

Vox

Kevin Williamson's unhinged attack on Elizabeth Warren's corporate accountability bill, explained

Matthew Yglesias

August 17, 2018

As someone who tries to follow progressive policy development trends pretty closely, I was struck to see Thursday morning that Kevin Williamson had an article in National Review describing **“Elizabeth Warren’s Batty Plan to Nationalize . . . Everything.”**

Williamson turns out to be referring to **Warren’s proposed Accountable Capitalism Act**, which I wrote about on Wednesday and which does not involve nationalizing anything at all.

Her proposal would, in fact, be a large change in how the American economy works. And the impact of the change would almost certainly be negative for the 10 percent of the population that owns 80 percent of the value of the American stock market. So it’s natural that the plan will provoke intense opposition, and very much worth considering the possibility that it’s a bad idea.

But Williamson, whom every conservative I know regards as one of the movement’s top minds, reaches his conclusion based almost entirely on mischaracterizing Warren’s program.

What Williamson says Warren wants

According to Williamson, Warren’s plan would make corporations “accountable to politicians, who desire to put the assets and productivity of private businesses under political discipline for their own selfish ends” in pursuit of “the wholesale expropriation of private enterprise in the United States, and nothing less.”

He means this quite literally.

His view is that Warren’s proposal is to essentially nationalize industry — putting business enterprises under the direct supervision of the federal government — to the extent that he views Donald Trump being in office as a knock-down argument that should convince everyone on the left that Warren’s proposal is bad.

To those on the left who look at Senator Warren’s proposal and think that giving the government a stronger whip hand over American businesses is just the ticket, I would like to present four

questions: Who is the president of these United States? Who is the majority leader in the Senate? Who is the speaker of the House? How would you evaluate the composition of the Supreme Court, either as it stands or after President Donald Trump has the opportunity to nominate another justice or two? The power you give the federal government will be there during Republican administrations, too. Any future populist demagogue who finds his way into the White House will have access to the same power. No one should be trusted with that kind of power.

I think this is a reasonable argument against the wholesale nationalization of industry in the United States. It's true that Norway has had a great deal of success with an economic system in which the state controls an incredibly large share of national wealth, but it seems unwise to me to leave so much up to the vicissitudes of the electoral process.

But conveniently, Warren's plan does not in any way resemble Williamson's description.

What the Accountable Capitalism Act actually says

Under the existing legal status quo, it is already the case that if you want to start a corporation, you need to get permission from the government in the form of a corporate charter. Currently, charters are issued by state governments, which has tended to lead to a race to the bottom. Delaware ends up being the paper home of a huge share of businesses thanks to its shareholder-friendly laws.

Warren's proposal is that the federal government should halt that race to the bottom by requiring *large* businesses with more than \$1 billion in revenue to obtain a federal charter. These businesses represent a large chunk of overall economic activity in the United States. But contrary to Williamson's rhetoric, the vast majority of American businesses are small and would be totally unaffected by anything in her legislation.

The federal charter for large businesses would have the following stipulations:

- Company directors would be explicitly instructed to consider the interests of all relevant stakeholders — shareholders, but also customers, employees, and the communities in which the company operates — when making decisions.
- 40 percent of the directors would be elected by the company's workforce, with the other 60 percent elected by shareholders.
- Corporate executives would be required to hold on to shares of stock granted to them for at least five years after they were received and at least three years after a share buyback.
- Corporate political activity would require the specific authorization of both 75 percent of shareholders and 75 percent of board members.

In other words, under this plan, no businesses would be nationalized. Williamson alleges that under this bill, "the federal government would then dictate to these businesses the composition of their boards, the details of internal corporate governance, compensation practices, personnel policies, and much more."

That's simply not the case. Williamson employs the rhetorical trick of insisting that because Warren is not stupid, she must be *dishonest* to have put forward such a transparently bad idea.

I don't personally know whether or not Williamson is stupid, so I won't speculate on why exactly he has misdescribed the proposal so badly, but he has done an extremely poor job of it. Then having misdescribed it, he raises a number of practical concerns without any regard for the relevant evidence.

