regulators.⁴⁴⁷ This is especially true for the distributional reforms in which directors and management face penalizing tradeoffs on issues such as unionization, mandatory arbitration, rights of gig workers, and so forth.⁴⁴⁸ While as things stand, executives will not act in favor of workers if they have something to lose, with an official shift they might once and for all capture the whole legislative process.⁴⁴⁹

b) *Corporate Governing Is Dangerous*. The other main risks described above take issue with corporations being undemocratic tools⁴⁵⁰ that risk suppressing actual politics and democratic governance (the “death of politics”).⁴⁵¹ Typically, but not necessarily, these concerns come from conservative voices who lament that corporate governing (i) would sacrifice dissenter’s rights⁴⁵² (ii) over policies that have failed to be approved via the democratic process.⁴⁵³ I first take on these two arguments (in reverse order) and then deal with the death of politics argument.

Is It Truly Undemocratic? As to the argument that corporate governing is fundamentally undemocratic, Friedman’s influential words are a useful starting point. In his famous remark, proponents of corporate social responsibility have “failed to persuade a majority of their fellow citizens to be of like mind and that they are seeking to attain by undemocratic procedures what they cannot attain by democratic procedures.”⁴⁵⁴

⁴⁴⁵ This is because corporate governing reach is partial (see *supra* text accompanying notes 415-419), because corporations might lose interest (see *supra* paragraph accompanying note 415), corporations might be opportunistic (see *supra* text accompanying notes 422-425), or antagonize society’s quests (see *supra* text accompanying notes 426-435).

⁴⁴⁶ See Gatti & Ondersma, *supra* note 225, at 10–11, 47–57 (warning that stakeholderism might do more harm than good in seeking the social goals it purports to achieve because it would further empower the very actors that have created the problems that stakeholderism seeks to solve—executives—and give them powers to pursue policies that benefit them and stop policies they perceive against their interests).

⁴⁴⁷ See Gatti & Ondersma, *supra* note 38, at 18.

⁴⁴⁸ See Gatti & Ondersma, *supra* note 419, at 216-22 (describing lobbying efforts by corporations in such fields).

⁴⁴⁹ See *supra* note 446.

⁴⁵⁰ See *supra* paragraphs accompanying notes 410-414.

⁴⁵¹ See *supra* paragraph accompanying note 443.

⁴⁵² See *supra* paragraph accompanying note 414.

⁴⁵³ See *supra* paragraph accompanying notes 410-412.

⁴⁵⁴ See Friedman, *supra* note 76.

I leave aside the counter that the American democratic process has shown some undisputable issues that led us to gridlock⁴⁵⁵ and address Friedman's point with the institutional ecosystem we have. He seems to suggest that political messaging and action can (or should) only occur through some more or less official channels close to the corridors and halls of Capitol Hill (or similar state chambers). For the better or the worse, that is clearly not the case: nowhere is political action so constrained. Political speech can be expressed in multiple forms and forums. Citizens can choose between a bouquet of available forums to express their political preferences—this is what our whole political speech ecosystem is made of.⁴⁵⁶ If we drop Friedman's idealism and pragmatically consider the American democratic process in its entirety, we would agree that citizens can use multiple political forums, which include putting *direct pressure on corporations* and *indirect pressure on politicians via corporations*.⁴⁵⁷ Nothing in our laws prohibits such actions—in fact, the U.S. Supreme Court jurisprudence constrains limits to such actions.⁴⁵⁸ Corporations must be regarded as a political forum that citizens can use, just like many other forums.

At this point one might still take Friedman's defense and counter that it is one thing when individual citizens (retail investors, employees, costumers) make use of their First Amendment prerogatives with a corporation, and it is quite another when a corporation's executives use the prerogatives of their office to push for their preferred agenda.⁴⁵⁹ In fact, this objection, deeply rooted in the corporate literature, has merits. Yet, the objection is partial because it does not consider the broader scope of the relationship between executives and various stakeholders, whereby often the former intervene because the latter press them to do so. Once executives are pinged by shareholders or other stakeholders to take a position on a pressing social issue, they surely have the option to stay silent and not act on it, which is what Friedman and those who subscribe to his remarks would prefer executives to do. However, in an environment that expects corporations to take a stand (whether or not they are solicited or pressured to), *staying silent and inactive could also be inferred as political speech*, which could have repercussions (political, business, financial) on the corporation and its stakeholders.⁴⁶⁰ Disney sought to stay silent, and its stakeholders complained.⁴⁶¹ Wayfair stayed the course to not give in to stakeholder pressure and the related fallout grew out of proportion.⁴⁶² On many occasions, there is no way out for an executive to take a side—it is just the nature of the game.⁴⁶³ If observers are puzzled by it they should find solace by realizing that there is no way to solve the

⁴⁵⁵ See *supra* Section II.B.2.

