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Socialists are taking over Wall Street



Henryk A. Kowalczyk Dec 18, 2020 · 6 min read ★



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It does not happen every day that when reading the *Wall Street Journal*, I have to double-check that I did not accidentally click on the *Onion* web page. Or that it was not an April

Fools' Day prank. No, it was Dec. 1, 2020, and the report was about the Nasdaq's proposal to advance diversity through a new listing requirement.

Nasdaq leaders read scientific studies showing that companies with women and minorities on their boards of directors perform better than those dominated by white males. Full of good intentions, they decided to push corporations listed on their exchange to make their boards more diversified. By that, they mean “to have at least one director who self-identifies as a female, (...) at least one director who self-identifies as Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, two or more races or ethnicities, or as LGBTQ+.” On its own, Nasdaq does not have the powers to implement these rules. For that, it needs a decree from the Securities and Exchange Commission. The 271 pages of lingo contain the draft of the proposed regulation and its method of enforcement.

Science tells us that good-looking people, especially those with decorum, get better jobs and advance faster. For someone short, fat, having crossed eyes or Asperger's syndrome, it can be more challenging to overcome the hurdles in climbing the corporate ladder than being a woman, a racial minority, or being gay. Why should only some get preferences when, besides a very few born to money, all of us face hurdles in getting to the top? Likely some will challenge the narrow understanding of diversity as defined by aspiring politicians from Nasdaq. I hope that the Supreme Court will end up deciding that 99% of us have some drawbacks classifying us as “diverse.”

Then there are tricky questions such as whether people from India and Iran can be considered Asians. Is a Mexican man of German descent considered Latino? Or, is he a white man? If the proposal passes, I bet that at least one straight white man will self-identify as a female to meet the Nasdaq requirements. Let political correctness specialists at Nasdaq challenge the sincerity of this kind of declaration in court. Welcome to 1984.



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Assuming emotional exhibitionism as a norm, Nasdaq's overly ambitious leaders completely dismissed the possibility that some may want to keep their private matters private. For these instances, Nasdaq's bureaucrats suggest expanding the board of directors by hiring people meeting the diversity criteria. They are about appearance.

Nasdaq's zealous ideologues could not imagine that women and others who might seem disadvantaged would be offended — if they are competent — by getting positions on the board of directors not for their qualities but thanks to political preferences. They might also see it as damaging their reputation because, one can predict, with the new rules, individuals not otherwise worthy of nomination might get it. People will be guessing who is on the board by virtue of their merit and who by a fluke. As businesses need to prosper, tricky procedures will appear, allowing corporate leaders to circumvent politically appointed directors' incompetence. Running a business will become costlier, more cumbersome, and more susceptible to corruption.

Just ask Google; most posts about the proposed diversity rule are from lawyers. If implemented, it will boil down to one more legal expense. No business person would have the time and patience to plunge into 271 pages of surrealism. Interestingly, to help companies with this task, Nasdaq partnered with Equilar.

When looking at studies that show some businesses stay afloat despite low earnings, Adena T. Friedman, the CEO of Nasdaq, did not ask why it is happening. Why do some companies with meager earnings not change their directors?

Let us look at Equilar as an example. If the proposed diversity rule passes, the business at Equilar will boom, regardless of who is on the board of directors. It is an example of

what we all know: To a greater degree than ever before, American companies' earnings depend on getting business steered by government connections or directly from the government. The diversity of the boards of directors is the smokescreen for crony capitalism. In her interview with the WSJ, Ms. Friedman proudly talks about "advancing capitalism." Real capitalism is increasing the liberties of corporations in conducting their business. Ms. Friedman advocates for the opposite; she is advancing crony capitalism.

The America where one can advance from a bootblack to a millionaire is gone. Under the noble pretenses of a higher good, people with money and influence formed a legal net protecting their position and making it harder for others to move up. The rule proposed by Nasdaq will be a bigger burden for minor players than for the big boys. It will add to the inequalities we have. The solution is not in implementing new rules "improving" the market. Things will get better when we can identify and remove existing regulations that make it harder for the underprivileged to advance.

