Walmart Shareholder Meeting Statement: Proposal 8
Scott Shepard, Deputy Director, Free Enterprise Project
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I'm Scott Shepard with the National Center for Public Policy Research.

The Business Roundtable, a club for wealthy CEOs, declared in 2019 that it had redefined the corporate purpose. It said the purpose had shifted from the traditional and legally required rule of shareholder primacy to a new theory of stakeholder capitalism. Under it, CEOs and boards of directors would supposedly run the company for the benefit of all stakeholders, meaning "for everyone."

In theory, that sounds great. In fact, it creates mountains of trouble for shareholders, and for all legitimate stakeholders.

The key to these problems is that it's impossible for company executives, at Walmart or elsewhere, to make decisions that legitimately capture all stakeholder interests, since stakeholders have divergent interests. We know that stakeholders – essentially everyone – don't seek the same goals because we know how profound are social, political and economic divisions, especially these days. There are just no decisions that honestly enact the will of all stakeholders.

Even if there were, that's not what our CEO and company even attempt to do. The company does not poll all stakeholders, feed the results into some objective decision process, and then enact the result.

Instead, the Business Roundtable – which our CEO chairs – enabled shifting to the stakeholder capitalism theory to allow CEOs and boards to act like masters of the universe: doing anything they wished. They would then *post hoc* ascribe their actions to some set of "stakeholders" who were said to have demanded what they decided to do.

That's how it's already working. Bank of America CEO Brian Moynihan wrote a set of "stakeholder-capitalism" metrics he wants all companies to adopt. They include no provisions for measuring real stakeholder preferences. Rather, they force compliance with Moynihan's preferred policies, like radical carbon reductions that will have no real-world effect given India & China's continuing carbon increases, but will cost us all dearly. Blackrock votes investor proxies to favor Larry Fink's private interests, not objectively measured stakeholder interests.

The problem for shareholders is clear. Under current law, management must act in the objective best interest of shareholders. The new theory substitutes executive whim for shareholder interests.

It also disadvantages all legitimate stakeholders. Their interests are best represented by decisions that make shareholder value, the long-term value of Walmart, primary.

Employees, customers, and communities want Walmart to survive forever, which requires keeping the company strong, paying appropriately, and keeping long-term good relations with communities.

Stakeholder capitalism could also create massive legal costs for Walmart, since pronouncements by CEO clubs don’t change fiduciary duties. Shareholder primacy is the law; acting otherwise will rightly create huge legal liability.

Stakeholder capitalism is either a fraud or a massive mistake. Either way, Walmart should carefully consider all its implications, and consider stepping away.

Vote yes on proposal no. 8.

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