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Woke Capitalism?

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Abstract
The groundwork for woke capitalism was laid by (1) American philanthropic culture (defined by Andrew Carnegie), (2) Milton Friedman's inaccurate statement on the role of publicly traded companies, and (3) the capture of business schools by social scientists oblivious to Friedrich Hayek and mistakenly thinking they possess a social technology. It is further supported by (4) the failure to distinguish among entrepreneurs, management, and heirs as well as (5) the failure to distinguish between the logic of production and the logic of finance. Sixth and finally, the possession of great wealth is a temptation to exercise power and to gain prestige and celebrity status among members of the same class (for example, Bill Gates, George Soros).

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I. Introduction

Among libertarians and classical liberals, and according to the editorial page of the *Wall Street Journal*, the purpose of business (that is, publicly traded corporations) is to make a profit within the boundaries of the law. The classic statement of this position is to be found in Milton Friedman's 1970 essay "The Social Responsibility of Business Is to Increase Its Profits." Friedman's (1970) statement is as follows: "In a free-enterprise private property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom."

An entire intellectual industry has been built around this essay. Friedman's critics routinely represent him as embodying the worst excesses of the capitalist (in the Marxist sense) exploiter. Friedman's defenders remind his critics that Friedman endorsed and acted in the tradition of using one's private fortune to address social issues (his foundation promoted school choice through vouchers). We shall return to Friedman's article, but first I want to resolve some semantic issues.

To begin with, no one literally "makes a profit." Rather, one, hopefully, makes a profitable product or service. Moreover, in a sophisticated modern industrial and technological economy, few businesses, if any, can succeed by ignoring public relations—that is, the interests and perspectives of so-called stakeholders: customers, employees, suppliers, the local community, and others. At the same time, in a global economy with multinational corporations, it becomes increasingly difficult to pin down what community is the reference point.

II. The Social Question

No one denies that economic decisions and policies have social consequences. Socialists insist that economic and social issues cannot be separated and, therefore, government ownership or control of the economy is necessary. Advocates of a free market insist that government interference in the economy makes both the economy and the social problems worse. The middle ground is occupied by those who advocate government regulation of the economy in everything from protecting investors to environmental regulation. Conservatives maintain that social problems are primary but best addressed by intermediate institutions (for example, family, religion) and not the government; at the same time, conservatives warn that a free market permits practices that may undermine intermediate institutions.

Most debate in the US takes place on the middle ground of a spectrum in which we can find every position from regulation that is indistinguishable from socialism all the way to wholly market solutions to social issues (for example, carbon tax credits, school vouchers).

Although I cannot discuss it in any detail here, the more basic debate in the US is between progressives (Democrats in general, including the woke) who are deluded into thinking that they can successfully manage everything (the economy and the social world in general) because of their delusion of expertise in social science / social technology, on the one side, and, on the other side, an uneasy alliance between conservatives and free market advocates. The alliance is currently frayed by conflict between pro-Trump (conservative, religious, nationalistic) and never-Trump Republicans (*Wall Street Journal* libertarians) largely because they have no shared narrative and studiously avoid discussing wholly dysfunctional subcommunities.

In any case, I maintain that neither corporate leaders nor anyone else has expertise in understanding and solving the most pressing social problems. There are two technical reasons for this. First, per Hayek's (1945) argument against planning, no one can calculate the consequences of initiating a different allocation of resources. A spontaneous-order explanation shows how human practices and institutions emerge as unintended consequences of myriad individual actions, and it points to the limits of rationalism and conscious design in social life. We can see the immediate positive or negative consequences of using resources to address a social question (just as we can see some of the immediate positive consequences of stealing money), but we cannot see and therefore cannot measure what would have happened if we had used the resources for something else, like R&D.

Second, there is no consensus on the prioritization of social issues. It is not simply that there are significant ethical controversies about substantive issues. Many if not most of these controversies do not appear to be resolvable through sound rational argument. Many depend upon different foundational metaphysical commitments. As with most metaphysical controversies, resolution is possible only through granting particular initial premises and rules of evidence. Even when foundational metaphysical issues do not appear to be at stake, the debates turn on different rankings of the good. Again, resolution does not appear to be feasible without begging the question or engaging in infinite regress. One cannot appeal to consequences without knowing how to rank the impact of different approaches with regard to different ethical interests (liberty, equality, prosperity, security, and so on). Nor can one uncontroversially appeal to preference satisfaction unless one already grants how one will correct preferences and compare rational versus impassioned preferences as well as calculating the discount rate for preferences across time. Appeals to disinterested observers, hypothetical choosers, or hypothetical contractors will not do either. If such decision-makers are truly disinterested, they will choose nothing. To choose in a particular way, they must be fitted with a particular moral sense or thin theory of the good. Intuitions can be met with contrary intuitions. Any particular balancing of claims can be countered with a different approach to achieving a balance. In order to appeal for guidance to any account of moral rationality, one must already have secured content for that moral rationality.

