



Woke Corporations: The Backlash

A strange phenomenon has emerged in conservative politics today: a backlash against American corporations, specifically “woke” capitalism. Who would have thought that some American corporations would become the enemy?

The reality is that “woke” capitalism has become the enemy of individual liberty and a threat to economic stability in this country and others.

To understand this threat we need to understand what woke capitalism is. Woke capitalism is manifested when corporations adopt left-wing agendas pushing radical energy policies, transgender theory, same-sex marriage, abortion, alignment with the Democratic Party, and suppression of dissident voices and news relevant to American elections.

Even more significant, *woke corporations and their activist allies are pushing for capital investment to follow environmental, social and governance (ESG) standards. These standards seek to starve the fossil fuel industry while promoting social activism.* ESG standards rate corporations and nations on environmental and social justice. These standards are having tragic consequences for countries such as Sri Lanka, which tried to raise its ESG ratings by banning nitrogen fertilizers, which are produced from fossil fuels. The Netherlands government’s agenda to reduce nitrogen fertilizer use by shrinking agricultural land sparked a farmers’ protest movement that has gained popular support in the country. Such protests, however, have not deterred other woke leaders and activists from pursuing their goal of banning fossil fuels.

Gov. DeSantis Fights Back

Florida Governor Ron DeSantis and Republican lawmakers are fighting back against woke corporations. In August, DeSantis proposed legislation to rein in the power of ESG standards in Florida. The proposed legislation prohibits big banks, credit card companies and money transmitters from discriminating against customers for their religious, political or social beliefs. In addition, the proposed legislation bars state fund managers from “considering ESG factors when investing state money” and requires state fund

managers to “only consider maximizing the return on investment on behalf of Florida’s retirees.”¹

The first part of his proposed legislation, which will be introduced in the 2023 state legislative session, is in direct response to money transmitters PayPal and GoFundMe banning individuals and groups from the use of their services based on political or religious beliefs. A flagrant example of credit as a means of political control is PayPal’s freezing of an account of Moms for Liberty in the summer of 2022.

Moms for Liberty is a non-profit organization established to fight “gender ideology” in schools. In a three-day period in April, Moms for Liberty received \$100,000 worth of donations through PayPal, which later froze its account. The freeze by PayPal (and also by Twitter) appeared politically motivated. Tina Descovich, co-founder of Moms for Liberty, said the freeze brought “our organization to a screeching halt. We were paralyzed for weeks.”² After a public backlash and appeal, PayPal finally unfroze the organization’s account. Moms for Liberty then withdrew their \$300,000 fund from PayPal.

The second part of DeSantis’s proposed legislation would prevent state pension fund managers from using political factors when making investment decisions, e.g. ESG standards. DeSantis suggested that if other red states including Texas, Arizona and Tennessee worked as a bloc with Florida, they could have a major impact on Wall Street. Florida’s pension fund alone controls \$240 billion in assets. “We’re a big pension system and some of these businesses are going to have to choose between going down the ESG rabbit hole or being able to be invested with the state of Florida,” he explained.³

The six largest U.S. banks, including Bank of America, Goldman Sachs, Citi, Morgan Stanley, JPMorgan Chase and Wells Fargo, openly declare that ESG scores will be used in investment decisions to ensure net-zero carbon dioxide emission policies.⁴ The mammoth investment firm BlackRock has been reducing its managed holdings in coal companies since 2020. In response to Wall Street investment policies targeting coal, Riley Moore, the outspoken treasurer of West Virginia, announced in late July that Goldman Sachs, JPMorgan

Chase, BlackRock, Morgan Stanley and Wells Fargo were barred from doing business with the state.

Nineteen attorneys general turned up the heat in an August 4 letter to BlackRock, questioning how the firm's ESG advocacy complies with its fiduciary duty to investors, and raising antitrust concerns about BlackRock's "coordinated conduct" with investment behemoths Vanguard and State Street.

More state action came in mid-August when Arizona Attorney General Mark Brnovich announced that his state was joining a 21-state coalition in a legal complaint regarding a U.S. Securities and Exchange Commission (SEC) proposed rule requiring investment funds to consider ESG factors in making investment decisions. (See *Mindszenty Report*, July 2022 for details.) Brnovich called out BlackRock specifically by stating, "BlackRock appears to use the hard-earned money of our states' citizens to circumvent the best possible return on investment."⁵ BlackRock, the world's largest asset investor, has fought back publicly, contending that dropping ESG requirements is an attempt by opponents of green energy policy to resist measures to "save the planet."⁶

Then, in September, the attorneys general of Louisiana and Indiana each sent a letter warning his state pension board that ESG investing is likely a breach of fiduciary duty. In September and October, at least five state treasurers announced they were withdrawing state funds from BlackRock over its political or ESG activism, including those of Utah, Arkansas, Louisiana, South Carolina and Missouri.⁷

Global Pushback: France, Canada

These *red states' responses to woke capitalism should be seen as part of a larger global populist backlash to woke capitalism, and/or to onerous "green" governmental policies that woke corporations push*, involving both developing and developed nations such as Sri Lanka and the Netherlands.