⁴⁵⁶ See generally PAUL HORWITZ, *FIRST AMENDMENT INSTITUTIONS* (2013).

⁴⁵⁷ Cf. Roberto Tallarita, *Stockholder Politics*, 73 HASTINGS L.J. 1697, 1733 (2022) (arguing that corporate governance allows a connection between “shareholders with prosocial and expressive motives on one side and extra-corporate actors (stakeholders, activists, concerned citizens) on the other side.”).

⁴⁵⁸ See *supra* notes 268-269 and accompanying text.

⁴⁵⁹ This is the “someone else's money” objection. See *supra* note 384 and accompanying text.

⁴⁶⁰ See *supra* note 218 and accompanying text.

⁴⁶¹ See *supra* note 218.

⁴⁶² See *supra* note 207 and accompanying text.

⁴⁶³ I am obviously not discussing whether corporations must speak as a matter of law. I note there is now a heated discussion on whether the proposed climate disclosures are compelled speech. See the academics letters to the SEC referred to *infra* note 480. Relatedly, for a current challenge on First Amendment grounds to the shareholder proposal regime under SEC Rule 14a-8, see Cydney Posner, *NAM seeks to challenge Rule 14a-8 regulatory process for shareholder proposals*, COOLEY (June 8, 2023), <https://cooleypubco.com/2023/06/08/nam-challenge-14a-8-process/>.

dilemma in the abstract and that executives and directors are well paid to handle it (but when they do, they mostly have corporate interests at heart, not those of society).

What About Dissenter Rights? The dissenter rights issue is more delicate: corporate governing initiatives risk creating discontent amongst a subset of various corporate stakeholders and reinforcing the idea of “a system that facilitates corporate inculcation of certain political and social values”.⁴⁶⁴ This would result in a lack of “the pluralism and freedom that represents a key part of being an American.”⁴⁶⁵ While in purely idealistic terms this remark is sound, it also proves too much: outside of politics, many workers and Americans *already* silently dissent to several business practices of corporations, but for the better or the worse have to live with them: not only doesn’t freedom extend to the private workplace,⁴⁶⁶ but few capitalists (including the more progressive ones) have qualms about the fact that firms are hierarchies, as Coase illustrated.⁴⁶⁷ More practically, if one delves into the issues that are said to generate dissent, the pluralist quest becomes less compelling. In an article that seeks to bridge the gap on corporate social activism between conservatives and liberals, former Chief Justice Leo Strine draws a line on certain issues he portrays as too divisive, which in his words occur “when corporations seek to tilt the social and political value system.”⁴⁶⁸ He cites “[v]oting eligibility policies, reproductive rights, guns, policing procedures and tactics, criminal codes, and the like[.]” which “are the subject of passionate and legitimate disagreement in our society.”⁴⁶⁹ While Strine’s intentions are commendable, the line he draws is arbitrary and partial: race (except for policing tactics), gender (except for reproductive rights), and sexual orientation are left out, yet raise passionate disagreement in our society and are at the very center of the ongoing culture war in Corporate America. In fact, *any* line would be unworkable: our society is divided on pretty much everything and expecting corporations to act or speak only on uncontroversial items is unrealistic. Besides, considering an issue off-limits only because it is divisive is questionable, if only for a reason I already stated: not speaking on an issue is often considered tantamount to taking a position and can thus be considered as divisive and anti-pluralistic as speaking. In other words, the genie is already out of the bottle. Besides, one should legitimately wonder whether a pluralistic ideal is better served by trying not to upset workers or shareholders with, say, anti-trans biases than by offering protection to those whose lives are affected by such biases. While, in this example, transgender people resort to corporations to seek protection for personal preferences about their own lives, those who oppose such quests are effectively expressing external preferences that someone else’s welfare (trans people) be reduced.⁴⁷⁰

⁴⁶⁴ Strine, *Good Corporate Citizenship*, *supra* note 29, at 357.

