INVESTMENT

Investment is the allocation of resources to generate value. The ways government agencies, businesses, and philanthropy invest reflect our national values, priorities, and mindsets. How we invest—and who has the resources to invest—is inextricably linked to our prevailing meta-systems: capitalism, democracy, and racism.

Capitalism is the meta-system within which the field of financing sits, and which essentially governs how the field of financing operates. Our current form of capitalism is designed to benefit a few at the top who control the means of capital and political power. The disparities in wealth and the economic fragility of 2/3 of Americans make it painfully obvious that the system is not working for the majority of Americans.

ALEXANDER ROSSIDES & COLLEAGUES

INVESTMENT

RESOURCE ALLOCATION

1,200 CDFIs total $200B in assets—or 1% of FDIC-insured bank assets

5 foundations borrowed $1.7B to expand their giving during the pandemic

$1B in emergency grant funding by the Department of Treasury's CDFI Fund was included in the HEROES Act

$12B was returned to consumers who were victims of predatory and illegal financial practices between 2010 and 2017

Facts adapted from the ***Investment*** *Deep Dive*

WE HAVE FAILED TO CREATE AN ECONOMY THAT WORKS FOR EVERYONE. The notion that the marketplace will create an equitable society, if left to its own devices, has been proven wrong repeatedly. The stock market and lending markets, backstopped by the Federal Reserve, disproportionately benefit the top 10%; the rich self-finance robust health care and high-quality education. Wealthy and powerful interests benefit from our economic system, while the vast majority of the population remains vulnerable to economic shock.

Efforts initiated by government and philanthropy to address the gap between capitalism's winners and losers have been implemented in silos and have rarely gone to scale. Initiatives lack the systemic approaches needed to shift core societal structures and behaviors, often trying to mitigate symptoms or, worse, to fix communities. These efforts badly miss the primary cause of inequities: systems that persistently impede communities' success.

KEY ISSUES

To date, most investors have either consciously or unconsciously supported the existing system of inequality. We must reframe Americans' mental models toward shared fate and equal opportunity to drive well-being:

- **Social value is just as important as financial returns**: Short-term profits need to take a back seat to sustainable profits and social value creation.
- **Financial leaders at the federal level and in the national banking system need to address systemic racism** in the profession.
- **Philanthropy should fund infrastructure for system change**, not isolated projects.
- **Reduce sheltered decision making in philanthropy** by involving the community in grantmaking decisions.
- **Adopt state-level global budgeting** to allocate public resources based on shared well-being goals and allow for sufficient investment in the vital conditions.
- **Budgets should include direct funding and incentives** that reward long-term value. For example, investments in early childhood that generate savings years later by reducing societal costs and increasing tax revenue.

PROMISING PRACTICES

We need to build household and community wealth by scaling successful innovations and deepening investment in what works. When we pursue financial programs and policies that protect consumers, give families greater control over finances, and improve our shared capacity to absorb financial shock, we are able to build wealth and assets—now and for future generations.

PROMOTE SHARED OWNERSHIP
Prioritize investments by the government and the private sector in spreading shared ownership models.

Grow the number of B-Corps and for-benefit enterprises through tax incentives, preferential financing terms, marketing support, and other means.

USE THE TAX CODE
Create higher baseline tax rates for corporations, and offer tax breaks for community investment, allowing corporations to increase after-tax net profits while contributing to low-income community wealth.

Use sellable tax credits to create a secondary market, with limits on the returns available using tax breaks and tax credits.

EXPAND & LEVERAGE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFI)
Increase the federal government's funding of CDFIs.

Lift the Small Business Administration's moratorium on new Community Advantage lenders, allowing additional CDFI participation and expediting the approval of new lenders.

Create funds of funds for CDFIs to enable them to sell their current loans to a secondary market and make new loans.

USE THE FEDERAL RESERVE
Provide debt relief to borrowers. The Federal Reserve should purchase restructured pre-COVID-19 loans.

Create Fed-supported funds of funds for social purpose, allowing pension funds and insurers to make minimum investments of $50M+.

ADAPTED FROM THE INVESTMENT DEEP DIVE

CONNECTIONS

LIFELONG LEARNING

A good education is key to generating sufficient income and economic stability. Equitable education financing requires investment from cradle to career, including free community college tuition, tuition reimbursement programs, and reduced student loans.

PATH TO RENEWAL

Specific near-term recommendations can help build momentum for systemic transformation of capitalism—and support in recovery and resilience. In order to achieve well-being for all Americans, however, deeper changes to capitalism will need to occur: We must shift mindsets, beliefs, and values.