TEXT OF HILLARY CLINTON'S SPEECH AT NEW YORK UNIVERSITY
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Hillary Clinton Remarks on tax policies, corporations and "Quarterly Capitalism"

Here, transcribed from CSPAN, are remarks by Democratic presidential candidate Hillary Clinton delivered on Friday, July 24, 2015 to an audience at the Stern business school at New York University. After thanking hosts and commenting briefly on her handling of emails as Secretary of State, she spent the balance of the speech talking about how to improve the functioning of capitalism. ((Transcription by Bill Densmore)

Over the past few months I've had the pleasure of meeting young people all over our country. Many came of age in the wake of the 2008 financial crisis and the deep recession that it caused.The fallout from that crash has tempered their expectations for the future, and left them clear-eyed about the challenges ahead. The challenges they face and that American faces.

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Yet like generations of Americans before them, there is also undimmed optimism. Today's young people are preparing to enter an economy they know will be competitive not just at home but globally. They are thinking about how they'll find a good job after graduation that can help them get ahead and stay ahead. The risk of a setback or potentially another crisis is never far from their minds. But what inspires me is that they are undaunted by these challenges, they are seeking real opportunities and real rewards for the work that they put in. And they're hopeful that tomorrow will intend be better than today. So, I hear these stories everywhere I go. The hard work, the grit, the sacrifices of people across our country that have brought us back and driven our recovery.

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So yes, now we are standing again but we are not yet running the way America should. No country is better positioned to thrive in today's global economy than we are. We have the most innovative, enterprising private sector and most talented workers anywhere in the world. Yet while corporate profits are at record highs, paychecks for most people have barely budgeted in real terms. And out of pocket costs for everything, from health care to prescription drugs to child care to college to caring for raging parents, are all rising a lot faster that wages. That then is putting a lot of pressure, enormous pressure, on families and their budgets. My mission from my first day as president to the last, will be to raise the incomes of hard-working Americans so they can once again afford a middle-class life.

(APPLAUSE)

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We need to end the wage stagnation that is holding back our families and holding back our country. This is the defining economic challenge, not only of this election but of our time. It gets to the core of who we are as a nation, the basic bargain of America. If you work hard and do your part you should be able to get ahead and stay ahead. And when you get ahead, our country gets head, too.

Last week, at the New School I laid out broad economic agenda to raise incomes and build an economy that works for everyone, not just those already at the top. It's an agenda for strong growth, fair growth and long term growth. And in the days ahead, I will continue outlining goals in all these areas. From setting ambitious goals for infrastructure and clean energy investments, to reigning in excessive risk on Wall Street.

FOCUS ON LONGTERM GROWTH

Today I want to focus in particular on long-term growth. Consider this fact: a survey of corporate executives found that more than half would hold off making a successful long-term investment if it meant missing a target in the next **quarterly earnings** report. In another recent survey, more than 60 percent said the pressure to provide short-term returns had increased over the previous five years.

We also know that publicly held companies facing pressure from shareholders are less likely to invest in growth opportunities than their privately-held counterparts. Large public companies now return eight or nine out of every $10 they earn back to shareholders, either in the form of dividends or stock buybacks, which can, temporarily boost share prices. Last year, the total reached a record $900 billion. That doesn't leave much money to build a new factory, or a research lab, or to train workers or to give them a raise. In fact, according to the Wall Street Journal, between 2003 and 2013 while typical companies in the S&P 500 doubled the share of cash flow they spent on dividends and stock buybacks, they actually cut capital expenditures on things like new plants and equipment.

As the founder of the investment management company, Vanguard, put it, a culture of short-term speculation has run rampant. One other concerned business leader calls it **quarterly capitalism**. Now I understand that most CEOs are simply responding from very real pressures from shareholders and from the market to turn in good **quarterly** numbers. And investors are always looking for strong reliable returns. But it is clear the system is out of balance. The deck is stacked in too many ways and powerful pressures and incentives are pushing it even further out of balance.