⁴⁶⁵ *Id.*

⁴⁶⁶ For a (normative) critique, see ANDERSON, *supra* note 414.

⁴⁶⁷ Ronald H. Coase, Coase, *The Nature of the Firm*, 4 *ECONOMICA* 386, 388 (1937).

⁴⁶⁸ Strine, *Good Corporate Citizenship*, *supra* note 29, at 360.

⁴⁶⁹ *Id.*

⁴⁷⁰ Per Dworkin, but I reckon this is disputed in political philosophy, in a utilitarian calculus, policymakers should not be concerned about external preferences. RONALD DWORKIN, *TAKING RIGHTS SERIOUSLY* 275-76 (1980). For an assessment, see Howard S. Chang, *A Liberal Theory of Social Welfare: Fairness, Utility, and the Pareto Principle*, 110 *YALE L.J.* 173, 183-96 (2002).

The Death of Politics. The growing influence of corporations in policy making poses significant risks to democratic governance.⁴⁷¹ With corporations wielding greater influence over policy, the balance of power between the state and private actors is shifting. Unlike the issues analyzed immediately above, this is a concern on the demand-side of policymaking: the increasing role of corporations as reformers may make citizens used to it and thus poses risks to democratic governance. As corporations assume more responsibilities traditionally reserved for government bodies, one may legitimately worry that citizens will be less attentive to accountability, transparency, and the protection of the public interest. This quasi-delegation of authority to non-state actors undermines democratic principles that depend on government accountability to its citizens and especially citizens' expectations, habits, and involvement in connection with policy reform. As mentioned above, in this game corporate interests, which are primarily driven by profit motives,⁴⁷² will always prevail and prioritize their own gains over the broader welfare of the public, potentially compromising the engagement of ordinary citizens in the political process.

Addressing these risks is hard and requires ambitious efforts from multiple actors. Citizens and civil society organizations must actively engage in the political process, demanding greater accountability from both corporations and elected officials. Politicians on their hand should prioritize the welfare of their constituents ensuring that they remain responsive to the needs of the public. All this requires change in norms, political goodwill, and possibly reform of politics itself—all areas in which corporate governance cannot be the driving force.

All in all, the potential consequences of abandoning traditional politics in favor of corporate governing are significant and warrant attention. By working collectively to strike a balance between corporate influence and democratic values, society can safeguard its democratic institutions and preserve the rule of law.⁴⁷³

VI. CORPORATE GOVERNANCE SAFEGUARDS FOR SOUND CORPORATE GOVERNING

Despite its risks and the current uproar from parts of the conservative world, it is realistic to expect that corporate governing, which has been around for a while already,⁴⁷⁴ is here to stay.⁴⁷⁵ For one, any statutory intervention would have to be consistent with *Citizens United* and its progeny. Even scholars who are not particularly fond of corporate political spending and speech acknowledge that any reform that seeks to deter corporate speech would unlikely survive

⁴⁷¹ These paragraphs draw on the writings of economists and political scientists such as JOSEPH E. STIGLITZ, *THE PRICE OF INEQUALITY: HOW TODAY'S DIVIDED SOCIETY ENDANGERS OUR FUTURE* (2012); BENJAMIN I PAGE, & MARTIN GILENS, *DEMOCRACY IN AMERICA?: WHAT HAS GONE WRONG AND WHAT WE CAN DO ABOUT IT* (2017); FRANCIS FUKUYAMA, *POLITICAL ORDER AND POLITICAL DECAY: FROM THE INDUSTRIAL REVOLUTION TO THE GLOBALIZATION OF DEMOCRACY* (2020); JACOB S. HACKER, & PAUL PIERSON, *AMERICAN AMNESIA: HOW THE WAR ON GOVERNMENT LED US TO FORGET WHAT MADE AMERICA PROSPER* (2016).

⁴⁷² See generally Lund & Pollman, *supra* note 435; BAINBRIDGE, *supra* note 32.

