

THE ROTHBARD MEMORIAL LECTURE

WILSON, WALDO, WOKE CEOs, AND
WAYS FORWARD

PAUL F. Cwik*

When we look around at the level of economic literacy, it is easy to get depressed. Honestly, how many of you feel like we are “losing,” are wasting our time, or have a sense of failure? I do not blame you. When I watch the media, read social media, and even when I grade my students, it is clear that their understanding of the most basic economic concepts is very poor. Price increases (which are just labelled as price gouging) are the result of greed and contrived shortages. Businesses grow at the expense of the poor. Government enterprises are better because they do not pursue profit. Sometimes I feel that I am not very successful in teaching economics. I know I am not alone. How well do your students, friends, neighbors, and relatives understand economic topics such as economic incentives, rent control, inflation, or even the minimum wage?

* Paul F. Cwik (pcwik@umo.edu) is a fellow of the Mises Institute and the BB&T Professor of Economics and Finance at the University of Mount Olive.

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As I started to put this talk together, I came across Frank Knight's American Economic Association presidential address in 1950. Did you know that he had the same misgivings? He wondered whether his job as an economist was "a job or a racket." He stated, "The critics, aggressors, have more or less explicitly advocated the abolition of economics principles and its replacement by almost anything, or everything else, other than principles" (Knight 1951, 2).

Turning the clock back a little further, we can look at Edwin Cannan, professor of political economy at the University of London, who might be best known for compiling the 1904 edition of Adam Smith's *Wealth of Nations*. On May 25, 1933, Cannan made pointed criticisms in his presidential address before the Royal Economic Society. He said that *because of economists*, economics was no longer accessible to the public! Economists had become too far removed from the average person. He stated, "Theory has never made much way among the general public, simple as it is, because instead of being expressed in plain language understood by the people, it has been treated as a classroom plaything to be illustrated by lines and curves on a blackboard, which, like the stone and wooden idols of the more degraded religions, come to be revered for themselves rather than for the things they were originally intended only to represent" (Cannan 1933, 370).

Economic illiteracy is not a new problem. However, it certainly has not gone away either. Have the experts at least focused on issues important to the general public? What would your neighbor say if you handed him a copy of the latest mainstream economics journal? Here are some of the titles of the articles from the January 2022 issue of the *American Economic Review*: 1) "Consumption Response to Credit Expansions: Evidence from Experimental Assignment of 45,307 Credit Lines"; 2) "Information Networks and Collective Action: Evidence from the Women's Temperance Crusade"; 3) "Measuring the Welfare Effects of Shame and Pride"; and 4) "Imperfect Competition, Compensating Differentials, and Rent Sharing in the US Labor Market."¹ Does any of this

¹ By comparison, I ran a JSTOR search of the *AER* between 1919 and 1923. The first four articles were "The Theory of Production" (1921), "The Institutions Approach to Economic Theory" (1919), "The Minimum Wage and Efficiency" (1923), and "The Nature of our Economic Problem" (1920).

“cutting-edge” research help us to *understand* economics? Do any of these conclusions help society?

Maybe the focus should be less on the conclusions and more on the technique. Like natural scientists, mainstream economists’ methodology is to gather data sets, create testable models, and then check for significant results. However, what is produced are merely historical relationships at points of time. Outside of that time and place, they mean very little. In other words, these articles are about statistically significant relationships at moments in time *and no more*. The German Historical School appears to have won. We have mountains of data and empirical relationships, but little *understanding* of how the economy fits together.

If the highly educated at the top universities are this way, then what is being communicated by these experts to the regular person? Here is an example of an article for the general public by an associate dean and full professor of finance at North Carolina State University. It begins, “In a healthy economy, prices tend to go up—a process called inflation. While you might not like that as a consumer, moderate price growth is a sign of a healthy, growing economy” (Warr 2022). This was posted on January 18, 2022. He then gives the tired old-Keynesian, demand-side reasoning as to why some inflation is good, but he is also quick to point out that too little inflation is bad and deflation is worse.²

The economics profession, in general, has been failing at its job to educate the general public on basic economic principles. It has been failing for at least a century. The consequences of this failure are visibly manifested in the form of wokeism: the adoption of diversity, equity, inclusion (DEI); social justice (JEDI); what is referred to as environmental, social, and governance “values” (ESG values); and the rejection of the free market.

