THE SPACES OF SOCIAL FINANCE: POVERTY REGULATION THROUGH THE "INVISIBLE HEART" OF MARKETS

by

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Abstract

Social finance is a style of investing organized around the theory that private profit-making can create positive benefits for society. It is practiced through a diverse range of financial instruments that invest in welfare and anti-poverty services, making the "social" into the *object* of financial investment. In the wake of the financial industry's crisis of legitimacy after the 2008 global financial meltdown, social finance attempts to reframe finance as a force for, rather than barrier to, social good. As governments embrace social finance and as new investors flock to the sector, this dissertation asks whether social finance uses profit to engender a more holistic range of values – as argued by the movement's proponents – or whether it marks a further entrenchment of financial logics into existing models of poverty regulation. The research questions explored here are: 1) what are the institutional configurations of the industry, 2) how does social finance represent financial and social value, and 3) what are the relational connections between what I call the ideology of social finance, its models and calculative practices, and the governance of poverty interventions? I answer these questions through a commodity-chain approach, analyzing social finance models in relation to case studies of how investments in the American subsidized housing sector are marketed and made. The project draws from multi-sited ethnography, participant observation, and document analysis. I find that social finance appropriates existing models of poverty alleviation in what I argue is a process of financialization. To attract new capital, social finance operates through shifting the governance of the anti-poverty industry toward profit logics and prioritizing investor decision-making over funding priorities, muting the role of government and NGO service providers in determining social needs. The success of social finance projects depends on

segmenting people and places into those deemed more or less deserving of investment; profits rely on expanding the infrastructure of contracted-out intermediaries that have facilitated private investments in welfare since the 1970s. In practice, social finance marks more a shift in the governance of anti-poverty programs than a shift in the practices of the financial industry.

Lay Summary

Social finance is an approach to funding public welfare with private investments, claiming to deliver both a measurable social dividend and financial profits. This model marks both a shift in investment practices and an extension of a marketized model of welfare provision that has existed in North America since the 1970s. This dissertation examines the social finance industry to understand how the idea and design of an 'ethical' investment relate to the governance of social services in the US subsidized housing market. I find that this mode of finance divides space in new ways by segmenting people and places into those deemed deserving or undeserving of investment. Social finance relies on excess and continuing poverty to provide client demand for new investment products. In also continues the state's role in facilitating private profit-making through a contracted-out system of welfare provision.

Preface

This research project was designed, performed, and analyzed by the author, Emily Rosenman. The resulting dissertation is an original intellectual project. UBC Research Ethics Board certificate number H13-02171 “Social Return on Investment and Community Development” approved the fieldwork reported in these pages. The research presented in this dissertation led to the following publication:

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List of Acronyms

AA	Alcoholics Anonymous
AHV	Affordable Housing Ventures
AMI	Area Median Income
CalHAD	California Housing and Affordable Development
CRA	Community Reinvestment Act
CZI	Chan Zuckerberg Initiative
EIT	Entrepreneurs in Training
ECM	Extended Case Method
ESG	Environmental Social Governance
G8	Group of Eight
GED	General Education Diploma
GIIN	Global Impact Investing Network
GIIRS	Global Impact Investing Rating System
HMIS	Homeless Management Information System
HNWI	High Net Worth Individual
HUD	US Department of Housing and Urban Development
IPO	Initial Public Offering
IRIS	Impact Reporting and Investment Standards
LLC	Limited Liability Company
NA	Narcotics Anonymous
NGO	Non-Governmental Organization
PEP	Prison Entrepreneurship Partners
REDF	Roberts Enterprise Development Foundation/Fund
RFP	Request for Proposal
SEWF	Social Enterprise World Forum
SIB	Social Impact Bond
SOCAP	Social Capital Markets Conference
SRO	Single Room Occupancy Hotel
SSF	Social Studies of Finance

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For my parents

Chapter 1: The premise and promises of inclusive capitalism

> "Poor and restricted are our opportunities in this life; narrow our horizon; our best work most imperfect; but rich men should be thankful for one inestimable boon. They have it in their power during their lives to busy themselves in organizing benefactions from which the masses of their fellows will derive lasting advantage, and thus dignify their own lives…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."
>
> –Andrew Carnegie, *The Gospel of Wealth* (1889)

> "For everyone who was in the industry – for maybe one and a half to two years – it [the global financial crisis of 2007-2008] was fascinating to see, like, everything you put into it sort of collapse before your eyes. Like, all the belief that you had in yourself to solve all these problems, and the good you are doing in the world, sort of collapse right there in front of your eyes."
>
> –Former Wall Street investment banker turned nonprofit social impact investment strategist (2014)[1]

> "[Microfinance] is my calling. It is a spiritual experience, and it has helped me to be a better father."
>
> –Bob Pattillo, industrial developer, multi-millionaire, and founder of Grey Matters Capital, a social impact investment foundation (2016)

1.1 Introduction

In 2014, global political, business, and financial elites assembled in London for the first Conference on Inclusive Capitalism. During this event and in subsequent annual meetings, the likes of Christine Lagarde, Mark Carney, Larry Fink, Jamie Dimon, Bill

[1]Personal interview. New York, NY, March 2014.

Clinton, Lawrence Summers, and Prince Charles have participated in closed-door panel discussions, facilitated by *Financial Times* columnists, on how to make capitalism "more equitable, sustainable, and inclusive," so as to "extend the opportunities and benefits of our economic system to everyone" (Coalition on Inclusive Capitalism, 2017). The conference is the invention of the Henry Jackson Society, a leading British neoconservative think tank. Central to the proceedings, in the words of conference attendee and *Guardian* columnist Nafeez Ahmed, is "an undercurrent of elite fear that the increasing disenfranchisement of the vast majority of the planetary population under decades of capitalist business-as-usual could well be its own undoing" (Ahmed, 2014) – a concern that growing inequality, poverty, and environmental catastrophe may pose intrinsic threats to the structure of the global capitalist political economy.

The inclusive capitalism movement is manifesting in various ways, from businesses prioritizing "long-term value creation" over "short-term financial gain," to pledging to treat workers as "more than task-performers" (Coalition on Inclusive Capitalism, 2016). A specific commitment listed on the Coalition for Inclusive Capitalism's website is to "integrate ESG factors" into investment practices. ESG stands for "environmental social governance," which is shorthand for integrating beyond-financial criteria into investment decision-making. This is the goal of an emerging investment strategy called *social finance*. Social finance is a set of new financial models and economic ideologies that claim to prioritize ethics, inclusivity, and the bestowal of benefits from rich to poor. It is at once a class of investment activities, a way of financing social services, and a growing industry with an attendant flock of intermediaries, professional services firms, and business school programs.[2] This dissertation revolves around a broad understanding of social finance, which I define as any investment undertaken with dual goals: to generate profit and to help solve a social problem. This "double bottom line," in industry parlance, underlies a diverse range of investment instruments, which I describe in detail in Chapter 2.

Social finance has seen a tremendous expansion in political influence and capital investments in the period roughly coinciding with the aftermath of the 2007-2008 global financial crisis. In the words of Judith Rodin, the president of the Rockefeller Foundation from 2005- 2017 who positioned the foundation as a leader in the rise of the social finance sector, this is "a new way of deploying capital that can combine the demand for profitability with a desire to solve social and environmental problems" (Rodin and Brandenberg, 2014, vii). Investments made with this philosophy are intended to deliver both financial returns to investors and social (or environmental) benefits to society. In terms of capital flows, political purchase, and popular recognition, social finance is growing rapidly. While still a tiny slice of overall global capital investments, social finance investments in private and nonprofit organizations grew from 2010-2016 by approximately 20% annually (Saltuk et al., 2016). According to *The Economist*, it has moved from "niche" to "mainstream" investment class in the past five years (The Economist, 2017). The theory of social finance is that the acts of profiting and producing positive social change (or "doing good," in industry parlance) exist along a spectrum of business models (Figure 1.1). Across this spectrum, investors and companies can make decisions about where they want their goals to be positioned.

[2] Throughout this dissertation I also refer to social finance as ethical investing and conscious capitalism. While some industry practitioners argue that there are definitional differences between these terms, the goal of my research is not to parse industry terms but rather to understand the formation, geographies, and effects of financial instruments deployed with these intents.

Figure 1.1: Poster showing the spectrum of making money and doing good at the 2013 Social Enterprise World Forum in Calgary, Alberta
Photograph by the author

Based on evidence that incorporation into financial portfolios is negatively impacting systems of care and service provision, critical geographers and related scholars are already arguing that social finance may be poised to aggravate, rather than ameliorate, uneven development and poverty (Erikson, 2015; McGoey, 2015; Mitchell and Sparke, 2015; Mitchell and Lizotte, 2016). From a normative perspective, at stake is the question of whether social finance truly uses profit to engender a more holistic range of values – as argued by the movement's proponents – or whether it portends a further entrenchment of financial logics into already-neoliberalizing models of social services provision and poverty regulation. In this dissertation I seek to understand both how social finance might be changing practices of poverty alleviation and whether practitioners' professed social goals or motivations are changing finance.

In recent years, high-profile figures have embraced social finance initiatives, seeking to combine the logics of financial investing with ethics of care and charity. Large capital commitments are accompanying such initiatives. Facebook power couple Mark Zuckerberg and Priscilla Chan's have founded Chan-Zuckerberg Initiative (CZI) with 99% of their Facebook shares; this is a limited liability company (LLC) through which the couple plans to execute their philanthropy not simply through grants but also through profit-seeking investments (Zuckerberg, 2015). John Mackey, founder of Whole Foods, has claimed that so-called "conscious capitalism" is inherent to the true "spirit of business" and that by doing capitalism "ethically," investors and business owners can have their cake and eat it too, helping society while increasing overall profits and productivity (Mackey and Sisodia, 2013). Similarly, philanthropic foundations, some of the primary promoters of the inclusive capitalism movement, deem it a natural marriage of profit and charity – the next phase of capitalism, which, in the words of Ford Foundation president Darren Walker (2017), will "move market-based economies toward 'the high road' – squaring the dynamism of markets with society's highest values, especially fairness and human dignity." Meanwhile, the Vatican has twice assembled religious leaders and the global financial elite to develop a framework for "private investment to serve the poor and vulnerable."

In April 2017, the Ford Foundation announced a plan to allocate $1 billion of its $12 billion endowment to mission-related investments, seeking investments that maximize both profits and the organization's social mission (Walker, 2017). Global financial institutions are also central players – Deutsche Bank, for example, has hundreds of thousands of euros invested in social finance products and is aiming to raise €1 billion more in the next two years (Ram, 2016). Goldman Sachs' social finance arm, the Urban Investment Group, has invested $5 billion under the umbrella of social finance since 2001 (Goldman Sachs, 2017), and recently acquired Imprint Capital, "a leading institutional impact investing firm and innovator in developing investment solutions that generate measurable environmental, social, and effective governance ("ESG") impact alongside a financial return" (Goldman Sachs, 2015). Governments, too, are embracing social finance as a strategy for funding social services in an environment of reduced social budgets and spending cuts. Social impact bonds (a social finance public-private partnership described in detail in Chapter 2) are proliferating as a state strategy, implemented in Australia, Belgium, Canada, Colombia, Finland, France, Germany, India, Ireland, the Netherlands, New Zealand, Peru, Portugal, South Korea, Sweden, Switzerland, and extensively in the United Kingdom and United States at the time of this writing (Instiglio, 2017). At the scale of global poverty governance, the World Bank endorses social impact bonds to fund its Sustainable Development Goals (The World Bank, 2015) and the Group of Eight (G8) forum's Global Social Impact Investment Steering Group advocates for member nations to work to "harness the invisible heart of markets" by incentivizing private investments that will alleviate poverty and contribute to the public good (G8 Social Impact Investment Taskforce, 2013). Collaborations between public, private, and nonprofit actors are mobilizing millions more dollars, such as the recently-announced US$100m in return-seeking investments that will invest private and foundation dollars in nonprofit organizations and social enterprises in Chicago (MacArthur Foundation, 2016).