⁴⁷³ See *supra* note 471.

⁴⁷⁴ See LIN, *supra* note 28, at 1540-44 (chronicling corporate social activism and dating it back since the Civil Rights Era).

⁴⁷⁵ "Political demands on the corporation are neither new nor likely to disappear." Simmons, *supra* note 37, at 713 (citing Jill E. Fisch, *How Do Corporations Play Politics?: The FedEx Story*, 58 VAND. L. REV. 1495, 1500 (2005)). This of course is not to say that the activity levels will always stay constant. See *supra* note 420 and accompanying text.

a constitutionality challenge.⁴⁷⁶ In light of this, this Part VI explores potential measures to mitigate the risks associated with corporate governing. As the existing literature provides a great starting point,⁴⁷⁷ I will survey existing proposals and make some suggestions.

As a preliminary note, the ensuing discussion is mainly about corporate socio-economic advocacy and not government substitution. As the latter category is for the most part comprised of internal and day-to-day corporate actions that deal with managing aspects affecting the corporation directly,⁴⁷⁸ there are no strong policy arguments calling for interfering with director business judgment. However, for those with a strong interventionist appetite, some or most of the measures surveyed below *could* also be applied to government substitution. Inevitably, such measures would add a burden on how a corporation operates its business and deals with its constituencies.

Disclosure? One approach to addressing the risks raised by corporate governing is through effective disclosure of the underlying initiatives.⁴⁷⁹ Disclosure can be viewed as a relatively soft and straightforward intervention, as it provides the necessary information to the stakeholders involved without substantive limits on how corporations can run the business.⁴⁸⁰

While many corporate initiatives are already publicized, because after all messaging is in the very nature of corporate socio-economic advocacy, the question is whether annual and periodic disclosure should have specific sections or legends whereby corporations disclose not only their various interventions, but also their overall policy agendas, without cherry-picking what they want to disclose. This could enhance transparency by enabling all stakeholders⁴⁸¹ to

⁴⁷⁶ Bebchuk & Jackson, *supra* note 264, at 108. *See also id.* at 114 (noting that “The [*Citizens United*] Court seemed to accept the legitimacy of the government’s interest in protecting dissenting shareholders, but reasoned that, with respect to firms with more than one shareholder, ‘the remedy is not to restrict speech but to consider and explore other regulatory mechanisms.’” (citing *Citizens United*, 130 U.S. at 911)).

⁴⁷⁷ *See e.g.* Bebchuk & Jackson, *supra* note 264; Bebchuk, Jackson, Nelson & Tallarita, *supra* note 95; Strine, *Good Corporate Citizenship*, *supra* note 29.

⁴⁷⁸ *See supra* Section III.A.

⁴⁷⁹ For a proposal on corporate political *spending*, see Comm. On Disclosure of Corporate Political Spending, *Letter from Comm. on Disclosure of Corporate Political Spending to Elizabeth M. Murphy, Secretary, U.S. Sec. & Exch. Comm’n* (Aug. 3, 2011), <http://www.sec.gov/rules/petitions/2011/petn4-637.pdf>.

⁴⁸⁰ *See generally* Bebchuk, Jackson, Nelson & Tallarita, *supra* note 95 (supporting mandatory disclosure on corporate political spending and addressing various critiques to the proposal). However, given the tortured rollout of climate disclosures it remains to be seen if this is a path the SEC has any appetite in taking on. *Compare* Hester M. Peirce, *We Are Not the Securities and Environment Commission—At Least Not Yet* (SEC Comm’r statement, Mar. 21, 2022), www.sec.gov/news/statement/peirce-climate-disclosure-20220321 (criticizing the SEC climate proposal) *and* Lawrence Cunningham, *Proposal on Climate-Related Disclosures for Investors*, Harv. L. Sch. F. on Corp. Governance (Jun. 23, 2022) <https://corpgov.law.harvard.edu/2022/06/23/proposal-on-climate-related-disclosures-for-investors/> (summarizing the content of a comment letter by 22 academics against the SEC climate proposal) *with* Jill E. Fisch, *The SEC’s Authority to Pursue Climate-Related Disclosure*, Harv. L. Sch. F. on Corp. Governance (Jun. 20, 2022), <https://corpgov.law.harvard.edu/2022/06/20/the-secs-authority-to-pursue-climate-related-disclosure/> *and* John C. Coates, *Proposal on Climate-Related Disclosures Falls Within the SEC’s Authority*, Harv. L. Sch. F. on Corp. Governance (June 22, 2022), <https://corpgov.law.harvard.edu/2022/06/22/proposal-on-climate-related-disclosures-falls-within-the-secsauthority/> (summarizing his comment letter in support of the SEC climate proposal).