² Warr continues, “A moderate amount of inflation is generally considered to be a sign of a healthy economy, because as the economy grows, demand for stuff increases. This increase in demand pushes prices a little higher as suppliers try to create more of the things that consumers and businesses want to buy. Workers benefit because this economic growth drives an increase in demand for labor, and as a result, wages usually increase. When workers with higher wages go out and buy more stuff, this ‘virtuous’ cycle continues. Inflation isn’t really causing all this to happen—it is merely the symptom of a healthy, growing economy.” This section is followed by a paragraph entitled “Why Low Inflation Is Bad” and says deflation is worse.

Depressed yet? Isn't this the Rothbard Memorial Lecture? Wasn't Murray Rothbard known as being the "Happy Warrior"? Would he say that we should tuck tail and run? Of course not. We have our work cut out for us, but before we can look at solutions, we need to understand not just where we are, but how we got here. And so let us look at what is motivating our zeitgeist, the spirit of the age.

ANALYZING THE PAST

We do not have to go all the way back to Plato to begin our analysis, but can begin with Woodrow Wilson, since he typifies the Progressives. Wilson believed that an administrative state was better than a representative republic. The state should create bureaus to be run by experts, not by political appointees or by popular people who happened to win an election. These experts would be well-trained and above reproach. They would cut through the political infighting and just do the right thing. One of Wilson's favorite books, *Philip Dru: Administrator* (1912), shows how a competent organizer could simply gather the best minds together, solve the problems of the day, and life would be great.

One problem (one of many) with Wilson's administrative state is that the experts are never value neutral. As Dwight Waldo argued in his 1948 book, *The Administrative State*, administrative experts would always have their own normative values that they would apply in their analyses (see also Soukup 2021, chap. 2). Waldo took the Progressive vision a step further and argued that not only is it impossible for the experts to be value neutral, but that the experts *should never be value neutral*. They are the experts. As such, they have a superior knowledge of all of the issues involved. The experts alone are in the best position to weigh the competing values and decide which course of action is best. Arising from the Progressive movement is not only the idea that the administrative state should run society through bureaucracies full of competent experts, but also that it *should* do so because these experts are better at making normative decisions. The argument is, for example, that Dr. Anthony Fauci not only has superior knowledge of medicine than the general public, but that through his expertise *his ability to make normative judgments is also superior* to the general public's. It is a blend of meritocracy and technocracy.

WHY DIDN'T IT HAPPEN IN 1948?

With Waldo's correction to Wilson's vision, why did the transition to the administrative state not come into full bloom quickly after 1948? The short answer is that the public and businesses were simply not ready for it. The Allies had just fought a war against National Socialism where the heroic goal was to uphold individual liberty. Furthermore, the Cold War was portrayed as a conflict against authoritarian dictatorship. Strategically, what was required at that time is now called "the long march through the institutions"—the gradual takeover and conversion of society's fundamental foundations.

Vladimir Lenin argued that capitalism would culminate with the "rentier" at the top. The rentier was the guy caricatured as seated in the overstuffed chair, drinking cognac, and manipulating the levers of business from his penthouse. Lenin ([1916] 1970, chap. 1) argued that capital would concentrate capital. Accordingly, capitalism had evolved from Old Capitalism, where workers owned the means of production, to New Capitalism, where instead, publicly traded companies owned the means of production. Under New Capitalism, the tools were owned by shareholders, a.k.a. capitalists. Over time, the large companies would merge into cartels and monopolies. These industrial monopolies would then be controlled by banks (Financial Capitalism), which, too, would cartelize. At the top of this system, pulling the strings, were the rentiers. Lenin argued that when capitalism reaches this stage, it is ripe for communism. All of the means of production are developed and concentrated. All that is needed is for the workers to take over by pruning the rentiers. The movement after 1948 modified Lenin's final step, asking, "What if instead of eliminating the rentiers, we could turn them? Wouldn't they make powerful allies?"³

This movement has gone by many names: mechanical Keynesianism, postmodernism, critical theory, and its offspring: critical race theory, queer theory, postcolonial theory, and the many different "fill-in-the-blank" studies (Pluckrose and Lindsay 2020). Regardless of its name, the scheme is always the same: a top-down, authoritarian,

³ It reminds me of Darth Vader telling the emperor that if he could turn young Skywalker, he would become a powerful ally.

constructivist-rationalist solution. It is the opposite of a spontaneous ordering. The children of the Progressive movement have no faith in a market order and cannot conceptualize the market as a process. Instead, they wish to impose on society their values of DEI, JEDI, and ESG. All together, we can label the philosophy as “wokeism.”

