Dollars and Change Podcast:
On Theater, Impact Investing, and Wealth Taxes with Liesel Pritzker Simmons, Co-Founder and Principal of Blue Haven Initiative

Liesel Pritzker Simmons, Co-Founder and Principal of Blue Haven Initiative, joins host and Vice Dean of the Wharton Social Impact Initiative Katherine Klein to discuss the work and strategy of her single-family office that focuses on impact investing and ESG. She also talks about why theater is the best major for a career in business, and dives into why she advocates for a wealth tax.

Transcript:

D&C: Welcome to *Dollars and Change*. I'm Katherine Klein, Vice Dean for Social Impact at Wharton. And I'm very excited today to be speaking with Liesel Pritzker Simmons, who is the co-founder and principal of Blue Haven Initiative. So Liesel, thank you for joining us.

Simmons: Thank you. It's great to be here.

D&C: So, you have a fascinating personal history, a pretty exceptional personal history, and it's readily available when folks Google you. You can find all of the following on Wikipedia. So I'm going to paraphrase and summarize key highlights that are often commented on, and then I have some questions for you. So, a typical bio of you notes that you are a former child actress who starred in 1995 in the movie *A Little Princess*. You're a member of the wealthy Pritzker family. In 2002, as a college freshman at Columbia University, you filed a $6 billion lawsuit against your father and 11 older cousins, claiming that they had misappropriated money from trusts established for you and your brother. And the family settled the lawsuit in 2005, leading to the process of splitting up the family fortune 11 ways, resulting in 11 Pritzkers in the Fortune 400 list of the wealthiest Americans. At Columbia, you majored in African history, and today you're known as a leader in impact investing.

So I look at those highlights and go, "Hmm." You know. A child actress, member of this wealthy family, sues her family as a freshman in college. Wins that, majors in African history, leader of impact investing. And I don't say, "Oh, of course." You know. I look at those stepping stones , and I go, "Huh. Liesel could have done a lot of things." Help us understand the red thread, the connective tissue here, as you think about your history and really who you are and where you came from.

Simmons: I think a lot of my motivation, and therefore choices in my life, come from trying to wrestle with the luck and fortune of being born very wealthy, and what that means, and what it means to be a good steward of those assets. And how do you sort of move through the world, when there is this much wealth inequality? How do you mitigate that through your actions, through how you invest, and the choices that you make?

And so I think for me, one of the things that was clear early on— as you mention, I was an actor for most of my childhood, and really my early adulthood as well, both in film and in theater. And one of the things as I got older and I started to become more aware of, you know— I come from this big business family, and I'm going to inherit all this money. And so I started to spend more time thinking about what that means, than my next audition. So really in college was when I started to get more interested and more involved in international development and global markets, and what could I do with this wealth in a way that actually sparks change.

And this was also right around the time— when I was in college was right around the time when really microfinance, market-based solutions, all of those were really the big buzzwords in international development. And I thought, "Well, this is really interesting. I want to learn more about this. I want to learn more about how markets, both public and private, are contributing or not to making the world a better place." And then understanding that I would have assets to contribute to that conversation. And not just as a philanthropist, but actually as an investor. And so that really started that journey of, what's the best use of this capital?

And also one of the things that was consequential for me was, as a result of this lawsuit, I basically had total control over these assets. I didn't have to work with anyone, or get anybody's approval, in terms of how I invest. And so one of the things for me was, if I can look at these assets holistically and say, "What is everything doing? Can we actually measure the social and environmental impact of how we're investing?" It's a way to hold myself accountable in a world that doesn't hold wealthy people accountable for anything, really. We've seen snippets of that, I think, change in the last couple of years. But largely speaking, you can sort of do what you will with your assets. And I think we should have a little bit more accountability than that.

And so for me, saying, "Okay." So, we said, starting ten years ago— it was even a little bit before that— I want to know what every single thing in my portfolio is doing. And I want to choose investments that we think are actively solving some kind of a problem. And that looks very different across asset classes and across different sectors and subsectors. But when it makes sense for markets to help to scale a solution, or make something more efficient, or make something cheaper, let's find those and let's invest in them. And when it doesn't make sense, let's not get markets involved. Maybe there are other ways to contribute, and maybe that's philanthropically or through civic engagement or political activism or other things like that.

