Press Release

ESG Backlash: Cost & Competition Implications for States & Taxpayers

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Elected officials at state and federal levels have increasingly called for scrutiny on, or refused to contract with, financial services firms they see as having aggressive environmental, social, or governance policies. In a new insight, Director of Financial Services Policy Thomas Wade discusses the economic implications of these efforts, as well as how ideological restrictions on market participation typically harm consumers most.

Wade concludes:

> Capitalism at its core is based on the benefits provided by market incentives. The appropriate role of government should be to encourage the growth of companies in providing the products and services to whatever interest groups are determined by shareholder demand. Instead, increasingly strident demands from either end of the political spectrum seek to tell financial firms what products they should offer, and to whom. The uncertainty generated by seemingly capricious decisions made at the state level on ideological grounds also contributes to inefficient market outcomes. The efficient flow of goods and services around markets requires choice. Private actors should be able to choose with whom they will do business, as should state treasurers. Any restrictions on the ability to choose will necessarily harm consumers the most, particularly where those restrictions are in excess of the limits already placed on their activities by regulators and the markets.

Read the analysis