

Do CEOs Have Courage to Stand Up for Capitalism?

Is America turning away from its gold standard of capitalism to shift to state capitalism by emulating the French or Russian system? Will today's CEOs defend capitalism?

American capitalism is the envy of the world for its great wealth creation, and its unrivaled class of entrepreneurs who build new companies. Just look at the results: per capita income in the U.S. is 84% higher than in Europe as U. S. stocks since 2009 returned 310% compared with 115% in Europe. The world's six most valuable companies are American: Nvidia, Microsoft, Apple, Amazon, Alphabet, and Meta. All six were founded by tech entrepreneurs with no government support.

Now the Trump administration wants to take financial stakes in their companies and share in their profits. Why are we shifting away from our greatest strength when American capitalism is working better than ever? From Intel to Nvidia, AMD, and Nippon Steel, companies are granting equity, export royalties, and voting rights to the government, giving the federal government unusual power over their boards and management.

They are setting a dangerous precedent. Treasury Secretary Scott Bessent and White House economic advisor Kevin Hassett have expressed interest in taking stakes in other companies. Who's next? Lockheed or Boeing?

State capitalism inevitably devolves into crony capitalism, as wealthy businessmen like Elon Musk curry favor with government leaders in return for government contracts, preferences, and access to government. Russia's Vladimir Putin has shown us how this works. He became worth an estimated \$70-200 billion by granting state-owned assets to friends to create oligarch billionaires. Corrupt? You bet!

Since Trump's election, a steady stream of CEOs headed to Mar-a-Lago or Washington to curry favor with the President. Tech entrepreneurs like Mark Zuckerberg, Tim Cook, Sam Altman, and Jeff Bezos each gave \$1 million to fund the President's inauguration. In retrospect, these gifts look like petty change.

More recently, CEO Jensen Huang agreed to a 15% export tax to sell Nvidia latest AI chips to China. AMD's Lisa Su quickly followed suit. Then Intel CEO Lip-Bu Tan gave the President 10% ownership in Intel to avoid being fired. Does Tan have the right to give away \$10 billion in shareholder's money just to keep his job?

Many CEOs say they fear reprisals from the President. They capitulate in fear of Truth Social posts and the negative short-term consequences that could result, such as higher tariffs. No doubt there are times when they must make tradeoffs in their strategies and tactics, but they would be wrong to sacrifice their principles or their long-term prospects.

My advice is, “Keep your head down, and don’t get in the President’s crosshairs.” If you do, then it is incumbent to stay true to your company’s purpose and values, while adapting your tactics. Target’s Brian Cornell didn’t do that on DEI with negative reactions from customers, employees, and shareholders. In contrast, Costco’s Ron Vacharis fended off DEI critics and won a 98% favorable shareholder vote.

Sometimes CEOs just have to absorb the criticism and do what’s best for their companies long-term. Apple CEO Tim Cook promised Trump \$500 billion in investments in U.S. facilities, and still got blasted for shifting iPhone production to India while supporting diversity within Apple. Refusing to bend, he offered another \$100 billion in investments, and all is well. Cook’s example shows you can adapt your tactics but not your principles.

Many people suggest CEOs should unite through their industry association, but the Business Roundtable has refused to speak out for fear of reprisals. Instead, they let lobbyists work the system, thereby moving America closer to crony capitalism.

The missing quality for many CEOs today is courage. They are elected by their boards to run successful, independent companies, not to quiver in the face of presidential posts. As Nelson Mandela famously said, “Courage is not the absence of fear, but the triumph over it.” In electing CEOs, corporate boards should choose leaders with sufficient courage and self-confidence to withstand great pressure, even from the President. There are indeed times when CEOs have to adapt short-term to external pressures, but not in ways that compromise their long-term success.

Every CEO is eventually tested by people trying to exert power over them, from government officials to union leaders, security analysts, and activist investors. This is when they must stand up for their company’s principles and their shareholders. If CEOs don’t have the courage to defend shareholders’ rights, who will?

If enough CEOs yield to government demands for ownership and profit sharing, they may signal American capitalism’s long-term decline.