And so I guess the through-thread is trying to be a responsible steward of these assets. Also, genuinely liking investing. I like business, and I like investing, and I think it's really interesting and exciting. But how do you take this lens of being more accountable, and being responsible to what these assets are doing?

The acting piece, though, is fun because it gives you a little bit of perspective. I always love it when you talk to particularly younger entrepreneurs and founders, who are like, "Oh my God. Fundraising, this is so hard. We've done 30 pitches this year, and we've only raised four or five of those." And I was like, "That's incredible. Actors go on hundreds of auditions and are, like, literally told in the meeting, 'No, you're not cute enough for this. Sorry.'" You get very critical feedback. And you have to do it a lot. Not everything is a success.

D&C: That's very cool. My kids are well-raised and launched and fantastic, and it has occurred to me over time, "Oh, acting. Engaging kids in acting and improvisation, what a great skill to give people." So that they don't hold onto— you know, I can't do that. My personality doesn't let me do that. You know. You're just acting. Go be that. And so it's fantastic.

Simmons: Well, it's funny. There's definitely a blog or a book that I think needs to be written around why theater is actually the best major for business. Because all you do in scene study classes, in rehearsals for plays and things like that, is really understand who's got the power in the room, and what their motivations are and what they care about. That's what you're doing, is you're breaking down what people want and what people have, and then the tension between those two things. And getting clear around how to get what you want, or how to hold something back that you don't want somebody else to get. And so that's what you're doing, emotionally, in a scene study. And there's all sorts of different techniques and all that. But ultimately, that's what you're doing. And clarifying those things before you walk into a board meeting, or before you walk into a negotiation, I think would serve a lot of people really, really well.

D&C: Really, really well. Really, really well. That's fantastic. And I would say, as somebody with a background as a psychologist and an organizational psychology— we accomplish a lot of that from a different place. But the acting piece is very helpful. Because the acting piece says, "And how do you want to show up in the room, and who will you be? And just go be that. You can do that." It's fantastic.

Simmons: That's exactly the thing. And then how do you present yourself in the way that gets you what you want. I think it's an underrated skill. Also an interesting one around building trust quickly. So in organizational development they've looked at— teams that are successful have a tendency to be able to build trust quickly.

D&C: Yes.

Simmons: And be vulnerable in front of each other in order to get the work done. And the quicker you get that, the more dynamic the team can be and can grow. And if you think about it, if we're rehearsing a play, I could have met that actor earlier that day, and then I'm in the middle of doing a love scene with them. So you better build trust. You have to get there quick. And it's not just trust falls, you know? And so I think that, as well, is a useful skill. Anyway. That's a future podcast, a future blog post.

D&C: Yeah. And a future book by Liesel Pritzker Simmons.

Simmons: The Wharton improv group.

D&C: Believe me, there would be fantastic interest. That sounds fantastic. All right. Let's turn to— you founded the Blue Haven Initiative about ten years ago. When you give the high-level elevator pitch for the Blue Haven Initiative, how do you describe what this initiative is?

Simmons: Blue Haven, we are a single-family office. And a way we describe our work is, we're investors and we go for higher standards. So yes, we want to see financial return and risk-adjusted returns, like, I think, any good investor. But that's not enough. We also want the investments that we make to be actively contributing to a social or environmental outcome of some kind. And so that's kind of how we describe what we do, is we're investors, but we invest with higher standards.

And so far, ten years later, it's been a really, really interesting journey of working with— you know, we work with a lot of fund managers, and we invest directly in companies ourselves, too. But since we're a single-family office, we can play with long-term thinking. We can be a little bit more nuanced in what reporting and metrics we're requiring, taking more of a management approach as opposed to a, "We need the report every year," because we're not reporting out to other external LPs. And so it gives us a bit of flexibility around how we actually incorporate these things. So we're constantly changing.

Then technically what that means is for the bulk of our assets, we are investors, and we're looking for risk-adjusted returns across a diversified asset allocation. And then we also give grants, and then we also do some concessionary or catalytic investing as well. So not everything that we really like has a risk-adjusted return, and so we have designated assets for that as well. We try to use all the different tools that we can.

D&C: Blue Haven Initiative describes itself as that you practice informed investing for profit and purpose, and you invest, as you've described, across asset classes. A lot of your investments— I'm assuming a significant percentage of your wealth— is invested in publicly-traded companies. Public equities. And my question is, how do you think about the impact and the purpose of those investments? How much impact can you actually achieve? How much purpose can you fulfill, when you're investing in publicly traded companies invested and managed by third-party managers?

