

RSF quarterly

WWW.RSFSOCIALFINANCE.ORG

1002 O'Reilly Avenue
San Francisco, CA 94129
415.561.3900



「how can we use capital differently?」

► IN THIS ISSUE

2 LETTER FROM DON

3 toward an ecosystem of community values and currencies

REIMAGINING CURRENCY & VALUE FROM A COMMUNITY PERSPECTIVE. IS MONEY THE ONLY MEANS OF EXCHANGE?

4 a “gospel of wealth” for the 21st century

JOHN FULLERTON UPDATES ANDREW CARNEGIE’S “GOSPEL OF WEALTH” WITH A NEW PERSPECTIVE GROUNDED IN 21ST CENTURY REALITIES

6 shared gifting, transforming philanthropy

EXPLORE A NEW MODEL OF PHILANTHROPY DESIGNED TO REPLACE COMPETITION WITH COMMUNITY AND COLLABORATION

8 clients in conversation

RSF BORROWERS CHRIS MANN AND BART HOULAHAN SHARE STRATEGIES ON MAINTAINING MISSION WHILE BUILDING A SOCIAL ENTERPRISE

INVESTING, LENDING, AND GIVING | INSPIRED BY THE WORK OF RUDOLF STEINER

 FOOD & AGRICULTURE

 EDUCATION & THE ARTS

 ECOLOGICAL STEWARDSHIP



LETTER FROM DON

Asking the Difficult Questions

Dear Friends,

I hope you will be provoked by John Fullerton's essay, "A 'Gospel of Wealth' for the 21st Century." It's a wake-up call that challenges each one of us to go upstream. We need to ask harder questions in these difficult times, and shift our attention from downstream symptoms (climate change, income inequality) to upstream root causes (the very nature of business and finance itself).

Most important, let's examine our own actions and intentions related to money. I know more people are inquiring deeply into how they can align their personal values with their investments, banking relationships, etc.

At RSF, we try to embody an Economics of Peace that considers each and every financial transaction to be sacred. Many spiritual leaders have stressed that "peace" is not a passive, tranquil state. It is a fierce and perpetual striving, a quest for meaning. It all starts with the first of Fullerton's points in the "Gospel of Wealth" essay: *a commitment to live modestly*.

Of all the leaders I think of related to this subject – Mohandas Gandhi, Thich Nhat Hanh, Judy Wicks – I'd like to discuss briefly the life of John Woolman:

Born in 1720, John Woolman was a successful Quaker businessman from Burlington County, New Jersey. He believed in divine providence and an Inner Light that could be tapped by those who silently wait for it. His imperative was not to preach, but to pose and delve into

hard questions. He is best known for spending his adult life trying to eradicate slavery. Woolman did not blame slaveholders or shame them, rather he traveled up and down the East Coast in the 1740s, 1750s, and 1760s visiting farms and humbly asking prosperous Quaker families how it felt to own other human beings. There was no self-righteousness, just a burning conviction that it was wrong – so he quietly, but insistently, engaged with these families in a set of difficult questions.

One hundred years before the Civil War, Woolman made a substantial contribution to the abolitionist movement. The point of his story for our purposes: What would it look like for each of us to pull out of the mainstream financial system? How is each of us complicit in the current financial crisis? How serious are we about making change?

Connecting the principle of "love thy neighbor" to how we work with money may be the central question of our time.

All best,

Don Shaffer, President & CEO

"May we look upon our Treasures, and the furniture of our Houses, and the Garments in which we array ourselves, and try whether the seeds of war have any nourishment in these possessions or not."

- John Woolman (1720-1772)



Toward an Ecosystem of Community Values and Currencies

By John Bloom, Director of Organizational Culture

If we see ourselves as economic as well as political citizens, we might realize how deeply embedded we are in a sea of interdependent values and currencies as we go about the practical matters of life. We might see our participation in the economy not solely as a means to meet our own needs, but, even more importantly, as contributing to a continuous circulation of goods and services, purchased, loaned and given, that collectively create life sustaining economic value for the community. In this context, value is what we experience, while currencies are a community's material expression of agreements about value.

