

To: The Biden-Harris Transition Team

From: A Coalition of Organizations Focused on Inclusive Economic Growth (Signatories in Appendix 3)

Date: December 9, 2020

Subject: Build Back Better: A Proposal for a White House Initiative on Inclusive Economic Growth, Staffed at the NEC, to Advance the Biden-Harris Administration's priorities on Economic Recovery, Climate, and Racial Equity

Summary

We are a broad-based coalition of over 40 organizations focused on stakeholder capitalism, corporate social and environmental impact, sustainable finance, community development finance, and capital markets structural reform. We are eager to engage with and support the Administration on a series of economic policy proposals, including financial markets structural reforms, that together can advance the Administration's priorities around economic recovery, racial equity, and climate change. These policy solutions are ripe for action because they have public recognition, growing support in the business and investment communities, and in many cases bipartisan support as well. They will support inclusive economic growth for American workers, communities, and businesses. *In order to ensure that the Biden-Harris Administration can take advantage of this unique moment, we propose a White House Initiative on Inclusive Economic Growth, staffed at the NEC, that could play a central coordinating role in promoting equitable economic policy across the Administration.*

Context

The Administration has rightly committed to prioritizing COVID-19, economic recovery, racial justice, and climate change for the next four years and will need to advance this commitment amid enormous pressure on Federal and local budgets. In order to make sustained and simultaneous progress on its priority areas, it is critical that the Administration focus on Building Back Better in the short-term while fundamentally shifting the rules and incentives of American capitalism for the long-term.

The incoming Biden-Harris Administration will experience significant headwinds on their priorities if businesses and investors remain singularly focused on optimizing financial returns without regard to externalities that affect economic growth, climate change, and racial equity. The Administration, however, has an opportunity to pursue an holistic agenda of inclusive economic growth that will enable companies and investors, in partnership with the federal government, to proactively address our nation's biggest challenges and create wealth that is shared by America's workers, communities of color, and future generations.

The COVID-19 pandemic, resurgent calls for racial justice, and the climate crisis have laid bare an interrelated range of problems: increasing inequality that inhibits economic opportunity and mobility; the loss of voice, power, and gainsharing for American workers; the growing racial gap in earnings and wealth; and the accelerating negative effects of climate change. These challenges are often caused or exacerbated by the actions of individual companies and investors pursuing profits at any cost, from unaccountable emission of carbon and other pollutants; to jobs that have been stripped of benefits and even basic employment protections. And the same shortsightedness has led to the systematic exclusion of Black and Latinx Americans from venture capital, small business lending, and large corporate boardrooms alike.

These challenges are inextricably linked to the structure and rules of financial markets, which claim to account for every penny of corporate earnings while ignoring trillions of dollars of unpriced externalities. At their core, these are choices enabled by a set of corporate disclosure and investor fiduciary rules that lack accountability for corporate impact on stakeholders like workers and communities, as well as the environment and future generations.

Structure and Role of the Initiative

We propose that the President issue an Executive Order to create a White House Initiative on Inclusive Economic Growth (“the Initiative”), the portfolio of which should be directed by senior staff at the NEC, with participation from the other key policy councils in the Executive Office of the President (DPC, CEQ, OSTP, NSC, and OMB). Key executive agencies would participate in an interagency working group staffed by senior personnel, which would invite and coordinate with other relevant independent agencies such as the SEC. The NEC is the ideal location for this initiative given its credibility and broad oversight over economic policy, as well as the new Director-designee’s extensive knowledge of stakeholder capitalism, including climate and racial equity issues in the capital markets.

The Initiative would play a range of important roles related to the Administration’s promotion of inclusive economic growth, including: narrative framing, agenda setting, convening of private sector and civil society organizations, public engagement, interagency coordination for the Executive Branch, and Capitol Hill engagement through Legislative Affairs. This would allow the Administration to connect its four policy priorities — COVID-19 response, economic recovery, racial equity, and climate change — with a broad message and agenda for the kind of economy that benefits all Americans.

The Initiative would help drive cohesive and coordinated policymaking on many of the incoming Administration’s goals. It would help move the discussion beyond incremental progress and toward concerted action on smarter regulation of companies and investors to better support communities. Without this coordination, issue-specific policies and regulations (e.g. on carbon, labor, taxation, monopoly, etc.) would be less effective on their own. First, an issue-by-issue approach is insufficient to address the fundamental misalignment of incentives between individual companies, their investors, and our nation’s long-term interests. Further, many of these issues are shaped by a myriad of agencies and would benefit from a high degree of coordination. Finally, there is a significant opportunity to positively and proactively engage leadership from the business and investment communities, one that would be missed if this work did not have a specific home in the Administration.

