



Unmasking Anti-Capitalist Capitalists in the Age of Black Lives Matter

by Richard W. Rahn

BUSINESS EXECUTIVES SUCH AS JEFFREY IMMELT AND GEORGE SOROS FORGET WHAT THEIR TASK IS

Some people are so out of touch with the world around them, they are shocked when others react in predictable ways to their idiocy. Goodyear tire company managed to get itself in a dust-up this past week when someone in authority at the company decided it was OK for employees to wear Black Lives Matter insignias but not Blue Lives Matter or All Lives Matter, etc.

Someone in a position of responsibility at Goodyear should have said, “this is a really bad idea,” because it will offend many of our workers and customers. Even President Trump is calling for a boycott of the company.

Too many hired business executives in publicly-held corporations have forgotten what their task is. As the late Columbia University economist Joel Dean used to preach to us, the function of business is to “maximize the long-run flow of goodies to the stockholders.” People who own a business and do not have other stockholders that they are beholden to have the right to donate company money to any cause they so wish — which is not true when a manager has a fiduciary responsibility to independent stockholders.

A number of companies have been donating to the Black Lives Matter movement. In a number of cases, the money has been used to

fuel violent protests, including the burning down and looting of businesses. Perhaps some donors look at their donation as “protection money” like that traditionally paid to the mob.

Other donors may actually feel that they have “White guilt,” which can be partially assuaged by making payments. If executives want to spend their own money to reduce their feelings of “guilt” — fine, but they do not have the right to spend other people’s money (i.e. the stockholders — of all colors) for this purpose.

There is almost a predictable life cycle to a business. The founders take great risks, work long and hard, and pay attention to how the money is spent. Eventually, professional managers take over the operations of the company.

These “professionals” tend to own very small portions of the company, so they do not have the same motivation as did the original owners of the company. In addition to their salaries, the hired managers find they can obtain personal recognition and good publicity for themselves and be revered in the community by giving away some of the company funds (not their money).

Giving into the temptation for doing more and more “public service,” while spending less and less time making sure the business is being well managed, is not a forgivable sin. It is fun to have your picture in the newspapers as the leader in some big charity ball and it often makes your spouse happy. (The stockholders not so much.)

General Electric was once the most valuable company in America (the Apple of its day). Thomas Edison was one of its founders. In 2001, Jeffrey Immelt was made chairman and CEO — following Jack Welch, who had made lots of money for his stockholders. By the time Mr. Immelt left GE in 2017, the company was almost bankrupt.

In effect, Mr. Immelt received tens of millions over the years, while destroying tens of billions of stockholder value. And by the way, GE was continuing to make contributions to various causes, many having nothing to do with its basic business.

A fellow named Randall Stephenson ran AT&T for 13 years up to this year. AT&T owns CNN, which used to be a real news network and had the vast majority of cable news viewers. CNN executives at a point decided to make CNN part

of the propaganda wing of the Democratic Party. To this end, CNN’s on-air people supported goofy tax increases and regulations, etc.

They spent two years promoting a Russian conspiracy hoax against Mr. Trump. The result, Fox News overtook them in ratings by covering things that were ignored by CNN, and being much more careful with facts and more balanced (albeit with a conservative lean) than CNN. Cleaning up CNN would not be rocket science and should add to AT&T’s value.

But Mr. Stephenson and his colleagues seemed to be much more interested in favorable treatment from The New York Times and other left-wing media than taking care of stockholders, who in theory are their real bosses.

Perhaps the most interesting case of the anti-capitalist capitalist is that of George Soros. Mr. Soros was born to a Jewish family in Hungary 90 years ago, forcing him to first learn to survive under Hitler and then under Stalin when the communists took over. After fleeing to England, he eventually moved to the United States and became a citizen.

Some people become very rich by creating great new products that make everyone’s life better — e.g. Henry Ford and Steve Jobs. Mr. Soros made much of his money by betting on the failure of others (shorting the market), including governments. Short sellers are necessary for markets to work, most often betting on price declines. But Mr. Soros has been convicted of paying for and using inside information — overstepping the legal line.

Through his various foundations operating in the United States and elsewhere, he often supports economic policies — higher taxes, more regulation, price controls — that would undermine growth and job creation.

Mr. Soros says he admires the “state capitalism” of China — with its heavy hand of government — enough said.

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