The first signs of this global populism appeared in the so-called "yellow vest" protests in France in the fall of 2018 against an increase in fuel taxes. When the French government announced an increase on gasoline and diesel taxes, the yellow vest protesters came from all walks of life in France. Millions of protesters took to the streets. After weeks of protest, France's President Emmanuel Macron went on national television to announce that the tax increase was being withdrawn.⁸

This popular protest should have operated as a warning to political elites to tread cautiously. Instead, the opposite reaction occurred. Vanessa Williamson, a senior fellow at the Brookings Institution, exemplified this reaction. Shortly after Macron's announcement, she argued that it would be wrong to conclude that big government-imposed climate policies are "politically infeasible." Instead, she wrote, the lesson is that

"climate change requires a serious focus on needs of poor and the working-class people who have less protection against economic upheaval than wealthier people do." She added that "the real barrier to climate action is not popular opinion; it is corporate power," specifically just "how powerful the fossil fuel industry can be."⁹ In short, the lesson to be learned from the yellow vest protests was to get the poor and working poor on board the climate-change train by addressing economic inequality through—we presume—extension of the welfare state and targeting "big oil."

This attitude—disdain for the working class—became all too evident in the Canadian government's response to a trucker protest in February 2021. After the Canadian government announced a new Covid-19 policy that unvaccinated truck drivers could not haul their loads across the U.S.-Canadian border, mass protests broke out. Truckers organized the Freedom Truck Convoy which descended on Ottawa. Prime Minister Justin Trudeau responded with a heavy hand. The police—well-armed and prepared for riots—turned out in force to break up the protests. When a GoFundMe account was set up to support the protesters and those assisting the protesters, the company blocked the account.

Canadian officials went after Canadian citizens who had contributed to the GoFundMe account. Trudeau ordered the government to freeze bank accounts and seize crypto assets of protest leaders.¹⁰ Trudeau's response revealed the draconian mindset of the political elite.

Farmers in The Netherlands

In July, populist protests erupted in the Netherlands as farmers took to the streets in opposition to the Dutch government's proposal to drastically cut nitrogen emissions. The proposal was expected to force an estimated 11,200 farms out of business and compel another 17,600 farmers to significantly reduce their livestock herds. Farmer protests drew popular support as farmers blocked roads, set bales of hay on fire, dumped manure on highways, and blockaded supermarket distribution centers.

The Netherlands Prime Minister Mark Rutte blasted the protesters for "willfully endangering others, damaging our infrastructure and threatening people who help with cleanup."¹¹ Rutte's denunciation failed to dampen the protests. The Farmer-Citizens Movement, a political party in support of the farmers, surged in the polls, projecting a gain of 20 seats in next year's parliamentary elections. Party leader Caroline van der Plas warned that some frustrated farmers were being radicalized by social media and that the government should put its proposals on hold. She admonished parliamentary leaders, "Be careful what you wish for because when the farmers are gone, they are not going to come back. If we depend on imports—you see it with gas from Russia—we have a big problem."¹²

The response from the government and activist environmentalists has not tempered emotions. Natasja Oerlemans, speaking on behalf of the Netherlands' largest conservation group, told the press that some farmers might be forced to leave the sector, but other farmers have "huge opportunities to gain income and work in the future" by "storing water." What she meant by "storing water" was not clear.

The farmers' protest roiled Dutch politics and has the potential for changing the electoral landscape in the country. The controversial Dutch member of parliament Thierry Baudet branded the head of the World Economic Forum, an international organization promoting globalization and a sponsor of the annual Davos Conference, as "Darth Vader," and accused Prime Minister Rutte of trying to "demolish farmers."¹³ More than 20 political parties are represented in the parliament. The ruling political coalition is threatened if parties such as the Farmer-Citizens Movement continue to gain support.

