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Building an Impact Economy

by Cathy Clark, August 2, 2011

We've all heard the impressive numbers – JP Morgan reports a potential market for impact investing of up to **$1 trillion**, the Monitor Institute predicts **$500 billion**. It's exciting to consider the potential of impact investing and witness the momentum that has been building around this field.

Recently the White House signaled that they also see impact investing as a powerful force and a critical part of the domestic policy agenda. I was lucky enough to be invited, along with about 150 investors, philanthropists, entrepreneurs, executives and policymakers on June 22, 2011 to the White House's first convening, in collaboration with the Aspen Institute, on "Building an Impact Economy in America."

The "impact economy" has been defined by the Aspen Institute as the "twin forces of supply and demand, impact investing and social entrepreneurship that are driving systemic change in the US and around the world."

The goal of the meeting was to start to work with Administration officials to understand how to remove barriers, streamline regulations and target existing government resources to support the building of the impact economy.

During the day's discussions, some critical ideas emerged:

1 – Embrace a new world view that acknowledges and supports the ability of the private sector to influence social and environmental problems. This needs to be emphasized though political messaging, and from the very top.

Bill Daley, President Obama's chief of staff, said at the event that the impact economy is, among other things, about doing more with less, essential during our economic recession. It is easy to see this as a good hook for our times.

2 – Encourage the building of a transparent legal framework around corporate forms dedicated to impact. Once these frameworks are established, we can use procurement and other state and federal programs to support certification models as they emerge.

3 – Unleash institutional capital markets by modifications to some of the major initiatives and policies already in place.

Expand and refine the CRA (the Community Investment Act), enlarge ERISA to include a safe harbor for ESG (environment, social and governance) considerations to allow pension funds to include impact investing as part of their portfolios. (As Lisa Hall of the Calvert Foundation pointed out, even if limited to 1% of pension fund portfolio, this alone could unlock *billions* of dollars toward impact investing). Help foundations use program-related investments (PRIs) and mission-related investments (MRIs) better by having the Treasury department provide better and more current examples of good use. Consider allowing nonprofits to access debt products, like Small Business Administration (SBA) loans.

4 – Support the development of impact metrics, as standards emerge around what an "impact" company is or what an "impact" investment vehicle is (and is not).

Then use these definitions and standards to refine and build the policies mentioned above. Make regulations as simple as possible for maximum stimulation of the market.

If you are interested in learning more about the event and my comments, a longer blog post is available on the CASE blog (http://blogs.fuqua.duke.edu/casenotes/2011/07/18/cathy-clark-heads-to-the-white-house/).