



# **CRACKING DOWN on Corporate Crime**

## **A dozen reforms from Citizen Works**

**1) TRACK THE EXTENT AND COST OF CORPORATE CRIME.** Establish a public online corporate crime database at the Department of Justice. The FBI should also produce an annual corporate and white-collar crime report as an analogue to its "Crime in the United States" report, which focuses principally on street crime.

**2) INCREASE CORPORATE CRIME PROSECUTION BUDGETS.** Both the Securities and Exchange Commission and especially the Department of Justice's corporate crime division have been chronically underfunded. Without proper resources, it is difficult to apply the rule of law to corporate criminals. As a result, government prosecutors and regulators are forced to settle for weak fines and ignore many more violators entirely.

**3) BAN CORPORATE CRIMINALS FROM GOVERNMENT CONTRACTS.** Enact a tough, serious debarment statute that would deny federal business to serious and/or repeat corporate lawbreakers. These standards should apply to contracts in Iraq. The federal government spends \$265 billion a year on goods and services. Let's make sure taxpayer money isn't supporting corporate criminals.

**4) CRACK DOWN ON CORPORATE TAX AVOIDANCE.** Punish corporate tax escapees by closing the offshore reincorporation loophole and banning government contracts and subsidies for companies that relocate their headquarters to an offshore tax haven. Give the IRS both more power and more resources to go after corporate tax cheats. Require publicly-traded corporations to make their tax returns public.

**5) RESTORE THE RIGHTS OF DEFRAUDED INVESTORS.** Repeal self-styled securities "reform" laws that block defrauded investors from seeking restitution, such as the Private Securities Litigation Reform Act of 1995, which allowed the aiders and abettors of massive corporate crime (e.g. accountants, lawyers, and bankers) to escape civil liability.

**6) DEMOCRATIZE CORPORATE GOVERNANCE.** Grant shareholders the right to democratically nominate and elect the corporate board of directors by opening up proxy access to minority shareholders and introducing cumulative voting and competitive elections. Require shareholders to approve all major business decisions, including executive compensation. Shareholders are, after all, the owners.

**7) REIN IN EXCESSIVE EXECUTIVE PAY.** Require shareholder authorization of top executive compensation packages at each annual shareholder meeting. Require that stock options, which now account for about half of executive compensation, be counted on financial statements as an expense (which they are). Eliminate tax deductions for compensation above 25 times the compensation received by the lowest paid worker in a corporation, as business guru Peter Drucker has suggested.

**8) REGULATE DERIVATIVES TRADING.** Regulate all over-the-counter financial instruments, including derivatives, so that they are subject to the same or equivalent audit and reporting requirements as other financial instruments traded on the stock exchanges. Rules should be enacted regarding collateral-margin, reporting and dealer licensing in order to maintain regulatory parity and ensure that markets are transparent and problems can be detected before they become a crisis.

**9) EXPAND DISCLOSURE.** Enact corporate sunshine laws that force corporations to provide better information about their records on the environment, human rights, worker safety, and taxes, as well as their criminal and civil litigation records.

**10) END CONFLICTS OF INTEREST ON WALL STREET.** Enact structural reforms that separate commercial and investment banking services and prevent other conflicts of interest among financial entities, such as those that have dominated big banks in recent years.

**11) FIX THE PENSION SYSTEM.** Corporations must be held more responsible for the retirement security of their employees. At a minimum we need to give workers a voice on the pension board; not require workers to stuff their 401 (k) plans with company stock; and give workers a right to vote for their 401 (k) stock. In addition, an Office of Participant Advocacy should be created in the Department of Labor to monitor pension plans.

**12) FOSTER A NATIONAL DISCUSSION ON CORPORATE POWER.** Establish a Congressional Commission on Corporate Power to explore various legal and economic proposals that would rein in unaccountable giant corporations. The Commission should seek ways to improve upon the current state corporate chartering system in a world of global corporations and propose ways to correct the inequitable legal status of corporations. The Commission would be led by a congressionally-appointed experts on corporate and constitutional law, and should hold citizen hearings in at least ten cities.

**For more information, visit [www.citizenworks.org](http://www.citizenworks.org)**