⁴⁸¹ Whether corporate disclosures in general, and the one suggested in the text in particular, should be for the protection of shareholders only or a broader set of stakeholders is subject to a vibrant policy debate. *Compare* Ann M. Lipton, *Not Everything Is About the Investors: The Case for Mandatory Stakeholder Disclosure*, 37 YALE J. REG. 499 (2019) (arguing for a more expansive disclosure system) *with* Paul G. Mahoney & Julia D. Mahoney, *The*

readily identify the corporation's direction. In such a case, policymakers would have to address additional questions: Should initiatives be detailed and specific, allowing shareholders to see how their invested capital is being utilized and their elected board is operating on the political sphere? Alternatively, is it acceptable to rely on voluntary disclosures and set materiality thresholds to determine what information is disclosed?⁴⁸² As to the latter question, it is worth considering the extent to which even small-scale initiatives can provide executives with access to politicians, exposure, and influence—in short, which initiatives could get them some clout in potential misalignment with the interests of the corporation and its shareholders. And what would be the liability for false or misleading information? Would the regime under Rule 10b-5 suffice, given its existing scope (think of the standing and materiality requirements)?⁴⁸³

Board Empowerment and Accountability? Board empowerment and accountability are devices to consider when addressing the risks of corporate governing.⁴⁸⁴ Several mechanisms can be employed to enhance board effectiveness and ensure accountability. A simple one is to require or incentivize (via standard shifting or burden of proof shifting)⁴⁸⁵ board involvement in lieu of leaving corporate governing to management.⁴⁸⁶ An extra step up would be to put independent directors in charge with the decision-making process related to corporate governing initiatives, again either as an actual requirement or as the effect of judicial incentives

New Separation of Ownership and Control: Institutional Investors and ESG 2021, Colum. Bus. L. Rev. 840 (2021) (arguing to not depart from the SEC's stated mission of protecting Main Street investors and maintaining fair, orderly, and efficient markets).

⁴⁸² Bebchuk, Jackson, Nelson & Tallarita, *supra* note 95, at 24-34 offer a rebuttal on the sufficiency of voluntary disclosures, albeit their focus is on political spending not on mere advocacy.

⁴⁸³ Some studies show that misleading information is quite rampant. *See generally* Balluchi, Lazzini & Torelli, *supra* note 389. On fraud in the context of ESG, see James J. Park, *ESG Securities Fraud*, UCLA School of Law, Law-Econ Research Paper No. 23-02 (Apr. 25, 2023), forthcoming WAKE FOREST L. REV. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4428212.

⁴⁸⁴ *See* Simmons, *supra* note 37, at 725 (framing political risk within broader enterprise risk management and noting that while “[s]ome delegation to a standing committee (for example, a risk or audit committee), a chief risk officer (CRO), or outside experts is necessary, . . . risk management remains the responsibility of the entire board.”).

⁴⁸⁵ Standard shifting rewards or punishments (a-la *Corwin* or *M & F Worldwide*) and burden of proof shifts (a-la *Kahn v. Lynch*) are some of the tools available to the Delaware judiciary to adapt the law to the potentially evolving reality of corporate governing. *See Corwin v. KKR Fin. Holdings LLC*, 125 A.3d 304, 309 (Del. 2015) (shifting, for transactions not involving entire fairness, the standard of review to the business judgment rule upon a fully informed and uncoerced vote by the disinterested shareholders); *Kahn v. M & F Worldwide Corp.*, 88 A.3d 635, 645–54 (Del. 2014) (shifting the standard of review from entire fairness to the business judgment rule in the presence of certain preconditions including approval by an independent committee of directors and a majority-of-the-minority vote from shareholders); *Kahn v. Lynch Commc'ns Sys.*, 638 A.2d 1110, 1117 (Del. 1994) (shifting to the plaintiff the burden of proof that a parent-subsidiary merger is entirely fair when the transaction is approved by an independent committee of directors or conditioned on a majority-of-the-minority vote). For an analysis of the inner mechanics of how Delaware cases are adjudicated, cf. Edward B. Rock, *Saints and Sinners: How Does Delaware Corporate Law Work?*, 44 UCLA L. REV. 1009, 1015 (1997).