Simmons: Sure. We do have public equity exposure in our asset allocation. And we currently— I'd say in that allocation, about half of it is passively managed, and half is more actively managed. And so with our active managers, we select them based on their sustainability strategies. A lot of them have very particular ways that they view companies and engage with those companies on certain metrics that are tied to where an ESG metric is more material to their business value. And so different ones have different kinds of focuses. Generation is a really well-known one that basically stock picks based on their really strong research into sustainability trends, and then works actively with those companies towards those goals. Ownership Capital is another one. They've got a slightly different lens. They are not such large cap focused, but another one. And both of them— crazy markets the last couple months aside— have actually had really great long-term performance. And not quite different than your typical ESG metrics, but just in the universe of active managers, have done quite well.

And then there are some that are really fun that are starting to get over on the activist side. So, Engine No. 1, Impactive, that are long only, but their approaches with management are more activist. And so I think on those active strategies, you can say that whether you're working with a good company and they're making them better, or selecting based on that company's own bias towards sustainability being material or best practices and good governance or good labor practices or things like that— in that case, some of the managers, I would say, are contributing to increasing the impact of what that investment is doing. But in some cases, we're along for the ride. And we are investing in companies that are good companies. They're good companies.

And that's okay with me. I've got enough to allocate. I don't need everything to be better just because we invested in it. So in those cases, we're just happy to find managers that can find those companies and invest in them.

D&C: Let me interrupt you— apologies— but I'd love you to talk about two things in this space. One is, can you describe more about what this active strategy is? And you've described it, you've described some different degrees of activity. What does that look like? What is an investor doing, a fund manager doing, vis a vis different companies? Are they picking up the phone? And calling whom, to say what? What does this actually look like in practice?

Simmons: Yeah. I mean, it depends on the manager. And we've got— we try and have a diversity of approaches, as well as what they end up picking as well so that we don't get overconcentrated in just the one company that everybody thinks is great. And so, yeah. Some of them are actively working with management teams of the companies that they are owning. And a lot of it is we tend to prefer managers who, again, are not just focused on ESG metrics because they're good to have, or a box to tick, but actually think that these companies are leaving value on the table if they don't pay attention to them. So those tend to be the types of managers that we like, so they tend to do well with companies because they have the same goal, which is, "How do we get more value out of this?" It's just that, "Oh. Actually, things like paid parental leave actually increase productivity. Oh my God." You know what I mean? So finding those areas where actually, something has been understood to be a trade-off, that isn't actually there. We find those teams can do well.

So that's over on the active side. And then on the passive side, where we also have exposure, that would be— I mean, I'd say the area that we are the least excited about from a— we have used, over the years, a number of different services providers on the ESG front, all of which have their benefits and issues. And those ones, what we try to do is negative and positive screens. We try to reduce tracking here or there when we can, and there are a number of different services that do that now. And then we kind of back check it, too. So we audit that portfolio to be like, "What else is actually in there?" But that's one I would say that is definitely not the most exciting part of our portfolio. It's in the "do no harm" category.

But I think it's important to have in there, and to pay attention to, because that's where most of the money in the world is, right? Is in those capital markets. And so I do think, however, that there is more and more work being done around trying to get those standards and those metrics to be less noisy, and to be more meaningful, and to get disclosures to be standard. You know, all of the number of organizations that are working on that, which through our grant portfolio, we've supported as well. Because we want help on that, too. We're investors, and we're really confused.

However, that being said, I do think that some of the media attacks on ESG— I think are a little— absolutely, there's work to be done to clarify what these different metrics mean. However, any ratings like this, or any data or looking at a company's 10K or things like that— these are all starting points for analysis. If I told you that a company's annual revenue was a billion dollars, is that good? I don't know. It depends on the context. I don't know. It depends. So the thing is, that's what analysts then need to begin their work on. What do these things actually mean, and how is this adding value to a company, if at all?

And so yes, there's work to be done. But I also think that impact investing and ESG, I think for years, has— everybody keeps wanting a list. They just want a list. And they're never going to get a list of, "These are the good guys, and these are the bad guys." You actually have to do the work and look under the hood, as you do with any investment. And so I think there could be a bit of greenwashing. But I think we've had snake oil salesmen for thousands of years. Of course.