The rise of social finance is contextualized by global debates about how to organize economy and society (Knoll, 2017), the role of the state in ensuring social reproduction, what level of baseline services will or should be provided for expropriated members of society, and how society should respond to the social fallout of economic crises. As Nancy Fraser (2015) argues, the contemporary moment of capitalist contradictions unfolds in dual crises: an administrative crisis, in which private interests block public powers from creating, passing, and implementing policies needed to solve social problems; and a broader crisis of legitimation, in which the public loses trust in the system due to its failure to provide. Social finance looks to global capital markets to fund for solutions to these problems.

Amidst large-scale changes in political economy since the 1970s, state social and economic policies have largely failed to stem increasing socioeconomic polarization (punctuated by a sharp growth in inequality since 2008). The financialization of the economy – in the public sector, a move toward privatizing and securitizing public assets into financial products and financing public services with debt – has allowed elected leaders to avoid divisive political debates over spending cuts and privatized governance by arguing that structural changes in the global economy render a publicly-financed welfare state fiscally impossible (Krippner, 2011). States across the globe are now looking to social finance – private, for-profit financial instruments – to fund social services and other types of poverty alleviation. This includes social finance demonstration funds, grant competitions, and procurement directives. The social finance industry is growing to meet this demand, creating new conferences, intermediary organizations, and industry gurus.

Beyond political-economic changes in global finance, social finance is contextualized by a process of welfare devolution that began to emerge in the 1970s in Anglo-American countries and led to shifts in how social services and anti-poverty programs were funded. Devolution of responsibility to the local state led governments to privatize services provision and adopt entrepreneurial strategies to attract global finance, reorganizing local service provision to be an attractive – and profitable – private investment for the private sector (Harvey, 1989; Ward, 2005). Centralized organization of services gave way to networks of non-state actors governing the coordination and management of services (Brenner, 2004). This led to shifts in the administration of social programs. In the US, this meant the distribution of authority beyond the federal state to over 1000 community development institutions (Giloth, 1988), including two organizations that are some of the primary sites of this dissertation. Shifts in governance have also produced "the poor" as a singular economic category and restructured poverty solutions around individual self-improvement and localized community development (Goldstein, 2012). In the US, the site of this research project, community development became the dominant framework of poverty management, governing poverty alleviation through "improving poor places as a way of helping the poor" (O'Connor, 1999, 9).

Given this history, the rise of social finance raises empirical questions specific to the American context and also more conceptual questions. Empirically, how might the governance of American anti-poverty programs be changing with the advent of social finance? Conceptually, what does social finance mean for how poverty is managed within capitalism? I use the term "poverty regulation" to capture this latter relationship. To regulate means to rule or direct, but also to monitor, control, supervise, inspect, and order (Oxford English Dictionary Online, 2017). It is the idea of ordering, monitoring, and supervising poverty that informs my conceptual approach to social finance. In the post-2008 intersections of neoliberalization and financialization, social finance raises conceptual questions about the role of the state in ensuring social reproduction, how poverty and inequality are rationalized within capitalism, and the influence of finance and financial logics in these processes.

In this project I examine the practice of social finance between its abstract ideologies of “profits for social change” and its material manifestations in how finance and poverty regulation are practiced. I consider what allows private interests to invest “for good,” across space and power hierarchies, and within existing frameworks that link systems of welfare provision, the beneficiaries of these services, and new-entrant investors and intermediaries. Practitioners and supporters of social finance generally frame it as a linear flow of well-intentioned investments that create positive “impacts” on places and causes that lack investment, services, or other resources; I seek instead to understand the relational and geographical connections through which social finance is produced.

Flows of social finance capital depend on feedback loops between asset owners, asset managers, and investment sites – behavioral changes made by poor people are framed as the ”effects” of well-intentioned investment activities and reported back to investors by a growing crop of industry intermediaries. To understand the relational connections at play, I trace the genesis of social finance as an idea via its performance at industry conferences and in financial and policy documents. I then examine how these ideas are translated into financial models and calculative devices that attempt to capture social change alongside profit, and also how such models and devices are implemented “on the ground” (Ouma, 2016). I triangulate across various sites and actors to analyze how social finance investments are produced, from ideological inception to actual roll-out, but also in how the “lessons learned” from a single project make their way back into the marketing of subsequent projects. I pay particular attention to how contradictions, successes, and failures are framed, and how these are integrated into various actors' "polished scripts" (Peck and Theodore, 2015), new models, initiatives, and next steps. As part of this analysis, I examine how poverty alleviation is governed under social finance in relation to investors', fund managers', and gurus' generally taken-for-granted belief that social finance's good intentions will result in good poverty solutions.

Geographically, social finance investments are made in the context of widespread, spatially uneven poverty (i.e., a population of potential beneficiaries) that remains unaddressed by public and nonprofit service provision. As illustrated by the platform of the Conference for Inclusive Capitalism, social finance rhetoric revolves around "democratizing" capital and freeing poverty alleviation programs from the geographies of local or national capital sources, arguing that all private global financial assets are now a potential capital pool (Rodin, 2014). But a geography of poverty remains the terrain of social finance investment activities. This is a geography of race and class segregation, job loss and economic restructuring, and policies and programs that unevenly exacerbate or ameliorate these trends in different places. Investment decisions made by social financiers are also place-based. As I show in Chapters 4 and 5, investors target specific populations or geographies through investment logics that appear to balance the formers' assessments of market conditions with their personal ethical commitments.

In designing this research project, I searched for research sites and participants that would be informative about how social finance encounters poverty and about the governance of poverty alleviation. While, as I have noted, social finance is a global phenomenon, I narrowed the scope of my project to the context of the contemporary United States, in the period following the 2007-2008 financial crisis. This allowed an in-depth examination of both the American social finance industry and the historical context in which this industry is moving into spaces of poverty management. The United States is the site of some of the most developed social finance infrastructure in the world, including financial institutions participating in the sector, intermediaries and philanthropic organizations driving its growth, broad state support, and a marketized system of welfare provision and poverty policy that is already primed for financialization. My familiarity with the US context and several personal contacts facilitated my entrance into key sites of social finance's ideological development, program design, and implementation. These sites and interlocutors are described in detail in Chapter 3.

In traveling to social finance conferences and policy forums, and in months spent observing social finance intermediaries' efforts to represent the social 'value' of poverty interventions in terms legible to investors, I was struck by just how abstracted social finance's impacts are from its investment devices and their ideological underpinnings. While a primary points of contention in the social finance industry is whether and how social 'value' can be represented by standardized metrics, from an ideological perspective, social finance is built on the premise that every "impact" of an investment made with good intentions will be positive. The intended beneficiaries of these investments are described as groups of people united by low income levels or poor regions of inhabitance. Social finance products represent these groups as "populations" (e.g., Saltuk et al., 2012) that have a financial problem – that is, there is a lack of capital, state capacity, and/or public willingness to fund the services on which they depend.

Furthermore, as a form of finance, social finance suffers from abstractions similar to those noted by Zaloom (2006) in her ethnographic study of high frequency financial traders:

the basis of profit accumulation on the futures market is not deals and trades but capitalizing on the economic distress of countries and individuals, where framings of finance as technical and mathematical obscure its fundamentally social basis. In social finance, the possibility of profitable investments in poverty solutions requires an investment terrain of persistent, widespread poverty. As I found, however, industry actors and norms frame poverty in terms of specific places that lack narrowly-defined poverty solutions. Investment instruments built on this understanding of poverty promise that the latter can be alleviated profitably, through well-meaning investments in service providers.

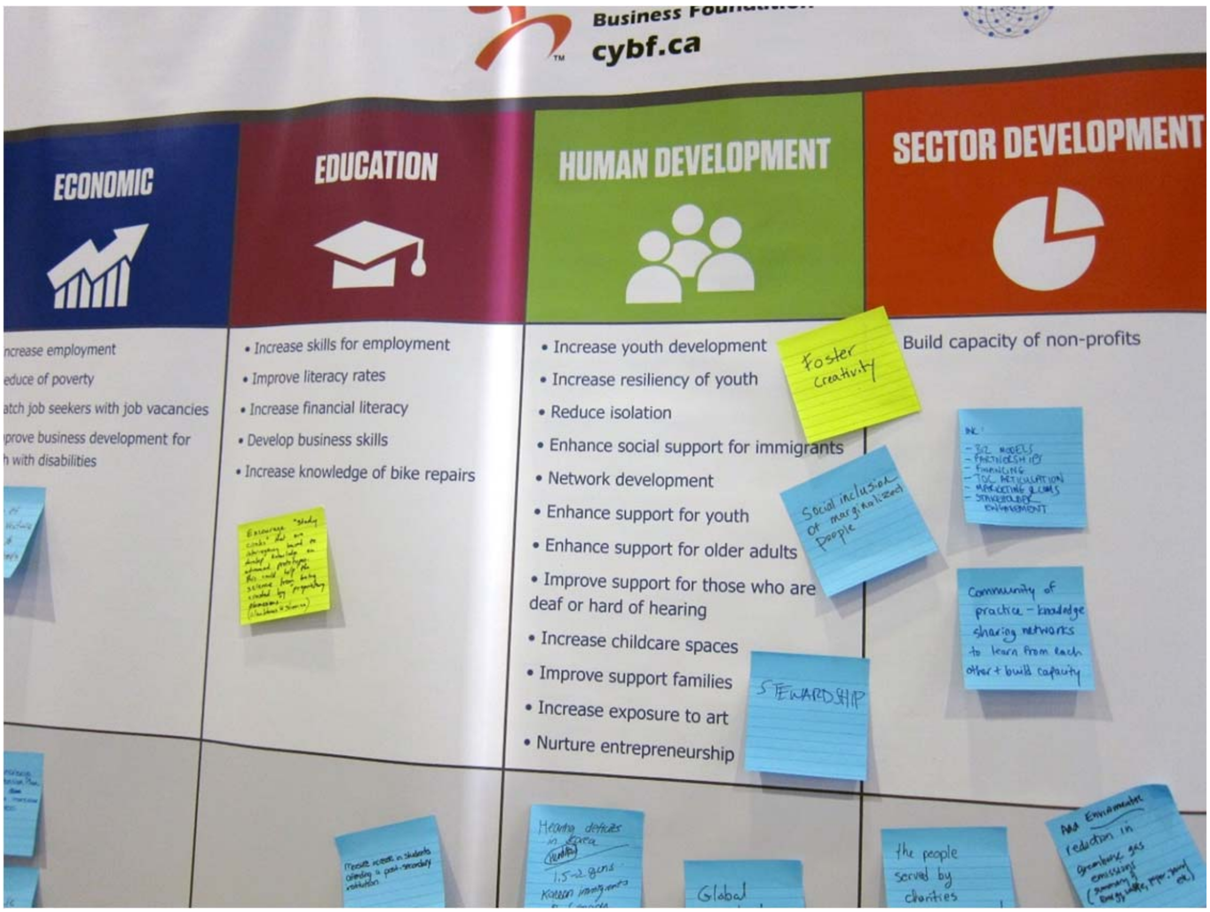

Figure 1.2: Brainstorm session on poverty solutions at the 2013 Social Enterprise World Forum in Calgary, Alberta
Photograph by the author

Within social finance's terrains of capital and poverty, there is often a vast distance between intended beneficiaries – poor people and communities – and investors hoping to enact poverty solutions with profitable capital allocations. At the Social Capital Markets conference in San Francisco, the yearly bonanza of social finance that serves as one of the industry's most important gatherings, my comments to other conference attendees (primarily investors or financial intermediaries) that I was interested in the perspective of the "end users" or beneficiaries of social finance were met with puzzlement, even as attendees brainstormed poverty solutions (Figure 1.2). My research with people who work in the anti-poverty industry, however, revealed a more instrumental side of social finance – here, my interlocutors framed it as a trove of potential new financial resources accompanied by new policy and reporting requirements.

