

Macro Roundup Article

Headline: [What Purpose Do Corporations Purport? Evidence from Letters to Shareholders](#)

Article Link: <https://www.nber.org/papers/w31054>

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Tweet: A review of shareholder letters from 1955 and 2020 finds that corporations “pick and choose the stakeholders they want to focus attention on,” while emphasizing long-term shareholder value, especially in how they compensate.” @zingales

Summary: In spite of the proliferation of corporate goals, we find that executive compensation remains overwhelmingly focused on shareholder value, as measured by stock prices and financial performance. While we do observe an increase in the use of environmental and social metrics in compensation, especially by firms that announce such goals, the magnitude of this relationship is still small. We also find corporate statements of ESG goals are associated with policies and programs that favor those goals, but there is little evidence that it improves the firm’s measurable ESG outcomes. These findings cast doubt on the hope that self-regulation would suffice to undertake a green transition. Firms seem very responsive to the public mood in words and programs. Better outcomes? Not yet! There is no evidence that a focus on shareholder value is detrimental (or beneficial) to the long-term health of a corporation, whether that health is measured with profits, dividends, or stock market returns.

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