



ASPEN TECH
POLICY HUB

PROJECT



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this project, please visit
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Tech Funding Equity

Advancing equitable opportunities for founders and funders of technology-driven startups

EXECUTIVE SUMMARY

Currently, the Securities and Exchange Commission relegates over 90 percent 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 limiting 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 managers to establish investment track-records. These solutions can advance equitable tech startup funding while helping to close the widening wealth gap.



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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 5 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 0.5 percent of angel investors, discriminatory funding practices persist, costing the United States over 9 million jobs and \$300 billion in collective income.

“ According to the Global Center for Policy Solutions, the United States forgoes an estimated 9 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 add “sophistication” as a safe harbor to the “accredited investor” definition. This should include criteria and certification that are accessible to all, irregardless of income, wealth, or professional designations.

Secondly, it presents an “Opportunity Pledge” for private equity investors to implement a scout program. This framework 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.

ABOUT THE HUB

The Aspen Tech Policy Hub is a Bay Area policy incubator, training a new generation of tech policy entrepreneurs. We take tech experts, teach them the policy process, and support them in creating outside-the-box solutions to society’s problems.

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