Sri Lanka, Fertilizer and Food

On the island nation of Sri Lanka, protests against anti-fossil-fuel policy took a violent turn when thousands of angry Sri Lankans stormed the presidential palace in July, forcing President Gotabaya Rajapaksa out of office. This revolution was prompted by the government policy to increase the country's ESG rating by banning nitrogen fertilizers. It worked—that is, to raise the country's ESG rating to 98.1 on the scale of 100. However, the move proved disastrous for the nation and the people. As a result of this agrochemical ban, rice production dropped precipitously. Organic farming does not produce nearly the yields of crops using nitrogen-based fertilizers.¹⁴

Because the ban caused the rice harvest to fall, the Sri Lankan government was forced to spend \$450 million on rice imports. This meant using the country's strained international money reserves, as well as a credit line from India and foreign aid. The decline in rice production contributed to runaway food inflation, which reached 90 percent by July 2022. Fuel costs skyrocketed, creating a black market for diesel fuel and a scarcity of fuel necessary for shipping grain and other agricultural products to urban centers.

Nine in ten Sri Lankan families began skipping meals and standing in line for days in hopes of acquiring fuel. The economy was already in trouble with the Covid-19 epidemic, which sent droves of overseas workers home to Sri Lanka. The drop in rice yields and exports might not have been the only cause of the country's economic meltdown, but the massive protests showed that bans on fossil fuel products can go too far, too fast.

The end result of this virtue-signaling against fossil fuels was the collapse of the Sri Lankan government and hunger for its people. This is what happens when markets are distorted in the name of utopia. "Go Green" might sound good while grocery shopping in the West, but it means starvation for many in Asia and Africa.

Even as Sri Lanka was in the midst of political and economic collapse, Canadian Prime Minister Trudeau signaled to provincial ministers that he planned to move ahead to reduce the allowable use of nitrogen-based fertilizer by Canadian farmers.

Canadian PM Blindly Follows Suit

The Trudeau government wants a 30 percent reduction in nitrous oxide emissions, which can be accomplished only by reducing fertilizer use. The Canadian agriculture and agricultural products sector employs 2.1 million people, accounting for 1 in 9 jobs in the country. Alberta Agriculture Minister Nate Horner responded to Trudeau's plan by warning, "The Trudeau government has apparently moved on from their attack on the oil and gas industry and set their sights on Saskatchewan farmers."¹⁵

Canada is a net exporter of grain. The country produces about 1.5 percent of the food in the world. In his typical grandstanding, Trudeau ignores the moral obligation of his country to contribute to a world facing food shortages and famine, a problem aggravated by the ongoing war of Russian aggression in Ukraine.

Nitrogen-based fertilizer is essential to feeding the world, and natural gas is a critical component in fertilizer manufacturing. Poor political decisions and the invasion of Ukraine have resulted in disruptions in world supplies of natural gas, causing natural gas prices to rise 10-fold and fertilizer prices to rise 80 percent in Europe in the last year, and exacerbating food price inflation. The U.S. is fortunate to possess the world's largest natural gas reserves, which have enabled it to reduce its carbon emissions to 30-year lows despite the hostility of politicians and ESG standards to the oil and gas industry.¹⁶

The backlash against woke capitalism has begun in earnest. In addition to the actions by state officials in the U.S. described in the first part of this essay, a significant step in fighting woke capitalism was taken by Vivek Ramaswamy, who announced this year that he and other venture capital investors, including Peter Thiel and Bill Ackman, have raised funds for a startup investment fund called Strive Asset Management. This fund is aimed at urging companies to step away from ESG guidelines. In September Ramaswamy sent shareholder letters to the boards of Apple, Disney and Chevron questioning their embrace of particular ESG agendas that don't advance business goals.¹⁷

Ramaswamy understands that corporations taking public political stands act as a two-edged sword. Corporate virtue signaling might appeal to progressive investors and customers, but can alienate others. For example, Disney CEO Bob Chapek, under public pressure, previously had to backtrack from criticizing Florida school legislation that banned the teaching of gender identity in grades K-3.¹⁸

The online money transmitter PayPal quickly reversed its early October announcement of a policy to allow it to debit customer accounts for \$2,500 per incident of promoting “misinformation.” After a former PayPal president and the tech titan Elon Musk publicly bashed the policy, PayPal claimed the policy announcement had been released in error.

‘The road to hell’

It was refreshing to see Jamie Dimon, CEO of JPMorgan Chase, bluntly school Rep. Rashida Tlaib (D-MI) at a Congressional hearing on September 21. When Tlaib demanded to know whether JPMorgan has a “policy against funding new oil and gas products,” Dimon shot back, “Absolutely not, and that would be the road to hell for America.”

More significant pushback against ESG may be coming. Dan Morenoff, executive director of the American Civil Rights Project, has revealed a remarkable fact about the pressure for ESG investing criteria: BlackRock, Vanguard and State Street—three huge investment firms that have long pushed anti-oil-and-gas investment policies on the many passive-investment funds they dominate—“have acquired shared control over one another and almost every potential competitor.”

