

[Mind Your Own Business! Why Government Must Stop Meddling In Corporate Governance](#) [1]

Written by [Blog Editor](#) [2] | Wednesday 20 June 2012

Today we release our latest policy paper, "Mind Your Own Business!". Elaine Sternberg, the paper's author, argues that high executive pay is not a "market failure" as some politicians have claimed, but a natural and perfectly reasonable function of a well-run firm. Shareholder power is critically important, but where problems have arisen it is because of government meddling in corporate governance. [She outlines some of her arguments in today's City AM](#) [3]:

The High Pay Commission, an inquiry set up to look at executive remuneration, concluded that high pay is corrosive and unfair. But the purpose of corporations is not to promote an egalitarian society. Corporations aren't creatures of the state, there to serve official social ends. They are the private property of their shareholders, and serve the ends designated by their owners.

Corporate governance refers to ways of ensuring that corporate actions, agents and assets are directed at the constitutional objectives of the corporation, set by the shareholders. It should be up to the shareholders to determine the rights, responsibilities and remuneration of all their corporate agents, and to specify the kinds of accountability they require. Given the varied history, size, activity, jurisdiction and shareholder composition of corporations, one size will emphatically not fit all.

Regulation is counterproductive. It is inflexible and imposes substantial costs, both in funds and freedoms: even disclosure is not costless. The High Pay Commission programme would increase intervention, impede corporate governance, and damage business. In demanding detailed disclosure, greater diversity, inexperienced directors, claw-back provisions, and binding votes, the High Pay Commission's suggestions would further constrain shareholders from governing their corporations in their own ways.

The full report is available for [free download now](#) [4].

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