Through a year spent interviewing practitioners, observing industry events, and working at two social finance intermediaries, I became committed to the project of breaking through the abstractions of social finance – the claim or assumption that this is a new form of finance that is doing something socially productive. What I call the 'fetish' of social finance is what happens when an investment – the click of a mouse or the writing of a check – is understood and represented as a practice of poverty alleviation. This fetish is the idea that money allocated for good seamlessly produces good. It masks the social relations of poverty interventions funded in this manner and belies how an ever-larger number of intermediaries sustain the infrastructure that makes an ethical investment possible. This dissertation is a project of defetishizing the practice of ethical investing, investigating systems and actors that make possible the practice of "ethical" investing.

Ideologically, social finance attempts to cleanse the practice of investing from negative associations with speculation, exploitation, and inequality. In this (re)framing, finance will instead act as a force for social good by deliberately funding social policies that "work" and demonstrating results that program designers and financiers deem positive. Understanding how social finance works, then, involves understanding both finance and ideas about poverty – about what causes people and communities to be poor, and about how their poverty will be solved and how solutions will be paid for. On the one hand, the financial sector looks to expand financial production into new sites of accumulation; state welfare cutbacks, post-crisis austerity measures, and growing poverty and inequality demand new financing sources. On the other hand, as finance enters the poverty alleviation 'market,' it appropriates the infrastructure of American poverty management – a place-based system of community development that dates back to the Progressive Era[3] (O'Connor, 1999).

Although social finance is new enough that large-scale, longitudinal studies of its impacts on social services or public expenditures are not available, analyses of individual projects illustrate some of the implications of giving investors and the financial sector a bigger role in anti-poverty interventions. Most coverage in the press has gone to social impact bonds (SIBs), a form of public-private partnership in which investors fund poverty interventions and are repaid by the state according to how well the interventions work. The theory of SIBs is that private financing will incentivize innovative types of service delivery and increase project efficiency to generate public savings – a portion of the projected savings are then shared with investors in the form of debt repayments with interest (Nicholls and Emerson, 2015). In 2016, it was revealed that only 40% of the public funds spent on the first

[3] This was a pre Depression-era period of social and political reform in the US, largely focused on addressing the social ills of industrial urbanization and residential segregation.

Canadian SIB were being spent on service delivery, with the remaining 60% (at a minimum) going to overhead and investor profits and increasing the cost of public services – this actually diverted resources from service delivery compared to similar projects (National Union of Public and General Employees, 2016). The first American SIB, intended to reduce recidivism at Riker's Island Prison in New York with an investment from Goldman Sachs, was canceled when it failed to produce even minimally positive results (Berlin, 2016). Another Goldman-backed SIB attracted criticism for perversely incentivizing a decrease in the number of children that received special education in a Utah elementary school, and for using social metrics that may have inflated measures of the program's success and thus Goldman Sachs' profits (Porter, 2015; Strauss, 2016). Meanwhile, a 2016 British "Rough Sleeping Social Impact Bond," marketed as reducing homelessness by getting people off the streets, repaid private investors in part based on the number of "reconnections abroad" – that is, the number of non-British homeless people who were deported back to their countries of origin, either voluntarily or by force (European Services Strategy Unit, 2017). Beyond incentivizing increased deportations of some of society's poorest and most vulnerable people, the policy design of this SIB has been incorporated into the best practices of other anti-homeless programs, cementing investment logics into policy. For example, a new state "reconnections" contract won by St. Mungo's, one of Britain's oldest charities, involves the same structure of payments based on deportations: "10% of the contract fee will be awarded if St. Mungo's gets 95% of a target number of homeless people out of Britain, and if they don't come back within six months" (Corporate Watch, 2017) – here, a homelessness intervention designed through a public-private partnership has been folded back into more widespread framework of social services contracted to nonprofit organizations. In this example, a program designed for a social finance instrument has influenced the governance of poverty interventions more broadly, as contracts become attached to removing homeless people rather than ensuring that they are housed.

Beyond these examples, the broadly uncritical embrace of social finance by governments, nonprofits, corporations, and financial institutions warrants scrutiny. The philanthropic model of transferring benefits (as opposed to redistributing resources) from rich to poor is the paradigmatic basis for social finance's claim that profitable investment activities can be used to bring social improvements to society's less fortunate. Like many philanthropists (see Buffet, 2013), some of the most visible proponents of social finance – the leaders of corporate financial institutions – are implicated in the creation of the very social problems that social finance professes to solve. Ruth Wilson Gilmore (2009) flags the significance of the relationship between the givers of charity and the creation of the social problems that charity targets in her critique of the structure of Western philanthropy. Gilmore (2009, 46) argues that philanthropy is a form of "twice-stolen wealth – (a) profit sheltered from (b) taxes – that can be retrieved by those who stole it at the opera or the museum, at Harvard or a fine medical facility." Gilmore is pointing to how the basis for the extreme wealth that makes philanthropy possible is the exploitation of waged workers, which, as Karl Marx (1976) argued, is itself made possible by the presence of surplus labor – that is, the very conditions of insecurity, and often poverty, that philanthropy seeks to combat. With social finance, profits are no longer simply *sheltered* through charitable earmarks but actively *generated* through investments that also promise to create a social benefit. Critical scholars of social finance have shown how the integration of profit calculations into programs promoted as creating public good biases these programs' design and operations toward ensuring maximum payouts for investors (Dowling and Harvie, 2014; Lake, 2015). While systems of social service provision are already heavily marketized, social finance takes the further step of addressing the social failures of political economy directly through the tools of profit, further muddling who has authority over how, where, and why these tools are used. In this way, harnessing the "invisible heart of markets" (G8 Social Impact Investment Taskforce, 2013) to address problems of environmental and social reproduction shifts the governance of poverty alleviation further toward financial actors while simultaneously reframing finance into a tool for social good.

1.2 Discovering social finance

I first learned about social finance from a friend who worked in community development, at social finance institution that makes loans to nonprofits. I had never heard of such a thing, having assumed that American nonprofits were funded with government grants and charitable or philanthropic donations. She informed me that this was far from the case – like the businesses on which they are increasingly modeled, nonprofits often take on debt to pursue their social missions. From nonprofit developers that build housing for low-income people to organizations offering job training or financial education, nonprofits need access to credit for physical infrastructure, operational costs, and program design and implementation (Pollak and Gephardt, 2014). But many nonprofits have difficulties accessing traditional capital sources, whether due to lenders' perceptions of risk or lean margins that leave nonprofit organizations unable to pay prevailing interest rates or abide by short loan durations.[4] For the community development industry, social finance presents a possible alternative.

What initially piqued my interest in this industry was the earnest, at times almost zealous, belief that many financiers have in the potential of profit-seeking investments to substantially improve the conditions of marginalized people and places. Many practitioners I met during fieldwork believe that the amount of public, philanthropic, and charitable funding available for solving social problems will always be insufficient, meaning that it is necessary to look to the private sector. Kevin Jones, angel investor[5] and convener of the yearly Social Capital Markets conference in San Francisco, explained it in these terms: “If you look at the world, there’s not enough money in philanthropy, in all of the foundations or in all the money that people give, to solve our problems. There’s not enough money in government…so business has to do its part” (quoted in Kanani, 2011). The financial sector’s professed new interest in social good is, of course, built on a history of “business” decisions that denied and withdrew investments from poor places (Hoyt, 1939; Leyshon and Thrift, 1995; Wyly, 2002; Aalbers, 2014), helping to entrench the poverty that is now the terrain for this new market in investing “for good.”

Over twelve months of fieldwork, and years of following the industry before that, I have observed an explosion of social finance investment activities alongside the mainstream American community development industry’s ambivalent acceptance of these new sources of finance. As I show in Chapter 5, an instrumental view of social finance is common in the anti-poverty industry, contrasting with the bolder, utopian aims broadcast from the financial

[4] Personal interview, social impact investing financial intermediary. Washington, DC, February 2014.
[5] This is an industry term for a high net worth individual (HNWI) who gives loans to philanthropic projects with a low probability of being repaid. The “investment” here can be thought of as research and development – more interested in proving business models or program design for scaling with future (profitable) investments.

and policy spaces I analyze in Chapter 4. The financial industry's interest in social finance has largely unfolded in the aftermath of the global financial crisis of 2007-2008; with new financial avenues opened up by policy changes and a calculated reframing of financial ideology. The idea that private finance is needed to solve social problems is an old one, and has recurred in various places and contexts throughout the 20th and 21st centuries. Social finance is the latest iteration of this idea, practiced in the contemporary moment under the guise of financial innovation. In ways similar to Andrew Carnegie (see the quote that begins this chapter) and other industrial capitalists, the leaders of the social finance movement argue that solving society's most entrenched social problems requires "channeling" private capital – $2.1 trillion of which the Rockefeller Foundation (Rodin, 2016) has estimated to be lying in wait of social finance investment opportunities – to organizations with a proven track record of solving social problems. This dissertation seeks to understand how, across the motivations of various actors, social finance instruments are produced. It also asks how this reframing of finance affects the practices of both finance and poverty regulation.

1.3 Geographies of social finance?

For decades, prominent scholars in economic geography have argued that capitalist accumulation begets socioeconomic polarization and dispossession (Massey, 1984; Smith, 1990; Harvey, 2003; 2006), that financial investment activities exacerbate these processes (Harvey, 2001; 2006), and that capitalism's social and environmental costs – dismissed by dominant economic actors as mere "externalities" – are produced by contradictions and disequilibria fundamental to the system (Sheppard, 2011). Generative links between capitalism, uneven development, and social inequalities are widely accepted in geography, although geographers face persistent difficulties in persuading those outside the critical social sciences. In recent years, business scholars, bankers, and investors have begun to echo some of these conclusions, though usually not due to engagements with geographers or other critical scholars. Rather, the "new economic realities" of environmental destruction, rampant inequality, and financial crises have precipitated claims, in places as unlikely as *Forbes*, that "unless it changes, capitalism will starve humanity by 2050" (Hansen, 2016).

As noted above, some of the capitalists raising concerns about the sustainability of capitalism propose a solution: that capitalism can be recuperated from the unruly, returns-driven speculation of its past through social finance, a new set of financial markets intended to internalize capitalism's negative externalities and convert them into a form of "blended value," producing both profit and societal benefits (Bugg-Levine and Emerson, 2011). As shown in Chapter 4, the narratives coming out of social finance industry events, marketing, and research portray this as a transformation in how capitalism works. Social financiers claim that the poor people and disinvested localities at the losing end of capitalism's uneven geographies can be converted into an investment opportunity, yielding profits while solving place-based social problems.

In social finance, the word social refers to the *object* of financial investment – broadly, social goods or programs that seek to ameliorate poverty and inequality.[6] Representative services available for financing include many that were once, and to some degree, remain, the province of the welfare state: education, subsidized housing, low-income healthcare, anti-recidivism programs for formerly-incarcerated people, or job training for the poor and unemployed. Blending investment decision-making with how charitable donors

[6]A parallel rise of "green" capitalist financial instruments seeks to fund conservation and ecosystem services in a similar manner.

select favored causes, social financiers select specific geographies, people, and issues in which to invest (Barman, 2015; Mitchell and Sparke, 2016). A social finance handbook from the Rockefeller Foundation, a leader in the growth and development of American social finance, alludes to the cornucopia of opportunities available:

> "What issues will your [investing] address? Do you want to address widespread global problems such as poverty, disease or climate change, or would you rather focus on specific or domestic issues like literacy, local education or affordable housing? Geographic choices must also be made, as well as decisions about how you can be the best change" (Godeke and Pomares, 2009: 24).