The Initiative could engage on a range of economic policy issues already identified by the Biden-Harris Campaign’s Economic Policy Committee, each of which requires coordination across both policy priorities and numerous government agencies, including: corporate and capital markets disclosure and governance; systemic market risk that affects inequality, job quality, and climate change; oversight of stimulus and bailout funds; climate finance; and support for community-based lending institutions. For illustrative purposes, two examples are below:

- **Disclosure and governance reform:** There are numerous opportunities to roll back or change current policies by Executive Order. Further, a stimulus bill could provide an opportunity to ensure that companies receiving government funding provide broader disclosure and accountability to the American people. Longer term, bipartisan legislation provides the opportunity to change the legal accountability of all corporations and investment fiduciaries to address their systemic impacts. There are also numerous policy ideas to increase the consideration given to worker voice, pay, safety, and racial and gender inclusion through governance and disclosure. Agencies engaged on this issue include the Department of Labor, SEC, Treasury, and the SBA.
- **Community Investing:** Community investing touches multiple agencies, regulatory bodies and Capitol Hill, in ways that would benefit greatly from coordination. For example, the Treasury Department works with the Federal Reserve to backstop its lending facilities that target Main Street businesses and nonprofits. Treasury also oversees tax benefits and programs that support community investing, including the CDFI Fund, New Markets Tax Credits, and Opportunity Zones. These benefits and programs could work together in more seamless and supportive ways, some of which will require legislation. The Community Reinvestment Act which is regulated by the Federal Reserve, the FDIC, and the OCC requires coordinated, community-supportive modernization (unlike the approach to reform taken by the OCC in 2020).

A list of agencies that engage on these and other key issues — and the range of related policy areas that require coordination across these agencies — is included in Appendix 1.

Why This Is the Right Time

The Initiative would define an agenda that would holistically and efficiently address the priority challenges that the Administration has identified. By taking a coordinated and forward-looking approach to the structure and rules of the capital markets, the Biden-Harris Administration could harness the ingenuity of American capitalism to advance each of its policy priorities. Importantly, the fundamentals are in place for the new Administration to work with stakeholders to take on these challenges now:

- **Awareness of Stakeholder Capitalism:** The devastating impacts of the global pandemic, combined with rising outrage over sustained racial injustice, have accelerated the business, investor, and finance communities’ awareness of incumbent system market failures and the opportunity for policy reforms that allow business and the capital markets to create more broad-based prosperity for U.S. workers and communities.

- **Urgency Around Community Finance:** There is an increasing understanding and sense of urgency among corporations, investors, and policymakers that disinvested communities, and the residents who live there, are essential in driving national innovation and economic strength, as well as contributing to a just, equitable, and prosperous economic recovery.
- **Bipartisan Interest in Congress:** There is increasing bipartisan interest in addressing the negative impacts that the current rules and practice of shareholder primacy are having on the American economy, on the quality of America's global economic leadership, and on American workers and communities.
- **Immediate Policy Opportunities:** Numerous nonpartisan organizations have developed economic and financial policy ideas that are fundamental to accelerating a transition to stakeholder capitalism. Many of these policy ideas have bipartisan support and are consistent with policy memos developed for the Biden-Harris Campaign, including Executive Actions that could be taken within the first 100 days and longer-term legislation. Please see Appendix 2 for policy recommendations from partner organizations.

Role of Civil Society Organizations in the Initiative

The Initiative would spearhead bold policy ideas already developed by the Biden-Harris Campaign's Economic Policy Committees and that many signatories of this proposal contributed to. The *Initiative* would also drive private sector support for the Administration's policies by working with a large coalition of eager civil society, business, investor, and capital markets organizations with expertise in inclusive economic growth. Importantly, a subset of these organizations have direct public policy expertise.

Civil society organizations would play a critical role in the efficacy of the Initiative. They would source and curate practical but ambitious ideas for consideration, some of which have been piloted at the state and local levels; support relevant research; convene companies, investors, foundations, civil society organizations, labor organizations, academics, and other stakeholders to provide input and feedback in an efficient and coordinated manner; bring bipartisan leaders together to build support for policy ideas; and fund staff positions through arrangements such as staff secondment.