Quarterly capitalism as developed over recent decades, is neither legally required nor economically sound. It's bad for business, bad for wages, and bad for our economy. And fixing it will be good for everyone. An increasing number of business leaders, investors and academics are mobilizing to change the culture of boardrooms, classrooms and trading floors and to better align incentives for longterm growth.

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For the sake of our economy and our country, we need to stand with them. Innovators like Google and SpaceX are investing in research that does little for today's bottom line but may yield transformational benfits down the line. Venture capitalists are patiently nurturing the next disruptive innovator. The Big Three automakers, Ford, GM and Chrysler, are putting the memory of the crisis behind them and making investments in factories and technologies of the future including advanced batteries.

Companies like Trader Joe's and QuikTrip that have prospered by investing in workers, increasing wages, and improving training are becoming industry models. And large employers like Target and Starbucks have recently raised wages for entry level workers and thanks to pressure from workers the trend has even extended to MacDonald's and Walmart.

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Now you may have heard that I am a fan of Chipotle.

(LAUGHTER)

And it is not just because of their burrito bowl. Last month, the company announced it would provide paid sick days, paid vacation time, and tuition reimbursements to its part-time employees.

(APPLAUSE)

These are all smart long-term investments that will and do payoff for companies, workers and our society. And they point to an important question for the future of our economy. How do we define shareholder value in the 21st century. Is it maximizing immediate returns, or delivering longterm growth. Of course, we want to do both. But today too often the former comes at the expense of the latter. Real value is lasting value. We all know that in our own lives. I learned it watching my father sweat over the printing table in his small fabric shop in Chicago, He scrimped and saved to build that business and provide for our family's future. It wasn't good enough to be secure for today. What mattered was tomorrow. And what's true in life is also true in business. Real value comes from long-term growth, not short-term profits. It comes from buiding companies, not striping them. From creating good jobs, not eliminating them. From seeing workers as assets to be cultivated, not costs to be cut.

American business needs to break free from the tyranny of today's earning report, so they can do what they do best -- innovate, invest, and build tomorrow's prosperity. It's time to start measuring value in terms of years or the next decade, not just the **next quarter.** That is one of the ways we can raise incomes, help families get ahead and deliver real value for shareholders.

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Now, there is no single cause of **quarterly capitalism** and therefore no single solution. But there are smart, specific reforms that can be made by both the private and the public secotrs that would better align market incentives for longterm growth. Reforms that many forward-thinking business leaders themselves have been calling for. I will mention five areas of focus today, but this list should be the beginning of the discussion, not the end. First I'm proposing a reform of taxes on capital gains. The profits earned by the sale of stock and other assets to promote and reward farsighted investments. The current definition of a longterm holding period – just one year – is woefully inadequate. That may count as longterm for my baby granddaughter, but not for the American economy. It's now way to run a tax sytem.

SLIDE-SCALE CAPITAL GAINS

So as president, I would move to a six-year sliding scale that provides real incentives for long-term investments. For taxpayers in the top bracket, families earning more than $465,000 a year, any gains from selling stock in the first two years would be taxed just like ordinary income. Then the rate would descrease each year until it returns to the current rate. This means from the moment investors buy into a company, they will be more focused on its future growth strategy than its immediate profits. And so will some executives who are paid in part with stock or stock options

SHORT-TERM TRADING CURBS

I will also be looking at ways to address very short-term trading, whether it is conducted over days, hours or even milliseconds.

INCENTIVES FOR DISRUPTED COMMUNITIES, STARTUPS

And we should offer the chance to eliminate capital gains taxes altogether for certain investments including innovative startups, and hard hit communities, from inner cities, to the Rust Belt to coal country to Indian country. This should go ahead in hand with a revitalized, new market tax credit which also encourages investment in poor or remote communities and helps prevent downward spirals after economic disruptions like plant closings or layoffs. I want to see more investor helping unlock the potential of the family business that is struggling to get back on its feet; or the startup that is on the verge of making it big. Or the community that lost the factory where generations worked, but now is eager to build a new future. That's long term growth at its best.