Today, this woke philosophy manifests itself under the guise of “the Great Reset.” A prominent example of this philosophy taking root is found in the action plan of the World Economic Forum, which enlists the graduates from the elite schools to run the big corporations, to adopt these values, and to implement social changes through informal cooperative agreements between governments and big corporations. The WEF and the woke are co-opting and turning Lenin’s “rentiers” to their side.

The additional advantage of having multinational corporations adopt international standards is that corporations can supersede the rules of any one country or locality. For example, a multinational bank can state that preferred interest rates are available to those who earn a certain ESG score. While an individual country might not legally require borrowers to do anything special to conduct business with this bank, companies will conform their activities to earn the requisite ESG score. Thus, there is a *de facto* rule, if not a legal one.

WHY DO CEOS IMPLEMENT WOKEISM?

There is a powerful incentive for the woke to enlist the help of the elite, but why would the leaders of industry buy into it? The benign explanation may be simply that these CEOs share the same values of DEI and ESG. The founders and CEOs of Ben and Jerry’s, REI, TOMS, and so forth genuinely believe in the woke zeitgeist. They are proudly up-front about it and promote these values through their companies’ activities. Both consumers and investors are aware of these corporate values and make their decisions accordingly. There is nothing wrong with having these values or using them as a basis for business decisions. To illustrate that having DEI and ESG values is not strictly incompatible with the free market, let us look at the peculiar example of John Mackey and Whole Foods. Mackey (2013, 2) founded Whole Foods to bring healthy food to people without “the greed, selfishness, and exploitation” he thought capitalism

was founded on. While Mackey soon learned that capitalism is nothing like what he was taught, he stressed the social responsibility of business and the role of stakeholders. Traditional stakeholders are the team members (employees), suppliers, customers, and investors, while the nontraditional stakeholders include the community and the environment. Mackey calls his philosophy “Conscious Capitalism.” Today Mackey (2013, 37) supports the free market and argues, “A good business doesn’t need to do anything special to be socially responsible. When it creates value for its major stakeholders, it is acting in a socially responsible way.” This position is the same taken by Milton Friedman in 1970. Of course, Mackey is the exception to the woke CEOs, who reject free markets. The typical woke CEO uses nontraditional stakeholder values to promote DEI and ESG values and oppose the free market.

A reason that explains why CEOs might push woke values, even if they personally do not share these values, is that they believe their customers hold these values. Thus, to cater to the desires of the consumers, the CEOs implement DEI- and ESG-aligned policies. Moving further afield, let us consider this alternative. Although the CEO and supporting management team may not support woke values and might not believe that their customers are particularly woke either, they may conclude that the negative attention of being nonwoke is simply too expensive. It is simply easier to go along with the woke mob than it is to stand and fight against the cancel culture. If CEOs went no further than simply catering to different stakeholder groups (which includes the woke mob), then the market would reveal how successful their strategy is. If the community’s preferences were such that they patronized woke companies more than nonwoke companies, then the market would reward the woke over the nonwoke companies. If not, then the nonwoke would outstrip the woke businesses. The evidence suggests that socially responsible index funds underperform relative to the general market.⁴ If, in general, woke companies underperform relative

⁴ Pástor, Stambaugh, and Taylor (2021) model investing using ESG criteria and find that “in equilibrium, green assets have low expected returns because investors enjoy holding them and because green assets hedge climate risk.” See also Allen, Carletti, and Marquez (2014) who state, “We analyze the strengths and weaknesses of stakeholder and shareholder firms in a model of imperfect competition. Stakeholder firms are more concerned with avoiding bankruptcy to protect their employees

to the market, then why do corporate boards put up with CEOs implementing woke policies?

Although the cases outlined above certainly exist, I contend that there is a deeper, greedier reason as to why CEOs and corporate boards are willing to go along with and promote woke policies. It is quite simply that they personally benefit from it.

