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The War on ‘Woke Capital’ Is Backfiring.

Republicans want to outlaw state investment in funds they see as tainted by progressive ideology. They’ll probably just get lower returns.

One of the stranger political crusades of the past few years has been the Republican war on so-called woke capital, which has led GOP politicians across the country to adopt a kind of anti-corporate, pro-regulatory rhetoric that one normally associates with the left wing of the Democratic Party. And among the GOP’s favorite targets in this war has been ESG investing—investment funds that take “environmental, social, and governance” considerations into account.

For Republicans, ESG funds are a Trojan horse, designed to smuggle progressive attitudes toward climate change, and diversity and inclusion, into executive suites and corporate boardrooms, all under the guise of supposedly improving investment returns. And so, in red states, state treasurers have pulled public money out of firms that are associated with ESG, including even some of the world’s biggest investment firms, such as BlackRock and State Street.

On top of that, Republican legislatures in at least 20 states have adopted anti-ESG rules of one sort or another. Last year, after the Biden administration revised a Trump-era rule to make clear that pension-fund managers *could* use ESG if it did not hurt investment returns, Republicans in the House and Senate (along with two Senate Democrats) passed a resolution seeking to repeal the rule. And a coalition of Republican state attorneys general filed suit in federal court to have the rule overturned. (Biden vetoed the congressional resolution, and a district court tossed out the lawsuit, so the rule remains in effect.)

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The Atlantic

By James Surowiecki

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