Social finance flows through an international infrastructure of intermediaries that connects self-identified benevolent capitalists (often, but not always, in the Global North) with providers of social services throughout the world. In these investments, social outcomes are measured and achieved in myriad ways, but are always calculated alongside another bottom line: financial profits. And, as Godeke and Pomares (2009) note, "geographic choices must also be made."

In the wake of the expansion of these "geographic choices," geographers and related scholars have approached social finance as a form of financialization (Lake, 2015; Dowling, 2016; Ogman, 2016; Langley, 2017), in which social services and social goods are converted into a stream of profit for commercial investors, and in which financial logics come to dominate in the provision of care and poverty management. The social finance model is organized around the direct generation of profit through welfare or poverty alleviation services – in Lake's (2015, 2017) analysis, public services are converted into a revenue stream for investors, in which social outcomes must support profit as a primary motive. Standardized "social impact" metrics designed to be legible to the financial industry – as I show in Chapters 4-6 – come to stand in as benchmarks of poverty alleviation. Part of the motivation behind this dissertation is to use empirical case studies to examine the theory emerging in economic geography literatures that social finance is the financialization of poverty alleviation, or the context of my US-based case studies, the financialization of welfare and community development.

As summarized in section 1.5 below, I find that social finance in the American context is more a discursive reframing and financial appropriation of poverty management than a 'fresh' financialization of social services provision. Social finance practitioners' desires for innovative and disruptive models of social service provision exist in tension with their desire for market returns and data-driven, best-practice, research-proven poverty interventions. There are new movements of capital here, but also the rebranding of older models of service provision and community development. Primary implications of social finance found in this research project include how it reframes investments in poverty as a "win win" for states, investors, and poor people; entrenches a historical depoliticization of poverty (Goldstein, 2012); governs poverty alleviation through individual-based solutions, marketability, and profitability; and supports the reproduction of neoliberalized forms of poverty alleviation without transforming the practices of finance.

Geographical theories of the financialization of poverty have been developed through analyses of microfinance, which, as explained in Chapter 2, is both precursor of and parallel asset class to social finance. Ananya Roy (2010, 31), for example, analyzes microfinance as a form of "poverty capital," a "financialization of development" in which some of the world's largest banks now have a commercial interest in microfinance. Contra microfinance, however, I find that social finance in the Global North is not accompanied by a discourse or theory of development. There are deep conceptual divisions between Global South microfinance (based on CK Prahalad's (2004) theory of "eradicating poverty through profit"), which Roy (2010) explores, and the Global North-centric models I investigate in this dissertation. Roy finds that "the promise of a poor woman" – the notion that the poor of the Global South are hard-working, worthy subjects that will repay their debts – is sufficient collateral to entice investors. Not so with Global North social finance. As this dissertation shows, unrolling social finance in sectors like subsidized housing and anti-recidivism programs requires elaborate systems of monitoring and management. The specter of the undeserving poor person haunts social finance, just as it has welfare provision under neoliberal ideology. In social finance, this specter justifies the idea that investors deserve assurances that their capital is assisting the deserving, hard-working, entrepreneurial poor. This arrangement underlies an emphasis on investor choice over state policy priorities in driving the selection of investment targets. Here, new geographies of service provision and access may accompany new geographies of capital investment.

From Roy's work on microfinance, I take the idea that poverty must also be central to an understanding of social finance. There are several crossovers between microfinance in the Global South and Global North (and globalizing) models of social finance – the transnational nature of social finance and its tendency to 'flatten' poverty into a global portfolio of possible investment subjects interchangeable in geography and social need means that many social finance firms work across the Global North and South. Microfinance does, then, appear in this dissertation, primarily used by Global North social finance visionaries as a "proof of concept" (Mader, 2017) for the idea that poverty alleviation can be profitable. As shown in Chapter 4, microfinance's proven profitability of making small loans to individuals also supports commercial social finance. Microfinance is incorporated into social finance funds, providing what investors understand as lower risk investments than newer forms of social finance, which invest in businesses or NGOs dedicated to poverty alleviation.

A second way Roy's (2010, 31) analysis of the financialization of development rings true for social finance is in the work required to convert poverty management into a profitable investment: "poverty capital is not only the practice of lending and producing wealth. It is also the practice of producing knowledge." What Roy (2010, 31) (and also Alice O'Connor, 2002) calls "poverty knowledge" are the "ways of understanding and explaining the world…that go hand in hand with poverty capital." These ways of knowing and explaining what causes poverty and how it can be solved facilitate the conversion of poverty alleviation into a financial instrument. In this dissertation I trace such metrics, knowledge claims, and ideologies surrounding poverty through various spaces in the production of a social finance knowledge and specific financial instruments.

1.4 Research questions

The overarching project of this dissertation is to understand how social finance might be changing practices of poverty alleviation and whether (and if so, how) claims of social goals or motivations are changing finance. Working across various spaces where social finance models are conceived, assigned value, and materialized "on the ground" allowed me to observe how social finance unfolds at both industry-wide and project-specific levels. The following three groups of research questions frame my project of defetishizing the obtuse world of ethical investment and providing a relational, geographical political economic analysis of social finance.

1. What are the institutional configurations of the social finance industry? How does social finance enroll various actors (investors, policymakers, philanthropic foundations, intermediaries, anti-poverty practitioners, intended beneficiaries) across space in the production of an investment that is marketed as "ethical?" What kinds of financial practices accompany the discourse of a "softer, gentler" capitalism?
2. How does social finance represent financial and social value? Through what means, metrics, and discourses is social finance legitimated to investors, government, social service providers, intended beneficiaries, and wider publics? How is knowledge about poverty enrolled in these processes?
3. How are actors and institutions beyond investors and intermediaries enrolled to produce a successful social finance investment? How are intended beneficiaries' experiences and actions tied to the generation of investor value in a social finance investment product? How does social finance relate to the inherited systems of governing and financing anti-poverty programs – is social finance changing the anti-poverty industry in ways distinct from how it has been organized under a marketized, contracted-out welfare state?

Theoretically, each of these research questions contributes to a broader examination of how (and whether) social finance operates as a process of financializing the regulation of poverty. I remain skeptical of financialization as a concept for explaining how social finance works. In this I follow Christophers' (2015, 191) critique of the concept, in which he notes that "studies of financialization …curiously, and seemingly contradictorily, have relatively little to say about finance per se." Rather than simply understanding financialization as something that is "done" to social services, I seek to also understand whether – as claimed by industry gurus like Kevin Jones – social finance remakes financial practices. While social finance remains a fringe arena of the financial industry, the growing number of mainstream or "traditional" investors and companies pledging allegiance to social finance goals suggests a potential transformation – albeit a slow or piecemeal one – in finance itself. In constructing my project around analyzing social finance as an industry *and* its impacts on its object, poverty alleviation practices, I attempt to surmount what Christophers calls the "black boxing" of finance within studies of financialization and also to understand social finance's implications for the governance of poverty alleviation.

1.5 Key themes and contributions

My point of departure in this dissertation is that social finance attempts to resolve the unequal and often unjust results of capitalism with the application, albeit re-tooled, of more capitalism. That is, to the degree that social finance succeeds, it becomes functionally essential to how capitalism reproduces the conditions for its own reproduction. To understand the financial and economic processes at play, I draw from literature in economic geography on market-making and the political economy of financialization. But I also argue that understanding social finance simply as the (further) extension of financial logics into social reproduction does not capture how knowledge about poverty and existing geographies of poverty and poverty management governance are enrolled in making the social into an investment object. Thus I look to literature on the social relations of poverty to understand the epistemological foundations of the social change mission and – as outlined in the industry's models (discussed in depth in Chapter 5), how social change is tied to financial profits. My central arguments are as follows:

1. Social finance's framing of geography as interchangeable, in which all poor people and poor places are potential sites for the imbrication of profit and social change, belies how capital's attempts to become 'moral capital' depend on hierarchies and performances of deservingness, segmenting people and places into those more or less worthy of investment. Profitable social finance instruments are generative of new, and reliant on existing, socio-spatial outsides and boundaries between the "deserving" and "undeserving" poor. That is, social finance produces new peripheries, as people, communities, and locations that do not conform to the necessary financial and social performance benchmarks are excluded from social finance investment capital. This 'reserve army' or excess supply of social need, stemming from economic deprivation entrenched in contemporary geographies of uneven development, is a necessary condition of possibility – and profitability – for social finance.
2. As social finance enters the territory of welfare funding, allocations of investment capital are being mistaken for comprehensive social policy, while behavioral changes by poor people are being commodified through incorporation into financial deals. Standardized metrics, designed to be legible to the financial industry and to make what the industry terms the "social impacts" of potential deals comparable, come to stand in as benchmarks of poverty alleviation. Here, social finance shifts the funding environment of poverty alleviation to one in which fundees must (further) justify their beneficiaries' deservingness and a deal's attractiveness to investors is tied to the degree to which it is grounded in evidence legible to these investors. Paradoxically, the sector's epistemology is founded on distancing itself from state-supported social services and existing anti-poverty programs, framing these as failures with

insufficient resources. This framing belies how investors seeking market-rate profits (the majority of investors) tend to invest in organizations that practice established models of poverty alleviation and service provision. This makes the US community development industry, which is a central mechanism of American poverty management, an ideal 'target' for social finance. The anti-poverty industry has been learning to provide social services in a way that generates investor profits since welfare began to be marketized in the 1970s; predominant models of poverty alleviation are already primed for incorporation into new financial products.

3. To generate profits and evidence of social change for investors, social finance changes the governance of poverty alleviation. Rather than simply doing the work of the state – the role that welfare devolution handed to nonprofit organizations and community development intermediaries in the 1970s – social finance makes governance attendant to a different set of financial (profit) logics. Financially, returns offered by anti-poverty programs funded by social finance deals must compete with market-rate investment returns. From a marketing perspective, social finance deals must compete with each other in offering evidence of the most effective or innovative social solutions. This leads to a focus on how to recruit the most entrepreneurial or deserving poor people into social finance-funded interventions, rather than enrolling hard-to-serve poor people or focusing on expanding access. Instead of comprehensive funding for social welfare, social finance raises money for social welfare based on marketing anti-poverty interventions and specific beneficiaries to investors who approach investments as a form of charitable assistance.

4. Social finance works as a process of financialization by appropriating existing or lacking social services as new sites for financial accumulation. In the intensification of investment activities, social finance depoliticizes prevailing forms of poverty regulation by rendering them financial – attaching poverty alleviation techniques to financial instruments. But this process is not smooth, seamless, or total. The conduct of life in the creation of a social finance instrument cannot be fully represented by the sector's valuation devices, nor can social finance be a closed loop that fully internalizes its externalities.
5. Despite social finance's ideological claims to be changing finance and capitalism, financial models and financial practices are shifting little if at all. Social considerations are added onto traditional financial models. Larger shifts are seen in the institutional configuration of the industry and in the regulatory and public policy environments. The industry is populated by veterans of traditional finance, who bring traditional financial knowledge into this 'new' field of anti-poverty finance, and large commercial investors retain primary influence over deal-making.

I come to these arguments using three theoretical approaches. First, I approach social finance as an emerging market, drawing from the cultural economy literature's understanding of the economy as performative. Here I identify subjectification and valuation practices that transform poverty regulation into an object of financial value extraction. Social finance enrolls 'ethical' financial subjects in the role of investor and also self-responsible poor people in the role of idealized beneficiary. In calculative practices carried out to establish the social "value" of social finance investments, certain social indicators are selectively disembedded from their wider context in order to be transformed into financial products described as ethical and transformative.

