PLAYBOOK

How Government Can Invest in America

Five tools policymakers can use that have bipartisan support to steer private capital toward national priorities.

> *"There is ample private money for sound housing projects; and the Congress…can stimulate the lending of money."*
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> FRANKLIN D. ROOSEVELT, MESSAGE TO CONGRESS, JUNE 8, 1934

When Franklin Roosevelt became President in 1933, he recognized that putting construction workers back to work would be crucial to revive the US economy. But the collapse of banks had choked off home lending. So, the following year he worked with Congress to create the Federal Housing Administration, the first of a series of actions that built the modern mortgage market as a partnership between government and banks. Today two-thirds of Americans own their own home, financed by ~$15 trillion in outstanding home loans.

Roosevelt figured out how government could harness private capital to address a major national challenge.

How can policymakers apply that same approach today?

The Challenge

Solving many of our most pressing national challenges will require harnessing private investment capital. American capital markets have the money. But it too often does not flow to where it could be used to scale up solutions.

Many of the investment tools Americans now treat as permanent, natural features of the economy — the 30-year fixed-rate mortgage, the $500 billion farm credit system, the domestic venture capital industry — were deliberately constructed through government partnership with private investors at moments when private capital was unwilling or unable to flow where the country needed it most.

That same toolkit is available today and can help harness private investment to address national issues that are bipartisan priorities, such as housing affordability, educational access, healthcare, and energy production. They thirst for private capital that is not reaching everywhere our country needs it to go. Government does not need to become the investor of first resort to close that gap. It needs to change the risk and return calculus facing the private investors who already exist.

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The Play: Five Tools Government Can Use to Steer Capital

Over the past century, the federal government and states have developed four proven tools for steering investment into national priorities, while a fifth now gaining bipartisan momentum.

- **Direct investment.** Provide loans or equity when private capital collapses or a strategic sector is at stake. The Reconstruction Finance Corporation did this during the Depression; a 2010 loan from the Department of Energy helped Tesla build its first US factory. Government also licenses private fund managers to invest in areas of national priority by offering concessional government debt. The Small Business Investment Company (SBIC) program backs roughly 300 funds managing more than $50 billion today and has been adapted by agencies such as the Department of Defense to finance companies operating in critical industries. The 2025 American Ownership and Resilience Act proposes extending the model to finance employee-ownership transitions.

- **Risk sharing through guarantees.** Government's credibility, not its cash, can often make investments that banks won't touch become bankable. The 30-year fixed-rate mortgage, the VA home loan benefit, and the Small Business Administration's 7(a) program all rest on this logic. The Department of Energy's Loan Programs Office has issued $94 billion in loans and guarantees and earned six times more in interest than it has paid out in losses.

- **Tax incentives that change investor math.** The Low-Income Housing Tax Credit has been credited with financing roughly 4 million affordable homes since 1986. The CHIPS Act's 25% investment tax credit for semiconductor manufacturing helped unlock over $500 billion in private investment. The Housing Tax Credit was made permanent in 2025 tax legislation while the CHIPS incentive was increased to 35%, a signal of durable political support for this approach that spans administrations.

- **Mobilizing public balance sheets.** State and local pension systems hold more than $6 trillion; the federal Thrift Savings Plan holds over $1 trillion. Illinois under Treasurer Michael Frerichs, Vermont, Colorado, and New Mexico's sovereign-style Investment Council have each shown that targeting a modest share of these assets toward affordable housing, small business lending, or in-state private equity is achievable within fiduciary duty. At the City level, New York City Comptroller Mark Levine has committed $4 billion from City pension funds to finance local affordable housing.

- **A standing national investment vehicle.** Alaska has run its own sovereign wealth fund since 1976, investing state oil revenue and paying residents an annual dividend from a fund now worth more than $90 billion. What's new is momentum for a national version — building fast as the promise of AI-driven wealth concentrates in a handful of companies. President Trump directed Treasury and Commerce in 2025 to develop a plan for a federal fund, and Senator Bernie Sanders introduced the American AI Sovereign Wealth Fund Act in 2026 to capture and redistribute AI-driven gains for the public. The core unresolved question is where the money would come from to capitalize a national fund, since the federal government runs deficits rather than the resource surpluses that typically fund sovereign wealth funds.

The common thread: government does not need to pick winners or own companies to move markets. Done well, these tools absorb risk at the margin and let private capital do what it already does best, in more places where it can also do more good.

Why This Is a Bipartisan Opportunity

This agenda draws support across the political spectrum for structural reasons. Many Republicans, after decades of advocating for unregulated markets, have come to recognize the need to manage markets to reduce the human cost of unmanaged efficiency. Many Democrats, after decades focused on constraining investors from doing harm, now recognize they cannot achieve their priorities without leveraging private investment to finance them. And several of the tools above, such as the SBIC program, LIHTC, and the DOE loan program, are structured to be fee-funded and near-zero-subsidy, which matters in an era of large federal deficits and divided government.

Bipartisan political support is not automatic. Government intervention in capital markets is difficult to design well, corruptible, vulnerable to being read as favoritism or a “bailout,” and exploitable by investors looking to capture a subsidy without taking on real risk or redirecting real investment. But the tools above have decades of precedent behind them in Republican and Democratic administrations. This is not a new argument, only a case for applying it with renewed discipline and ambition.

How I Can Help

I wrote *Investing in America* to shine a light on the incredible people doing this work and the opportunities we have to solve national challenges if we can harness America's vast capital markets to support them. I co-founded Lafayette Square Institute, a policy institute built specifically to bridge government and the capital markets, and have helped advance bipartisan legislation grounded in that work. I ran a national nonprofit community development finance loan fund for 10 years, working in partnership with federal and state agencies and the White House. I bring that same experience to policy organizations who want to develop bipartisan messaging and strategy that advances this agenda, grounded in the historical understanding that these tools have consistently drawn support across the political spectrum.

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- ★ **Foundations and family offices** seeking to drive progress in areas where mainstream capital will need to flow can work with me to identify where government action will be most helpful and to map out potential grantees to advance this work.
- ★ **Coalitions** of elected officials and regulators can work with me to help their members understand the tools available to harness investment capital for the specific issues they seek to advance.
- ★ **Advocacy groups** focused on specific issues can work with me to create bipartisan educational content that positions them to generate broad support among policymakers for initiatives that harness private capital to scale their solutions.

My book is one grateful immigrant's 250th-birthday gift to the country that has given me and my family so much. This work is an ongoing act of appreciation and opportunity to pay it forward.

—Antony

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