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

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Go Woke, Go Broke

I just finished reading the book Go Woke, Go Broke: The Inside Story of the Radicalization of Corporate America by Charlie Gasparino (4.5 stars, published in 2024; the author happened to speak at a conference I attended last week). It's the most recent book about the sudden and shocking transformation of corporate America from profit-seeking enterprises to *de facto* social justice nonprofits. It documents the staggering value destruction among the worst offenders and the serious pushback that woke asset managers (which is the vast majority of them) have received.

Gasparino writes, "Describing exactly what constitutes ESG [environmental, social, governance] investing can be like nailing Jell-O to the wall....The standards are often obtuse and malleable....[ESG] warps the investment process and rational corporate decision making to achieve a political result most Americans would abhor and any sentient shareholder [which, thanks to passive investing, are few in number] should despise. Asset management firms direct their [capital] to companies only if they meet certain woke metrics. The companies' ability to...create shareholder value becomes a secondary or even tertiary investment concern." Actually, the 2019 Business Roundtable white paper that sought to redefine the purpose of a corporation doesn't even mention shareholders until the end of a list of five "stakeholders."

Gasparino continues, “Management's desire to grow their business and hire the best people takes a backseat to the demands of ESG money managers that companies focus their efforts on increasingly inefficient ways of cleaning up the environment...and barely legal methods of creating statistical diversity in their workforce....The result is not just hiring quotas; until recently, there's been a near ban on hiring and promoting white men at many large corporations.” (Marxist) Critical Race Theory, “another key tenet of corporate wokeness...stresses the opposite of team building, the necessary ingredient for any company to survive and thrive....CRT teaches people to hate each other.”

How does increasing the demographic diversity (a word that many companies use dozens of times in their annual sustainability report) of a company's board of directors affect its performance? A Harvard Business School study found that “Increasing the numbers of traditionally underrepresented people in your workforce does not automatically produce benefits....The research [on diversity]...was conducted by consulting firms [the big accounting firms are among the most full-throated supporters of ESG because they can score lucrative consulting gigs to help corporations get on board the crazy train (and stay aboard, because ESG is a never-ending “journey,” as simp managers write in their sustainability reports)] and financial institutions [such as Goldman Sachs, which “won't underwrite initial public offerings for companies it deems not diverse”] and fails to pass muster when subjected to scholarly scrutiny. Meta-analyses of rigorous, peer-reviewed studies found no significant relationships...between board gender diversity and firm performance.”

In 2020, the Nasdaq stock exchange (which seems like it would have nothing to gain from ESG) “adopted a rule that all but set quotas in the corporate boardroom, forcing all listed companies to disclose boardroom diversity....[and] explain why they do not have at least two *diverse* [which is code for *non-Caucasian*] directors, including one who self-identifies as female and one who self-identifies as either an underrepresented minority or LGBTQ.” (Uh, what about the underrepresented group of violent foreign gang members?) Since then, 70% of the new directors appointed to corporate boards were not straight white males.

Gasparino asks an obvious question: “Guess who's exempt from all of this [including the Goldman Sachs IPO requirement]? The Chinese. [Many Chinese companies list their shares on the Nasdaq.] Chinese companies are...some of the world's biggest polluters; they're controlled by one of the world's most repressive regimes....They would fail nearly every ESG metric if they were held to them, but they're not....China and India don't buy the ESG mantra, and [ESG] asset managers have stopped trying to get their buy-in.”

The director of the Center for Corporate Governance said the corporate board and CEO class used to be split between Republicans and Democrats; no longer. Now it is almost universally left of center. The few who aren't leftist are so spineless that they try to buy protection from the politicians who seek the destruction of their company by cozying “up to them and their proxies with money.” These two factors explain why so many corporations support Leftist organizations such as (Marxist) Black Lives Matter. It was a way for woke CEOs to virtue signal using Other People's Money, and for spineless CEOs to prevent bad PR and buy social peace (or so they thought).