If I use this framework to think back on how I became an economic citizen, I cannot imagine how life would have been (or would be) without the support I receive from loved ones and colleagues. I remember the first time I steeled up the courage to ask my father if I could borrow his car, and he said yes. And, I can even remember the first time I had saved up enough to buy my first bicycle. There really is no way to discount the value I felt at those times, though economists would have no way to apply a metric to the emotions. These memories are all about recognizing how interdependent we are and what tools we need to be able to navigate those interde-

pendent relationships. These experiences indicated to me that I was a part of the world through my transactions, a world to which I could also contribute. Deeper reflection on those transactions leads me to see a reciprocal flow and counter-flow through a whole world economy. What leads up to each transaction is a confluence of human needs, thought and action which has transformed natural resources in one way or another. These activities are crystallized in the transaction—values and currencies are exchanged—only to dissolve and move

on again until the next transactional event. This simple picture of flow and interdependence is easily distorted. Modern commerce has worked very deliberately—and spent a lot of money, particularly since the advent of television in the 1950s—trying to convince us that we are the center of our own universe, an end unto our selves. Commerce-driven media has been busy masking the breadth of economic reality with its limiting self-serving myth of “it’s all about me.” The end goal was, and remains, to redefine identity as that of a consumer, and the measure of self-worth in material terms—accumulated wealth and possessions. The driving mantra: never enough. Our perception of money has followed in the wake of this definition, especially since it too has been codified as a commodity in and of itself. The dominant myth about money, broadly defined as currency issued by the federal government and debt issued by banks, is that it is the only means of exchange valued in an objective regulated way.

Returning to the simpler imagination of value and currency flow, I would ask: How does a community generate and sustain economic value, and, what are the appropriate currencies to support that value? This is not an argument for eliminating federal money, but rather about re-awakening social and economic capacities that have been ignored or suppressed because of it. Imagine augmenting a community economy by actively cultivating some already existing currencies based on purchase-exchange values (such as business-to-business reciprocal trading, and local currencies), lending-borrowing (such as free loan associations, and local stock exchanges), and gifting (such as in time banks), and then adding new currencies developed out of each community's capacity to create its own agreements and means of value exchange. A diversity of currencies is one of the few ways a community

“Money is nothing more than a social technology to which we have attached extraordinary powers...”

pendent relationships. These experiences indicated to me that I was a part of the world through my transactions, a world to which I could also contribute. Deeper reflection on those transactions leads me to see a reciprocal flow and counter-flow through a whole world economy. What leads up to each transaction is a confluence of human needs, thought and action which has transformed natural resources in one way or another. These activities are crystallized in the transaction—values and currencies are exchanged—only to dissolve and move

> Continued on page 10


 GUEST ESSAY

A “Gospel of Wealth” for the 21st Century

By John Fullerton

John Fullerton, Founder and President of Capital Institute, says it’s time to update Andrew Carnegie’s “Gospel of Wealth” with a new perspective grounded in 21st century realities that the great philanthropist did not foresee—an interdependent world that rejects ever expanding wealth inequality, and a planet where the economic system is breaching the boundaries of the biosphere.

Andrew Carnegie once wrote that there is nothing more debasing than the worship of money: “The amassing of wealth is one of the worst species of idolatry.”

Later in life, Carnegie developed this notion more fully in “Gospel of Wealth.” Published in 1901, this essay became a touchstone of the great American philanthropic tradition. Carnegie’s position on the “duty of the man of Wealth” is quite clear:

First, to set an example of modest, unostentatious living...to provide moderately for the legitimate wants of those dependent upon him; after doing so to consider all surplus revenues which come to him simply as trust funds, which he is called upon... and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community...bringing to (the poor) his superior wisdom...doing for them better than they would or could do for themselves.

His condescending tone notwithstanding, it’s hard to argue with Carnegie’s expressed intention, which also called for an aggressive estate tax. I suspect Bill Gates and Warren Buffett have read this essay, based on their centralized and self-administered (or, in Buffett’s case, delegated to Gates) approach to philanthropy. Carnegie may have inspired the Gates-Buffett Giving Pledge drive as well.

“We understand that we live in an interdependent world...holistic systems thinking must replace narrow, reductionist decision-making.”