Second, I bring a political economic approach to financialization, in which I consider how social finance precipitates new geographies of capital investments within and between places, matching investment with specific manifestations of poverty and other social problems with solutions that promise sufficient profits and social potential. These manifestations can be both individualized or place-targeted. Here I understand financialization as a process through which the social is appropriated in service of financial expansion, precipitating a (re)orientation of both economy and society around financial logics (Arrighi, 2010; Krippner, 2011; Lake, 2016). Examining this process empirically, I undertake a relational analysis of financial models and investment sites, drawing connections between the design and ideological underpinnings of social finance instruments, their impacts on poverty services, and the connections between these various nodes.

Finally, I approach poverty as a fundamental condition of possibility for social finance. I respond to this recognition by engaging with literature that focuses on how poverty becomes an object of investment and intervention. At root, social financiers are betting on the ability of social service providers to provide a localized, incremental improvement to the lives of a select group of poor people, extracting financial value in the process. Experts in ideologically mainstream theories and practices of poverty management are thus the market informants of social finance. Here, focusing again on the relationships between investors, intermediaries, and intended beneficiaries, I consider the conditions of possibility that make certain forms of poverty interventions work as a profitable investment. I also examine the delineation of the categories of investible poor, un-investable poor, and non-poor (investors) – the social relations that underlie the possibility of a social finance investment – and analyze them in relation to each other.

1.6 Dissertation outline

The next chapter, Chapter 2, provides the theoretical context for my research. Chapter 2 begins with an exploration of what is geographical about social finance, confronting the industry's tendency to portray ethical investments in different places as interchangeable in terms of profit and public good. Reflecting on an expanded conception of the geographical nature of social finance, I introduce key geographical literatures in which social finance and its close relatives have been explored. From these literatures I set out a theoretical path to understanding both the social and financial components of social finance, as well as the relationship between them. Given that social finance is a new area of research for geographers, this chapter also functions as a broader exploration of how critical scholars might proceed with a research agenda.

Chapter 3 connects these theoretical approaches to my research design and methodology. Here, I reflect on the challenges of connecting abstract economic ideologies to 'grounded' real-world practices. I build a methodology drawing from sociological approaches (social studies of finance and the extended case method) and geographical political economy to construct a commodity chain-style analysis with the aim of defetishizing social finance. I pay particular attention to the "social" aspect of social finance, which, as noted above and in Chapter 2, tends to play an abstract and anecdotal function in how investment instruments work and how the industry is legitimated. This chapter also describes my use of ethnography, interviews, and participant-observation between these various nodes of social finance and explains my positionality and choice of research sites.

Chapters 4-6 are the empirically-based portions of this dissertation, and each is set at a different level in the construction of a social finance investment. My approach to social finance involved working between 1) ideological and policy centers – industry conferences, policy forums, and written forms of knowledge production; 2) a center of calculation for community development finance, where these ideological goals meet the difficult necessity of assigning standardized metrics to social change; and 3) the "rollout" of a social finance investment in a case study of a multi-family, subsidized housing development in the California Bay Area.

Chapter 4 provides an anatomy of the social finance industry's major ideological leaders – financial institutions, philanthropic foundations, wealthy individuals, intermediary firms, and to a lesser extent states and governments – and draws from observations of key conferences and policy forums that took place in 2013 and 2014. I focus on the performances and discourses through which social finance's prevailing norms and best practices are produced, and on how certain forms of evidence are marshaled to legitimate these practices. In this chapter I conceptualize the subject of the ethical investor, one that operates at the margins of finance and charity, framing investments *as* charity and legitimating the extension of financial logics into practices of poverty alleviation.

Chapter 5 focuses on the practices of a social finance intermediary, in this case one which connects investors to the American community development industry through investments in subsidized housing. Here I narrow my focus to a specific instrument of social finance, social impact investing, which involves private investments made in organizations that provide (or themselves finance) anti-poverty projects and programs. Chapter 5 asks how expectations of social change are rendered legible to private finance, using a case study of how such expectations are translated into analysis of the social impacts of subsidized housing. I engage in relational analysis of a financial model of social impact investing and the process through which workers at a US-based impact investing intermediary negotiate how to implement such models in market decisions about where to finance subsidized housing development, what this housing is expected to achieve, and who is a suitable resident. The practice of social impact investing involves asserting expected (rather than observable) social changes and then translating these expectations into financial metrics. My examination of the labor of valuing social outcomes in financial terms finds that community development financial institutions operate as intermediary experts, carrying out the valuation practices that legitimate the "social" side of social finance. These intermediaries rely on an understanding of poverty alleviation as something that takes place at the scale of the individual.

In Chapter 6, I consider how social finance encounters poverty at the level of a specific investment: financing and operating subsidized housing in the California Bay Area. This chapter is about the rollout of social impact investing – how social finance "becomes real" (Peck and Theodore, 2015) and how investments are "felt" (Katz, 2016) by their intended beneficiaries. To begin, I contextualize the political economic context of one form of social finance, social impact investing, in the San Francisco Bay Area, arguing that the area's expensive housing market and socioeconomic inequalities are part and parcel of what creates the conditions of possibility for social finance. Next, I analyze the experiences reported by tenants and service providers at the subsidized housing development that is my case study, contrasting these experiences with how the project is represented to investors and the public. This chapter also locates social externalities that elide (re)capture by ethical investment practices, arguing that these overflows are necessary for the continued production and legitimation of social finance instruments. Finally, I reflect on how the results of a social finance roll-out are incorporated back into the design and marketing of subsequent investing behaviors.

Chapter 7, the conclusion to this dissertation, draws the three empirical sites together to reflect on how social finance works through their relational connections. I reiterate my main arguments and briefly discuss some implications for geography and contemporary practices of poverty alleviation. I close with an outline of my future research directions and several critical suggestions for the future of social finance practice.

1.7 Conclusion

At its core, this project finds that through social finance, allocations of investment capital are being mistaken for progressive social policy, and behavioral changes by poor people are commodified through incentive structures built into financial instruments. While the results of this structure are not wholly negative, social finance represents what I understand as the financialization of poverty regulation. Under financialization, new logics come to govern systems of anti-poverty and care provision. In tandem, increasing ties between public accountability and data, manifest in a growing move to what is called evidence-based policy, encourages investments in programs and services where metrics can be discretely quantified. The proliferation of investment logics as the basis of policymaking and decision-making in everyday life, documented at length by social scientists (Martin, 2002; Langley, 2008; Preda, 2009) also conditions the rise of social finance. While many industry actors claim that social finance is set to change finance fundamentally, away from traditional models, I find that the profit motive in most cases, perhaps unsurprisingly, remains the driver. Social finance marks a shift in the governance of poverty alleviation more so than it marks a shift in financial practices themselves.

Chapter 2: Geographies of social finance

2.1 Introduction

This chapter asks what is geographical about social finance and discusses how these characteristics intersect with debates in several sub-disciplines of geography. As there has been scarce geographical and other social scientific research on social finance until quite recently, this chapter is framed as an exploration of how critical scholars might proceed with a research agenda. I point to missing connections and areas for future research in several literatures related to this growing field of study; some of these avenues are pursued in the research design and methods described in Chapter 3. My contributions in the present chapter are threefold. First, I catalog the investment instruments of social finance and explore their geographical characteristics. Second, I analyze social finance's implications for work that economic geographers are doing on finance and the state, the cultural economy of finance, and the global circuits of capital that connect finance with new sites of accumulation. Third, I suggest another way of theorizing social finance: in addition to what many call the financialization of public policy (e.g., Lake, 2015) – the financial enclosure of previously-public or non-market supports for social reproduction – I argue that social finance can be understood as a novel logic for governing anti-poverty programs.

The rest of this chapter proceeds in six parts. In Section 2.2 I describe the origins and contemporary growth of social finance and present a typology of its various forms. Section 2.3 summarizes how social finance has been studied in business, revealing gaps where a critical approach can enrich understandings of the sector. In Section 2.4, I elaborate on how the geographical processes elicited by social finance converge with key concerns in three economic geographical literatures. I focus in Section 2.4 on the *financial* aspect of social finance, drawing from the social economy, cultural economy, and political economy literatures. In Section 2.5, I turn to the less well-researched *social* aspect of social finance. Here, I theorize social finance as a new logic of poverty regulation, in which a politics of poverty alleviation based on poor people engaging in self-help and individual behavioral change – rather than redistribution – is securitized through the architecture of finance. In Section 2.6, I comment on the geographical and political stakes of social finance.

2.2 Geographies of the social finance sector

The theory behind social finance is that investment activities tempered with an ethic of public service will "[bring] the invisible *heart* of markets to guide their invisible *hand*" (G8 Social Impact Investment Taskforce, 2013, 1). Under this "new paradigm," the so-called "social impacts" of financial investments are forecasted, priced, and exchanged like any other derivatives contract (G8 Social Impact Investment Taskforce, 2013; Bryan and Rafferty, 2014; Harvie et al., 2017), using the logic of business management and emphasizing evidence-based assessment, investment targets, and return calculations (Mitchell, 2017). The model endeavors to maintain competitive financial returns for investors while stipulating specific benefits that (should) accrue to less well-off people and places.

Social finance, as defined in Chapter 1, began to grow rapidly in the Global North after the 2008 financial crisis, particularly in deals to fund social services in the US and UK, countries that have imposed deep post-crisis austerity cuts to social services. While meaningful regulatory reform of the financial industry was piecemeal, financial institutions and mortgage lenders treated the crisis as a serious public relations problem. In 2010, with the Occupy movement in its early stages and the press excoriating firms like Goldman Sachs for corrupting the global economy (e.g., Taibbi, 2010), Goldman Sachs was promoting its investments in affordable housing (Goldman Sachs, 2010a) and describing its public engagement initiatives, including its social finance arm, the Urban Investment Group, as "one of the largest corporate philanthropic programs ever" (Goldman Sachs, 2010b, 8). Every major international financial institution now boasts a social finance division, supported by research and lobbying from professional services firms like Deloitte and McKinsey & Company. Simultaneously, the new generation of billionaires, from Facebook's Mark Zuckerberg to Napster creator Sean Parker, are moving their philanthropy to investments rather than traditional donations, based on the belief that "you can get a bigger bang for your buck than going through the normal philanthropic channels" (Foley and Bissell, 2016). Buttressed by government support and consumer demand for more ethical investing options, UK social investment was worth over £1.5 billion at the end of 2015 and its deal flow has doubled in the past five years (Robinson, 2016).[7] Meanwhile social impact investing – one social finance instrument – attracted $29 billion worth of investment in the US in 2014 (US Social Investment Forum, 2014) and top investors are increasing their investments globally at nearly 20% per year (Saltuk et al., 2015).

A typical social finance instrument is the Community Investment Note issued by the Calvert Foundation, a US-based nonprofit financial institution with a portfolio of $318 million (Calvert Social Investment Foundation, 2016). Purchasing the Community Investment Note allows investors – from a $20 online minimum to a $1000 brokerage

[7] The UK social investment infrastructure is among the most developed in the world, benefitting from substantial government investment and incentives since the mid-2000s. This includes the formation of Big Society Capital, a bank to help finance "third sector" social enterprises and organizations with investments from the four largest UK banks. The UK government invested over £1 billion of public money in the social finance sector from 2001-2011 (Nicholls, 2010).

minimum – to “earn a financial return while economically empowering communities worldwide” (Calvert Social Investment Foundation, 2014). With proceeds from the Note, the Calvert Foundation makes loans to nonprofits, community development organizations, and social enterprises that cannot access traditional capital sources. This structure is illustrative of most social finance investment products, which depend on intermediaries like the Calvert Foundation to connect investors with investment opportunities. The Calvert Foundation evaluates its borrowers’ track records of providing social services and conducts financial due diligence on borrowers’ credit histories, capital structures, and management credentials to estimate a level of investment risk and a corresponding interest rate. Borrowers repay the Calvert Foundation with “grants and contributions from a variety of sources,” primarily charitable donations (Calvert Social Investment Foundation, 2016, 4). The Calvert Foundation, in turn, repays investors in the Calvert Investment Note with interest between 0 and 4%, depending on the investment term. With identical interest rates and investment periods, investors in the Community Investment Note can direct their capital to Chicago nonprofits, services for American seniors, “opportunity” for Latinos in the US and Latin America, small businesses in India or the US, clean energy for poor women in the Global South, affordable housing in the US, global Fair Trade, or American job creation (Calvert Social Investment Foundation, 2014). Here, geography is understood simply as an investor selection criterion – the places and causes that will receive loans are customized based on investor preference.