A reasonable person can ask how it could be that Ms. Friedman and her team do not see their proposal's surrealism. How can they promote with a straight face an absurd, overdone imitation of *Onion's* writers? The 271 pages give a clue. There are many assurances that companies can explain why they do not comply. No one thought about the possibility that no excuse is needed because of the old promise of "unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness." Ms. Friedman and her team have gone way beyond the old ideas that made America great the first time around. They see so many imperfections in the system we have, and they know how a wealthy nation with wise governance can improve social justice. They are eager to use their power to contribute to this noble effort. They might have capitalism on their lips, but they are idealistic socialists in their hearts.



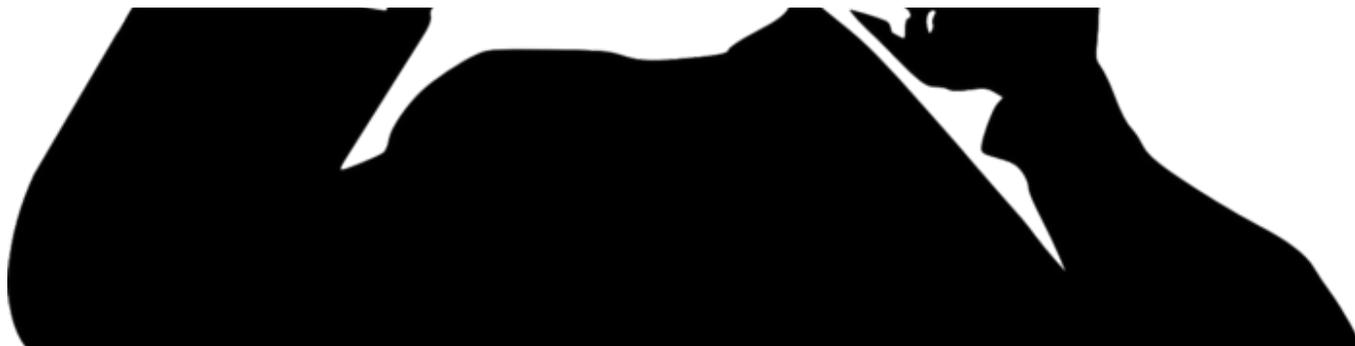


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That was my first impression when reading their proposal. But, I got a confirmation during the Zoom presentation about the proposed diversity rule, held by Nasdaq on Dec. 10. The narration reminded me of lectures about socialism's superiority I often heard when growing up in then socialistic Poland. The speakers were misleading, minimizing the obligatory aspects of the proposed rule. It was typical of socialists, downplaying the limitations on the freedom they impose. As it often happens with socialists, those at Nasdaq could not even do a simple presentation right. It started with a 16-minute delay. The cost of time lost by business managers and top-paid lawyers worldwide amounted likely to millions of dollars. Before implementation, the proposed rule had already caused losses to affected corporations. Apologizing, Nelson Griggs, the Nasdaq president, promised that things would go smoothly in the future despite the rough start.

His vow reminded me of the classic joke from the beginnings of socialism in Poland. A passionate lecturer ended his speech, saying that things might be tough at the beginning of socialism, but the future was bright. The crowded room responded with cold silence, interrupted after a while with a frail voice from the back of the room: "I am not afraid; I have cancer."

Pundits warn us about socialists' influence in media, academia, and politics. But Wall Street is the place that matters. So far, in [criticizing the Nasdaq proposal](#), the *Wall Street Journal* did not call it socialistic. The U.S. Chamber of Commerce, in a [statement](#) by its executive vice president, Tom Quadman, supported the Nasdaq proposal. Leaders of Nasdaq have the backing of the American Civil Liberties Union as well. When it comes to our freedom of enterprise, the ACLU leaders left the train called Liberty at the station called Socialism.

Stock exchanges are temples of capitalism. Socialists run at least one of them. In his wildest dreams, Lenin could not ask for more. Those with fourth-stage cancer likely will be unaffected. All others better pay attention to what is going on.

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