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Op-Ed

Op-Ed: Why Banks Are Fighting to Let ESG Investors Fund Far-Left Political Goals





Op-Ed

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By [Paul Fitzpatrick](#) • June 14, 2023 at 11:06am

Over the last few years, the mirage of ESG has been exposed for what it is: a backdoor attempt to use Americans' investments to fund far-left political goals.

This risky investment ideology led to an anti-ESG pushback from state treasurers and attorneys general. That was followed by a tidal wave of state legislation seeking to protect public employee pensions and core industries in various states. At least eleven have passed [strong legislation](#) meant to combat investment tools that prioritize radical left-wing priorities under the nose of investors.

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In response, banks are in [panic mode](#). Why? One reason is ESG metrics have historically increased the ownership of bank shares because of their supposedly “lower carbon emissions.”

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Some ask why other states haven't yet passed legislation protecting public employees' investments. One of the reasons is that not only banks themselves but state banking associations are spending record amounts of money lobbying state legislators to protect ESG investing.

The empire of Big Finance is [striking back](#), spending a great deal of money and political capital to block state legislation that simply requires those managing public employee pension funds to invest for the highest returns, not for non-financial objectives such as ESG.

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State banking associations are carrying water for big banks and asset managers and twisting the arms of state lawmakers to back off any attempts to deny activist managers from leveraging red state assets.

The Kentucky Bankers Association is suing to block an investigation by Attorney General Daniel Cameron, which threatens to expose possible collusion meant to destroy a state industry, namely coal, and the value of pensioners' funds. BlackRock recently hired lobbyists in half the states in the union, is throwing money around D.C., and is likely an invisible hand behind state banking associations while spending millions on PR campaigns and softening public statements.

Much of this goes back to a fundamental shift in corporate leadership that shaped the financial sector.

In 2019, the Business Roundtable redefined the purpose of a corporation from maximizing shareholder value to serving various "stakeholders." In recent years, groups like the World Economic Forum and others that prop up ESG have built upon this redefinition.

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With corporate executives spurred on by the Biden administration and others working from this new definition of “stakeholder capitalism,” many funds that now include ESG considerations have been able to get past financial regulators and investors with investments focused less on profitability and more on funding the environmental and social agenda of the left.

Beginning in 2021, various state attorneys general and treasurers began challenging ESG’s new model of stakeholder capitalism.

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engaged in antitrust behavior by colluding to limit investment in certain industries.

However, it's important to note that certain states are taking a longer-term view. What good are long-term investments in energy companies if the companies will become shadows of their former selves due to loss of capital investment for new exploration or loss of insurance?

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This more nuanced view was inspired by Texas [Senate Bill 13](#), passed in 2021, which prevents state agencies from contracting with companies that restrict, cut ties with, or “boycott” investment in oil and gas. Banks and asset managers are disproportionately impacted since they are the non-government organizations large enough to deny capital to an industry writ large.

against pensioners who would benefit in their retirement by low-cost and reliable energy and low inflation.

Seeing the behavior of many banks and asset managers, it's time to ask them to give a definition of "stakeholder" that once again prioritizes shareholders.

As I outlined in a [roadmap](#) back to neutrality for America's financial giants, we are pleased to see steps in the right direction and want to see more banks and asset managers cast off politics and return to principled financial decisions.

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The first step needs to be the Business Roundtable rejecting its redefinition of the purpose of the corporation. Clearly, this experiment in advocating for "stakeholders" isn't just penalizing shareholders but the American public at large.

Now more than ever — especially with a banking crisis on our hands — it's time to reject the hyper-politicized stakeholder capitalism of Big Finance and get back to sound investments focused on profitability for shareholders and retirees.

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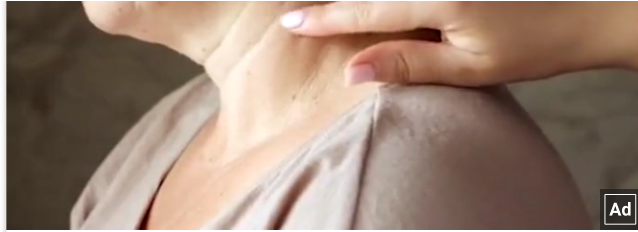
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Paul Fitzpatrick is president of the 1792 Exchange, an organization dedicated to advancing freedom by protecting small businesses and nonprofits and moving corporations back toward neutral.

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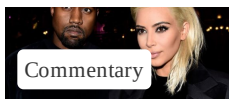
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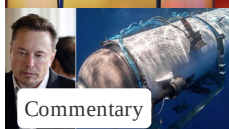
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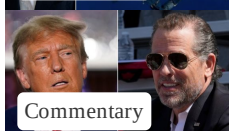
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