No doubt Carnegie chose the word “Gospel,” the origin of which is literally “good news,” carefully, for the concluding words of his essay suggest he believed he

had discovered the antidote to poverty, and overcome the ethical challenges of the wealth gap all in one stroke. Conveniently, the economic system was itself never called into question. “The *laws of accumulation will be left free; the laws of distribution free*,” he hastened to assure. The ascendance of *Individualism* and the duty of the wealthy would instead provide the required corrective for all social injustice.

Thus is the problem of Rich and Poor to be solved. The laws of accumulation will be left free; the laws of distribution free. Individualism will continue, but the millionaire will be but a trustee for the poor; entrusted for a season with a great part of the increased wealth of the community, but administering it for the community far better than it could or would have done for itself.

Further, the last sentence of “Gospel of Wealth” is a prediction:

Such, in my opinion, is the true Gospel concerning Wealth, obedience to which is destined some day to solve the problem of the Rich and the Poor, and to bring “Peace on earth, among men Good-Will.”

Much has changed in a century. Many of our “Captains of Industry” seem less concerned about “setting an example of modest, unostentatious living,” the “problem of Rich and Poor” has not been solved, and we still await “Peace on earth, among men Good-

Will.” While there is much goodness and wisdom in Carnegie’s essay, it’s time for an updated Gospel of Wealth, grounded in 21st century realities that Carnegie did not foresee.

Carnegie’s essay reflects defensiveness about his own immense wealth accumulation, and a strong desire to defend it as a natural by-product of a Darwinian competitive system powered

by individualism, human drive, and ingenuity. While this perspective on wealth is still widely shared today, and many would agree that what powers its accumulation has not changed, few on either side of the political spectrum would suggest we celebrate the “good news” of our present-day grotesque and growing wealth disparities.

The “individualism” that Carnegie celebrated is also increasingly being questioned by systems thinkers in multiple fields today. We understand that we live in an interdependent world, and that for the sake of both human and planetary health, holistic systems thinking must replace narrow, reductionist decision-making. We know how the subprime mortgage market of the United States can affect the banking system in Greece,

“All money has an impact, unless it is at rest. Consumption, investment, and philanthropy all have consequences.”

and unemployment globally. We know that carbon emitted anywhere raises climate change risks for everyone. Nevertheless, our institutions remain organized around individual and national interests, hampering our ability to tackle global challenges.

At the same time, we are beginning to acknowledge the fundamental conflict between our exponentially expanding economic system and the geophysical boundaries of a finite planet. The risks associated with climate change, looming water scarcity, desertification, and biodiversity loss, are among the most obvious symptoms of this profound challenge. In the century since Carnegie wrote his “Gospel of Wealth,” the human population has increased 4-fold, while the global economy increased 19-fold, delivering immense wealth to many, but leaving half the world in poverty. Science tells us that this growth trajectory is physically unsustainable unless we can decouple material throughput from economic growth. Efficiency gains do not guarantee decoupling. In fact evidence suggests just the opposite.

Yet how little our Western cultural belief system about financial wealth has changed in response to our heightened consciousness about the ecological and societal challenges we face! Indeed Bill Gates and Warren Buffett, the icons of modern wealth and philanthropy, continue to adhere to a world-view laid out a century ago by Andrew Carnegie, adopting it with a few tweaks here and there but without questioning any of its century-old core assumptions. The generous among us continue to practice philanthropy the “Carnegie way”, although it has clearly failed to deliver the desired outcomes.

UNIVERSAL PURPOSE OF CAPITAL

How should we rewrite the “*Gospel of Wealth*” for the 21st century philanthropist? Let us first rename it the “Universal Purpose of Capital,” and declare the purpose of capital at this critical time in the history of civilization is *to sustain life, restore health, and to catalyze a shared prosperity*. With that purpose in mind, here are nine suggested guiding principles for the administration of wealth in the 21st century:

1. *Set an example of unostentatious living that provides for the legitimate “modest” needs and wants of your dependents. After doing so, consider all surplus revenues that come to you simply as “trust funds.” (So far we are paraphrasing Carnegie). Think clearly about what constitutes true well-being.*