III. The Business Community

Let us for the moment set aside people who are only peripherally connected to the business community:

- *Advocates:* free market ideologues, businesspersons, professors, journalists, and researchers working for think tanks subsidized by private businesses
- *Inheritors:* These are the progeny of highly successful entrepreneurs and the inheritors of their fortunes—both family and foundation fortunes. Many of them neither are interested in the conduct of business nor understand economics, and they focus more on social issues, both in their voting with their shares and in their support for certain government policies. Inheritors are the most likely to become woke. For example, Abigail Disney inherited millions and became a social activist who believes that money ruins people; she criticizes the remuneration of Disney's CEO, and she financed a documentary entitled *The American Dream and Other Fairy Tales*.
- *Managers* of foundations, union pension funds, and the like whose major focus is not on the creation of resources but the use, spending, and management of resources
- *Woke investors* who are convinced that they can have their cake and eat it too, despite all the economic studies that disprove this

Central to the business community are *entrepreneurs* (understood for our purposes as both creators of new industries or new versions of established businesses and, by extension, active and growing businesses' managers, whose primary fiduciary responsibility is to the creators), who are by necessity focused on producing a profitable product or service. We exclude here any corporation that has another stated purpose or one that is wholly owned by one person, family, or collective entity that does not distinguish between the company's finances and their own finances. None of the excluded persons need have a sophisticated understanding of economics, history, philosophy, or how a business relates or should relate to other institutions. To such individuals, there are overhead costs to starting or maintaining a business: legal, contractual, regulatory, and so on.

The excluded persons might object to specific government regulations, but they leave to others (libertarian economists) the responsibility for stating the general objections. The businesspersons take the path of least resistance with respect to imposed government regulations, regarding them merely as additional costs to the normal costs and hazards of engaging in trade. They find means of reducing the hindrance to a minimum (lobbying, supporting, or bribing specific politicians) and even discover ways of turning the imposed conditions to their advantage (for example, some regulations help eliminate competition by imposing additional costs on new entrants). *Businesspeople per se are pro-business—not pro-market.* They are twice removed from any firm commitment to free markets.

Moreover, no argument will show that a *specific* businessperson or business is better off endorsing and practicing free market economics. Successful criminal enterprises are examples of this point, and they exist everywhere. Crony capitalism is another such ubiquitous example. To believe otherwise is to commit the fallacy of division: even if the system as a whole is better when it is a free market system, it is not true that true-believer individual businesspersons are better off. So *there is no reason to be surprised at any business's endorsement of any goal in addition to making a profit.*

Ironically, this is what is entailed by Friedman's (1970) position: "to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom." On reflection, Friedman's position is a truism. If the basic rules and customs and traditions are socialistic, Nazified, nationalistic, or woke, then their associated values are still compatible with making a profit (*profit* here understood as payments to investors). Nor is there any ambiguity regarding what to prioritize here: follow the rules first, and then within those rules make a profit. There might be some ambiguity in the rules (the basic rules of the society, both those embodied in law and those embodied in ethical custom) but not in the priority of what rules one must follow to make a profit. Milton Friedman opened the door to woke capitalism.

The rules can clearly be progressive (for example, environmentalist rules), but they can, in addition, be woke, meaning, in this case, they threaten employees, customers, suppliers, or even whole communities (such as when activists engineered New York City's rejection of a proposed Amazon site) to get them to endorse and actualize those woke policies. By the same token, the rules can be oriented toward the free market, and one example is hiring and firing on the basis of whether individuals endorse free market principles. I (Capaldi 2005) once outlined how specific businesses should hire, promote, fire, communicate, and do everything else intentionally within a wholly free market framework.