⁴⁸⁶ The literature on corporate political spending is critical of leaving the practice in management's hands. *See e.g.* Bebchuk & Jackson, *supra* note 264, at 89-90 (arguing that political speech decisions are different from ordinary business decisions and that, like other types of corporate decisions involving diverging interests, different rules are in order); Strine, *Good Corporate Citizenship*, *supra* note 29, at 366 (arguing that “[i]f the company purports to take positions on external public policy, its positions should result from a deliberative process of the board of directors based on the direct relevance of the policy question to the company, and not just reflect the personal view of the CEO without board backing.”).

such as standard shifting or burden of proof shifting.⁴⁸⁷ Independent directors can provide an objective perspective and act as a check on potential conflicts of interest.⁴⁸⁸ Similarly, establishing committees within the board is another option. These committees can be dedicated to overseeing corporate socio-economic advocacy and government substitution matters. Clearly, to make the system workable we should distinguish between authorizing and overseeing the overall strategy and set of initiatives, which is what the board should be in charge of, and simpler day-to-day actions and implementing measures (like social media campaigns or posting), which should be a task for management (subject of course to board supervision).

Shareholder Approval? In a similar vein, authors who liken corporate political activity to conflicted transactions suggest making use of the other main device to cleanse such transactions: shareholder approval.⁴⁸⁹ Professors Bebchuk and Jackson propose that as a default rule corporate political spending be subject to a veto by shareholders.⁴⁹⁰ Former Chief Justice Leo Strine addresses advocacy and proposes that shareholder approval be required “[i]f a company wants to stop doing business in or with a particular American state”⁴⁹¹ on the argument that such an action “may involve the company abandoning services and endangering the employment of lots of residents of that state who do not disagree with the state policy that the company opposes.”⁴⁹² Strine’s concerns of pluralism and stakeholder protection in some states may not be adequately addressed if the decisionmakers, the stockholders, are indifferent to the fate of the stakeholders in the boycotted state. In other words, if the biggest concerns about corporate governing are its implications for society at large, traditional responses from corporate law and governance will inevitably fall short.⁴⁹³

What If We Leave It to the Market? Irrespective of whether an express reform mandating some or all measures described above has merits,⁴⁹⁴ realism suggests that legislative or regulatory reform in this field will hardly be a walk in the park. This is true for any high stakes reform in the U.S.⁴⁹⁵ and might be truer here where political parties’ views on the phenomenon are mainly dictated by the underlying corporate governing initiative at hand. To generalize, the left likes corporate governing unless it involves religious freedom, while the right decries “woke capitalism” but eagerly (and literally) cashes in on what created woke capitalism: corporate

⁴⁸⁷ See Bebchuk & Jackson, *supra* note 264, at 101-02 (proposing a requirement that independent directors approve decisions about corporate political speech). See *supra* note 485.

⁴⁸⁸ *Id.* See also Strine, *Good Corporate Citizenship*, *supra* note 29, at 361.

⁴⁸⁹ Bebchuk & Jackson, *supra* note 264, at 98; Strine, *Good Corporate Citizenship*, *supra* note 29, at 370.

⁴⁹⁰ Bebchuk & Jackson, *supra* note 264, at 98.

⁴⁹¹ Strine, *Good Corporate Citizenship*, *supra* note 29, at 368.

⁴⁹² *Id.* (noting that “[n]ot everyone in Alabama is pro-life and not everyone in Massachusetts is pro-choice.”).

⁴⁹³ For this reason, some authors have argued to reform corporate law to make internal corporate governance more democratic. See David G. Yosifon, *The Public Choice Problem in Corporate Law: Corporate Social Responsibility after Citizens United*, 89 N.C. L. Rev. 1197 (2011); GRANT M. HAYDEN & MATTHEW T. BODIE, RECONSTRUCTING THE CORPORATION: FROM SHAREHOLDER PRIMACY TO SHARED GOVERNANCE (2020).