2. *Understand the stakes. Financial capital fuels the economic system. The economic system can either foster a just society and a flourishing planet, or lead to a highly unethical social system and ecosystem collapse. The thoughtful administration of these “trust funds” is a profound duty. Such a duty is critical to the survival of capitalism itself and our way of life, extending far beyond current notions of fiduciary duty.*

3. *Operate out of humility and recognition of our collective ignorance in the face of unprecedented complexity and uncertainty. Be cautious not to confuse your ability to amass financial wealth with the wisdom to administer it for the greatest collective good in a complex and interdependent world.*

> Continued on page 10

JOHN FULLERTON

is the Founder and President of the Capital Institute. He is also the Founder of Level 3 Capital Advisors, LLC, an investment firm focused on high impact sustainable private investments. Previously, he was seed investor and CEO of Alerian Capital Management, an investment firm focused on energy infrastructure that grew to \$250mm in assets under his leadership, and before that, a Managing Director of JPMorgan. John is currently a director of Investors Circle, New Day Farms, Inc., and an Advisor to Natural Systems Utilities. He is a participant/author of the UNEP Green Economy Report. John earned a BA in Economics at the University of Michigan, and an MBA from the NYU Stern School of Business Executive MBA program.



CASE STUDY

Shared Gifting, Transforming Philanthropy

By Kelley Buhles, Program Manager, Philanthropic Services

Have you ever wondered what would happen if you turned grantees into grantors? What sort of transformative shift might occur in that switch? Within the conventional model of philanthropy, non-profits compete with each other for grant funding from foundations. Is this type of competition the most beneficial way for gift money to be exchanged? We ask: how can gift money be used to foster community and collaboration, rather than competition? From our first meeting of the RSF Food & Agriculture Shared Gifting program we were thrilled to discover that a simple shift in control of gift funds from the donor to the group of grantees can create an environment of abundance, sharing, and community, rather than of competition and scarcity.

themselves to determine how the funds would best be used by each other to advance the field of sustainable Food and Agriculture in the Bay Area.

We solicited nominations for impressive non-profit organizations working in the field of Food and Agriculture in the San Francisco Bay Area. The nominated organizations were asked to submit formal proposals, and from these, a staff advisory group selected 7 exceptional organizations to attend a one-day meeting facilitated by RSF staff in which the organizations would collectively decide how best to allocate \$50,000 among themselves. The selected organizations included the Free Farm, the San Francisco Waldorf School, People's Grocery, Partners for Sustainable Pollination, Pie Ranch, Marin Organic, and Movement Generation.

The first part of the day was spent sharing personal stories and organizational information. After lunch the floor was opened up to the group to ask questions about each other's proposals, which had been reviewed by everyone prior to the meeting. Participants shared what a great experience it was for them as grant writers to read through the proposals from a funder's perspective.

As the time moved towards sharing the funds, the anxiety level in the room increased.

Asked to trust in the process, each participant duly divided up a \$4,000 share of the money between the other six organizations, and kept

an additional \$3,143 portion for themselves. This was a difficult decision for all the participants, and a number took different approaches to granting their funds. Some found everyone's work compelling and thus divided the funds equally. Another participant added grant requirements to her shares of the grants, "People's Grocery would like to grant \$800 to the San Francisco Waldorf School to attend a horticulture training with



The first participants of the RSF Shared Gifting Program

Photo taken by RSF staff

On Friday, February 18th, RSF Social Finance hosted the first meeting of the Food & Agriculture Shared Gifting program. The primary intention of the meeting was to eliminate grantees competing with each other for grants and instead support the grantees

the requirement that you return and share what you've learned with our organization." In some cases organizations offered resources in lieu of funds, "Movement Generation would like to introduce Partners for Sustainable Pollination to some of our contacts in Marin, and would be happy to share our environmental curriculum with the San Francisco Waldorf School." A few groups granted money towards a community event where the groups could reconvene to share their progress with each other, and invite partners and other funders to join and learn more about the Shared Gifting program. It was amazing to see how quickly the pot of \$50,000 grew into a bigger fund of resources, information and contact sharing, and, more importantly, to see the groups working in the spirit of abundance rather than scarcity.

"This shift in the process from receiving a grant to sharing a gift creates a spirit of abundance and ultimately community."