The Calvert Foundation’s promotion of its product as an investment “in” clean energy, housing, or entrepreneurship in a certain place belies how these ostensibly charitable investments are now circulated amongst an ever-larger number of intermediaries in order to sustain the infrastructure of social finance. And beyond private and nonprofit actors, public institutions and taxpayer dollars are conduits of resources that ultimately support investor profits. I map out the contributions of many intermediary actors and institutions in the three empirical chapters of this dissertation.

Table 2.1 provides a typology of social finance's main instruments and describes their social objectives and financial models. Agreement on a unified definition of social finance evades the industry – most definitions revolve around a spectrum of social and financial returns, in which the precise blend of profit and social impact is arranged per investor preference (e.g., Brandstetter and Lehner, 2015). In designing this typology, I have included financial instruments that use social goods, services, or improvements as the investment object. Traditional investment and philanthropic grant-making are also included for comparison's sake.

The main distinctions between the branches of social finance relate to investors and financial arrangements. Social impact bonds (SIBs) are the only instrument that involves governments paying capital returns to investors – SIBs can be thought of as a form of public-private partnership in which services are contracted to a third party and funded by investors, while state repayments to investors are contingent on program results.[8] While SIBs have been touted as a market solution to declining public budgets and the reduced capacity of state social programs, many SIBs subsidize investor risk with philanthropic capital. Investor returns on New York City's first SIB, for example, were guaranteed by Bloomberg Philanthropies (Porter, 2015).

[8] It should be noted that these instruments are not technically bonds, because they do not offer a fixed rate of return (instead their risk/return structure is closer to that of an equity investment).

Table 2.1: Typology of social finance

			Social Objectives		Financial Model/Design				
	Primary Investors	**Primary Motive**	**Investment target**	**Location or scale**	**Type of screening**[9]	**Financial instrument**	**Type of returns sought**	**Risk structure**	**State Support**
“Traditional” branches of finance									
Standard investing	Individuals, institutional investors, banks, investment companies	Profit	All profitable investments	Any	None	Debt or equity	Market	Traditional risk spectrum (high risk → high return, low risk → low r turn)	Many countries tax certain investment earnings at rates below wages
Socially-responsible investing (SRI)	Individuals, institutional investors, banks, investment companies	Profit	Withhold investment from undesirable sectors (e.g., firearms)	Any	Investors opt out of certain types of investments	Debt or equity	Market	Traditional risk spectrum	Some countries offer tax breaks on SRI investments
Branches of social finance									
Social impact bonds (SIB)	Commercial banks and investment companies	Blended[10] value	State social expenditures (criminal justice, education, housing)	States and cities, primarily in Global North countries	State identifies need and designs program with private sector	Debt (conditional repayment based on social outcomes)	Agreed between parties based on outcome	Low risk – subsidized by philanthropic foundations or the state	Incentive funds and procurement policies that prioritize SIBs
Social impact investing	Individuals, institutions, banks, investment companies	Blended value	Nonprofit service providers, social enterprises	Public service provision, or singular projects/causes	Investor selects cause(s) or project(s)	Debt or quasi-equity (share of ownership)	Market or below market	High risk	Policy incentives, grants, and demonstration funds

[9] Indicates the process through which investors select or reject investments.
[10] This indicates a blend of social and financial goals. The balance between desired social outcomes and desired financial profits differs for each investment.

	Primary Investors	Primary Motive	Social Objectives		Financial Model/Design				State Support
			Investment target	**Location or scale**	**Type of screening**	**Financial instrument**	**Type of returns sought**	**Risk structure**	
Microfinance[11]	Individuals, state banks, commercial banks	Mixed – from profit-only to "blended value"	Individual poor people (Global South); small businesses (Global North)	Poor regions in Global South; poor individuals and communities in Global North	Individual borrowers' character, collateral, capacity to repay	Debt	Market and below-market	Traditional risk spectrum, but loans in Global South often presented as low risk vs. high risk in Global North	Some programs are state subsidized; some direct loans made by state agricultural or development banks
Mission-related (MRI) and program-related (PRI) investments	Philanthropic foundations	Profit from investments aligned with organizational mission	Nonprofit service providers, social enterprises	Municipal, regional, or national systems of service provision	Foundation selects project(s) based on mission	Debt or equity	Market (MRI) and below market (PRI)	Traditional risk spectrum	Proposals to loosen regulations around foundation investments
"Traditional" philanthropy									
Philanthropic grants	Philanthropic foundations, wealthy individuals, corporations	Societal value	Nonprofit service providers	Municipal, regional, or national systems of service provision	Donor selects project(s) or social venture	Grant	No financial return expected	N/A	Tax shelter for donors

Table 2.1: Typology of social finance

Table by the author

[11] This typology refers to microfinance investments originating from mainstream financial institutions headquartered in Global North countries. There is a range of microfinance products offered by financial institutions and nonprofit organizations in the Global South – these vary by structure and many pre-date other forms of social finance.

Social impact investing is a private investment in a fund or financial intermediary like the Calvert Foundation, which in turn makes loans to nonprofit organization or social enterprises. The intermediary repays investors with interest and evidence of the social benefit being created. Social impact investors choose the cause(s) in which they invest but do not have control over the operations of the organizations to which their capital is lent. Unlike a SIB, there is no direct public sector involvement in a social impact investment.[12]

The contemporary model of microfinance – making small loans to poor people, often for entrepreneurial activities – was designed in Bangladesh in the 1970s and is often touted as the inspiration behind social impact investing. Unlike the other financial instruments listed in Table 1, microloans are made not to organizations but directly to individuals. The history and growth of global microfinance has functioned as a sort of "proof of concept" for later iterations of social finance that social and financial aims are compatible; microfinance reframes poverty from a lack of material resources to a problem of (not having) finance (Mader, 2015). Most microfinance lending still takes place in the Global South[13] and microfinance tends to remain separated from other branches of social finance in academic and industry analyses (Sabin, 2015; Lehner, 2017). Perhaps due to its longer history and uses as a tool of international development, microfinance is the only model of social finance that has been explored at length through a geographical lens (Rankin, 2008; Roy, 2010, 2012; Rankin, 2013); geographers have predominantly examined it as a technology of neoliberal development.

[12] Some industry definitions categorize SIBs as a type of social impact investment; my definition emphasizes the distinction between public (SIB) and private (social impact investment) investment instruments.
[13] Although loans to individuals and small businesses in Western countries have been attempted, the scale is much smaller than that seen in the Global South.

Philanthropic foundations, particularly the Rockefeller and MacArthur Foundations, have led the push for governments and nonprofits to support social finance (e.g., Rodin and Brandenburg, 2014; MacArthur Foundation, 2016). Traditional foundations practice social finance through program-related and mission-related investments, which are intended to combine foundations' social (charitable) and financial (portfolio maximizing) missions by using social finance to generate capital for philanthropic grant-making. The Ford Foundation, for example, intends to allocate \$1 billion of its \$12 billion endowment to mission-related investing over the next ten years (Walker, 2017). Newer styles of "venture philanthropy" are similar, but apply business principles to grant-making (John and Emerson, 2015). This is a favorite model of the "new" generation of philanthropists emanating from Silicon Valley (Serwer, 2006; Mitchell and Sparke, 2015), all of which have been eager supporters of social finance, combining the logics of the financial world with the 'disruptive' approach favored by the tech industry: 'hacking' social problems like unaffordable housing markets with "new, creative, feasible, effective, simple, contextual, data-driven" solutions (San Francisco Public Press, 2014; Foley and Bissell, 2016).

Notwithstanding the meaningful differences between the social finance instruments profiled here, I want to highlight several facets that unite them, pointing to their wider geographical implications. First, comparing the "primary investors" and "investment target" columns in Table 2.1 reveals that the investors in each instrument are different – and often distant – from the people, organizations, or communities that are the intended beneficiaries of social change. Furthermore, the investors are always economically better off than their intended beneficiaries. The "social impacts" of social finance instruments are intended to address the problems and perceived pathologies of the poor (unemployment, recidivism, homelessness), not the rich – there are, for example, no SIBs devoted to reducing white-collar crime. Social finance is thus built on both class and geographical boundaries – social benefits intended for the poor are determined by geography and separated from the financial benefits intended for investors.[14] The creation of wealth for the (relatively less well-off) beneficiaries is indirect, if it occurs at all, and secondary to the sort of non-financial benefits summarized above: jobs created, health care services provided, housing units built, happiness gained. This is the social geography of social finance.

This social geography is based on the conferral, rather than redistribution, of resources (most often non-tangible) from investor to beneficiary.[15] And as shown in Table 2.1, social finance instruments display many similarities, in terms of investors, motives, and social objectives, with philanthropic grant-making – itself a relationship of bestowal at the whims of the wealthy. The expansion of social finance corresponds to an evolution in how people are engaging in charitable giving, with many now seeing social finance *as* a form of (Foley and Bissell, 2016). The growth of donor-advised funds, tax-sheltered savings accounts in the US and UK whose owners can direct funds to charity at their leisure, underscores the growing belief that charitable dollars should always be "working" financially for their owners – in this case generating interest before being donated to charity (Greenhalgh, 2016).

Second, this relationship between investors and their professed beneficiaries heralds new and fluctuating financial geographies. New investors are entering the social finance

[14] That is, benefits intended to flow to the intended beneficiaries do not include receiving a share of the financial returns drawn from the investment activity. Such an overlap in the *financial* interests of investors and beneficiaries would indicate a different sort of financial model, such as those of cooperative or mutual organizations, where the point of investment is to further the common economic and social well-being of members.
[15] I am grateful to an anonymous journal reviewer for emphasizing this distinction.

market and other investors are reallocating their portfolios – that is, the origins and flows of investment capital are shifting. The goal of generating social benefits for the poor seems likely to (re)direct capital to places where financial managers believe that this goal will most effectively converge with profitability. Meanwhile, the exchangeability of social causes in the eyes of investors makes social finance function like a derivative product, whose purpose is to render investment opportunities liquid and equivalent in order to enhance investment opportunities (Harvie, et al., 2017). That is, investors can receive the same financial return for a wide variety of investment choices in different locations and poverty alleviation categories.

Third, the expansion of social finance foreshadows potential new geographies of service provision, marketization, and neoliberalization. As cities and nations turn to social finance to compensate for austerity-era cuts to social budgets, new investment opportunities must fit investors' social and financial preferences. Although the marketization of social services is nothing new, social services have traditionally been understood as a form of post hoc amelioration for the negative social repercussions or inefficiencies of the market, or for social discrimination. With social finance, however, profitability and social impact move into the same time horizon. Thus, the "means and ends," or fundamental purpose of social services, switches to first demonstrating profitable potential rather than prioritizing investment in the greatest social needs (Lake, 2016). And in the case of instruments like SIBs, involving private investors directly in determining which projects will be funded alters the governance of poverty interventions – under older structures of community development finance, nonprofits decided on the social intervention, designed the financing to be profitable, and then marketed it to investors.

As noted by Table 2.1, all social finance instruments are supported by some form of state policy incentives, whether directly (SIBs) or indirectly (other social finance instruments). Social finance has a clear attraction to governments – it provides access to billions of dollars of private capital to fund social programs in the wake of a global trend of public spending cuts and further retrenchment of state programs under neoliberal politics. The growth of social finance thus involves the emergence of new policy, regulatory, and legal structures related to already-existing geographies of marketization and neoliberalization. For the state, the question is how regulatory and financial innovation might facilitate flows of social finance and reduce state costs of service delivery. Potential recipients of social finance investments must prove the profitability and social worthiness of their various causes to compete for funds. Political economists have argued that the expansion of social finance as a means of providing social services will result in further state transfers of wealth to the private sector (Dowling, 2016).