CARRIED INTEREST / BUFFETT RULE

Now, of course, I understand that these changes to the tax code alone will not shift investors' focus from short-term to long-term overnight. But I believe this reform is an important first step toward removing some of the incentives that push us toward **quarterly capitalism**. And this would be part of a broader reform of both individual and corporate taxes that I will be discussing later in the campaign. Last week I called for closing the carried-interest loophole and implement the Buffet Rule, that would ensure millionaires don't pay lower rates than their secretaries. And in the months ahead I'll address other inequities and loopholes that distort business decisions and rig our tax code for those at the top.

CONSTRAIN CORPORATE RAIDERS

The second area where action is needed is to address the influence of increasingly assertive shareholders determined to extract maximum profit in the minimum amount of time even at the expense of future growth. Now so-called activist shareholders can have a positive influence on companies. It's a good thing when investors put pressure on management to stay nimble and accountable, or to press for social and environmental progress. But that's very different from these hit-and-run activists, who's goal is to force an immediate payout no matter how much it discourages and distracts management from pursuing strategies that would add the most longterm value for the company. Even iconic businesses, like Apple or Proctor and Gamble or Dow Chemical have felt this pressure. So we need a new generation of committed, long-term investors to provide a counterweight to the hit-and-run activists. Now some institutional investors are now already beginning to push back. We need more pension funds and proxy advisory firms to do so as well. Institutional investors control over 70 percent of the shares in the largest 1,000 U.S. companies. They have unmatched influence and therefore an unmatched obligation to guide companies toward strategies and metrics focused on longterm value.

STOCK BUYBACK TRANSPARENCY

There are things government should do as well. As president, I would order a full review of regulations on shareholder activism, some of which haven't been reexamined in decades, let alone modernized to reflect changing realities in our economy. We also have to take a hard look at stock buybacks. Investors and regulators alike need more information about these transactions. Capital markets work best when information is promptly and widely available to all. Other advanced economies like the United Kingdom and Hong Kong require companies to disclose stock buybacks within one day. But here in the United States you can go an **entire quarter** without disclosing. So let's change that.

EXECUTIVE COMPENSATION & DISCLOSURE

And buybacks lead directly to the third area of focus, reforming executive compensation. We cannot address the challenge of **quarterly capitalism** without making sure that incentives for CEOs and other executives are more focused on the longterm growth and strength of the companies they run and less on the short-term fluctuations in its share price. No I am all for rewarding CEOs well when their companies prosper -- and their employees also share in the rewards. But there is something wrong when senior executives get rich while companies studder and employees struggle.

There is something wrong when corporate boards allow exorbitant pay packages that are not based on credible assessments of executive performance, or a company's longterm interests. Thirty years ago, top CEOs made 50 times what a typical worker made. Today they make 300 times more. That just doesn't make sense. Previous generations of executives were just as talented and hardworking and they managed to get by with much more reasonable compensation. So have CEOs in other countries.

It would be good for our economy and our country if we get back to compensating all employees when productivity and profits increase, not just those at the top. Now in the 1990s, there was an effort to executive compensation to employee performance, including through the use of stock options. But many stock-heavy pay packages have created a perverse incentives for executives to seek the kind of payout that could come from a temporary rise in share price. And we ended up encouraging some of the same short-term thinking we meant to discourage.

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In addition, while the Dodd-Frank reform legislation, passed in 2010, called for new regulations of regarding disclosure of executive compensation. Many rules have yet to be put in place. That includes a requirement to publish the ratio between CEO pay and the paychecks of everyday employees.

There is no excuse for taking five years to get this done. Workers have a right to know whether executive pay at their company has gotten out of balance and so does the public. Now we need to take several steps here. Defend the Dodd-Frank Act from Republican attacks and finally get the rules on the books. Reform the performance-based tax deductions for top executives, expand the disclosure requirements under the Say-On-Pay rules to include an explanation of how executive compensation will promote the longterm health of the company.