ESTABLISHING THE PROFIT LEASH

To explain my contention, we need to take a few steps back and examine what markets actually do and how markets work.

A foundational point that we must begin with is this: all value is subjective. With every exchange, each trading party compares two valuations. If the benefits outweigh the costs, the trade will occur. If they do not, then one side simply walks away. A double coincidence of wants must exist for a trade to occur.

In a world of barter, only direct exchanges occur. Economic calculation is the direct comparison of the two goods to be traded. When there is intimate knowledge about others, then the decision-maker can do a fair job of making choices for others. For example, when parents select meals for their children, they tend to make good choices. They are obviously not perfect (as any parent can attest), but more often than not, the parent's selection for the child is acceptable. Unfortunately, most interpersonal relationships do not have this level of familiarity, which makes direct economic calculation impossible to even approximate. The conclusion is that any system of barter is small and relatively poor.

Fortunately, we do not live in a barter system. Today, we deal with strangers and integrate our wants and desires with the larger group's, in what Hayek (1988) called the "extended order." The

and suppliers." Other studies offer mixed results or present gains in ESG holdings only since the outbreak of COVID-19. See Kenan Institute of Private Enterprise (2021), which states, "The purported outperformance of ESG funds during the COVID pandemic is instead a manifestation of a sizable demand-driven repricing that will eventually yield lower returns in equilibrium." I think that if holding ESG investments yielded higher returns than traditional investing, then the evidence would be ubiquitous. However, because the evidence is so scant, I suspect that it does not really exist and that evidence that counters this narrative is suppressed.

extended order is a set of rules that allows people to safely interact with strangers so that they can mutually benefit. We are familiar with this extended order because it most commonly manifests itself through the market.

The market system has evolved to reduce transaction costs by using a system of indirect exchange—one that uses money. Money is a medium of exchange connecting one person's production with everyone else's production. Transaction costs are reduced when we switch from finding people *who will trade what we want for what we have* to finding people *who will trade their goods for money*. When an economy switches from a barter economy to a money economy, the problem of economic calculation also shifts. No longer does a person directly compare the value of one good with the value of another; instead the person compares the value of the item with the value of money. With this shift, we switch from economic calculation to monetary calculation. Every time a manager looks at profits and losses, he is performing monetary calculation.

Ludwig von Mises (1990, 15–16) argues that “monetary calculation only has meaning within the sphere of economic organization. It is a system whereby the rules of economics may be applied in the disposition of economic goods.” Monetary calculation has limits in that it cannot be applied to noneconomic activity. In fact, Mises (1990, 16) extends the limitation of monetary calculation even further:

Any extension of the sphere of monetary calculation causes misunderstanding. It cannot be regarded as constituting a kind of yardstick for the valuation of goods, and cannot be so treated in historical investigations into the development of social relationships; it cannot be used as a criterion of national wealth and income, nor as a means of gauging the value of goods which stand outside the sphere of exchange.

The limitation of monetary calculation stems from the fact that each person values money differently. There is no objective value—even for the same dollar. It is the difference in valuation that prevents us from concluding that markets allocate resources to their highest-valued use (see Cordato 2000). The implication is that monetary calculation is an imperfect substitute for economic calculation. However, despite this difference, Mises (1990, 16) argues that “monetary calculation fulfills all of the requirements of

economic calculation.” Thus, although not a perfect substitute for economic calculation, monetary calculation is an adequate proxy.⁵

The market is not only a system where every dollar is a vote, but one that shows which decisions are socially beneficial and which are not. *The profit mechanism, albeit an imperfect tool, allows entrepreneurs to make decisions that incorporate the subjective values of traditional stakeholders.* The subjective valuations of consumers are reflected in the firm’s output prices. The valuations of the suppliers are reflected in the input prices. The valuations of the employees are reflected in their wages. The valuations of the investors are reflected in the company’s share price (or equity valuation). Economic profits demonstrate the extent to which the entrepreneur has aligned the traditional stakeholders’ subjective valuations.

