ESG Social Credit Scores and the Threats They Pose to Freedom

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The idea that a pseudo-secret cabal of global powerbrokers are using their combined wealth and influence to subvert the will of free individuals, consolidate their own power, and enrich themselves in the process might sound like a conspiracy theory to some. Unfortunately, it is not a theory; rather, it is a blatant conspiracy bent on political, economic, and social domination of the world, which would by design leave America's democratic institutions civil liberties, and economic freedoms shattered in its wake. Those of us who still value freedom, and remain comfortably ensconced in the western democratic tradition, must take heed of this threat and fight it with every fiber of our being.

Environmental, social, and governance (ESG) scores are the chief mechanism by which a diverse and highly influential

group of financial institutions, investment managers, international organizations, and governmental regulatory authorities are implementing a top-down restructuring of the global economy. If successful, this "great reset" would consolidate economic power and societal decision-making in the hands of a relatively small and unelected faction of elites, severely restricting economic and social opportunities for hundreds of billions of people worldwide.

ESG metrics are a social credit scoring system that seeks to change how businesses are measured by banks, governments, investors, and other institutions. Rather than focusing upon a company's quality of goods and services, profits, and other more traditional business metrics, ESG evaluates businesses largely upon their commitments to social justice and environmental activism. Companies are then assigned scores, usually a number or letter grade, so that businesses can either be rewarded or punished.

As an example, one influential set of ESG metrics developed by the International Business Council (IBC) rates business entities based on 55 categories. Among others, these include "Diversity and inclusion," "Governance body composition," "Economic, environmental, and social topics in capital allocation framework," "Paris-aligned GHG [greenhouse gas] emissions targets," "Impact of freshwater consumption and withdrawal," "Impact of air pollution," "Impact of solid waste disposal," and "Total social investment," (Walter).

Thus, under the IBC's ESG system, a business that is subjectively determined to employ too many individuals from a similar ethnic background, has an unbalanced gender-identity ratio on its board of directors, emits "too much" carbon dioxide, consumes "too much" water, and / or does not invest enough in social causes, could be ranked lower than a competitor with an inferior product, service, or profit margin. By design, ESG aims to transform virtually all business activity, and society by extension.

A Brief History of ESG

Since its inception, free-market economic principles and individual property rights have served as the cornerstones of the U.S. economy. But over the past century, America's free-market capitalist system has been besieged by advocates of greater government intervention and, more recently, by supporters of so-called "stakeholder capitalism," the foundation of which is the ESG system.

Supporters of stakeholder capitalism claim that businesses and financial institutions have a duty to solve societal problems, reduce economic inequality, and serve the interests of the collective, regardless of whether such a strategy maximizes profits. This approach stands in sharp contrast to the more traditional free-market economic models supported by a long list of renowned economists, including Milton Friedman, who famously argued that the only responsibility a company has is to its shareholders (Friedman). Friedman rightly asserted that encouraging business owners' natural motive to improve profits is the best method for encouraging economic growth, increasing the quality of life for all people, and fostering innovation.

Despite the efforts of Friedman and many of his peers, corporate social

responsibility (CSR) became increasingly popular toward the end of the 20th century and start of the 21st century, transforming the world's largest businesses into vehicles for "sustainable development." Many businesses, especially publicly traded corporations, were infused with what John Elkington coined in 1994 the "Triple Bottom Line": People, Planet, and Profits (Elkington). Well-funded global organizations such as the United Nations (UN) and the World Economic Forum (WEF) quickly became some of the staunchest advocates for so-called "sustainable development" and "sustainable investment" in business practices.

Throughout the 1990s and 2000s, sustainable business principles were formalized and embedded within international frameworks, beginning with the United Nations' "Agenda 21" platform in 1992. By 2015, the United Nations had expanded its Agenda 21 framework numerous times, culminating in the release of "Sustainable Development Goals." There are 17 SDGs, including "zero hunger," "affordable and clean energy," "sustainable cities and communities," and "climate action" (United Nations).

From the start of the sustainable development movement, the United Nations, government officials, investors, the WEF, and others sought to pressure corporations and financial institutions to promote SDGs and their forerunners. Yet, it wasn't until the Obama era that significant progress was made in transforming businesses into advocates for UN-supported sustainability principles. This is best illustrated by looking at the remarkable rise of the United Nations-backed Principles of Responsible Investment (PRI) association, a leader in the pro-ESG movement.