EMPOWERING & TRAINING WORKERS, MINIMUM WAGE

Now a crucial fourth area for reform is how we empower workers, and make sure they are seen as engines of growth that they are. Research shows that well paid and well trained employees tend to work more efficiently, stay on the job longer and provide better customer service. But those rewards can be harder to measure than the immediate cost of payroll and training. So under the pressure of **quarterly capitalism** they are often squandered. Employer funded job training has fallen by more than one third in the past two decades even as the premium on skilled workers has increased in a global economy.

Even where training programs do exist, too few are focused on providing broadly-applicable “sectoral” skills. The decline of unions and worker bargaining power has lead to a decline in worker voices, in long-term decision making at many companies. And it is no surprise that we have seen declines in investments in corporate human capital as well.

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I think we need to start trying to reverse all of these trends. As president, I will fight to defend workers' rights and encourage more companies to invest in their employees. IN this campaign I have already proposed a $1,500 apprenticeship tax credit for every new worker that businesses train and hire as well as a plan to encourage more companies to offer generous profit sharing plans. I’ve also called for raising the minimum wages and implementing President Obama’s new rules on overtime.

And let me add, I agree with New York's proposal this week to raise wages for fast-food workers to $15 an hour. The national minimum wage is a floor, and it needs to be raised. But let's also remember that the cost of living in Manhattan is different than in Little Rock and many other places. So New York, Los Angeles and Seattle are right to go higher.

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Now, if we're going to ask the private sector to invest for the long term, let's also face up to the fact that Washington may well be the worst offender of all when it comes to short-term thinking. And this is the fifth area of reform that is desprately needed. It's time to in the era of budget brinksmanship in Congress and stop careening from one self-inflicted crisis to another.

(APPLAUSE)

That just creates more uncertainty for business, for investors and for our country.

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You know, I've been asking a lot of business leaders with whom have I talked, you know, what are the couple of things you would love to see happen? And almost to a person they say we need more predictability. We have no idea what’s going to come out of Washington. We can deal with whatever comes, but when we don’t know, when there are stalemates, when there are government shutdowns, that interferes with our business, and particularly with our global business which is kind of an obvious thing to say but I hope peole in Washington will pay attention.

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And let's stop pouring subsidies into industries that are already thriving, like the giveaways in the tax code to oil companies . . . (APPLAUSE) . . . .and start investing in the future to create millions of more new jobs in the new economy. We should be making smart investments in infrastructure, innovation, education and clean energy that will help businesses and entrepreneurs grow and create the next generation of high-paying jobs.

RENEW INVESTMENT TAX CREDIT

And we know the investments that would be made in these areas have very high returns. There's no excuse not to make them and to make them now. For example, we should improve and make permanent the research and experimentation tax credit. Every few years, Congress has another squabble over whether to renew this credit. They've done it 16 times in the past 35 years. Isn't it time we stopped kicking the can down the road and got down to doing the peoples' business?

And as important as the specific reforms I've outlined here are, the truth is that the fight against **quarterly capitalism** cannot be won in Washington alone. The private sector has to rise to this challenge. We are already seeing a movement for change taking shape. Investors, executives and employees are all starting to step up. Union leaders are investing their own pension funds to work to put people to work in building tomorrow's clean-energy economy and they earn good returns doing that.

RETURN TO STAKEHOLDER RESPONSIBILITY

We need to build on this momentum. It's time to return to an old-fashioned idea, that companies' responsibility to their shareholders also encompasses a responsibility to employees, customers, communities, and ultimately to our country and, yes, to our planet.

(APPLAUSE)

The strength and legitimacy of American capitalism have always depended on its ability to create opportunities for hardworking families to get ahead generation after generation. We can't lose sight of that.