There is a second respect in which the door to woke capitalism may already be open. It is part of the US cultural tradition for wealthy individuals to use their wealth for philanthropic purposes (see Andrew Carnegie's "Gospel of Wealth," published in June 1889), a tradition to which Friedman himself subscribed. There is an important difference between personal wealth and company policy here. If I sell my shares and use the income to engage in philanthropy, this in no way implies that the purchaser of those shares is required to engage in or lobby on behalf of woke capitalism. Nevertheless, it is easy to understand why misguided inheritors might be driven to think that. Inheritors might misconstrue what they inherited.

There are two mistakes that inheritors may make. First, they may kill the golden goose—that is, destroy the renewable source of wealth that is the economic function of the firm. Second, because they have a narrow construal of the role of a market economy, they may fail to recognize the immensely larger social good that firms produce in the larger context. What is that larger context?

IV. The Larger Context of Profits; or, a Better Narrative for Free Markets

Although I admire Milton Friedman, his account of the free market is limited. As I (Capaldi 2004) maintain elsewhere, a free market economy is part of a wider narrative, a web of institutions and practices. The main purpose of the market (not central allocation but private property) is to maximize the ability of the imagination to enhance the creativity of the Technological Project—that is, transformation of the environment for human betterment. Corporations engage in the Technological Project. Widespread investment (encouraged by profit-seeking investors) and competition maximize the power and ability to make such transformations. Investors understand this objective, which is why they agree that R&D and not just paying dividends is an important way to allocate resources. In fact, some of the best stocks pay no immediate dividends; the focus is on long-term shareholder value. At the same time, R&D gives us what we want in the long term and collectively (for example, lifesaving and life-enhancing medical technology, missile defense shields, labor-saving and labor-enhancing technologies like computers) and rewards investors. The reason for not using resources on partisan social agendas is that it (a) is wasteful because we often do not know how to achieve the agendas at all or without being counterproductive and (b) detracts from the R&D. Instead, the larger achievable social purpose of a free market is (a) to serve the Technological Project and (b) to support a larger narrative.

Counting profits is just one way of keeping score. Perhaps, in addition, we can ask corporations to come up with a way of reporting how the enhanced Technological Project contributes to the achievable social good. This would be a helpful addition to corporate accounting of the bottom line; it would entail creating a Technological Project index (including jobs created, employees hired, wages, family benefits, taxes paid, number of lives saved, real estate created, and the multiplier effect throughout the supply chain).

The Technological Project and the market economy are part of a larger narrative:

Technological Project→ Market Economy→ Limited Government→ Rule of Law→ Culture of Personal Autonomy→ Technological Project

Crony capitalism and misguided regulation not only corrupt the practice of politics and law but surely inhibit the Technological Project as well. Finally, the Technological Project is not just about consumerism but, more importantly, allows for the greater expression of human creativity. The market economy is not a freestanding institution that can be isolated and detached in some mechanical fashion. This is part of Hayek's (1945) insight. The real market economy is part of a quasi-organic system that has evolved historically, and it needs to be understood in that way.[1]

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[1] In a *mechanical system***,** the whole is reducible to its constituent parts, each part retains its identity, and the relationship of the parts can be represented *spatially*. In an *organic system*, the whole is greater (not in any quantitative sense) than its constituent parts; there is an overall purpose or goal (teleological) such that the parts cannot be understood apart from their interaction, and the system has to be understood *temporally* in the sense that it grows, responds, and develops. *Human order* is social, cultural, historical in an evolving sense, and *intentional*; meaning is what agents give to their action (self-defining), and it reflects free will.

V. Financiers

The problem of woke capitalism, according to Stephen Soukup (2021) in his book *The Dictatorship of Woke Capital*, is reflected in financial markets controlled by a very small number of firms run by an elite class of individuals, including asset managers (such as BlackRock), proxy adviser services, and large pension funds working in tandem with an already politicized Securities and Exchange Commission. The choice of who manages asset funds is made by the employer and not the employees, who have no say (think, for example, of your TIAA's investment choices).

The mentality of finance is different from that of corporations producing goods and services. There is a difference between the logic of production and the logic of acquisition.

The field of finance as distinct from the field of economics arose in the 1940s with the work of Karl Polanyi (1944) in *The Great Transformation*. Whereas neoclassical economics presumes that its model can be applied to every society, substantivists challenged the notion that rational choice and utility maximization applies to all cultures. In the 1950s, with the works of Markowitz, Sharpe, and Miller (for example, Markowitz, Sharpe, and Miller 2013, p. xv), all of whom received the Nobel Prize in 1990, a new focus on the ethical content of financial analysis was added: "The world expects its resources to be allocated to their highest and best uses."