D&C: That's a very helpful perspective. I have sometimes described myself as an optimistic skeptic. Or a skeptical optimist. You know, some balance of, this makes me optimistic, and I'm skeptical, and there's room for improvement. And I'm hearing that from you.

Simmons: Yeah. That's the thing. The data can always get better. But it's not going to make the decision for you. You have to put a little bit of thought behind it. And then also, what is that information telling you against our own goals and what you're trying to do? If you've got a large portfolio, and you need to have some liquidity in it, you are going to be looking at public markets. You will. And in that case, you want information that can help you make the best choices that you can. Or, if you can be holier than thou and only invest in perfect, brand-new startups, good for you. And then you should do that. But a lot of people can't do that. They have other cash flow constraints. So I think just pooh-poohing the ESG market is not going to help.

D&C: Let's turn to some of Blue Haven's civic engagement, and specifically some of the advocacy you've done around a wealth tax. On September 21st, just a few months ago, you and Ian, your husband, had a *Time* Magazine editorial with the title, "To Build Back Better, Tax Ultra-Wealthy Families Like Ours." "Tax Ultra-Wealthy Families Like Ours." Now, you're not the only ultra-wealthy family saying this. There have been plenty of ultra-wealthy families who have made this statement. There's obviously a lot of pushback. And interesting, not only from the ultra-wealthy. You know, from those who are not ultra-wealthy, there's plenty of pushback against it. "No, this is not a good idea." Maybe just, simply, why are you advocating for this? And then, what's been the response? What are you learning as you become more vocal on this issue?

Simmons: Yeah. The wealth tax work has been really interesting. I like markets. I like capitalism. I think it has produced massive amounts of wealth for people like we've never seen.

Right? As a system, broadly speaking, it has raised the standard of living globally in a pretty incredible way. That and technological revolutions kind of go hand in hand. So I just want to state that. I'm not saying that we should get rid of wealth entirely and redistribute everything. I'm not a socialist.

But that being said, I think that things work well when you have this healthy dance between markets, government, regulation, private sector, public sector. When you're able to strike that balance. And that's where we always swing between, right, of what's that right mix? And that's fine. What we're saying is we think it's gone a little bit out of whack, and it's time to bring it more back in line with when America was growing the fastest, in the '50s and '60s, and that post-War era. It was best for economic development, and we were really growing the real economy. Wages were growing up. We were reinvesting back in our own public. We had all kinds of major works focused on education. There were all sorts of programs that I think really set the country up for success, when things were a little bit more in balance between the power of the private markets and the power of the government.

So that's more where we're trying to go. I'm not saying, you know, that we should all be socialists. So just to set that. Sometimes we get accused of that. And I'm like, "No, no. We would like our taxes"—like, our effective tax rate is I think 2.7 percent. That's all I'm saying. Let's get it to 4 percent." This is the thing. It's really not that radical, when you actually explain to people how little of your wealth you're actually paying, legally. Those are the kinds of things. All we're trying to do is highlight that.

And there's a lot of different ways we could do that. There are capital gains that's got to be a part of it. There is— things like a wealth tax, because just taxing income on very wealthy people doesn't make a lot of sense. That isn't how they earn their money. There are ideas around unrealized gains as well, doing a one-time tax on unrealized gains, unless you are the founder of the company, like with the Wyden proposal.

So there's a number of different things that you could do in order to get things, again, be very targeted. That you're talking about a very tiny percentage of a tiny percentage of Americans. And this is also where things get a little out of whack, is, we're a very aspirational country. And so I see a lot of people against a wealth tax, that are never going to pay it. But theoretically, one day they could. You know, that's very off-putting.

So, there's a number of different ways to do this. And again, we also do think, "Yes, let's also reduce military spending. Let's make government more efficient." There are all kinds of ways to pull at these purse strings. But from our perspective, we felt that we have a unique voice in this area of this tiny percentage of people who are not paying even close to the share of taxes that most Americans are paying. We think they should. That's all. Get it a little bit closer to what other Americans are paying, and the burden that they feel. And so that's where we're going with it.

Actually, most people are very supportive of it. It is, I think, the most popular— it was the most popular component of Build Back Better, when they polled people. It is wildly popular. The majority of Republicans support a wealth tax. It's really quite popular. And actually, that was one of the things that we helped fund, was polling on this, because everyone just assumed it was dead in the water. And then when we actually did some polling, it was like, "Oh my God. Republicans in Mississippi are in favor of this." And we were able to give that data to lawmakers, and they were actually quite surprised, and then more of them came on board.

