

## **Musk risks political fallout by endorsing Trump. Few CEOs are following.**

[Elon Musk has endorsed Trump. Few CEOs are following. - CSMonitor.com](#)



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David Swanson/Reuters

Tesla CEO Elon Musk looks on during the 2024 Milken Institute Global Conference in Beverly Hills, California, May 6, 2024.

By [Laurent Belsie](#)

July 26, 2024

As an uber entrepreneur, Elon Musk has blazed many trails in new technology. When it comes to politics, the path he's forging may turn out to be a lonely one.

In the past month, the CEO has endorsed former President Donald Trump, then walked back a reported pledge of \$45 million per month to the Republican nominee, saying the initial report was "simply not true." He has vowed to fight the "woke mind virus" of gender transitions. And he has argued on X, his social media platform, that the Democratic Party has drifted too far left.

Such overt political activity stands in sharp contrast with many American chief executives' reluctance to get politically entangled this election year. Until Mr. Musk's move, no Fortune 100 executive had donated to the former president's current campaign.

### **WHY WE WROTE THIS**

*CEO Elon Musk has blazed many trails, including weighing in on politics, in contrast with many executives' desire to avoid snares this election year.*

The reason: The risk to the reputations of themselves and their companies is becoming too great.

"Many are quite cautious," says Bruce Freed, president and co-founder of the Center for Political Accountability, a nonprofit advocacy organization in Washington. "CEOs are looking to keep doors open" with both Republicans and Democrats.

Mr. Musk may be feeling the heat himself. On Tuesday, his electric vehicle (EV) company, Tesla, reported the lowest profits in five years. The slump has many causes, including slower-than-expected growth industry-wide and increased competition from carmakers with newer models. Some analysts worry that Mr. Musk's political activity is also hurting the company, turning off liberal-leaning car buyers, who up to now have been Tesla's bread-and-butter customers.



Eduardo Munoz/Reuters

Tesla electric vehicles are parked at a Tesla dealer in Paramus, New Jersey, July 23, 2024. Tesla CEO Elon Musk has endorsed Donald Trump.

His preferred candidate, Mr. Trump, has vowed to end federal EV subsidies on the first day of his administration.

#### Endorsement risks and rewards

In the weeks since his felony convictions and the assassination attempt on his life, the Republican presidential nominee has picked up several big endorsements, including one from billionaire hedge fund CEO Bill Ackman, who joined [Blackstone CEO Steve Schwarzman](#) and venture capitalist David Sacks in supporting the former president. But chief executives of consumer-facing companies have traditionally been more reluctant to take sides because of the Michael Jordan dictum: “Republicans buy sneakers, too.”

Avoid politics, avoid turning off customers, the basketball superstar and Nike sneaker icon famously said to explain his decision not to endorse a Democrat in a 1990 U.S. Senate race. Increasingly, CEOs appear to be heeding that advice, with Mr. Musk being the exception who proves the rule.

As late as 2012, nearly 30% of the Fortune 100 CEOs donated to the Republican presidential candidate, according to Jeffrey Sonnenfeld, president of the Yale Chief Executive Leadership Institute. By 2020, it was less than 5%. This year, it was zero until Mr. Musk came along.

The risks of a consumer backlash are rising. In 2019, when Home Depot co-founder Bernie Marcus backed Mr. Trump's reelection campaign, the home-improvement chain tried to distance itself from the comments, pointing out that Mr. Marcus had retired as CEO years before. Mr. Marcus's subsequent pro-Trump remarks have sparked repeated calls from consumers for a boycott of Home Depot. Research suggests that such boycotts rarely mobilize much consumer support.

#### Politics, social media, and consumer backlash

Last year, however, consumers on the right found success in fighting what they call "woke" capitalism, specifically pro-LGBTQ+ company actions. When Bud Light launched a limited ad campaign featuring transgender influencer Dylan Mulvaney, a consumer boycott reduced sales and caused the brand to lose its position as the nation's most popular beer. It is now No. 3.

Similarly, a 2023 consumer backlash against Target's Pride month marketing campaign, which included the display of transgender swimwear, caused the retailer to restrict this year's Pride campaign to online sales and select stores.

How much of Target's change of heart was due to lost sales remains an open question. "A lot of the challenge for Target was the fact that employees felt unsafe in the stores," says Nien-hê Hsieh, a professor of business administration at Harvard Business School. "There were serious threats to employees."



Richard Brian/Reuters/File

Hedge fund CEO Bill Ackman, shown speaking during the SALT conference in Las Vegas, May 18, 2017, has endorsed Republican presidential nominee Donald Trump.

#### CEOs and profit margins

Mr. Musk sounded a similar anti-LGBTQ+ theme in an interview published Tuesday where he said he lost his son to “the woke mind virus” after the son came out as transgender. The same day, he denied a report that he would give the Trump campaign \$45 million a month, saying his donations would be much lower.

Mr. Musk’s activities have clearly hurt X (formerly Twitter) since he bought it in 2022. Advertisers and users have dropped away, and revenues have plunged. What’s not clear is how much of that is due to Mr. Musk’s changes to the platform versus his political moves (he reactivated Mr. Trump’s Twitter account after it was permanently suspended following the Jan. 6 Capitol riots). Time will tell whether a similar fate awaits Tesla.

Several surveys suggest that the EV maker has suffered reputational damage, especially among Democrats. A Bloomberg survey of more than 5,000 Tesla Model 3 owners last year found that many were disenchanted with Mr. Musk. Still, 87% said they were thinking about buying a Tesla the next time around. Mr. Musk argues that the end of federal EV subsidies would hurt his competitors much more than Tesla.

“A fundamental responsibility of leaders is to bring people together,” David Bach, soon to be president of Swiss business school IMD, writes in a recent California Management Review [article](#). “CEO political activism can be [a] potent tool in this respect. Yet in the face of deep stakeholder division on a salient issue, this leadership imperative cautions against taking sides.”