



FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

Issue #58
March 18, 2022

Woke, Inc.

In recent years, well over 100 of the largest corporations and dozens of smaller companies have made a radical but little noticed change to their governance. They have announced that their purpose will no longer be to maximize shareholder value, but to provide benefits to a range of "stakeholders," of which shareholders are listed last. They have also become deeply involved in political and social issues, on which they often spend a lot of time, energy and money. This has profound implications for investors, because if these corporations are no longer profit-seeking enterprises but de facto social justice non-profits, then the value of their stock is probably worth at least 80% less.

I wanted to better understand how profit-seeking businesspeople became profit-eschewing social justice warriors, so I read the book Woke, Inc.: Inside Corporate America's Social Justice Scam by Vivek Ramaswamy. He is young, highly educated, very connected and extremely successful. The book is thoughtfully written, deeply nuanced and very insightful, and I highly recommend it.

First Vivek points out that the legal mandate to maximize shareholder value actually limits the power of corporations: "To protect against corporations becoming behemoth monsters, corporations needed to be restricted to their purposes. They needed to be kept in their lane. Maximizing shareholder value wasn't about unleashing corporate greed, or

rewarding shareholders....Rather, it was about *reining in corporate power*—by preventing an abuse of the corporate form to aggregate undue power and social influence and limiting corporations to focus on the humdrum activity of selling goods and services.”

Next, Vivek notes that the legal privilege of limited personal liability that woke corporate executives enjoy isn't available to ordinary social activists. He proposes to level the playing field by making those executives personally liable when they engage in social activism through their companies.

You've heard of the Deep State, but Vivek writes that there's also a Deep Corporation problem as well: “The perpetrators are the hired C-suite managers at large companies.... these executives often implicitly frustrate the will of a corporation's shareholders. Their main goal is to aggregate power for themselves....” This managerial class “uses the company piggy bank to travel to Davos each January....[and] they own much less of the company than founders and investors do.” This is why I try to invest in companies that have a high percentage of insider ownership.

This results in the problem of incentive misalignments: “...managers own very little of firms yet wield day-to-day control of them. And that in turn creates so-called 'agency costs,'...[i.e.,] the value an entity loses when it outsources some of its decision-making to an entity with different interests....Unlike shareholders, managers have a personal reputation to maintain.” Vivek writes that a corporate manager's main asset isn't wealth but social stature. “That's their ticket to wielding power, to getting hired to run another company in the future, to gaining a membership at a prestigious golf club, to getting appointed to a cushy job as an ambassador.”

Vivek's primary thesis is that stakeholder capitalism is actually a cynical scam that corporations use to deflect attention from their other (self-serving) policies and practices and avoid accountability “for their failures to properly advance the essential purpose of [their] institution.” Vivek makes the brilliant observation that “By becoming accountable to literally everyone, they become accountable to no one....It's about serving the managerial class itself.”



Vivek explains the rationale for this bizarre arranged marriage: “...corporations embraced wokeness to give themselves cover from the financial crisis and to direct anger toward white men instead of capitalism.” (Vivek writes that big banks know that diversity consultants are no threat to them, but Marxism is.) “Yes, big business is a problem, they'd say, but what do you expect when it's run by white men? We all know the patriarchy is the real problem, along with racism....Look, we will build a statue for you. [Like State Street did when it commissioned the

statue “Fearless Girl” to both deflect attention from [its problems with female employees](#) and to flog its [SHE ETF](#).] Just don't say that systemic financial risk is a problem.”

Vivek then details the cleverly designed scam that Obama's Department of Justice devised involving woke nonprofits and corporations: “Remember those massive settlements that companies like Goldman [Sachs] pay for violating laws?...Well, there's a second part of the scam—the settlement money that's supposed to go to taxpayers ends up in the pockets of left-wing nonprofits while sometimes cutting the fines actually paid by those companies by half or more....the DOJ gets to look good, the banks get to keep most of their money, and the liberal nonprofits get lots of funding.”

Vivek also explains how a version of this scam means that plaintiffs in a class action lawsuit never see a dime of the judgement: “...plaintiffs' and defendants' lawyers get together and tell the judge it would be too difficult to distribute settlement money to all the members of a class. Then they tell the judge they've agreed to give it to some nonprofits they like instead or that they want to use it to create some foundation at their alma mater. The judge usually agrees. Judges often get in on the action by directing some of the money to the nonprofits they like as well as their own alma maters.” *What the hell?*

Vivek includes a chapter called “When Dictators Become Stakeholders” that describes how “woke capitalists in America get to make money with their dictator buddies abroad and act like they're saving the world back home.” He writes, “The [Chinese Communist Party] is the spider at the center of the global web of stakeholder capitalism,” and his stories about how companies such as Google, Disney, Blackrock, Airbnb, the NBA, Hollywood and some universities have climbed in bed with the CCP are shocking and repulsive.