In 2006, PRI's membership included just 63 financial institutions, businesses, and government-related funds, representing approximately $6.5 trillion in assets under management (AUM). But by early 2022, PRI reported having more than 4,700 signatories, representing $100 trillion in AUM, with much of that growth occurring between 2010 and 2020 (Principles of Responsible Investment).

The ESG movement has been particularly effective in recruiting American business and investment leaders. In the United States, 98 percent of the country's top financial companies disclose ESG scores, and 82 percent include the information in annual reports to shareholders (Threlfall et al.).

The Perils of ESG

Although ESG is growing in popularity among many powerful institutions and their leaders, the system poses numerous threats to American prosperity and freedom.

For example, despite the veneer that ESG "cooperation" is voluntary, investors and financial institutions often resort to coercion to impose ESG. For example, companies with high ESG adherence are favorably rated by credit-scoring agencies, banks, and other financial institutions, and therefore become attractive targets for investment. Companies possessing low ESG scores are "screened out" of many financial services, killing investment activity that is needed for sustained financial growth (Bergman et al.). This effectively forces businesses to adhere to principles and standards that are

undesirable to their customers, business partners, and many shareholders, altering society in the process.

This problem is made even more troubling by the fact that ESG systems put a relatively small number of exceptionally wealthy institutions in charge of which products and services are allowed in a society, as well as how businesses operate. For example, investment firms such as BlackRock, State Street, and Vanguard, all of whom utilize ESG, control at least $22 trillion in assets between them, as well as an average of 20 percent of the shareholder votes in companies in the S&P 500. These "Big Three" firms often wield their ESG power ruthlessly (Buller). For instance, they helped organize a takeover of ExxonMobil's board of directors in 2021, ultimately replacing three of its 12 directors with climate activists committed to moving ExxonMobil away from offering products that produce carbon-dioxide emissions, Exxon's primary business (Henisz).

Investment managers are not the only ones using ESG to transform the United States. Banks, financial service providers, and insurance companies are also at the forefront of the ESG movement. Global financial industry alliances that pledge to promote the use of ESG, such as the Net-Zero Asset Managers Initiative, the Net-Zero Banking Alliance, and the Net-Zero Insurance Alliance are some of the world's most ardent sponsors of coercive ESG tactics.

The powerful Glasgow Financial Alliance for Net Zero (GFANZ) is essentially an amalgam of the aforementioned industry alliances. It consists of more than 450 banks, insurers, and asset managers from 45 countries. Together, the members of GFANZ control a staggering $130 trillion in capital (Glasgow Financial Alliance for Net Zero). All GFANZ members have agreed to use their wealth and economic influence to push companies to adopt and then increasingly improve their ESG scores through myriad policies, such as prohibiting lending to noncompliant companies.

The ESG movement isn't done centralizing decision-making, either. In recent years, elites who support ESG models have sought to consolidate ESG standards into one overarching, top-down system, a move that would have lasting and irreversible effects on individual rights and market freedom. Currently, there are many ESG systems used throughout America and Europe, all with their own unique metrics. The International Sustainability Standards Board (ISSB) was created in 2021 to develop a single global system, which, if ESG's backers have it their way, would be forced upon every single large corporation—and potentially every small business—on the planet (McPherrin).

Governmental regulatory authorities have worked hand-in-glove with these private sector actors to enforce ESG compliance. Most notably, the European Union (EU) is on the verge of imposing a mandatory ESG "due diligence" model for many EU corporations and the non-EU companies they do business with, including those located in the United States. The European Union's Parliament and Commission have

already approved the proposal, although further action is needed before it becomes law (Flacks).

Some Americans might think their civil liberties and market freedoms will be guarded from ESG because of constitutional protections. Yet—because the U.S. Constitution's provisions generally do not apply to privately-owned institutions or foreign actors—corporations, banks, foreign governments, and investment management firms are free to use ESG to reward or punish whomever they want. Federal and state laws could be passed, however, to forbid certain kinds of ESG discrimination, although a truly comprehensive anti-ESG law has yet to be passed in the United States.

ESG systems not only fundamentally distort market economies, but they also centralize economic and societal power in the hands of individuals and businesses who are currently unaccountable to voters.

Whether this consortium of global elites and financial titans are pushing ESG for "noble" purposes, or are motivated by centralizing their power and padding their bank accounts, the end result would be the same: a significant loss of individual liberty and economic freedom forevery American citizen, and the destruction of our democratic way of life. We must not allow that to happen.

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