Furthermore, the profit and loss system is a continuous feedback mechanism. No entrepreneur can perfectly allocate resources in accordance with these endlessly shifting subjective valuations. There will be error—i.e., a deviation from the market equilibrium as seen through the lens of monetary calculation. Fortunately, the entrepreneur who is closest to the right answer (the one with the least error) gets the largest profit (see Manish 2014). As entrepreneurs seek profits, they can only achieve this result by increasing revenue, by decreasing costs, or through a combination of the two. Decreasing costs reduce the use of resources, which is not only a benefit to the company, but is also a benefit to the rest of the economy. To grow revenue, the company must offer value to its customers in excess of what the customers give up. Thus, in any voluntary transaction, each side is made better off both psychologically and materially.⁶ In summary, the profit and loss system continually guides entrepreneurs toward solving the problem of allocating resources in socially beneficial ways.

Without the profit and loss system, there is no guide as to what would constitute a good decision. As businesses move away from strictly following monetary profit and loss to ignoring profit and

⁵ The preceding paragraphs in this section are based upon Cwik (2020).

⁶ Society benefits materially when the trading partners follow their comparative advantage—that is, when they specialize and trade according to lowest opportunity cost. See Ayau (2007, chaps. 2–4).

loss, higher degrees of inefficiency emerge. The idea of X-inefficiency is a precedent that can be applied here. In 1968, Harvey Leibenstein (1966, 1968) attempted to make room for entrepreneurship in the model of perfect competition (on integrating X-inefficiency into Austrian entrepreneurship theory, see also Leibenstein 1979 and Kirzner 1979). X-inefficiency is where a firm lacks the incentives to control costs. The more X-inefficiency there is, the looser the cost controls. For example, nonprofit institutions need their revenues to exceed their costs, but because they are not beholden to shareholders, they can deliver their goods and services less efficiently. Without the focus of pursuing profits, there is less need to “pinch every penny” or make every effort to please the customer. The profit and loss system places a tight profit leash upon the decision-makers at for-profit businesses. This leash is held by the traditional stakeholders. The smaller the need to make profit, the greater the X-inefficiency, and the looser the leash that binds the decision-makers.

HOW CEOS BENEFIT FROM ADOPTING WOKE POLICIES

A publicly traded corporation is not owned by CEOs. The company is not the CEOs’ personal property to do with as they please. CEOs are employees (agents) who are hired to manage the day-to-day affairs of the company on behalf of the shareholding owners (the principals). The principal/agent problem applied to CEOs is not a new discovery on my part. Extensive research exists on how CEOs, if left unchecked, will use company resources for their own benefit and, of course, on how to prevent these tendencies.

The shareholders elect a board of directors, which sets the targets for the CEO and the management team. Competent boards will create incentive-compatible contracts that adequately align the personal incentives of the CEO with the desired outcomes of the board. CEOs and other decision-makers have an incentive to use company funds for their own benefit, such as having a big office, having a big mahogany desk, and using private jets to fly across the country. There are numerous examples of CEOs abusing their

discretion.⁷ The company's elite decision-makers would like to go to the big Hollywood galas. They would like to hobnob and fraternize with famous celebrities. They would like to see themselves portrayed in the media as heroes who "give back to the community." (Remember that businessmen are the most typical villain in Hollywood stories.) These activities are expensive and cannot be done on the company dime—*unless they can be cloaked as a legitimate expense*.

The CEO's discretion is checked by profit and loss accounting. Monetary calculation not only helps to guide decision-makers toward profits, but is also an objective standard by which to measure the extent of success or failure. This profit leash constrains the CEO's ability to obtain perquisites (perks). The extent to which CEOs are able to loosen the profit leash increases their ability to personally gain at the company's (and ultimately the shareholders') expense.

Wokeism provides the CEO, management team, and board of directors an excuse to loosen the profit leash that constrains them. Suppose that the expected rate of return in a particular industry is 8 percent. At the end of the year, if the company's rate of return is 3 percent, significantly less than the targeted 8 percent, unless there is a good reason, the CEO would expect to be quickly fired for such poor performance. Wokeism is that "good reason." The gala dinner was sponsored to "support the environment." The attendance at a Hollywood awards night was to "promote sustainability." The donations to the city's youth centers were "to support the community stakeholders." Since the values of DEI and ESG are so wide ranging, nearly any expenditure can be justified. Effectively, these broadly conceptualized values can be stretched to provide cover for ingratiating oneself directly. Not only do CEOs and the other decision-makers have personal incentives to adopt wokeism because they can directly benefit from the perks its policies generate, but because the policies also provide cover for any failing to meet projected targets. "We would have made the 8 percent target, but we had additional nontraditional stakeholder expenditures."

