

The Rise of Woke Capitalism

A new creature has appeared on our political landscape—[woke capitalism](#). It is not the usual, perfectly rational, corporate politicking where businesses hire lobbyists or run PR campaigns to help boost their bottom lines. Here clout is mobilized to advance policies that have absolutely nothing to do with either generating profit or enhancing a company's "good citizen" public image. Indeed, this political venture may be inimical to shareholder value and prove a political liability. Woke capitalism is best understood as ill-informed, economically counter-productive virtue-signaling.

The most recent and egregious example is, of course, the recent outcry from over a hundred top-tier corporations that have publicly condemned Georgia's newly enacted and allegedly racially discriminatory voting laws ("Jim Crow" laws according to President Joe Biden). Leaving aside whether requiring an ID to vote is racially discriminatory, it is indisputable that "outraged" firms such as United Airlines and American Express lack any direct economic stake in these relatively minor voting regulations. Will Apple or Goldman Sachs benefit from expanding access to absentee ballots? Ironically, such changes may ultimately harm the "outraged" capitalists by permitting millions of people to more easily kill the capitalist golden goose for an extra helping of "free stuff."

Particularly odd about this sudden outpouring is how it has overshadowed Biden's call for increased corporate and business-related taxes. Where is Starbucks' outrage about tax hikes that will reduce company profits and thus executive salaries? Surely these hefty tax increases deserve more CEO attention than the number of drop-off boxes for mail-in ballots. The newly woke executives are also abandoning their fiduciary responsibilities by getting caught up in political campaigns that detract from their responsibilities while

alienating potential customers. Those who support Georgia's new voting rules surely have choices other than American Express or United Airlines.

Explaining this obviously irrational, economically counterproductive behavior is difficult. The woke pressure is certainly not from shareholders, who routinely defeat radical measures when put to a vote. A possible explanation for the stampede of corporate foolishness: top executives do not fear shareholders; rather, they fear their own employees, and going woke is perceived as the best and cheapest way of assuaging these fears. CEOs certainly recognize the vulnerability of private property at the hands of angry mobs, and signing a petition is a cheap insurance policy.

I grew up in a business family and talk of fearing one's own employees was part of the dinner table conversation. I recall hearing about the racial integration of hotels in New Orleans in the early 1960s where the chief obstacle was sabotage by white employees, and I heard how disgruntled hotel employees might set small fires as revenge for being let go, potentially devastating the business. A lawyer friend who once worked at Ford explained how executives at certain Chrysler plants feared being physically assaulted if they visited the factory floor.

Today's college administrators are likewise often worried about out-of-control students. Being at the center of a campus mayhem might well be career-ending, so it's better to just keep apologizing and funding pointless programs. Meanwhile, while professors formally hold all the power, most doubtless dread being accused of real or imagined sexual misconduct or a "racist" slip of the tongue. And woe to the professor who might say less than flattering things about protected communities of color, regardless of the accuracy of their statements. To say that the lunatics are now running the asylum is hardly an exaggeration, and it is the fear of the lunatics that drives their power.

What has been long occurring on college campuses has now arrived at corporate America, and to be blunt, both flow from our diversity mania. CEOs now resemble campus administrators who face students' demands that the university remove politically incorrect statues or expunge the names of founders guilty of long past racial insensitivities. No matter that all this clamor is educationally irrelevant; everything is just a protracted demonstration of who is really in charge. Nor will this wokeness diminish if millions of once nonvoting Republicans suddenly avail themselves of the newly created easy routes of boosting turnout. This is political Kabuki theater whose sole purpose is the exercise of power.

Just as a few radical students can disrupt a campus, so too can a few politically obsessed employees disrupt a corporation. After all, radical workers are unlikely to believe that profits outshine the achievement of social justice. Just insert a virus into computers, reveal confidential information, file frivolous discrimination lawsuits, and cause other forms of expensive trouble. Moreover, disruptive employees may be impossible to fire even if their misbehavior can be demonstrated. Miscreants can always claim that they were driven to sabotage by the toxic work environment, and everything could have been avoided only if the firm had worked to promote social justice.

In sum, contemporary corporate America is experiencing what has plagued universities for decades—those nominally in charge are being intimidated by those below. For these fearful leaders, they have decided it is far better to make the right gestures and keep the peace than to stand for anything in particular.

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