So the response from the public has been very positive. You do get some very vocal folks who are saying, "I have no problem giving away more money, but I don't want to give it to the government, because they are stupid. I want to give it to the things that I want to give it to. Not that I'm just going and buying yachts, but I want to have control over where those assets go, and I'm a better allocator than the government is." So, we hear that argument. And it could be fair. I mean, I don't know. I would never presume that I know what's better for a Mom in inner-city Detroit. I just wouldn't. Than, say, her representative, both at the state level and at the federal level. But that's me. So, I don't think I'm a better allocator than the government. So then in response to some of that, there have been some conversations around, "Okay, fine. What if it doesn't just go into the federal government pot, but it's a very specific revenue-raiser for something very specific that everybody likes, like early childhood education," or something that is really tough to actually get upset about government spending on, is less controversial.

D&C: Right. Right.

Simmons: So there's a lot of different avenues for it to go. We honestly had no idea it would get as far as it did. We thought we would be where we're at now, like, in 15 years.

D&C: That's exciting.

Simmons: Yeah. So that is exciting. And that it's actually a conversation that now people are debating, of, "Okay. Well, we agree that taxes should go up on this tiny portion of Americans. How should we do it?" And so I think that's a great conversation. We're excited to support that going forward. But yeah. I think it just speaks to, we love markets and think markets can do a lot of really cool things. And then there's a lot of stuff that they just can't do, or don't value.

D&C: We need to draw this fascinating podcast to a close. I could keep talking for hours, but they tell me we should not have hours and hours of long podcasts, I don't know why. So let's do just a couple last and quick questions. As I've said, you're at about a ten-year anniversary with Blue Haven Initiative. Quickly, succinctly, if you think about the one or two most important lessons learned. "In ten years, wow. We learned"—what?

Simmons: In ten years— I mean, I think just actually getting started, doing something instead of waiting for it to be perfect. We are pragmatists first. So it's like, "Okay. Well, let's start it, and then we'll find something better, or we'll make it better." But I think that has been a big lesson learned. Is, like, if you wait for the perfect framework to come along, you're just going to get stuck.

D&C: Next question. What's grabbing your attention now? What are you particularly pondering, puzzling? Like, "Next thing we want to work on, the thing I'm really thinking about," what is that?

Simmons: One of the things that we're excited about, but again cautious around as well, is just all— well, something to notice— is all of this energy, it feels like, around crypto, blockchain, all of that. Web3. And we're in the middle of a big hype cycle. But where are there real interesting use cases where it intersects with what we are doing in different markets? And so I'm waiting for things to calm down a little bit, and for actual use cases to start to rise. Where do those technologies make things safer, cheaper, more efficient? And where are they a total distraction? So that's one thing we're just keeping an eye on now. I'm taking a bunch of blockchain classes and looking at seeing where there are use cases.

D&C: Fantastic. Okay, last question. What would you like— I want to say young people, people who are starting out. I'm thinking of the Wharton students, our undergraduates, our MBAs, who are arguably, many of them, future leaders of finance. They're awfully likely to be, whether they're finance professionals or not, investors. What would you like them to understand?

Simmons: Stick to the fundamentals of what the business is doing, is it growing in a sustainable way— meaning, the business word "sustainable" — and don't get caught up in hype cycles, whether it's in traditional venture, whether it's in impact investing, whether it's in any of this. You'll run yourself ragged trying to keep up with what you think the cool kids are doing. The regular fundamentals of solving a business problem are actually pretty interesting, and pretty great. And there is nothing the matter with making something that people want, whether it's a good or a service, for less money than you sell it to them at. Some of those very traditional business models, I'm seeing people rediscover. It's like, "Oh my God! This is great. Look at this. We've got a cash flowing business in three years, and we can put it a hold co and it spits out cash. Oh my God! Does everybody know about this?" You don't have to do a traditional VC fund that probably will go to zero. So I think refocusing on fundamentals, and finding the innovation and excitement in that, to me, is very refreshing these days.

D&C: Fantastic. From crypto to fundamentals. Purpose, profit, and acting too. So, amazing. Thank you so much for a fantastic and far-ranging conversation, Liesel. Great to have you on the show.

Simmons: Thank you. It's my pleasure.

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