Of course the $100 billion of shareholders' money that corporate America suddenly dropped on BLM (or related causes) temporarily kept its corrupt leaders busy buying the products and services offered by the free market, but it also ensured there would be more grievances to come. It was like fending off a pack of wolves by throwing them steaks.

With these donations, "...the [woke] CEO class gave credence to the lie that America was an evil, xenophobic monarchy of white oppressors....CEOs are supposed to be good at selling things....yet they were pissing off at least half of their customers who were not woke and certainly not racist....What consumer wants to hear he or she is racist because they support Donald Trump?"

Gasparino writes that "Fear drives this vicious cycle as well. Most CEOs these days are cowards," and that Old School CEOs "would see fads like DEI or ESG as obstacles to making money....DEI mandates are enforced in part by the plaintiff bar joining with the Justice Department's Civil Rights Division to bring cases against firms if they can show statistical disparities based on race and sex *even without providing actual evidence of discrimination*." (emphasis added)

Consequently, "it's no coincidence that the rise of corporate progressivism...reached a fever pitch during the Biden presidency....Biden might be the most DEI-obsessed president" ever. One DC political operative said, "The burden to appoint a white male to a...cabinet post is so high most don't even throw their hat in the ring....There's an unofficial rule that for every white cabinet member in the Biden administration, you need to find two or three people of color or someone with gender diversity."

Gasparino writes, "DEI became so granular in doling out benefits based on race that it has extended through the corporate supply chain. White-male-owned suppliers...needed to go and be replaced by those deemed oppressed. Boards set supervisory pay to meeting DEI mandates. Translation: You hire, promote, and do business with fewer white people and you get a bonus. Don't hire based on race, and you get a pay cut."

"Particularly after George Floyd's death, HR departments not only forced employees to sit through lectures...on Critical Race Theory, but...imposed...a white-male hiring freeze. To hire a white male, or promote one, HR DEI enforcers demanded so much paperwork, and proof of other diverse hires, that white men for a time literally stopped getting jobs and promotions....Corporate boards...sought only diverse candidates."

Gasparino continues, "So-called DEI statements became standard, forcing job applicants to describe in writing what they did to make the world more diverse and humane to all races....[they were] like pledges of allegiance to progressivism, a woke litmus test to weed out free-thinking applicants." A policy analyst who studied the impact of DEI statements on hiring at UC Berkeley wrote, "The scale of the resulting purge would make Stalin blush. Of 893 nominally qualified candidates, 679 were eliminated solely due to insufficiently woke DEI statements....Berkeley used a political litmus test to eliminate over three-quarters of the applicant pool."

One health care executive was told by his prospective supervisor that his “DEI statement was as important as his 20-plus years in the medical field. He needed to provide granular information and proof on how he dedicated his life, his career, but not to saving lives. That was secondary to his work in advancing women and minorities....In the end, he didn't get the job, after fessing up that he refused to advance people who weren't qualified.” I heard about a similar litmus test: a student applying to medical school was asked if there were any medical procedures that she wouldn't perform (hint: they weren't asking about delivering babies).

Gasparino documents “the trend, particularly among working-class white men, of people who increasingly can't find work, a wife, or anything fulfilling except a bottle of scotch and some opioids. It's also an increasingly marginalized class in our popular and political culture. Madison Avenue doesn't believe they exist any longer, which is why you barely see a marginalized white guy in a TV commercial these days....after 2020 and through 2021, [94%] of all jobs from S&P 500 companies...went to people of color.” I know a Caucasian family whose model son now works as a waiter because the demand for white male models dried up.

In racial equity training that Bank of America provided to its employees, the training manual said, “Racism in America idolizes white physical features and white values as supreme....White people have more limited imagination...experience fear, anxiety, guilt or shame...contribute to racial tension, hatred and violence in our homes, communities and world...react in broken ways as a result.” After going through such “training,” why would one want to hire a (toxically masculine) white dude?