⁷ For example, in 2001, Tyco's CEO, Dennis Kozlowski, used \$1 million in company funds on his wife's fortieth birthday party. In 2005, he was found guilty of misusing funds.

IMPLICATIONS OF COMPANIES ADOPTING WOKEISM

Wokeism becomes the X-inefficiency within the corporation because it reduces the incentives to control costs. At its extreme, wokeism severs the for-profit calculation constraint—the profit leash—and replaces it with the simple goal of breaking even. In the end—or perhaps more accurately, at the limit—for-profit companies will, effectively, become nonprofit organizations, fulfilling the Wilson/Waldo organizational vision.

In the profit and loss system, the consumer is at the heart. Woke decision-making displaces the consumers by setting DEI and ESG values in their place. Ultimately, if the consumer is not pleased, then the rest of the system cannot survive. The final goal of production is not jobs, low inflation, or price stability. The final goal of production is to serve customers—to serve strangers. In the final analysis, woke investing cannot survive if it runs contrary to traditional stakeholders' needs. When customers stop patronizing companies, no matter how large they once were, they cannot survive.⁸ Still, it takes time to fail in the private sector. The larger the company is, the more cushion for error it has. This cushion allows the company more time to correct its error and return to serving consumers before it collapses. The time lag between the implementation of the poor policies and the firm's ultimate failure creates a series of challenges to connect the dots and make the necessary corrections.

There are decision-makers, however, who are partially, if not entirely, immune to market forces. For example, the jobs of the bureaucratic managers of municipal funds, such as the California Public Employees' Retirement System (CalPERS), are not subject to the market test. Bureaucrats do not have to meet the same market metrics to maintain their jobs or positions. They simply do not have a tight profit leash.

WAYS FORWARD

It is time to start tying together these two lines of thought: teaching sound economic principles to the general public and reversing corporate wokeism.

⁸ General Motors declared bankruptcy on June 1, 2009.

Some have argued that wherever there is a woke company, we should copy it but take the reverse position. For example, if AT&T is implementing DEI and ESG policies, then why not counter it with Patriot Mobile? Patriot Mobile (n.d.) advertises that it is the “only Christian conservative wireless provider” and will donate a portion of its proceeds “to support organizations that fight for First Amendment Religious Freedom and Freedom of Speech, Second Amendment Right to Bear Arms, Sanctity of Life and the needs of our Veterans and First Responders.” As was pointed out above, there is nothing inherently wrong with applying one’s values to company decisions as long as it is above board and agreed upon by the owners.⁹ Of course, it is better to patronize businesses that align with your values than those that actively undermine them. However, this approach continues to loosen the profit leash, albeit in the opposite political direction.

CEOs, management teams, and Boards of Directors have incentives to loosen the profit leash. They will fight the movement toward a free market because it necessarily means a tightening of the leash. There is a steep hill to climb, but it must be done, and we are winning.

The simple reality is that we cannot impose liberty and that there is no central plan for freedom. Instead of a single central plan, freedom requires many, many little plans. People have their own knowledge and talents to add to the promotion of liberty. Nevertheless, there are some strategies that are more effective than others. I have been teaching economics at the college level for nearly thirty years, and I have noticed a shift in how students view economics.¹⁰ When I started, the students tended to view economics as a tool to learn so that they could get ahead in their careers. Today, many of my *economics and business* students distrust markets and think that they are inherently immoral. Since the fall of 2016, I have been giving the students in my three-hundred-level economics classes a political economy compass quiz. I have observed that initial acceptance of markets has been dropping for each succeeding year.¹¹ Today’s

⁹ Tacit approval is evident by the fact that ownership is a choice and not coerced.

¹⁰ I taught my first undergraduate class in summer 1993.

¹¹ On a scale of +10 to -10, where +10 is the most free market, the students’ initial scores averaged -0.33 in 2016, -0.66 in 2017, -0.67 in 2018, -0.88 in 2019, -0.80 in 2020, and -2.12 in 2021. About sixty students were tested each year.

economics and business students are less influenced by arguments of allocative efficiency and are much more concerned with the moral dimension of capitalism. In other words, efficiency arguments, such as how markets are amazing because they coordinate toward equilibrium, are less influential than moral arguments, such as how markets provide service to strangers. Moreover, I would like to highlight that these are economics and business students, who would tend to be the most receptive to efficiency-type arguments.