⁴⁹⁴ For a critique to voluntary regimes, see Bebchuk & Jackson, *supra* note 264, at 92 (noting that “[t]o the extent that one supports the mechanisms established by corporate law rules for various situations involving a divergence of the interests of directors and executives from those of shareholders, and therefore is not prepared to rely simply on market forces to eradicate these problems, one should also be reluctant to rely on market forces to eliminate any similar divergence of interests with respect to political speech decisions.”). While I agree with their remark, I find it useful and realistic to preplan for a world that will not roll out a full-blown reform of corporate governing.

⁴⁹⁵ See *supra* Section II.B.2.

political speech.⁴⁹⁶ Thus, assuming reform inertia, we should consider what market forces and institutional investor pressure might do to help shape better practices with respect to corporate governing—all this in the shadow of reprimands and possibly tweaks in caselaw from Delaware courts if corporations treat corporate governing as business as usual.⁴⁹⁷

In fact, before any legal or regulatory intervention, companies have already started developing best practices: for instance, Leo Strine reports that “Microsoft’s management has decided to ask a ‘three-pronged question’ as a gating matter: Does the ‘issue affect the interests of its customers, or its employees, or of the business itself?’”⁴⁹⁸ Approaches like this are sensible, especially considering that conservative angst is running high. To placate or at least contain such angst, corporations might need to show that they have an orderly process in place for engaging in corporate governing activities.⁴⁹⁹ Thus, to help absorb risks stemming from political backlash, corporations should consider having internal policies or guidelines to address how to navigate corporate governing; of course, corporations should be transparent about, and comply with, such policies or guidelines.⁵⁰⁰

When adopting a corporate governing initiative, corporations must find the right balance to meet societal expectations without upsetting market forces. Admittedly, this is a complex task that requires careful deliberation and consideration of all stakeholders’ interests, along with ongoing evaluation and adaptation. Corporations need to be resourceful in tailoring the best approach.

CONCLUSION

Corporations have been active in the political sphere and their involvement is controversial. Based on the underlying policy they adopt or champion, corporations get praised by like-minded citizens and loathed by those on the other side of the political spectrum. In this Paper, I posit that there are four normative angles to analyze the phenomenon: a business case, a strategic case, a social advocacy case, and a political case. While the first two suggest that under certain assumptions corporate governing can be beneficial for corporation and its stakeholders, the other two suggest that, despite some societal benefits from corporations as socio-economic reformers, we cannot overlook the significant risks of corporate governing, especially that it will be unhelpful in distributional matters (labor, privacy, antitrust, tax) and that it might result in atrophy of our quest for political change via traditional democratic institutions. While it’s unclear whether tweaking the phenomenon will be at the top of a lawmaker’s agenda anytime soon, this Paper suggests certain best practices to help streamline corporate governing activity and make it less divisive amongst corporate stakeholders and society at large.

⁴⁹⁶ See Strine, *Good Corporate Citizenship*, *supra* note 29, at 350.

⁴⁹⁷ In rejecting a Section 220 demand in the *Simeone* case, the Delaware Chancery Court praised the Disney board deliberative process. *Simeone*, C.A. No. 2022-1120-LWW, at *26 (finding that the board “held the sort of deliberations that a board should undertake when the corporation’s voice is used on matters of social significance.”). Time will tell if the Delaware judiciary will explicitly provide a roadmap for the adequate guardrails it expects corporations to put in place to avoid liability for directors and officers. See *supra* note 485.

⁴⁹⁸ Strine, *supra* note 29, at 366 n.102 (citing Patrick Temple-West, *Microsoft’s Brad Smith on the Cloud, ESG Backlash and Taxes*, FIN. TIMES (Sept. 23, 2022), <https://www.ft.com/content/4d6f7c5b-9d20-4c73-ad9a-984c847a4a45>).

⁴⁹⁹ See *supra* note 420 and accompanying text.

⁵⁰⁰ Ideally, such policies or guidelines should envision practices aimed at gathering information about, and carefully considering, potential reactions from investors and from other stakeholders to best deal with the expectations in the various markets in which the corporation operates.

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