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Appendix 1: Illustrative list of agencies and issues that a White House Initiative on Inclusive Economic Growth could coordinate:

- *SEC*: regulation of investor and corporate accountability, transparency, and disclosure; shareholder proxy voting and shareholder resolution rights
- *Department of Labor*: regulation of ERISA pension plans, including fiduciary duty, proxy voting, and shareholder rights; employment opportunity, job quality, and wage growth
- *Treasury Department*: oversight and deployment of bailout funds, backstopped programs with the Federal Reserve Bank, CDFI Fund, community investing incentives including New Markets Tax Credits and Opportunity Zones, and pay-for-success vehicles
- *FDIC, Federal Reserve, and OCC*: oversight of bank responsibilities under the Community Reinvestment Act (CRA) and CRA modernization
- *SBA*: program reform and development to support Main Street business and businesses led by women and people of color and in urban, rural, and tribal communities
- HUD: fair housing, Section 8, and foreclosure protection
- Federal Thrift Savings Plan: make ESG investment options available to pensioners
- *OMB*: administrative law, government accounting, pay for success, and government coordination
- *Climate czar*: mobilization of private capital for R&D, acceleration of large company commitments to net zero, environmental impact bonds
- *Other Important Agencies*: CEA, Commerce, CFPB, DOJ, EEOC, EPA, FTC, OSHA, NLRB
- *Legislative Affairs*: policy issues including reforming corporate and investor fiduciary duties and disclosure; corporate political involvement; stimulus; tax policy; expanded investment in CDFIs, minority-owned banks, and businesses led by women and people of color and in urban, rural and tribal communities; sourcing, sharing, and catalyzing related initiatives with the states

Appendix 2: List of Policy Recommendations From Signatory Organizations

- “Private Capital, Public Good--Leveraging Impact Investing to Support a Just & Equitable Recovery,” U.S. Impact Investing Alliance, December 2020.
impinvalliance.org/s/Private-Capital-Public-Good-December-2020-EMBARGO-DRAFT.pdf
- “From Shareholder Primacy to Stakeholder Capitalism--A Policy Agenda for Systems Change,” B Lab and The Shareholder Commons, September 2020.
https://pardot.bcorporation.net/l/39792/2020-09-24/9kx4pb?_ga=2.127884685.145807526.1607274274-2098154386.1607274274
- “The American Prosperity Project: A Nonpartisan Framework for Long Term Investment,” The Aspen Institute Business and Society Program, December 2016.
<https://www.aspeninstitute.org/programs/business-and-society-program/american-prosperity-project/>
- “Framework for Inclusive Capitalism: A New Compact Among Business, Government & American Workers,” Coalition for Inclusive Capitalism Public Policy Commission, forthcoming February 2020.
- “Toward Fair and Sustainable Capitalism,” Leo E. Strine, Jr., Roosevelt Institute Working Paper, August 2020.
<https://rooseveltinstitute.org/publications/toward-fair-and-sustainable-capitalism/>
- “Creating an Economic System that Works for All Report,” American Sustainable Business Council, October 2020.
https://www.asbcouncil.org/sites/main/files/file-attachments/final_creating_an_economic_system_that_works_for_allsite.pdf
- “Meeting The Moment: U.S. Impact Investing Policy, Inequality, and COVID-19 Recovery,” Pacific Community Ventures, October 2020.
<https://www.pacificcommunityventures.org/2020/10/28/meeting-the-moment-impact-investing-policy/>
- “An Opportunity for US Leadership in Building a Long-term, Sustainable Economy,” FCLTGlobal, November 2020.
<https://www.fcltglobal.org/resource/us-leadership-long-term-sustainable-economy/>

Appendix 3: List of Signatories to White House Initiative on Inclusive Economic Growth

- The Alliance Center
- American Sustainable Business Council
- Aspen Institute Business and Society Program
- B Lab
- The B Team
- Better Markets
- Beyond Alpha
- Blended Value Group
- Capital Institute
- Case Impact Network
- Center for Community Investment
- Coalition for Inclusive Capitalism
- Common Future
- Confluence Philanthropy
- Conscious Capitalism, Inc.
- CREO Syndicate
- Democratic Treasurers Association
- Drucker Institute
- Dry Powder Works
- Green America
- Florida for Good
- FCLTGlobal
- The Global Impact Investing Network (GIIN)
- Impact Capital Managers
- Imperative 21
- Interfaith Center on Corporate Responsibility
- Just Capital
- Lincoln Institute of Land Policy
- Natural Capital Solutions
- Omidyar Network
- Oxfam America
- Pacific Community Ventures
- PolicyLink
- Predistribution Initiative
- Public Citizen
- Regenerative Recovery Coalition
- The Shareholder Commons
- The Skoll Foundation
- Social Venture Circle
- Sorenson Impact Center
- Toniic Institute
- Urban Manufacturing Alliance
- U.S. Impact Investing Alliance
- 1worker1vote