This was followed by a second round of the Shared Gifting process, in which organizations were allowed to choose to gift more money from their own pot to support organizations they felt had not received enough, or even just to show their support of other's work. Many organizations gifted additional funds to each other and to the community event. Then, the San Francisco Waldorf School gifted money towards a matching fund to support a future round of Shared Gifting with this group. By the end, there was over \$1,000 in this new pool of money. All of the participants were eager to share with their communities information about this meeting, and work to fundraise for additional Shared Gifting opportunities. Any question I had about whether this model of grant making would truly be beneficial to the non-profits participating was quickly swept away.

The origins of the Shared Gifting concept came from a Rudolf Steiner study group, convened by Elise O. Casper, a philanthropist and anthroposophist from Wisconsin, to explore Steiner's work around society and economics. It was from this base that the Shared Gifting model emerged. RSF Social Finance was chosen by Elise to steward her bequest after her passing and to facilitate the continuation of the Mid-States Program. In 2009, I had the opportunity to observe the program's School Fund Sharing Group in their 25th year.

The first Mid-States fund-sharing meeting was held in Detroit in 1984 with a group of Waldorf schools from the Mid-States region. Although the process wasn't smooth in the beginning, eventually the project participants learned to embody the concept of gifting, and embrace the role of donor with each other. Over the years, the process evolved to include sharing of organizational information, the successes and challenges each group faced, and an educational or study component that would benefit all the organizations. To this day, even if there are not funds to be granted, the group will still meet to share, learn and be in community with each other. I was intrigued by the shift in control,

2011 SHARED GIFTING GRANTEES



The Free Farm
www.thefreefarm.org



Marin Organic
www.marinorganic.org



Movement Generation
www.movementgeneration.org



Partners for Sustainable Pollination
www.pfspbees.org



People's Grocery
www.peoplesgrocery.org



Pie Ranch
www.pieranch.org



San Francisco Waldorf School
www.sfwaldorf.org



CLIENTS IN CONVERSATION

Chris Mann and Bart Houlahan

Interview with Esther Park, Director, Lending Program

RSF Social Finance supports the work of innovative social enterprises balancing growth and financial viability with mission alignment. Esther Park sat down with borrowers Chris Mann of Guayaki and Bart Houlahan of B Lab to discuss the strategies for maintaining mission and the structures in place to support these efforts.

Esther Park: Tell me a little about your business.

Chris Mann: We believed we could establish a business that would drive rainforest restoration through the sale of rainforest-grown yerba mate. We also use the power of branding to create awareness among customers, retailers and industry so we can scale, and inspire others to help scale, solutions to some of our biggest human challenges. What was unique when we started in 1996 was linking this environmentalism with social justice. There is a natural tension that exists between conservationists and the people who live in the forest and depend on the land for their livelihoods. By working with family farms, cooperatives and Indigenous communities, the Guayakí model essentially subsidizes the growers to reforest while earning wages—suddenly the incentives are aligned to create this virtuous cycle. Our perspective has not changed much over time except that we underestimated the challenges and, at the same time, the issues have become more time-sensitive and more complex.

Bart Houlahan: B Lab is a non-profit whose mission is to harness the power of business to solve social and environmental problems. B Lab has 3 major initiatives: B Certification, policy work to create a new corporate form (the Benefit Corporation), and the Global Impact Investing Ratings System (GIIRS) to accelerate investment in social enterprises. We believe businesses have the strongest potential to create social and environmental change in the world.

Esther Park: As you both know, RSF's Mezzanine Fund is a GIIRS Pioneer Fund, Guayaki is a participant in that fund, and both RSF Capital Management and Guayaki are Certified B Corporations.

Chris Mann: We are so excited to be a part of the B community. Intuitively we know that to scale this movement we need to come together to share best practices, marketing efforts and sometimes just stories. At the same time, many of the corporate activists I know feel isolated or like we are the minority. The establishment of the Benefit Corporation is proof that we are not alone and that this movement is a mainstream movement. At every level, companies are having an impact, which is being validated and enabled by the B work. It bakes in the values, enables us to find like-minded capital, and ultimately will enable companies to further develop their missions over the long-term.

Esther Park: What about liability issues? Have there been any B corps that have had major liquidity events?