Fourth, none of the financial models described in Table 2.1 incorporate the possibility that social finance instruments may involve *non*-financial risks. The design of SIBs, for example, frames in entirely financial terms the "risk" of social goals not being fulfilled. If a SIB intended to reduce prison recidivism by 10% does not meet its social target, investors in the project will not be repaid by the state. Any social repercussions of the failure to achieve this target are not included in the risk model – the assumption here is that services and programs can only improve or stay the same, not decrease in scope or access or quality. This assumption conflicts with mounting evidence that social finance investments are redirecting resources away from service provision to administrative costs, and that some investments have resulted in service cuts (Popper, 2015; National Union of Public and General

Employees, 2016). Critically recuperating this conception of risk to include *both* the financial and the social has the possibility to reveal new geographies of risk distribution between investors and beneficiaries, and between various sites of investment. This includes both the geographies of who is "at-risk" of poverty and geographies of who absorbs the risk of investment.

2.3 Business as (un)usual?

Social finance seeks to resolve epistemological and practical divides between profit and ethics (rather than simple provision) of care. This ideological quest is reflected in the business literature that has emerged around the sector. According to industry definitions, finance that lacks a 'social' modifier is either inattentive to or disinterested in the social impacts (whether positive or negative) of investment management decisions (Bugg-Levine and Emerson, 2011; Wood, Thornley and Grace, 2013). Business scholars focusing on the sector have used the idea of sociality to identify "the extent to which an organization intentionally and effectively pursues the advancement of objectives identifiably in the public interest" (Nicholls and Pharoah, 2008: 16). In this definition, the social financier must be both conceptually aware of the more-than-financial consequences of investment activities and active in directing capital investments to organizations and causes dubbed beneficial to the public good, usually through programs and services that aim to solve specific social problems.

Here the business literature on social finance has focused on how financial management might incorporate beyond-financial criteria (Hawley, Johnson and Waitzer, 2011), how social finance deals are structured (Scarlata and Alemany, 2010), how social ‘value’ might be measured and compared to financial value (Hall, Millo and Barman, 2015), how investors’ philanthropic senses are provoked in their financial decision-making (Spiess-Knafl and Aschari-Lincoln, 2015), and how social finance might mitigate capitalism’s tendencies to produce inequality (Clark, Emerson and Thornley, 2014). In short, business scholars have devoted considerable attention to how to best *operationalize* social finance. What is emphasized, and, alternatively, taken for granted in many of these business studies is part of a unidirectional ontology where capital allocation decisions nudged in the right manner can precipitate desired changes in social relations.

The business literature ascribes the growth in demand for social finance to the growing capital needs of nonprofit organizations and public social service providers and a shift from grant- to contract-based provision of these services. The growth in supply of social capital is attributed to many factors: a generation of Millenials interested in generating ‘social value’ with their investments, a softening or “socialization” of mainstream markets, changes in the investment practices of charitable foundations, a shift in capitalism’s moral compass after the 2008 financial crisis, and financial regulatory and tax reforms designed to engender this trend (Nicholls and Emerson, 2015). Many accounts focus on the effects of fluctuations in investors’ topical interests and expected investment returns (e.g., Nicholls, 2014).[16] The literature’s identification of these fluctuating interests is translated into empirical examinations of capital flows, not investors, as an analytical object. Here, capital is categorized into various “types” available for social investing, including “appropriate,” “inappropriate,” “patient,” “risk-tolerating,” “mission-aligned,” and “catalytic,” to name just a few (Clark, Thornley and Emerson, 2013). What follows is an analytical preoccupation

[16] This finding, in fact, holds more analytical nuance than many geographers’ conceptions of financial and social hierarchies as stable and cohesive.

with how to structure deals to suit investors' varied appetites and how to "lock in" the social mission in the event of conflicts between social goals and fiduciary duty. This focus on anticipating and directing capital's moods and preferences overlooks how these undulations are rooted in decisions made by investors and fund managers, or conditioned by regulatory environments, institutions, and legal frameworks. It also reifies capital by mistaking the investment preferences of the owners of capital for the logic of financial returns, the regulatory and institutional frameworks devoted to the pursuit of accumulation.

Applied analyses and practitioners trace social finance's history to faith-based giving, the co-operative movement, mutual aid organizations and, more recently, the divestment movement (Nicholls and Emerson, 2015). Mutual organizations and benefit societies' focus on a certain location, group, or ethnicity is framed as a precursor to social financiers' choices of specific geographies or populations (Michie, 2015). Likewise, co-operatives' goals of furthering the common economic and social well-being of their members are framed as an influence on social finance's prioritization of social over purely financial goals (Nicholls and Pharoah, 2008). Here the literature draws connections between the stated aims of historical and contemporary philanthropic instruments rather than their institutional structures or social arrangements.

But social finance's class relations and risk-sharing arrangements are, in fact, structurally and ontologically distinct from those of mutual societies and cooperatives, which both began as organizational forms arranged and acting for the benefit of their members. Social finance, by contrast, involves capital extended from the (comparatively) wealthy to projects or groups of people in a less privileged place or socioeconomic bracket. Whereas religious-based charity was historically given in the name of God, social finance is based on the Western liberal tradition of philanthropy in which, as indicated by the quote from Andrew Carnegie that begins Chapter 1, it involves wealthy individuals bestowing their capital and influence on the less fortunate masses in a paternalistic, extra-governmental exercise in the name of inculcating a "greater good" (Mitchell, 2017). While popular imaginaries of mutual organizations and cooperatives as having social rather than financial priorities are a valuable inheritance for social financiers' efforts to be seen as synonymous with public good, the organizational structures of mutuality and cooperation have been severely diluted over time. Dozens of US banks and insurance companies, for example, demutualized after the 1980s savings and loan crisis (with some, like Washington Mutual, allowed to retain their names). Contemporary cooperative enterprises span a wide range of progressive to mainstream business and labor practices.

Applied analyses of social finance leave many questions unanswered. How and when did shareholder profits become seen as a tool for progressive social change? What might be learned from an alternative history of its rise, focusing on the ideological convergence between profit and care? And in terms of the implications of this convergence, what are the geographies of social finance investment activities and industry actors?

The next two sections of this chapter delve specifically into how geographers might contribute to analyses of social finance based on these questions and also the four geographies raised in Section 2 – social geographies, financial geographies, geographies of social policy and its marketization, and geographies of risk. To enrich geographical perspectives on the financial aspect of social finance, Section 4 focuses on three economic geography literatures. Literature on the social economy helps to place social finance within neoliberalizing capitalism, literature on the cultural economy of finance helps explain how new investor subjectivities and forms of economic knowledge facilitate the creation of the social finance marketplace, and literature on the political economy of finance and financialization contributes a structural perspective on social finance's place within global circuits of capital and financial actors.[17] I widen the lens beyond finance in Section 5, which looks to the interdisciplinary relational poverty literature to examine how social finance maps onto neoliberalized knowledge paradigms about what causes poverty and how it might be solved.

2.4 Potential economic geographies of social finance

2.4.1 Social finance through the histories and spaces of the social economy

The social economy literature, while presently less dynamic than other literatures profiled in this chapter, is nonetheless a place where a geographical research agenda around social finance might begin. This literature is concerned with exactly the project claimed by social finance: the reshuffling of how different sectors of the economy provide social goods and services. Within the discipline of geography, the social economy literature has been central to analyzing the history of community-based financial practices (of which social finance – erroneously – claims to be an extension, see Michie, 2015 and Nicholls and Emerson, 2015), as well as the history and politics of the marketization of social goods and services (of which I argue social finance is actually a contemporary manifestation). This section lays out several avenues through which this literature might speak to social finance's implications for geographies of neoliberalization and social services provision.

[17] I am grateful to an anonymous journal reviewer for valuable suggestions to help clarify the contribution of these literatures.

Critical historical analyses from the social economy literature (e.g., Lipietz, 2001; Amin et al., 2003) track the emergence of hybrid market, non-market, and non-monetary ways of executing social reproduction – in this tradition, the social economy literature might take social finance at its word and, through examinations of specific case studies, interrogate how and whether resources and value are being redistributed from investor to beneficiary, or whether social risk is ever redistributed back to investors. This social economy tradition of "combining a 'history of practice' with a 'history of thought perspective'" (Moulaert and Ailenei, 2005, 2038) could be productively employed in comparing social finance's stated aims to how similar attempts to blend profit-making and charity through cross-sectoral partnerships have unfolded historically. For example, the Victorian-era model of "philanthropy at 5%" has many similarities to contemporary social finance. In this model, investors in British social housing took a lower financial return in the name of philanthropy, which had the effect of diminishing the quality of and access to housing in order to facilitate the investment return (Mann, 1952; Fishman, 2012). Such historical comparative work could provide further evidence of the contradictions between social finance's claimed roots in financial cooperation and mutuality and its actual institutional and risk- and resource-distribution arrangements.

As a start to discerning the relationship between social finance and neoliberalism, we might look to the social economy literature's attention to the evolving relationships between the state, private, and "Third" sectors under processes of neoliberalization, specifically as the nonprofit sector has been institutionalized (Wolch, 1990; Moulaert and Aileni, 2005). Since social finance explicitly claims to be a blend of market and charity, the social economy literature's inclination to problematize the reduction of neoliberal economic change into distinctly public, private, and nonprofit spheres is especially useful (e.g., Amin, 2009b). Attention to how social finance complicates inherited theories of how the neoliberalizing economy is structured, as well as attention to the varied motivations of social finance practitioners (Amin 2009a), could provide a more detailed and empirically-driven map of social finance's institutions and outcomes (see also Buttle, 2008).

From a definitional perspective, social economy scholarship is well-placed to contribute additional clarity about what forms social finance takes and how it relates to other parts of the economy. Here again, this literature's attention to the sectoral division of labor in delivering social services – such as where these instruments and forms lie between market functioning and state administration – might help assess whether and to what extent social finance represents a truly alternative form of finance. This opens space for more normative analyses of social finance practices and governance systems, which have also been pursued by the alternative economies literature (Gibson-Graham, 2013).

In sum, the social economy literature's concern with how social considerations are or might be (re)introduced into systems of production and allocation can help to place the rise and effects of social finance within the geographies of neoliberal capitalism. This literature's concerns thus converge with several of the geographical problematics raised in Section 2. However, a primary shortcoming of this literature is its weak identification of how knowledge about the social economy is produced and how power operates both between and within the various sectors of the economy. Key gaps include explanations for how knowledge production and the creation of new investor/investee subjectivities relate to the making of the social finance market. These topics have been taken up in the cultural economy literature, explored below, which has significant potential for explaining the motivations and performances of social finance investors, which coalesce into a market for social finance investment products.

2.4.2 The cultural economy of the “invisible heart:” Knowledge production and financial subjectivities in making the social finance market

Social finance displays many characteristics of a market in-the-making, as states develop policy to encourage its growth, intermediaries arise to facilitate transactions and provide market intelligence, and a host of valuation practices from standardized ratings to calculative devices emerge to make the product – social change – legible and understandable to an expanding pool of investor-subjects. Scrutinizing the social and cultural practices of social finance raises questions about how financial innovation combines with the performance of investors’ identities as ethical or moral actors and the (further) state ceding of public services to the private sector in an evolution of social services marketization. Key themes here are how social finance relates to existing marketization practices in social services, how various subjects are enrolled in the further conversion of the social into an investment opportunity, and how the dual social/financial generation of value is calculated and performed.