Williamson doesn't seem to know that codetermination is common

Warren is proposing, essentially, that large American companies adopt an economic system known as **"codetermination"** in which management of the enterprise is the joint responsibility of workers and shareholders. This is not the historical practice in the United States or in other English-speaking countries, but it's common in continental Europe and often takes forms that are quite a bit stronger than what Warren proposes.

In Denmark, for example, any company with 35 employees needs worker representation on the board. In Germany, any company with more than 2,000 employees needs a board that is half elected by workers.

Reasonable people can disagree about the strength of the Danish or German economy, obviously, but when assessing the likely impact of adopting a codetermination system in the United States, one should start with some awareness of the functioning of comparable systems abroad.

Williamson, who does not seem to realize this, warns that if America adopts codetermination, all its companies will leave:

Businesses historically have chosen to locate in the United States for a number of reasons: It was long the world's largest market, and businesses had faith in American law and the American dollar. It's still a big market, and the dollar is still the world's favorite currency. But if American law or American lawmakers are going to treat profit-seeking enterprises as an Enemy of the People — Zurich is **pretty nice**. Lots of places are. There are a lot of big American businesses with targets painted on their backs, and those that do not already have a Plan B are doing their shareholders a disservice.

The idea that making the US legal system less friendly to shareholders will to an extent deter investment in the United States is not absurd. But it's also obviously not the case that the entire German corporate sector has departed for Zurich despite it being a German-speaking city that is physically close to Germany and that is part of the same European Common Market as Germany.

One reason this doesn't happen, as Williamson probably could have figured out for himself, is that since German workers control half the board seats on big German companies, it would be nearly impossible for a German company to gain board approval to abandon Germany.

One underlying issue here is that American conservatives seem hopelessly confused as to what it is that's happening in Northern Europe and what, if anything, they want to say about it.

Conservatives aren't sure if something's rotten in Denmark

For several years now, Bernie Sanders has been **prominently describing himself as a “socialist” and more specifically praising the social model of Denmark**. Denmark’s prime minister (who leads a conservative political party) **stridently disagrees that this social model amounts to “socialism.”** And for the specific purposes of dunking on Sanders, most American conservatives are inclined to agree with the prime minister.

Two years ago, for example, **Williamson himself** praised Denmark, noting that “our friends at the Heritage Foundation rank its economy the eleventh most free in the world, one place ahead of the United States, reflecting Denmark’s strong property rights, relative freedom from corruption, low public debt, freedom of trade and investment, etc.” Sanders and his ilk, according to Williamson, “do not understand Denmark, or America, or much of anything.”

The libertarian Cato Institute agrees with Williamson that Denmark should be understood as a free market success story that happens to have a generous welfare state attached to it.

Denmark has some of the strongest codetermination laws in the world, with employee representation on corporate boards kicking in at a much lower threshold than Warren proposed.

Yet even though Cato regards Denmark as an example of a successful free market economic system, Scott Shackford at the libertarian magazine Reason writes that Warren’s proposal to adopt a version of Danish-style codetermination would **“destroy capitalism.”**

Williamson, who a few years ago was scornful of Sanders’s lack of appreciation of the high degree of economic freedom in Denmark, now writes scornfully that Warren’s proposal to adopt a version of Danish-style codetermination would destroy the American economy.

There’s a weird quirk in conservative ideology in America: Since it’s knowable from first principles that policy action to create a more egalitarian economic system is undesirable, editors and writers can assign negative takes on something like Warren’s proposal without anyone taking the time to actually assess whether it’s a good idea.

But since it’s clear that the people working on this subject so far don’t actually know anything about it, it might be helpful to everyone concerned for Warren critics to slow down and do a little research first.

Warren is proposing a large change, and it might be a bad idea. But it’s simply not the case that codetermination systems lead naturally to tyranny or imminent economic collapse. And it’s simply not the case that she is proposing the nationalization of all American business. (Or of any American business.)

Indeed, a critical part of the appeal of the idea is precisely that it directly empowers middle- and working-class employees without asking them to trust the wisdom or competence of a large new government entity.

Reforming corporate governance is **an idea that polls extremely well**, so it’s probably true that conservatives’ best tactic for defeating it is to wildly mischaracterize it. The audience for conservative media deserves better than this.