Bart Houlahan: To be certified as a B Corporation, a company must first take and pass a comprehensive assessment of their social and environmental performance, the B Impact Ratings System, and second, it must adopt the B Corporation legal framework by rewriting its corporate governing documents to include the interests of stakeholders, not just shareholders. Liability issues have been brought up, but it is the opinion of our attorneys that sustainable businesses are actually reducing their liability by incorporating our legal language. The B Corporation legal framework does not create any third party right of action (you can't be sued by a non-shareholder); it simply creates permission and protection for executives and directors to consider the impact of their decisions on employees, community and the environment. At the moment of liquidity, when fiduciary responsibility is heightened, the framework also allows directors to consider these other stakeholders; they are not forced to accept the highest bid. To that end, a half dozen of

certified B Corporations have had liquidity events, and each has had greater flexibility and negotiating power with the buyers due to our language. Several have chosen mission-aligned exits as a result. At its core, the B Corp legal framework builds certified B Corporations to last, so purpose-driven entrepreneurs have the option to maintain mission, regardless of new management, new money, and even new ownership. But our long-term objective is to create a new corporate form, the Benefit Corporation, that allows companies to simultaneously create shareholder value and social value. The Benefit Corporation legislation has been passed with overwhelming bipartisan support in 3 states so far, and it has been introduced in another 6 states. An additional 20 or so are in queue.

"'Doing no harm' is no longer enough for the sustainable business community"

Chris Mann: As the Benefit Corporation legislation catches on across the country it clarifies and legitimizes a basket of needs that these B Corps need to grow and thrive. One of the big areas is capital. In order to scale thousands of B Corps, there needs to be a flow of institutional capital. We have managed not to take institutional capital, and hope not to in the foreseeable future, because of the way many institutional funds are set up to be limited-life funds that create the need for a 3-5 year liquidity event. Our current mission is a 10-year mission. When you focus on ecosystems and communities, 3-5 years is no time at all.

Esther Park: What about other things aside from corporate structure that help maintain mission? Branding? Something else?

Chris Mann: Branding is vitally important because it is the conduit for direct communication between supply and demand. We have seen many great supply companies go out of business because there were too many transactions between producer and buyer. If I grow or manufacture a sustainable product, but I don't have a brand, then I have to convince another brand to take up my mission and relay it to the customer. Also, with so many steps to the process, the margins are small for each player and the ability to fund innovation and marketing is diminished. In our case, our brand represents an act of trust, even a contract, between growers and customers (all

stakeholders, really) and our brand in turn is beholden to act in congruence with that contract. People are called to work at Guayakí based on that contract and we build the mission into all areas of the business. Over time, there are tentacles that go out into every aspect of the company and even if there were a management change, the other employees would be well-equipped to continue carrying out the mission. If that is further supported by the corporate structure, the charter, and is 3rd party certified and transparent to grower, employee, retailer and customer, then it is a very compelling package for sustaining and even enhancing the mission. I could foresee a day when the B Corp logo will serve as a third party certification that is widely recognized, and we will soon see product life-cycle scorecards that bring a tangible comparison to the retail shelf.

Bart Houlahan: That's why an important aspect of the B rating is around policies and practices that a company has in place to institutionalize a mission-driven approach. The Certification has various constituencies, including

> Continued on page 11

CHRIS MANN

is the CEO of Guayakí Yerba Mate. Chris earned a BA in Economics from Harvard University, but quickly realized that economics conveniently forgot about sustaining the environment and protecting people. Through his experience with Guayakí, and previously with Natural Flavors, a 100 percent organic, vegan restaurant that employed 25 people and 60 local farmers, Chris is finding that by recognizing common purpose, seemingly disparate groups can integrate social justice, environmental restoration and economic success.

BART HOULAHAN

is the co-founder of B Lab, helping to create a better world through business by setting a new corporate standard for social and environmental performance. Previously, Bart was CFO, COO and President of AND 1, a \$250M basketball apparel and entertainment company. Bart began his career in investment banking with Stonebridge Associates, BNY Associates, and Prudential-Bache Securities. He grew up in Chicago, and is a graduate of Stanford University.

> “Toward an Ecosystem of Community Values and Currencies” continued from page 3

can hedge against the volatility, even evanescence, of a single money system.