We need to meet the students where they are. This past semester, I taught, for the first time, a business ethics class. I have always been interested in teaching this class, but I simply never had the opportunity. Since this course assignment was the result of a summer scramble, I was just given a predetermined textbook and assignments. The textbook was an OpenStax textbook maintained by Rice University (Byars and Stanberry 2018). Its sole advantage was that it was free, but this advantage was completely outweighed by its extreme bias, shading of the facts, and outright errors. It is one of the worst textbooks I have ever seen. For example, it refers to “the problem of diminishing marginal utility” (137). The textbook states that since each purchase a consumer makes yields less utility than the previous one, the consumer will have “to buy an ever-increasing amount to reach the same level of satisfaction” (137). The textbook defines this as “consumerism.” I looked up the lead author of this textbook, and I discovered that he is a business communications professor with a PhD in religion and social ethics, an MA in religious education, and a BA in political science and history. As Rothbard (2000, 202) clearly stated: “It is no crime to be ignorant of economics, which is, after all, a specialized discipline and one that most people consider to be a ‘dismal science.’ But it is totally irresponsible to have a loud and vociferous opinion on economic subjects while remaining in this state of ignorance.”

When we look at other textbooks published by the mainstream academic publishers, we find that these textbooks tend to be written more often by professors with PhDs in philosophy rather than business, and with a few notable exceptions, these textbooks are replete with DEI and ESG values.

In my experience, business ethics courses are typically taught by lawyers. No lawyer should ever teach another business ethics class

again. I have several reasons for this position, but let us focus on the issue of corporate social responsibility. On this issue, economists and lawyers generally take opposing positions. There is a fundamental difference between how lawyers and economists view the nature of corporations.

Lawyers look at corporations from the legal point of view—corporations have the same rights as people. They are “legal fictions” that can own, buy, and sell property. They can sue and be sued. And very importantly, corporations can make contracts. If corporations are people and if they have the same rights, duties, and responsibilities as any other person, then it stands to reason that corporations have the same moral responsibilities as any other person. Thus, corporations have the moral responsibility and duty to be charitable.

Economists (especially those rooted in methodological individualism) do not describe a corporation as a fictional person. Instead, they define a corporation as a nexus of contracts. A corporation does not have a heart, a mind, or a soul. It is not a real person, and as such, there is no “being” to be morally responsible.¹² Instead, the employees of the company have contractual and moral obligations. The CEO is hired to do a job, which is to manage the day-to-day operations of the firm in order to increase its value, not to provide jobs, healthcare, or promote woke values. If CEOs engage in activities that reduce the value of the company, then they are not upholding their contractual and moral obligations. Put simply, it is immoral for the CEO to not try to maximize profit and the firm’s equity value.¹³

The key point I am making is that we need more economists teaching business ethics classes. The irresponsible “teaching” outlined above has a disproportionate impact on students. Business ethics courses typically are taken early in a business major’s program, and they are usually open to more than just business students. (Half

¹² There is an easy analogy that can be applied here. The corporation does not bear the incidence of corporate taxes. Instead, the incidence of the tax is passed through the company to the owners, employees, and consumers. In other words, the burden of corporate taxes falls upon the shoulders of real people and not the company, because the company is just a fiction. In the same way, the moral responsibility passes through the company and falls upon real people.

¹³ The argument can be extended by pointing out that every dollar spent on woke policies comes at the expense of all other groups. See Mises (2002, 377–78).

of my business ethics students were not business majors.) Arguments about how free markets outperform socialist economies fall on deaf ears when the students believe the real arguments are about justice, fairness, equity, and morality. If students learn early on that capitalism is immoral, later, when these students get to the higher-level economics and businesses classes, their minds are mostly set. If we can show students the moral and economic benefits of capitalism earlier in their coursework, then the downstream benefits will multiply. Unfortunately, although there are professors in the major universities who specialize in business ethics, in the smaller schools, there are very few who can specialize in these classes. Smaller schools look to fill these classes with experienced professors, but since the credentialing to teach business ethics classes is surprisingly light, these classes are often turned over to less experienced teachers and adjuncts.¹⁴ We cannot shy away from this open field. We must make it a point to teach these classes ourselves.

