

# POLICY DEVELOPMENT

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8/11/04

SOCIAL INVESTING RESEARCH INITIATIVE:  
AN INDEPENDENT ASSESSMENT OF SOCIAL BENEFITS AND FINANCIAL RETURNS  
*Supported by Princeton Social Capital*

Social investing is capable of significant expansion into mainstream investing with the increased legitimacy of an independent, third party analysis of the industry's positive social benefits and financial returns. Policy Development is ideally suited to the task because it is able to marshal the authoritative, first-hand experience and expertise of non-profit practitioners, social policy experts, and the philanthropic community. This sector also represents a largely **untapped source of social investors, investments, and expertise.**

Policy Development has augmented its network of non-profit clients and experts with a high-profile advisory board tailored to this initiative. Those who have already agreed to serve include: **Stan Katz** (Professor, Princeton University; President Emeritus, American Council of Learned Societies), **Terry Mollner** (Founder and Trustee, The Calvert Group; Executive Director, Trusteeship Institute), **Terri Ludwig** (President, Merrill Lynch Community Development Co.), and **Mark Rosenman** (Professor, Union Institute & University).

Over the past decade, social investing has increased in size and sophistication.<sup>1</sup> Specialized approaches to social investing have had substantial impact in housing, education, health, economic development, technology, and the environment.<sup>2</sup> And there are still many aspects of social investing with enormous potential for expansion.

However, our preliminary research also reveals that many **non-profit leaders are still on the sidelines.** Some feel that the latest wave of market-based non-profit concepts seems like old ideas repackaged.<sup>3</sup> Other non-profit leaders see market-based models as a real threat to meaningful social change.<sup>4</sup>

Serving as an independent, third party convener, Policy Development is bringing experienced and caring experts from the private, non-profit, and public sectors together in a variety of formats to share their perspectives. If, as a result, foundations and other non-profit organizations are able to participate in social investing more actively, there will be several important **outcomes** for all stakeholders:

- New sources of social investors and investments
- New sources of first-hand social impact expertise
- Better understanding of possibilities and limitations of cross-sector collaboration
- Better understanding of high impact and low impact social investing models
- Increased legitimacy of social investing
- Better informed public policy debate<sup>5</sup>

PD is actively **seeking funding** partners. Princeton Social Capital has already committed to repeating its initial grant when matching funds have been raised. For more information, visit the Policy Development web site ([www.policydevelopment.org](http://www.policydevelopment.org)), send an email ([info@policydevelopment.org](mailto:info@policydevelopment.org)), or call (413-549-1193).

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<sup>1</sup> Estimated at over \$2 trillion in assets by the Social Investment Forum in its "2003 Report on Socially Responsible Investing Trends."

<sup>2</sup> Harlem Children's Zone is one commonly cited example. See New York Times Magazine cover story, "It Takes a 'Hood,'" 6/27/04.

<sup>3</sup> Examples include Princeton Professor Stanley Katz' paper, "What Does it Mean to Say Philanthropy is 'Effective?': The Emperor's New Clothes," presented at the American Philosophical Society Annual Meeting, 4/23/04.

<sup>4</sup> Examples include the work of Mark Rosenman, whose often discusses what market-based approaches miss when measuring social impact.

<sup>5</sup> See United States Senate Committee on Finance, Hearing on Charity Oversight and Reform, 6/22/04,

<http://finance.senate.gov/sitepages/hearing062204.htm>, and Policy Development's testimony: [www.policydevelopment.org](http://www.policydevelopment.org).

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