During the Great Depression, numerous communities created their own currencies out of necessity. They worked because they needed to and because the creators felt empowered to solve their own problems—even if they were not perfect solutions. One might say social will, and a valuing of the potential gifts every member of a community could bring, overcame the economic limitations. Money is nothing more than a social technology to which we have attached extraordinary powers while the control of it is held by a centralized (and inaccessible) authority. If we are to transform what

the media and money have made of us as a culture, we need to rediscover the sacred foundation and social technology upon which money was based in the first place. We need to recognize as well the many currencies that are already at work in our lives and communities, and take whatever initiative necessary to develop new agreements based upon shared values and what ennobles human capacities. New communities and associations can be formed by an economic citizenry that reinvests in the values of transactions consummated through a diversity of means—some of which the communities themselves have designed. ↻

> “A “Gospel of Wealth” for the 21st Century” continued from page 5

4. *Understand that we are working on the emergence of a profound shift in the economic system. The strategic deployment of your “trust fund” which represents the fruits of hard work, but also the fruits of our unsustainable system, can enable this emergence. Diversity of thought, decentralization, and collaboration are essential to any “emergence” process. Appoint a highly diverse trans-disciplinary group of advisors to help guide you. Follow Buffett’s example by delegating this immense responsibility where appropriate, but don’t follow Buffett’s lead by concentrating too much power and responsibility in one place, no matter how smart that place may be.*

5. *Allow your capital to slow down or rest while awaiting thoughtful deployment into building a more resilient economy. Rest heals. All money has an impact, unless it is at rest. Consumption, investment, and philanthropy all have consequences. Don’t let artificial distinctions such as the tax code confuse your understanding about the impact of capital. Rest is an integral part of all sustainable natural systems.*

6. *Study systems and integrate systems science into your strategy. Natural systems science teaches us that all sustainable systems balance efficiency with resiliency. After two centuries of driving for efficiency, capital must lead the mature economies of the developed world into a place of balance between efficiency and resiliency by investing in resiliency, while at the same time fueling the development of just emerging economies.*

7. *Consider the distinction between system shifting and problem solving. Recognize we live in an era of profound system shifting and challenge yourself to participate productively as a catalyst for it. Invest in system transformation, in addition to critical problem solving. Recognize the power of real investment flows as a catalyst to shift the economic system. Connect this insight with the investment strategy of the “trust funds.”*

8. *Dare to lead. Recognize that our political institutions are not designed to address the profound challenges facing civilization. View the immense concentration of wealth and power in your hands as an opportunity for leadership. The wise and purpose-driven mobilization of your “trust fund,” in stewardship of capitalism and civilization itself, can help fuel the system transformation we collectively need. The rising consciousness of global civil society, manifesting itself in countless ways, is already pointing the way for us. It’s time for capital to join in with bold leadership.*

9. *Begin. Time is not on our side. Consider the time value of impact as well as the time value of money. If you love your children and care about their future, the discount rate for impact is negative.*

The time for a new “Gospel of Wealth” is long overdue. We must consider the purpose of capital in a prosperous, resilient, and interdependent economic system. This must start in the consciousness of individuals, before it can transcend institutions of government and business. Guided by these proposed principles, perhaps the individuality, drive, and ingenuity which Carnegie used to generate wealth, can now be turned to regenerate health – social, ecological, and economic. ↻

> “Shared Gifting, Transforming Philanthropy”
continued from page 7

from donor, to the grantees themselves who are doing the work in the world. I was also personally overwhelmed by the energy of abundance that was created out of so few actual grant dollars.

At RSF, we operate in the spirit of inquiry about money and how financial transactions can create community. As the Manager of the Philanthropic Services department, this model of grant making seemed to me to be a perfect example of how gift money can build relationships between people. Most non-profits today must compete with each other to get grant funding from foundations. The competition between non-profits often leads to a feeling of scarcity, that there isn't enough to go around.

The transformational thinking at work here is to understand the value of being a giver, as well as a receiver. As a participant in the Mid-States program once noted, “This process totally transforms something that is inherently competitive. We begin giving, and give more, until this spirit of giving is actually

there.” This shift in the process from receiving a grant, to sharing a gift creates a spirit of abundance and, ultimately, community.

