EXECUTIVE SUMMARY

Currently, the Securities and Exchange Commission relegates the majority of Americans to second class status based on income and net-worth criteria, limiting participation in key private market opportunities—or restricting it all together. This puts under-represented founders at a disadvantage by constraining their access to capital and creating prejudicial barriers to entry. This project recommends that the Securities and Exchange Commission dismantle discriminatory investor criteria. It also recommends that existing institutional investors pledge to create opportunities for diverse and emerging fund managers to establish investment track-records. These solutions can advance equitable tech startup funding while helping to close the widening wealth gap.
THE PROBLEM

Income inequality makes it difficult for the majority of Americans to launch successful startups. This is especially true for underrepresented founders, particularly people of color, who get less than five percent of venture capital despite alpha returns on positive exits. The United States Securities and Exchange Commission further constrains capital formation by segregating investors based on income and net-worth. With Black and Latinx founders comprising less than five percent of venture capitalists and five percent of angel investors, discriminatory funding practices persist, costing the United States over nine million jobs and $300 billion in collective income.

According to the Global Center for Policy Solutions, the United States forgoes an estimated nine million jobs and $300 billion in collective national income due to discriminatory funding practices.

THE SOLUTION

This project presents two paths towards tech funding equity for investors and founders. First, it suggests that the Securities and Exchange Commission should amend the accredited investor definition to empower investors to self-certify as accredited, regardless of income, wealth, or professional designations.

Secondly, it presents an “Opportunity Pledge” for private equity investors. This pledge includes a framework that facilitates greater access to geographically, ethnically, and gender-diverse deal-flow, empowers diverse emerging managers to establish investment track records, and increases access to investor networks for under-represented founders.