

AFD 239 Codetermination (Workers on Corporate Boards)

- Elizabeth Warren bill
 - https://www.washingtonpost.com/news/made-by-history/wp/2018/08/24/elizabeth-warrens-revolutionary-plan-to-reduce-income-inequality/?utm_term=.36cf91125d57
 - <https://www.vox.com/2018/8/15/17683022/elizabeth-warren-accountable-capitalism-corporations>
 - <https://www.npr.org/2018/08/21/640535346/in-possible-2020-campaign-preview-elizabeth-warren-rolls-out-anti-corruption-bill>
 - <http://rooseveltinstitute.org/fighting-worker-power-short-termism-can-germanys-codetermination-system-fix-american-corporate-governance/>
- George R Tyler articles on codetermination's advantages:
<https://www.theglobalist.com/contributors/george-tyler/>
 - "Other rich democracies are in the midst of reforming how their corporations are governed. They often draw on the German codetermination model that underpins the world's most potent capitalist economy. Real wages there in the capstone manufacturing sector are \$10.71 per hour higher now than in the U.S., reports the Conference Board. Offshoring is rare. Germany's neighbors have noticed, which is why 19 nations in the EU 28 now mandate that employee representatives sit on corporate boards. They covet the long-term focus of German firms. There, R&D, employee innovation, wages and investment are prioritized rather than stock options. Even British Prime Minister Theresa May has joined the chorus, urging UK firms to add a number of employee representatives to their boards of directors. [...] American economists have, for example, documented that stock markets reward firms adopting codetermination ..." <https://www.theglobalist.com/how-to-defeat-trump-in-the-american-heartland/>
 - "[Wage-productivity] decoupling has not occurred in Australia or northern Europe. Indeed, comprehensive employer labor costs and wages have grown roughly apace with productivity there. They now average \$10 per hour more in purchasing power parity terms than in the United States. Globalization is erroneously blamed for U.S. wage compression. That is an argument belied by the fact that higher-wage northern European nations are considerably more engaged in cross-border trade than is the United States. [...] In a short-term [quarterly capitalism] world, human capital investment can also be seen as a drain on bottom lines. Accordingly, U.S. firms have come to eschew up-skilling, in stark contrast to nations abroad. That is why Australia and every nation in northern Europe has leapfrogged the United States to now have **more skilled workforces**, in contrast to the situation in 1998. The ability of Australia and the northern European economies to broadly deliver rising real

incomes during the era of globalization dramatized the American failure to do so. The key remedy is to change the prevailing incentive structure. This would require confronting U.S. management with the architecture of northern European corporate governance and ending short-termism. This would also mean adopting the **successful German codetermination governance model** in which employees sit on corporate boards (ironically, an innovation imposed by British and American officials in the early post-WWII era). Viewed over the longer haul, as opposed to isolated annual quarters, corporate owners and shareholders will benefit from higher returns that result from higher investment, including in the workforce. A healthy byproduct of codetermination has been higher wages, as nations across northern Europe have adopted local variations of the Australian wage determination mechanism, which links wages to rising productivity year after year. Americans are fortunate to have well-tested models abroad to rectify the deficiencies of their own quarterly capitalism. The question is whether the American genius for adapting new technologies extends to practices from across the globe. Doing so requires acknowledging that other countries' models have something to offer and then overcoming resistance from those who benefit most from the current allocation of gains from growth."

<https://www.theglobalist.com/america-europe-minimum-wages/>

- "The only group of U.S. firms that mimic the superior long-term perspective afforded northern European firms by codetermination are privately-held ones. The rates of investment of privately-held U.S. companies are double that of their publicly-held counterparts. Indeed, there is compelling analytical evidence that firms that rely on codetermination provide shareholders a market bonus compared to competitors that rely on U.S.-style corporate governance. Codetermination is responsible for vigorous wealth creation over the last two or three decades in northern Europe. There, real wages have jumped past U.S. and UK levels and are now \$10 to \$20 per hour higher in terms of purchasing power."
- <https://www.theglobalist.com/income-inequality-wages-united-states/>