After detailing the elaborate interlocking ownership of these three mega-firms, Morenoff concluded, “We’re now facing the original problem that Congress wrote American antitrust laws to address.”¹⁹ In fact, those *three firms collectively own more than \$20 trillion in assets – an amount comparable to the annual U.S. gross domestic product!* Adding insult to injury,

*ESG funds perform poorly relative to non-ESG funds and charge higher fees.*²⁰

Average patriotic Americans are fed up with corporate elites siding with left-wing political and environmental activists who want to transform the U.S. to fit some global world order standard. Americans are rightly worried about the state of the nation, economically, socially and culturally. Enterprising politicians are taking notice.

¹ <https://www.foxbusiness.com/politics/desantis-fights-leftist-corporations-attempts-esg-control>.

² <https://www.bloomberg.com/news/articles/2022-07-27/desantis-takes-aim-at-woke-esg-investing-singles-out-paypal>; <https://thespacecoastrocket.com/twitter-and-paypal-suspend-moms-for-liberty-accounts/>.

³ Steve Contorno, “DeSantis’ proposed new rules for pension investments push Florida into fight against Wall Street,” *CNN*, August 18, 2022; https://www.realclearenergy.org/2022/08/12/desantis_fights_woke_corporations_on_esg_847065.html.

⁴ *Ibid.*

⁵ <https://www.azag.gov/press-release/attorney-general-mark-brnovich-joins-coalition-fighting-back-against-another-esg-rule>. Other states joining the coalition include West Virginia, Alabama, Alaska, Arkansas, Georgia, Idaho, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Montana, Nebraska, Oklahoma, South Carolina, Texas, Utah, Virginia and Wyoming. <https://www.wsj.com/articles/the-esg-backlash-arrives-blackrock-mark-brnovich-strive-asset-management-attorneys-general-11660600459>.

⁶ <https://www.reuters.com/business/sustainable-business/blackrock-warns-wall-street-watchdog-new-esg-rule-could-harm-investors-2022-08-19/>.

⁷ E.g., “Louisiana to Remove \$794 Million from BlackRock funds Over ESG Drive,” *Reuters*, October 5, 2022.

⁸ <https://www.rfi.fr/en/france/20201117-gilets-jaunes-yellow-vests-revolution-macron-violence-green-diesel-petrol-tax>; <https://www.corporateknights.com/energy/lessons-from-the-yellow-vests/>.

⁹ <https://www.brookings.edu/blog/fixgov/2018/12/20/what-frances-yellow-vest-protests-reveal-about-the-future-of-climate-action/>.

¹⁰ <https://www.cfr.org/in-brief/canadas-trucker-protests-what-know-about-freedom-convoy>; <https://www.aljazeera.com/economy/2022/2/15/canadas-banks-seek-clarification-on-trudeau-trucker-crackdown>.

¹¹ <https://www.bbc.com/news/world-europe-62335287>.

¹² *Ibid.*

¹³ <https://www.politico.eu/article/europe-right-wing-piggybacks-Neetherlandss-farmer-protests/>.

¹⁴ <https://www.forbes.com/sites/davidblackmon/2022/07/10/rising-social-unrest-over-energy-food-shortages-threatens-global-stability/>; <https://www.nationalreview.com/corner/stifling-food-production-in-the-name-of-saving-the-planet/>;

<https://www.usnews.com/news/world/articles/2022-08-16/sri-lanka-faces-looming-food-crisis-with-stunted-rice-crop>.

¹⁵ <https://mustreadalaska.com/trudeau-moving-ahead-to-severely-curtail-use-of-fertilizer-to-address-climate-change-with-more-organic-farming/>.

¹⁶ See Heidi Heitkamp (former Democratic U.S. senator from North Dakota), “You Can’t Eat Without Natural Gas,” *Wall Street Journal*, September 29, 2022.

¹⁷ Vivek Ramaswamy, “ESG and the ‘Long-Run Interests’ Dodge,” *Wall Street Journal*, September 30, 2022.

¹⁸ <https://www.nbcnews.com/nbc-out/out-politics-and-policy/floridas-dont-say-gay-bill-actually-says-rcna19929>.

¹⁹ Dan Morenoff, “Break Up the ESG Investing Giants,” *Wall Street Journal*, September 7, 2022.

²⁰ Jed Rubenfeld and William P. Barr, “ESG Can’t Square With Fiduciary Duty,” *Wall Street Journal*, September 7, 2022.

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