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Taxpayers Lose in GOP’s War on ESG.

Texas and Florida lawmakers are targeting banks that support environmental, social and governance practices. The result? A hidden tax on residents.

What happens when Florida and Texas blacklist Wall Street’s largest municipal bond underwriters because of their support for environmental, social and governance practices? The answer is a hidden tax foisted on their residents amounting to hundreds of millions of additional dollars.

If socialism means state control of production, distribution and exchange of goods and services, then Florida and Texas fit the description. That’s not the case with California, whose embrace of ESG and free markets has allowed it to borrow more cheaply than Florida and Texas even though it has lower credit ratings. Superior demand makes California debt the outstanding performer among the three largest US states.

Companies committed to ESG favor protection of natural resources, human rights, health and safety, community engagement, transparency, compliance with regulatory policies, diversity, equity and inclusion. Investors like the potential. Asset allocation based on ESG criteria has grown to be at least a $35 trillion industry, according to the Global Sustainable Investment Alliance.

Elected officials in Florida and Texas, not to mention half a dozen other states which voted for Donald Trump in the 2020 presidential election, decry ESG as “woke.” These southern states, where racist laws prevailed 50 years ago, now prohibit the biggest Wall Street banks from arranging and selling their new bond offerings because they’re “woke,” often assigning the job smaller firms that may not have the resources or reach to ensure that the borrowers are getting the lowest possible borrowing costs.

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