Regarding Big Tech's censorship of speech (including by doctors and scientists) related to COVID-19, Vivek writes, “Whether a lockdown of certain businesses to prevent the coronavirus from spreading is the right policy isn't a matter of 'fact' or 'science.' It's a policy judgment....Using the WHO as a single source of truth [as, for example, YouTube does] is dangerous to science—and to public health too....WHO echoed the claims of the CCP that there was no evidence of human-to-human transmission of the virus....that was arguably the most dangerous lie about public health in modern history.”

In the chapter called “The Silicon Leviathan,” Vivek explains what motivates Silicon Valley's billionaires: “For most Americans, the rate limiter for what they can buy is the amount of money that they have. But for multibillionaires like Zuckerberg and Dorsey... it's not the amount of money they have, since that's effectively infinite. Rather, it's the limitation on *the scope of what money itself can buy*....For [these people], their struggle is different: it's to figure out how money itself can buy more things, since they already have a limitless supply of it.”

Vivek writes that as a consequence of this, Silicon Valley is “abusing their market power to beget greater social, cultural and political power. The main victim isn't the consumer in the market; it's the citizen in our democracy....The rise of Wokenomics consummates Silicon Valley's coup over our democracy. Censorship becomes rebranded as social responsibility....companies like Facebook and Google have effectively assumed the role of

the state itself and have further expanded that role to regulating and censoring public opinions in ways that no governmental actor can. Their exercise of power over the content of public discourse is without precedent in human history.” But this was by design: “...Congress co-opted Silicon Valley to do through the back door what government cannot directly accomplish under the Constitution....These social media companies are effectively privately hired censoring agents for the government.” Vivek writes that this is the most dangerous kind of woke capitalism.

Vivek then asks how we got to this point where politics infects everything, including something as mundane as who you buy widgets from: “How did we come to this farcical point where your politics chooses your sandwiches and your sandwich makers must choose their politics? I’m tempted to say that nothing is sacred anymore, but America’s problem is actually the opposite: nothing is allowed to be ordinary anymore. Partisanship now infects everything and attaches sanctity to even the most mundane consumer decisions....to give our lives meaning, we make the ordinary sacred.”

Vivek includes a chapter about how Americans have been sorting themselves into like-minded tribes since the late 1970s. He writes, “Corporations are arming us with symbols that let us identify friends and foes so that we can sort ourselves....Today, capitalists are the gunsmiths [i.e., materiel providers] of our culture war.”

Vivek concludes that woke capitalism is “rooted in a guilt complex for never genuinely having helped other people. [E.g., doing community service just to make your college application look better.] So once they’re in cushy positions, they try to mix up their profit-oriented pursuits with making up for their past. Yet they don’t even know how to pursue service for its own sake....It was always something used to develop a competitive advantage rather than something done for its own sake. That’s what woke capitalism is all about: companies performatively one-upping each other to show that they’re the good guys, and consumers falling for their tricks because they’re hungry for a cause.”

Ω

I would love to hear from you! I thrive on feedback from readers. If you have any comments, suggestions, insight/wisdom, or you’d like to share a link to a great article, please [email me](#).

Generally, I don’t have time to answer questions about your specific situation, but if you have a general question that I think other readers also have, [let me know](#) and I will provide an answer in a future issue.

Feel free to forward this to a friend. If you would like to subscribe (it’s free!) or unsubscribe, [email me](#) with either “subscribe” or “unsubscribe” in the subject line.

Disclaimer

The content of this newsletter is intended to be and should be used for informational/educational purposes only. You should not assume that it is accurate or that following my recommendations will

produce a positive result for you. You should either do your own research and analysis, or hire a qualified professional who is aware of the facts and circumstances of your individual situation.

Financial Preparedness LLC is not a registered investment advisor. I am not an attorney, accountant, doctor, nutritionist or psychologist. I am not YOUR financial planner or investment advisor, and you are not my client.

Investments carry risk, are not guaranteed, and do fluctuate in value, and you can lose your entire investment. Past performance is not indicative of future performance. You should not invest in something you don't understand, or put all of your eggs in one basket.

Before starting a new diet or exercise regimen, you should consult with a doctor, nutritionist, dietician, or personal trainer.

Copyright 2022 Financial Preparedness LLC