BENEFIT CORPORATIONS

I'm pleased that since 2010, 31 states have enacted legislation authorizing so-called benefit corporations, which allow companies to pursue both profit and social purpose. Senator Mark Warner has suggested that we recognize a new corporate form and reward companies that invest in their workers. That proposal has real merit and we should explore it further. What's good for middle-class families also happens to be good economics. We know that strong, sustainable growth can only happen when communities are thriving and workers are well paid.

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And after all, our economy is a 70-percent consumption economy. It that's old Henry Ford story when he decided he was going to be, you know, paying his workers as I recal the princely sum of $5 a day and a lot of his peers rose up in opposition – how can you do this, you're going to throw off the labor market, you are setting a bad example. And his response was, I'm building these cars and I need people to buy them.

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Well, our economy is not yet running the way it should, in large measure because we're not putting enough money in the paychecks of enough Americans so that they in turn can be fueling this consumption economy which not only holds up the American economy but holds up the global economy. It's in everyone's interest, including corporate America's, to contribute to a vibrant middle class and rising incomes.

SHORT-TERMISM AND HISTORY

Now, as president, I won't try to impose a one-size-fits-all solution, but I will use the power, the convening power of the office to bring all relevant parties together to help move our corporate culture toward solid long-term growth and investment. Just imagine how different our history would've been if short termism had dominated earlier eras the way it does today. What if an activist hedge fund had persuaded AT&T to maximize cash flow and close Bell Labs before the transistor or the laser was invented there? What if Xerox had decided that its Palo Alto research park wasn't doing enough to boost share prices in the short term? A young Steve Jobs would never have visited and the personal-computer revolution might never had happened. What if congressional budget cuts had shut down DARPA, the Defense Advanced Research Projects Agency, before it developed the early Internet?

CRITICISM OF REPUBLICAN POLICIES

Today, we face a choice between the future and the past. The Republicans running for president seem totally unconcerned about the problem of **quarterly capitalism**. In fact, their policies would make it worse. Most would eliminate capital gains for wealthy investors with no incentives for long-term holdings. They'd wipe out the new rules on Wall Street imposed after the crisis and of course they'd further strip worker rights and weaken bargaining power. Indeed, their approach to government mirrors the worst tendencies of hit-and-run shareholders -- demanding quick payouts in the form of tax breaks for the wealthy at the expense of investing in the future. They ignore long-term challenges like climate change,poverty and inequality and failing infrastructure. Just look at the current mess in Congress with the highway bill. We can't afford to return to the same out-of-touch, out-of-date policies that wrecked our economy before.

"BASIC BARGAIN OF AMERICA" – IDEAS?

We have to work together to drive strong growth, fair growth and long-term growth. That's the only way we will renew the basic bargain of America. You know it. If you work hard, you should be able to get ahead, and stay ahead, and when you do America gets ahead too. It's the only way we're going for tomorrow and not yesterday.

I invite you to join me in this discussion. I'm looking for new, creative, innovative, disruptive ideas that will save capitalism for the 21st century, because it is the greatest engine of economic opportunity and potential that has ever been invented. It's one of the great accomplishments of the American political and economic history. It created the opportunities that so many generations of Americans took advantage of and that lead to the middle class, the extraordinary economic accomplishment of our country. And as we've had to do in previous areas, it needs to be reinvented. It needs to be put back into balance. It needs to recognize that we really are all in this together and the better we all do the more than will be for everybody to share in, to invest in and to profit from.

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So I ask you, and particularly here at Stern, the students and the faculty and others who are studying business, help us think through the best ways to change the culture to move it back to where it used to be, which was much more focused on long-term investing, with the results of the extraordinary prosperity that we enjoyed for decades. We have new challenges, from technology and globalization, and other big problems on the horizon, like climate change, for example. But that is what we are best at doing in this country. We are solvers, not problem deniers. We roll up our sleeves, we get to work and we keep moving forward. It is always all about tomorrow. Love that song, "Don't Stop Thinking about Tomorrow."
(LAUGHTER)

So, help me think about it, and let's make it happen! Thank you all very much.

END OF SPEECH AS RECORDED BY CSPAN

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