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Guess Who Loses After Florida and Texas Bar ESG Banks?

Banning Wall Street's biggest municipal bond underwriters has foisted a hidden tax on their residents totaling hundreds of millions of dollars.

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. The iShares ESG Aware MSCI USA ETF has expanded 3,400 times to $20 billion since its inception in 2016, according to data compiled by Bloomberg. No less than Larry Fink, chairman, chief executive officer and co-founder of BlackRock Inc., whose $10 trillion in assets makes it the largest money manager, is a believer. He told his shareholders that Wall Street's embrace of ESG is "capitalism, driven by mutually beneficial relationships between you and the employees, customers, suppliers and communities your company relies on to prosper."

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Bloomberg Opinion

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