

Strengthening Private Markets:

Fueling America's Economic Growth and Global Competitiveness

Executive Summary

Private equity (PE) and venture capital (VC) are engines of US economic growth, innovation, and global competitiveness. Seven of the ten largest publicly traded US companies originated as start-ups backed by early venture or angel investment. Today, Apple, Microsoft, Nvidia, Alphabet (Google), Amazon, Meta, and Tesla represent over \$15 trillion in market capitalization.

PE and VC have reshaped industries and created millions of jobs. PE-backed firms employ over 12 million Americans, and VC-backed start-ups have grown their workforce eight times faster than the broader private sector since 1990.¹ These investments do not merely line the pockets of Silicon Valley and Wall Street investors. They also sustain the Main Street economy.

However, structural challenges remain, including limited liquidity, regional investment concentration, widening wealth disparities, and barriers to broader investor participation. Emerging models, such as micro-VC, hybrid PE/VC funds, holding companies, and search funds, are beginning to close gaps. Policymakers are also working to expand access, but a more strategic response is required.

Global competitive pressure is intensifying. The US share of global VC investment has declined by approximately 50 percent over the past 20 years.² Meanwhile, financial hubs, such as the United Arab Emirates, Saudi Arabia, and Singapore, are not only attracting IPOs but also pioneering new liquid markets for private assets. These regions have introduced innovative regulatory sandboxes, special economic zones, and forward-thinking policies.³

The emergence of companies like DeepSeek, a Chinese artificial intelligence (AI) start-up, highlights what is at stake. Its release of the R1 “reasoning” model, developed at a fraction of the cost of American competitors, signaled a major cost-competitiveness shift, triggering a selloff in US tech stocks. Notably, Nvidia’s market value plummeted by over half a trillion dollars, marking the largest one-day loss in market history.⁴

AI has become a national priority for the United States, with strategic initiatives to maintain global leadership in this critical technology.⁵ This focus extends beyond the digital realm, as AI’s integration into manufacturing and industrial sectors is revolutionizing operations and driving unprecedented advancements.

Further, tariffs announced by President Trump seek to reset the global economy for fair trade and open

foreign markets to US exports. However, recession risks are rising amid retaliatory measures, such as China's critical mineral export restrictions.⁶ This exacerbates an already fragile supply chain for critical minerals and raw goods. China controls approximately 85 percent of global rare earth refining capacity, Canada owns one-third of US southern lumber production, and an Australian company owns the United States' only cobalt mine, which is now closed.⁷

The need to fund America's techno-industrial renaissance is urgent. Now is the time to unleash private capital markets while democratizing access for everyday investors to participate.

The Milken Institute Inclusive Capitalism program has convened a research team to conduct qualitative and quantitative analyses to support these efforts and ensure private capital can meet the moment.

Upcoming research will delve deeper into key areas, offering detailed reports and actionable recommendations to:

1. Lower Barriers for Emerging Fund Managers

- Scale catalytic capital platforms (e.g., State Small Business Credit Initiative).
- Explore legislation such as the Expanding Access to Capital Act of 2023 and the Empowering Main Street in America Act of 2024.

2. Expand Investor Access to Private Markets

- Modernize accreditation pathways.
- Streamline Regulation A and Regulation Crowdfunder rules to empower retail investors.

3. Bridge Institutional Capital with Emerging Managers

- Standardize diligence frameworks.
- Promote coinvestment and blended finance (e.g., first-loss capital structures).

4. Modernize Public Markets and Expand Liquidity

- Simplify compliance and disclosures to encourage IPOs.
- Scale secondary markets for private asset trading.

5. Leverage Special Economic Zones to Drive Innovation

- Launch innovation hubs on unutilized federal land.⁸
- Streamline regulatory approvals and offer targeted incentives.

6. Strengthen Public-Private-Philanthropic Partnerships

- Expand donor-advised funds and university-industry collaborations.
- Scale capital deployment, collective buying, and capacity-building programs, such as those piloted by the Initiative for Inclusive Entrepreneurship.

7. Expand Socioeconomic Inclusion in Private Capital Formation

- Use merit-based economic inclusion criteria.
- Provide incentives for emerging managers investing in critical sectors.

The Milken Institute will publish our first report on this topic in summer 2025. For more information, visit <https://milkeninstitute.org/finance/pathways-capital/inclusive-capitalism/>.

Endnotes

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