Finance has become a technical, computer-driven, formula-driven activity. You can learn the basics without having any idea of what it means to start a business, meet a payroll, or endure the agony of creation and failure.

In addition, entrepreneurial activity might create such great wealth that managing that wealth (through finance) becomes more central to your focus than further creation. Once the creative spring has been exhausted, maintaining market share or acquiring newly creative companies becomes the focus. It might not be an accident that in a field in which mathematical ability/creativity reaches its peak at age twenty-five (a well-established historical fact), technological creativity ends early and one youthful generation replaces another with great rapidity. Early burnout is a real problem here.

The present generation of high-tech digital entrepreneurs had no idea that their innovations would transform society. How could they, given their age and lack of cultural-intellectual capital? What narrative of a market economy did they inherit? After the fact, and given their youth, it is easy for them to talk themselves into believing that they are the second coming of DaVinci. The reason this is important is that individuals like Bill Gates seem to believe that they can solve every problem, that social problems are some kind of technical problem. In short, the nature of wealth production under these circumstances makes one more likely to become a master-of-the-universe woke capitalist.

Finance provides a service not a product. Finance uses money to make money. That may seem to be the same as making a profit, but there is a difference. Inheritors, managers of money, and superwealthy financiers (not ordinary investors), including those described above as late-stage entrepreneurs, use money as consumers, of course, to buy products and services. More importantly, they use money to exercise power and to gain prestige among members of the same class. Some of them might coincidentally be sincere ideologues in favor of a free market (for example, the Kochs). Some of them might accept the latest social fads, but they make sure there is no socialism or wealth tax (Joe Biden, for example, but not Bernie Sanders or Elizabeth Warren). Recently, Carl Icahn (2022) has waged a campaign to force McDonald's to change the way it makes sausage, specifically to give animals more space in their crates: "Animals are one of the things I feel really emotional about," he told the *Wall Street Journal*.

Honor or fame (peer pressure) stands as a central criterion in an *acquisitive* economy. An acquisitive economy reflects Nietzsche's "last man." Great business success awakens an unbridled sense of *public* power. The financier, from being an organ of economic life, becomes its master.

You might object that we live in a democracy, so the exercise of this kind of power is limited. But democracy and oligarchy become the same thing in an acquisitive society. There may in principle be freedom of public opinion, but there is also the construction of public opinion. The latter costs money. So-called freedom of the press depends upon who owns the press. Jeff Bezos controls Amazon, but he also owns the *Washington Post*; Mark Zuckerberg controls Facebook; Jack Dorsey controls Twitter. Instead of spreading free opinion, they generate it. The supposedly factual world is today a product of the media. Oswald Spengler recognized such kinds of individuals as the "coming Caesars of the world-press."

To sum up: The ideology of woke capitalism is presently found primarily among financiers—including inheritors and financial professionals or entrepreneurs turned financiers. Both suffer from a kind of invincible ignorance or forgetfulness about the initial creation of wealth and the larger context of economic activity. The inheritors obtain their misguided views from their equally ignorant and misguided teachers and sycophants and from the need to redeem themselves from the perceived guilt of being the undeserving rich; the professionals are a product of narrow business school training of techies without vision (not unlike music schools that focus on technique rather than creative passion and imagination) and of peer pressure to justify their existence as masters of the universe in a world beset by the bonfire of the vanities.

As Plato pointed out long ago, there are three kinds of motivation: wisdom, honor, pleasure. Inheritors and professionals neither understand nor seek wisdom; they do not know what they do not know. They already have enough money to afford pleasure, and they can buy intellectuals. The only thing left is honor given by woke peers. Aristotle would concur by noting that oligarchs tend to believe that because they are superior in one respect (they can mass wealth), they are superior in all respects (they can run society).

The most famous woke capitalist in the world is a financier, namely George Soros. Soros has net worth of $8 billion, with an additional $16 billion in his Open Society Foundations. Soros fancies himself a great thinker. He was a student of the philosopher Karl Popper[2] at the London School of Economics, graduating as a Master of Science in philosophy in 1954. He engages in big-think globalism, having stood at times at Speakers' Corner in Hyde Park, London, advocating internationalism in Esperanto. He opposes the inherent instability of the market economy, and he refers to those who accept the instability as market fundamentalists. Soros claims to have discovered the general theory of reflexivity for capital markets, which enables him to predict asset bubbles and the true market value of securities. Soros is known as "the man who broke the Bank of England" because of his short sale of pounds sterling, making him a profit of $1 billion during the 1992 Black Wednesday UK currency crisis. Soros's theory, by the way, also shows how to instigate a crisis. Surely, someone this smart deserves to run the world, he thinks. Ultimately, he advocates global management under the hegemony of the European Union.