WE ARE WINNING

I believe that the winning side is the one that supports individual liberty and the free market. The woke are in control of academia, the mainstream media, most social media, and many large banks and corporations. Yet for all the money that the woke side has spent, have you noticed that they are not winning over the average person? They have created fear, but this is temporary. Fear cannot last forever. People get jaded: people get used to bad stuff. The pendulum is about to move. We need to be ready.

There is no central plan for liberty. All of us have our own talents. For example, the Hayek vs. Keynes rap battle came out in 2010, twelve years ago. It was innovative and captivating. I never would have thought of doing anything like that. I do not have all the answers, but I can make suggestions that might appeal to your talents.

At many schools and businesses, the human resources department has outsourced much of its training. Every year, University of Mount

¹⁴ According to the Accreditation Council for Business Schools and Programs, an accrediting agency for business schools, a master's degree such as an MBA is all that is necessary to be credentialed to teach any introductory course. See ACBSP (2021, 32).

Olive employees are told to watch a set of sexual harassment videos and complete the course quizzes. There are many businesses that see the need to implement some form of training to protect themselves from future liability suits. Can we all see that training in sexual harassment, diversity, microaggressions, racism, and other DEI areas will be recommended and then mandated? This is a market opportunity, a need to provide diversity training, sexual harassment training, and woke training from the nonwoke perspective.

A tool that I have seen effectively used by the environmentalists is the granting of awards. A park near my home boasts of how the facility is a “LEED Gold Certified” nature center.¹⁵ Furthermore, my town won the distinction of being an “All-American City” for 2013, because the town promoted “citizen initiatives” and “cross-sector collaboration, innovation and inclusiveness.” Local municipalities are hungry for recognition. Why not set up an award and apply the goals that we would like to see, such as opening markets, reducing bureaucracy, and so forth? I am arguing that we need to develop our own standards, certificates, contests, and awards for groups outside of ourselves. These initiatives are relatively low cost and can pay large dividends.

What if you do not have that sort of time or talent? Then, you can get behind and support those who are already venturing down some of these paths. Personally, I try to support efforts here at the Mises Institute like Economics for Business, Economics for Beginners, the Mises Institute Graduate Program, the Rothbard Graduate Seminar, and, of course, Mises University, which was highly impactful to me. Additionally, I work with the Foundation for Economic Education, which specifically targets high schoolers.

I have been teaching for nearly thirty years, and sometimes I get something confirming that we are making a difference. Last April (2021), I received a LinkedIn message from a student I vaguely remember teaching at Campbell University nearly twenty years ago.

It’s been a long time since I studied with you at Campbell—hope you are well. Your courses were really a cornerstone of my education and thinking that has served me well through my career. I never thought I would have a career that touched econ, but ended up managing a macro

¹⁵ LEED stands for Leadership in Energy and Environmental Design.

hedge fund. Sad to see the world financial system deteriorate as it has. . . but I'm sure there will be consequences.

Most of my colleagues through the years have been Ivy League trained (my wife included), and it's very rare that I meet someone who even knows who Mises or Hayek are. It's rather scary to understand that 1) most schools teach a more econometric based curriculum and 2) few offer a survey of the evolution of economic thought. This last point is most important, the implication being that tens of thousands of graduates each year come out parroting the narrow views of their professors. I find it rare to have a conversation with someone who can articulate why they feel a certain way about a particular policy or reality.

Just wanted to thank you for the perspective you provided me. It has been invaluable.

I know that I am not the only one who gets letters like these. My friend Harry Veryser, who hired me to teach my first college-level class in the summer of 1993, told me that he has taught thousands of students over his career. Maybe what we are doing is not Knight's "racket." Maybe it is not simply howling into the wind.

I cannot guarantee that our efforts will succeed. I cannot say with certitude that we will do any better than Knight, Cannan, or Mises.¹⁶ However, I can guarantee that if we do nothing we will surely lose. The time to act is now.

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¹⁶ See Mises (2009, 98). "From time to time I entertained the hope that my writings would bear practical fruit and point policy in the right direction. I have always looked for evidence of a change in ideology. But I never actually deceived myself; my theories explain, but cannot slow the decline of a great civilization. I set out to be a reformer, but only became the historian of decline."

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