Self-Appointed Monitors Of Corporate Responsibility

July 4, 1996 by: Phyllis Schlafly

The CEO of Cypress in Silicon Valley has just issued an eloquent put-down of the social-responsibility busybodies who are trying to intimidate corporations into selecting their boards of directors on the basis of racial and gender diversity. T.J. Rodgers wrote a letter to the Sisters of St. Francis in Philadelphia who had used their ownership of a little Cypress stock to engage in leftwing mischief-making.

Far from being put on the defensive by having a convent of nuns lecture him on corporate responsibility, Rodgers rejected their arguments as "not only unsound, but even immoral." He admonished them that Cypress's board of directors "is not a ceremonial watchdog, but a critical management function."

Cypress's directors need to have experience as a CEO of an important technology company and direct expertise in the semiconductor business based on education (usually with a Master's degree in engineering science) and management experience. Contrary to the nuns' argument, Rodgers explained that "a woman's view on how to run our semiconductor company does not help us, unless that woman has an advanced technical degree and experience as a CEO."

Sounds like common sense, doesn't it. "I believe," he said, "that placing arbitrary racial or gender quotas on corporate boards is fundamentally wrong."

The nuns had tried to lay a guilt trip on Cypress by suggesting that it lacks corporate "morality" and Christianity by failing to appoint a board of directors with "equality of sexes, races, and ethnic groups." Rodgers didn't hedge in his response. "I am unaware," he said, "of any Christian requirements for corporate boards; your views seem more accurately described as `politically correct,' than `Christian.' "

Then, Rodgers went on to argue that the nuns' presumptuous requirements for corporate boards are "immoral," which he defined as "causing harm to people." He pointed out how all the retirees whose pension funds invest in Cypress would suffer if Cypress were run on anything other than a profit-making basis.

The letter from the nuns was so sanctimonious that it did not allow for any possibility that a CEO could

be moral if he disagreed with their position. I found myself cheering when Rodgers told the sisters to "get down from your moral high horse."

Cypress employees in San Jose averaged $78,741 in salary and benefits in 1995. All are Cypress shareholders, have a first-rate health-care plan, profit-sharing, and other goodies such as gifts of personal computers and employee education.

Rogers reiterated that "choosing a board of directors based on race and gender is a lousy way to run a company. We will never be pressured into it. We simply cannot allow arbitrary rules to be forced on us by organizations that lack business expertise."

Rodgers obviously warmed up to the challenge of do-good busybodyism. "The political pressure to be what is euphemized as a `responsible corporation' today," he said, "is so great that it literally threatens the well being of every American."

Rodgers listed some of the other special-interest groups that are harassing corporations about their pet issues. These include the complaints that corporations are not sufficiently "environmentally conscious," that they do business with certain countries, or supply the Armed Forces, or pay their CEO too much, or give to certain charities.

Rodgers cited a Fortune magazine report showing that the so-called "ethical mutual funds" that invest according to a social-issues agenda, which control $639 billion in investments, produced an 18.2 percent return in the last 12 months, while the S&P 500 returned 27.2 percent. Thus, the investors in the "ethical funds" lost 9 percent of $639 billion, or $57.5 billion in one year, because they invested on a social-issues basis!

Rodgers lashed out at the current election-year frenzy in Washington to institutionalize the so-called "corporate responsibility" concepts promoted by Labor Secretary Robert Reich and Senators Ted Kennedy, Jeff Bingaman and Tom Daschle. Their proposals "provoke fear and anger against America's business," and are fundamentally wrong.

One Bingaman-Daschle proposal would grant a low federal tax rate of 11 percent to "responsible corporations," i.e., companies that limit the pay of their CEO to no more than 50 times the company's lowest-paid employee. Such a rule would limit the pay of the CEO of the world's most important semiconductor company (Intel) to less than that of a second-string quarterback in the NFL.

Commenting on the double standards of the "leftist, out of touch with reality" Senators, Rodgers asked, "How long will it be before Senators Kennedy, Bingaman, and Daschle hold hearings on the `irresponsible corporations' that pay tens of millions of dollars to professional athletes? Or are athletes a `protected group,' leaving CEOs as their sole target?"

Rodgers concluded by stating that he stands for "personal and economic freedom, for free minds and free markets, a position irrevocably in opposition to the immoral attempt by coercive utopians to mandate even more government control over America's economy." May his tribe increase, and may his forthright statement embolden other CEOs to speak up, too.