

Michael H. Shuman
2203 Quinton Rd.
Silver Spring, MD 20910
Phone: 202-669-1220
Fax: 202-318-0756
E-mail: shuman@igc.org

Support for SB-690 (B-Corporations)

24 February

2010

Senator Jamie Raskin
11 Bladen St.
James Senate Office Bldg.
Room 122
Annapolis, MD 21401

Dear Senator Raskin,

I am writing to encourage passage of SB-690, which creates a simple procedure for Maryland companies to acquire a designation as a B (for “beneficial”) Corporation. As you know, I’m an attorney and economist who has been championing small businesses for more than a decade in research, talks, and books (*Going Local: Creating Self Reliant Communities in a Global Age* and *The Small-Mart Revolution: How Local Businesses Are Beating the Global Competition*). I am currently the director of research and economic development for the Business Alliance for Local Living Economies (BALLE), a network of small business alliances in 80 communities in North America. (Since BALLE is not a lobbying organization, however, I share this affiliation only for identification purposes and I write in my capacity as a Maryland resident.)

I believe SB-690 serves five important public purposes:

First, it rewards companies that affirmatively serve the public interest in the state. The proposed legislation effectively strengthens an emerging brand for good corporate behavior. The B-Corporation label recognizes companies that are committed to undertaking their business with high labor, environmental, and community standards, even if this commitment reduces its profitability. These public interest goals are enunciated and ratified by hundreds of pieces of legislation in the state. SB-690 effectively rewards a company embracing these goals by helping consumers who also motivated by these values find and selectively purchase their goods and services. It similarly rewards socially responsible businesses by attracting like-minded investors.

Second, it increases market efficiency. Some argue, to be sure, that whenever companies sacrifice any profits for other goals like high labor or environmental standards, efficiency is lost. This, however, is an incorrect definition of efficiency, since it focuses on whether or not consumers are being offered the cheapest goods and services. A better definition focuses on whether consumers are getting the *best value* for goods and services. *Value* includes quality of the product and quality of the company, and these decisions depend entirely on consumer choices. It is an axiom of a market economy that it functions more efficiently when consumers have the best information possible to make these choices. The B-Corporation label does this, effectively matching consumers and investors committed to improving the state's public interest with companies that share these values.

Third, it boosts the state economy. In addition to the benefits that flow from greater market efficiency, the legislation will tend to drive more Maryland residents to buy goods and services from local companies and drive more investors to place money in local companies. Local purchasing and local investing boosts local jobs.

Fourth, it supports the broad objectives of economic development. There is a growing body of evidence, summarized in my books, that locally owned companies, compared to absentee owned businesses, generate for every dollar spent in them higher economic multipliers. That means more income, wealth, jobs, tax receipts, and charitable contributions for the state. Additionally, the evidence also suggests that these businesses are particularly good at promoting smart growth, tourism, entrepreneurship, and low-carbon footprints—all goals officially embraced by the state of Maryland.

Finally, it accomplishes all these worthy objectives at virtually no cost. All that is required by the bill is *voluntary* action by companies who wish to apply and comply, and minor administrative declarations and paperwork by the state. It would be difficult to identify another proposed measure that would deliver as much “economic stimulus” at as small a cost.

The only reservation I have about this bill—a minor one—is that I would like to see it go further. I would like the bill explicitly embrace that carefully nuanced criteria for social performance designed by B-Lab (the architects of the B-Corporation label). And I would like to see explicit preferences in state procurement and in disbursement of economic-development incentives for B-Corporations. But I also believe that even in its current form the bill is well worth supporting, because it sets a foundation for more ambitious work down the road.

Thank you for taking the lead in sponsoring this legislation, and let me know if you need any further information from me.

Sincerely,
Michael H. Shuman