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2 Despite their friendship, Hayek recognized the dangerous social-technology implications of some of Popper's ideas. See Notturno (2014) and Caldwell (2006).

VI. The Woke Structure

Thomas Dye (2014), in *Who's Running America?*, outlines the structure of what eventually becomes government policy. *Wealthy individuals*, *corporations*, and *organizations* initiate agendas by providing financial support (for example, grants) and directors (and other personnel) to *foundations* and *major universities* (which initiate research), which in turn influence *policy think tanks* (issuing formal proposals and expertise), leading to *government commissions* (issuing formal recommendations) and *news media* (garnering public attention) and ending up as *government policy*.

Notice that wealth is central at three points: in the initiation or instantiation of any agenda, as part and parcel of crony capitalism, and with the owners/controllers of the expression of public opinion.

In his book *Biz-War and the Out-of-Power Elite*, Jarol B. Manheim (2014) describes how progressive/woke organizations, inspired by C. Wright Mills's 1956 book *The Power Elite*, have deliberately created a counterstructure of organizations working to capture wealthy individuals (for example, inheritors or second-generation managers of wealth) and corporations (for example, through corporate social responsibility).

In analogous fashion, John Ellis (2020), in his book *The Breakdown of Higher Education*, shows how Antonio Gramsci inspired Marxists (instead of revolution, he said, you achieve social control by co-opting key institutions) and Students for a Democratic Society, which published in 1962 the Port Huron Statement. Students for a Democratic Society "decided . . . their only choice was to try to seize control of academia and use universities to convert young people to their ideology. . . . radicals patiently built their numbers until they had achieved a 5-to-1 left-right faculty ratio by the turn of the century [2000]. That dominance allowed radicals to control most new faculty appointments, and the left-right ratio accelerated dramatically, reaching about 12 to 1 by 2016." The affected institutions include law schools and business schools. The best discussion of Marxism in higher education is *American Academia and the Survival of Marxist Ideas*, by Dario Fernandez-Morera (1996).

The same process of co-opting key institutions has been applied to the market economy, with the university as a key point of leverage. Universities are central at four points: superendowments allow universities to compete with other centers of wealth; under the guise of academic freedom, they initiate (or manufacture) research that is fundamentally hostile to a market economy; they provide sinecures for out-of-power politicians favorable to progressivism—a version of crony capitalism (for example, the appointment of former vice president Biden at the University of Pennsylvania); and they poison the minds of students, the sons and daughters of capitalists or budding capitalists. I am reminded of Joseph Schumpeter's (1942) book *Capitalism, Socialism, and Democracy*, in which he presents a magnificent dissection of the essentially hostile attitude of modern intellectuals and their university home but even more importantly how capitalism's need for intellectuals necessarily produces its own mortal enemy. This deserves more attention than I can spare here.

To date, woke progressives have controlled the public discourse because they have a shared (albeit defective) narrative whereas their critics do not. Notice how they talk about profits versus people or about stakeholders versus shareholders. Libertarians, classical liberals, and conservatives have been fighting the wrong enemy. The problem is not the state or government overreach. The state is a means to an end. The end is the production of public opinion in a democracy. Democracy demands universal literacy or school education. The alleged self-determination of democracy becomes a thoroughgoing control of the people by the powers who control the media. A more appalling caricature of freedom of thought cannot be imagined.

Critics of wokism could do at least three things. First, they could urge individual corporations to present themselves not in terms of their capitalization numbers alone but in terms of how much they have done to improve the human condition through the Technological Project. They should present a scorecard (call it the Humane Index) contrasting lives enhanced by a market economy to human suffering exacerbated by progressive policies. It is largely about marketing. This is not a concession to the wokes, and it is not a slippery slope. The economy is not perceived in total independence of the rest of the social world; give Milton Friedman credit for seeing that. Second, they might try formulating an honest and shareable nonutopian narrative about the human condition—a cost-benefit analysis. Third, they could promote a market in postsecondary education to rival the corrupt, overpriced, and inefficient system we now have.

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