

**DISCLAIMER: This transcript is produced from Data Delaware podcast electronically;  
the conversion is being offered on a best-efforts basis.**

Dace Blaskovitz: Welcome back to Money and Politics in Del-a-ware. Charles Elson, professor, University of Delaware, corporate governance, the face, the voice of corporate governance. With that said, we established in the first segment the importance to the State of Delaware and, really, the world what Delaware represents in that space. Charles goes to the UK, does a whole bunch of lecturing, and he comes back and in more personal conversation, he goes, whoa, whoa, whoa, there are opportunities for Delaware.

Dace Blaskovitz: One last paragraph. At one time, the UK was the headquarters for global finance. The UK is in a political melt-down. Has that political melt-down affected, I won't say the financial markets, but the world that you're in, Charles, and then tell your story.

Charles Elson: I think it does. Because of what's going on in the UK, there's a real split on where to go next on company regulations. A lot of it was fueled by Brexit and the back and forth around Brexit. It's interesting, there's a debate on corporate purpose similar to what we see in this country with the elusive Warren Bill, but really much more extreme. The conservative government, at this point, is pushing the notion of stakeholder corporations. Corporations that are not responsible to their shareholders but to stakeholders generally, and pushing the notion somewhat of employee participation on corporate boards.

Charles Elson: The labor opposition goes much further and basically suggests if they win in the next election, that 10% of the company's equity should be taken from the shareholders and distributed to employees, that half the board of directors should be comprised of employees, and that the stakeholder model would be explicitly the point of a corporation. They also want to nationalize a lot of industries, too.

Charles Elson: Added to that is a debate on climate change that is much, much more advanced than you see here in that they are... It's almost in the paper every day. Basically the world is, if not coming to an end, certainly in deep trouble, and all parties are pledging to reduce or create a carbon-neutral country in 20, 30 years, meaning that mass changes in the way things are done.

Charles Elson: I think what it means is that for the corporations that are incorporated there, or for shareholders of those corporations, they're in for a pretty rough ride. Either expropriation in some shape or form of their holding, whether by changing the nature of the corporation or actual seizure of some of their 10% of their assets, if you will. Or if they nationalize, obviously, taking everything.

Charles Elson: I think that a lot of American companies that repatriated to England, particularly in the oil industry a number of years ago when we had this unusual tax problem,

**DISCLAIMER: This transcript is produced from Data Delaware podcast electronically; the conversion is being offered on a best-efforts basis.**

tax disadvantage for many in the US if you had offshore operations, I think a lot of them should come back to the United States. I think that a) if they're in a carbon-based industry, they're at a huge disadvantage, and if British corporate law, company laws, they're called over there, moves away from the shareholder model for their own investors, it would be a real problem to remain a UK company.

Charles Elson: I think we've got some real opportunities to push repatriation in the United States, whether it's from a state level we promote it, or from a national level as far as, I don't want to say tax advantages, but make it easier for those companies to come back home, those companies who left. I think, given the change in climate in the UK that I've noted, they would be very, very wise to return to the United States.

Dace Blaskovitz: Wow, wow, wow. So just so that we've taken a step in the right... What is this call to action? You spoke of it conceptually. What should, my word choice, the State of Delaware do or be doing to grease this?

Charles Elson: I think it needs to be sort of out there on the attractiveness of Delaware in an attempt to, I don't know, contact these companies, but I think certainly make an effort to explain the advantages of coming back here for investors and the disadvantages, potentially, of remaining. It should be pretty obvious to most people, of remaining in a jurisdiction that is going to be shifting to a very shareholder-unfriendly position. Shareholders, and depending on the business you're in, it could be very, very unpleasant, I suspect.

Dace Blaskovitz: Wow. What happened on April 10th?

Charles Elson: What happened on April 10th, Dace? What happened on April 10th?

Dace Blaskovitz: April 10th? Let's see, a letter from the DOL putting the ESG executive order into perspective. The DOL has a hundred and eighty days. You're getting ready to give a speech on this, I think.

Charles Elson: Yeah, what happened was the Department of Labor issued a letter basically saying to the major investment funds, or pension funds, that you should be shareholder focused, shareholder value focused, and to vote and move in an environmental sustainability direction that would be counter to shareholder value, would be counter to their fiduciary duties as the fiduciaries of the fund. So the retirement pension funds of all these workers, that your goal here is to protect the retirement of the retirees as opposed to taking and pushing particular social environmental positions with the other shift you've got.

Charles Elson: It's significant. It runs very much counter to what you've seen, certainly coming out of BlackRock, one of the large funds and what-not, and it's going to be

**DISCLAIMER: This transcript is produced from Data Delaware podcast electronically; the conversion is being offered on a best-efforts basis.**

interesting to see how it plays itself out. The idea is that the fund is there to return money to investors. It's not there to take a political position, an environmental position.

Dace Blaskovitz: Stay there. Stay there, Charles, stay there because at the end of the day, I think you do it better than anybody, and that is ESG is the sustainable climate change movement that can't... they meaning the movers and the shakers in that position can't win at the ballot box, so they're going to try to win at the boardroom, and professor Elson makes a pretty blank statement, and that is that politics do not belong in the boardroom. Mine don't and guess what? Yours don't either. Is that fair, Charles? It's that simple. Just keep politics out.

Charles Elson: Yeah, the problem is that, you know, the political world is very divided today. You've got to remember that the people who are the retirees or the shareholders of these companies, or the retirees who invest in these pension funds which are the shareholders, have the same groups, same political divisions, and so when a fund takes a political, or a corporation, for that matter, takes a political position, you're going to offend a good chunk of your owners.

Charles Elson: We may not agree with you, and is it right to take their money and to take a political stand one way or the other. I think it's, frankly, for a long time, that the watchword was we just don't get involved in politics. Because we've got... our constituents have different positions. It's not fair to use their money to advocate a position with which they disagree. Companies are there to provide goods and services in a legal, ethical, moral way. End of story. I think, when you mix the two, you create a lot of problems and, frankly, I think it's not particularly respectful to those who invest with you who may have a different viewpoint.

Charles Elson: I think that I've always believed that the two just don't mix. That's what we have legislators for. That's what we have elections for, political elections, and that's what government does. That's not what companies do. Companies follow the law. The law is made after great debate and a political process. That's where the political process should operate, not in the corporate process. I've always felt it was wrong to combine the two.

Dace Blaskovitz: On your side, we've got one minute left, so let's go back and clean some stuff up. This talk that you're giving regarding this DOL April 10th announcement, where's your upcoming talk at? Are you online? Is this the federalist again?

Charles Elson: It's a Practicing Law Institute, Dace. They're doing a program which is sort of the lawyer's update service, so it'll be a lot of securities lawyers. If you're interested in this stuff... It would be nice if your listeners were.

Dace Blaskovitz: You're going into weeds right away. All right. Let me circle back. We have Charles on regularly, but I do want you in the audience to mark your date

DATA DELAWARE: Monday, June 10, 2019  
SUBJECT: An Opportunity for Delaware, says the guru! (*Part I Podcast transcript*)

**DISCLAIMER: This transcript is produced from Data Delaware podcast electronically;  
the conversion is being offered on a best-efforts basis.**

because last time, again, we had three, four hundred people. It's Friday, September 13th. It's the first annual ISG/Corporate Insurer's Conference. It'll be at the University of Delaware, Clayton Hall. That will be yet another big deal with Charles Elson. We'll see you back here next week for more Money and Politics in Del-a-ware.