RSF Social Finance truly sees the value in this form of grant making, and we intend to continue working with this model and to share our learning with other organizations seeking to shift the paradigm of conventional philanthropy. We have recently been in communication with the Wisconsin Community Foundation, which operates a Community Grant Making program that utilizes similar ideas of sharing resources and building relationships. Meanwhile, we plan to regroup in six months with the 7 organizations who participated in our first Shared Gifting meeting to share the successes and challenges of respective projects, introduce new partners into the community, and share a potluck of local sustainable foods. 🌀

> “Clients In Conversation” continued from page 9

supply chain decision makers looking for a mission-aligned supply chain, and the socially responsible investment community. But we would also hope that it is connecting with values-driven consumers. We just launched a major marketing campaign targeted at the consumer segment. The tag line is “Better Companies make Better Products – B Corporations are Better Companies.”

Esther Park: How does the B rating stay fresh and relevant in an ever-changing marketplace?

Bart Houlahan: We have an independent standards advisory committee that updates the assessment every 2 years. Companies have to get re-certified every 2 years, so the idea is that the survey and the rating itself will be dynamic, hopefully raising the bar over time.

Esther Park: I recently learned of a VC fund out of Texas that is publicly traded. While the stock market is the epitome of short-termism, the capital structure actually allows the fund to take a long-term view with its portfolio companies. There is a lot of innovation happening right now and it is accelerating in part due to the tangible risks associated with climate change. Leslie Christian is doing work with us on a new portfolio theory that speaks to incorporating social and environmental consequences in assessing risk.

Bart Houlahan: But organizations like RSF and Guayaki are not doing what you're doing because you're trying to reduce risk. Don't get me wrong, companies considering how environmental and social factors might impact their finances is a step forward. But the work of B Lab, RSF and Guayaki is not about risk mitigation. It's about companies and financial institutions trying to create both a financial and a social return. “Doing no harm” is no longer enough for the sustainable business community – we all are using business to create a material positive impact on society and the environment.

Chris Mann: I totally agree with you Bart but I believe that risk mitigation is driving many large-scale organizations to improve their social and environmental performance now. In much the same way, savvy organizations are recognizing that there is an opportunity that exists by recognizing the risk early and becoming a first mover. As you mentioned, organizations like RSF and Guayaki are driven more by the opportunity to use business as a lever for creating systemic change. These forces are converging now which makes this time ripe with opportunity. 🌀

Join Us at These Events

For the latest on RSF's participation in conferences and events, check out our "Where We'll Be" page at <http://rsfsocialfinance.org/about/where-well-be>

Go Green Austin

4/6/11
Austin, TX
www.gogreenconference.net

Social Venture Network Spring Conference (sponsor)

4/7/11 - 4/10/11
Stevenson, WA
www.svn.org

Green Festival

4/9/11 - 4/10/11
San Francisco, CA
www.greenfestivals.org

Agriculture 2.0

4/11/11 - 4/12/11
San Francisco, CA
www.agriculture20.com

Walk Out Walk On Book Launch (sponsor)

4/11/11
Berkeley, CA

GIIN Annual Investors' Council

4/27/11 - 4/29/11
Glen Cove, NY
www.thegiin.org

Investors' Circle Spring Conference (sponsor)

5/2/11 - 5/4/11
San Francisco, CA
www.investorscircle.net

Sustainable Enterprise Conference

5/13/11
Rohnert Park, CA
www.sustainableenterpriseconference.com

BALLE 2011 (sponsor)

6/14/11 - 6/17/11
Bellingham, WA
www.livingeconomies.org

SAFSF Forum

6/21/11 - 6/24/11
Minneapolis, MN
www.safsf.org

WHAT'S AHEAD

The next 2010 Annual Report will be published in June 2011. The next *RSF Quarterly* theme is Ecological Stewardship and it will be published in July 2011. We like hearing from you! Send any comments on this issue or ideas for the next to jillian.mccoy@rsfsocialfinance.org, call 415.561.6156 or



Find us on
Facebook

RSF Social Finance is pleased to count
New Leaf Paper among its borrowers.

NEW LEAF ECO AUDIT HERE