It's nice to be able to present yourself as World Improver, especially if you can make bank while doing so. Gasparino reveals that “ESG-styled funds charge fees as much as four times higher than the average actively managed fund.” Now I see why they call it “green investing”! But saving the planet is worth it, right? Unsurprisingly, most ESG funds underperform the market.

One of the amusing terms that woke asset managers use (and require corporate managers to somehow address) is “climate risk,” i.e., the risk of *not* spending trillions of dollars to “de-carbonize” (i.e., de-industrialize, de-modernize, de-civilize). In 2016, BlackRock CEO (and World Economic Forum board member) Larry Fink announced that the firm (the largest asset manager in the world) “would use ESG as part of its entire investment process along with traditional [investment] metrics.”

“Pension funds loomed large in Fink's thinking,” especially the $3 trillion controlled by blue-state pension fund managers, twice the amount managed by Republicans. There was also “more than $10 trillion in foreign state-owned sovereign wealth funds, particularly in Europe, where progressive finance bureaucrats love woke investing.”

Fink said that “BlackRock would lead the effort to de-risk [sic] American business and investing.” It would create alpha (excess return) because “the costs associated with global warming, flooding, weird weather patterns, pollution, sickness and disease” would be eliminated. And DEI mandates would “settle a divisive and restless nation.” LOL!

Importantly, Gasparino notices that the emperor has no clothes: “ESG prepares for a future that is probably never coming....The Net Zero Asset Owner Alliance's ambitious goal of net zero emissions by 2050 is laughably unattainable when you consider that emerging economies...are burning fossil fuels like crazy.” It's easy for a company to talk about how it will have no net impact on the environment by 2050, especially because the managers who are making those claims will long since have retired, with stock options exercised at artificially high prices thanks to woke asset managers. It's a great story, and humans love stories, especially about what their future selves will do. If ESG investing continues, we *will* reach Net Zero by 2050, because the vast majority of corporations will cease to exist, which is the real goal.

Gasparino continues, “But ESG takes environmentalism to extreme, nefarious levels. It tries to codify unestablished climate science [which is repeatedly referred to as “science-based” to gaslight everyone into thinking that there's really some credible science behind it]—mostly the opinions of progressive activists that the world will end in 2050...into a set of inchoate investment rules. It does so without any acknowledgement of economic dislocations when you curtail oil [use]. It does so without a replacement energy source....” Ah, but a replacement energy source isn't necessary if the real goal is to bring about the end of capitalism and Western civilization.

Scarily, Gasparino writes that “When you talk to people...about what's happening culturally...throughout corporate America, they concede it's a bizarre spectacle. They also concede they're powerless to turn back the clock on wokeness.”

What Gasparino “could never understand about...any liberal C-suite type, is just how little they knew about the progressive movement....In the hierarchy of the progressive left, the C-suite liberals are also the enemy because they make money and run businesses. The left looks at [such] people as nothing more than useful idiots....The progressives don't care if these companies become uncompetitive and file for Chapter 11 bankruptcy....What these financiers failed to understand...is that when you invite into your culture the notion that America is evil and capitalism is a form of oppression, and reparations and recriminations for the sins of the past are necessary, everything is on the table.”

According to Gasparino, *Harvard Business Review* found that “ESG is a farce. Its metrics are non-standardized, there is no proof ESG is making the world greener or societies more inclusive, and the returns stink.”

Gasparino concludes, “The stupidity of DEI and the entire corporate wokeness hysteria is why it's destined to ultimately fail. How do you innovate products and compete globally when you're spending so much time [and money and energy] on microaggressions or are worried about ever more esoteric forms [because with Critical Theory, there is *always* a problem] of diversity?”

I agree that ESG investing will fail (and spectacularly so), just like all other past organizational methods that used politics to make decisions instead of markets. What is unknown is how much wealth will be destroyed before that happens. I fear the amount will be vast.

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