Langley (2010, 218)’s cultural economic investigation of the rise of “ethical” or “socially responsible” investing points to how social finance is shifting the relationship between investors and society. While “everyday” or traditional investors invest to take responsibility for their own future – to save for retirement, for example – the ethical investor broadens this taking of responsibility beyond themselves to include the future of society. Through the act of investment, “the betterment of the self becomes inseparable from universal improvement and progress toward, for instance, public health, temperance, peace, a cleaner environment" (Langley, 2010: 224). As the act of private investment, rather than public redistribution, becomes the means of social change, social finance raises questions about the power of investor-subjects to shape the future of social services provision. The power of one's ability to categorize an investment as ethical is considerable – if any investment can be denoted "responsible" when the investor claims a pro-social goal, the range of causes to which investors can direct capital in the name of "ethical" investment or positive social change becomes almost endlessly broad.

Investigating the place of the ethical investor in relation to state backing for social finance could reveal how the governing (and governance) of this market contributes to the expanded privatization of public policy priorities while decreasing the state's responsibility to provide social services directly. In this vein, the cultivation of new market subjects is central to efforts to "[rescue] capitalism from capitalism," in which "a vast variety of people today are being philanthropically enlisted in entrepreneurial market-mediated partnerships, and pulled away from making demands on the state for protection and relief from social injustice" (Mitchell and Sparke, 2015, 725). But these subjectivities – of both benevolent investor and investment beneficiary – remain under-studied, especially regarding their role in articulating households and communities into circuits of global capital (Lai, 2016). This silence could be filled with empirical examinations of how the benevolent investor-subjects, bureaucrats and intermediaries of social finance direct flows of capital and appraise the value of social change, and also studies of how poor people are enrolled to perform the social improvements expected by investors. Cultural economy analyses have produced rich accounts of subject formation through financialization of services for poor, middle-class, or marginalized people (Leyshon et al., 2004; Langley, 2008; Coppock, 2013; Kear, 2016) –

similar approaches could document the lived experiences of social finance beneficiaries, beyond improvements claimed by investors in "social return on investment" accounts.

The methods of valuing and measuring social change to make it legible for financial investment are a crucial part of how the social finance market is made. Sociologist Emily Barman (2015) has shown how social impact investment market actors are not simply making nonfinancial value calculable but are also bringing social and environmental facts into being as a *source* of market value. The performative effects of these triple bottom line negotiations, Barman argues, "[structure] investors' evaluation of some investments as 'good' choices, thus shaping these actors' decision to direct dollars to some companies rather than others, with consequences for why some social and environmental challenges get recognized as 'worthy' while others get overlooked" (Barman, 2015, 11). Her findings point to profoundly geographical impacts in how social services might be converted into an investment-ready market as social finance continues to grow in proportion to other means of funding social services. Cultural performances of ethical values through investment choices underlie the *financial* valuation practices that support this market.

Lastly, social finance's extension of market instruments into new sites and services could be fruitfully examined through a "social studies of marketization" approach (Berndt, 2015) that connects market-making policy designs to their roll-out and results (e.g., Cohen and Lizotte, 2015). This type of analysis could be especially helpful in identifying links between the various geographies implicated in social finance, from policy and financial models to the landscapes of socioeconomic inequality in which the marketization of poverty solutions unfolds. Like the social economy approach of tracing models to their materialization (Moulaert and Aileni, 2005), such research could address critiques that cultural economy approaches fail to adequately account for the results of market-making (Hall, 2011). Here geographers might ask whether the materializations of social finance match its goals, a project taken up in the parallel realm of biodiversity finance (though not through the lens of cultural economy) by Dempsey and Suarez (2016). This idea of tracing social impact investment funds from source to beneficiary, across networks of intermediaries and through various spaces of encounter, also alludes to the utility of political economic analyses of social finance. As I expand in the subsequent section, such approaches could begin to map the terrain of investments flowing between different places, as well as the economic geographies of social finance's investors and investment sites and the forces driving the need for extra-state or extra-market provision of social goods and services.

2.4.3 The political economy of social finance

The geography of social finance depends on *where* specific manifestations of poverty and other social problems can be matched with solutions that promise sufficient profitable potential to entice social financiers (Lake, 2015; Ogman, 2016). The cultural economic approaches profiled in the previous section consider financialization as the process through which social and economic life are transformed as they are reorganized around financial logics; political economic approaches to financialization explore how this process precipitates new geographies of capital investments within and between places. Specifically related to social finance, this involves an attendant reshuffling of policy priorities and their governance depending on investor interest. Lake (2016), for example, shows how the structure of SIBs outsources social policy priorities to financial interests. Examining this process empirically will necessitate drawing connections between the design of social finance instruments and their impacts, the flows of social finance capital and geographies of inequality, and reshuffling of funds between and within places and (potential shifts in) social priorities and arrangements of governance – especially at the municipal level, where both SIBs and social impact investing are an increasingly popular municipal strategy for addressing social deprivation and attempting to re-start cities' and regions' economic engines.

Geographical political economy's understanding of capitalism as "conflictual and unstable, incapable of solving its own internal problems and productive of the very socio-spatial inequalities that its proponents believe it can (at least in principle) overcome" (Sheppard, 2011, 320) provides conceptual tools for understanding social finance's place within global capital circuits, including the structures of power and finance through which the social is financialized – appropriated in the services of financial expansion. Using this approach, geographers could explore the relationship between "already existing geographical unevenness" (Sheppard, 2011, 323) and emerging geographies of social finance capital flows. Future research on social finance would also benefit from empirical studies to explore recent arguments (Mitchell, 2017) that the profitable potential of social finance is predicated on exploitative political and financial power hierarchies. Historians, for example, have proposed that financialization has always been produced by and reproductive of class and racial hierarchies (Baptist, 2010; Kish and Leroy, 2015). Geographical research that understands social finance as the financialization of contemporary social policy, the latter of which remains highly racialized, could provide an intersectional perspective on financialization-based analyses of social finance, documenting the spatialities of these power hierarchies and explore how they condition, and are conditioned by, the macro-structures of global capital flows.

Such macro-scale analyses, at which geographical political economy excels, could also be useful for exploring the transnational nature of social finance. Its global spread is partially built on the documented profitability and subsequently global circulation of the microfinance model, but social finance's evolving geographies complicate the 'place' of social finance investors in the geopolitics of social finance – this is certainly not a linear flow of development finance from Global North to South. Instead, services aimed at improving the lives of poor people in the Global North are now a central part of social finance investment portfolios. And the transnational geographies of social needs themselves further complicate categories of North as investor and South as beneficiary – social finance is currently being promoted in the UK, for example, to provide for "long term support and integration" of Syrian refugees (Rowell, 2016). Empirical research on the relationships – including virtual relationships – between investors, intermediaries, and beneficiaries could enrich interpretations and debates about how global landscapes of socioeconomic inequality make possible this new 'moral' logic of finance by globalizing, in turn, the market for investment opportunities in social causes. All the while, the possibilities for various manifestations of social finance are also conditioned by national policies and regulations.

Another productive geographical political economic inquiry into social finance could explore its geographies of capital and investment activities, which relate to both the motivations of social financiers and the institutional arrangements that incentivize or curtail these capital flows. Manifestations of social finance in various locations show us that investor motivations, regulations, and institutional structures are quite varied. The politics of social finance are also uneven, and political economic analyses should consider the full range of capital flows asserting themselves as social finance, some of which claim to be re-taking financial power from the investor class (while still, as mentioned above, operating within a capitalist logic). The Greenlining Institute in Berkeley, California, for example, describes itself as "a racial justice institute" and works to both bring social impact investing into racially marginalized areas and to promote racial diversity among managers of social finance investments. Transform Finance, another organization, seeks to "hijack" finance and "correct the course" of social impact investing and address power imbalances between investors and beneficiaries. While institutionalized hierarchies of economic power likely persist in all forms of social finance, the practices of the Greenlining Institute and Transform Finance are far from analogous to those of the Calvert Foundation or Goldman Sachs' Urban Investment Group. This calls for comparative analyses of the capital structures, risk management mechanisms, and practices of risk securitization utilized in various social finance funds and instruments. The power of a geographical political economy approach is to relate these fine-grained manifestations to globalizing capital and governance structures. Given the global nature of many social finance portfolios, a geographical understanding of social finance is incomplete without a wider view of how it operates in terms of global profit generation, relationships of philanthropic 'offsetting,' political maneuvering, and investment networks.

In sum, social finance's overt attention to the social repercussions of investment activities is a promising area of inquiry for economic geography, both in the empirical possibilities it foretells and in response to critiques that the financialization and social studies of finance literatures are inadequately attentive to the lived and material effects of financial speculation (Christophers, 2011; Corpataux and Crevoisier, 2015). Rather than lurking in the shadowy abstractions of financial risk and profitability, the social finance sector broadcasts a keen awareness of the social embeddedness of markets and how capital investments are "felt" (Katz, 2016) in the real world. These self-conscious attempts at transparency have great potential as empirical grounds in which to take up financialization scholars' calls for relational understandings of finance and its sites (Christophers, 2012). In social finance, researchers may find interlocutors more willing and able to talk about the inner workings of finance than workers from other financial sectors.

This section has focused largely on the financial and economic geographies of social finance. Political economy approaches to these geographies can explore macro-scale changes and shifting global capital circuits, social economy approaches can highlight the sectoral shuffling of responsibilities for the social reproduction of society, and cultural economy approaches can provide a way of understanding the evolving cultures of finance and ethical-investor subjects participating in social finance as a process of market-making. But each of these approaches leaves the idea of the social itself under-theorized – we still lack an understanding of the geographies of power, policy, and inequality through which the social is made into an object of investment. Here I am arguing that understanding social finance as a process of financial logics being extended into the realm of social reproduction, allowing finance to use the state and nonprofit sector to accumulate profits from poverty, is a necessary but not sufficient heuristic for understanding the geographies of social finance. How do social financiers come to know what they think they know about which programs or services will ameliorate social problems? How are knowledge hierarchies about poverty and its regulation implicated in existing or possible geographies of social finance? This knowledge is the political and epistemological foundation of the social change mission of social financiers – it is at the core of social finance's conditions of possibility and the geographies of its roll-out and impacts. It is to the basis for the social change mission itself that I now turn.

2.5 Poverty regulation through finance

Beneath capitalism's purportedly moral turn is the production of knowledge about what causes poverty and how poverty is best solved. Social finance deals are structured around what investors and investment managers understand as best practices of poverty alleviation, which are, in the era of neoliberal politics, almost exclusively market-based (O'Connor, 2001; Katz, 2015). In the absence of meaningful state, public, or market responses to increasing global inequality, social finance fills a void, "[capitalizing] on…market-state failure, abandonment, and dispossession" (Mitchell and Sparke, 2016, 4). At their core, social finance instruments are speculating on the ability of social service providers or social entrepreneurs to provide a localized, incremental improvement in global poverty, extracting financial value in the process. The links between social financiers and their intended beneficiaries are obscured by layers of financial instruments, abstracted through evaluation metrics, and flattened through universalizing narratives of what causes poverty, but the profitability of these investments ultimately revolves around behavioral changes by poor people (Kish and Leroy, 2015; Lake, 2015). Experts in politically dominant theories and practices of poverty management thus become social finance's market informants. The financial architecture of social finance's investment instruments ties these investments to specific theories and practices of poverty alleviation – the rollout (if not success) of these interventions is legally guaranteed by SIB contracts and social impact investor prospectuses.

As noted in Section 2 of this chapter, the social targets of social finance are the lives of comparatively less well-off, less advantaged people. In this section I argue that analyses of the production of poverty knowledge (e.g., O'Connor, 2002) and critical studies of poverty as an object of analysis (Lawson and Elwood, 2014) can usefully augment the economic geographical approaches to social finance explored above by defetishizing the "social" moniker of social finance, which represents deprived social groups solely as potential – and interchangeable – investment targets. Critical poverty studies problematize mainstream framings of poverty, which tend to view it as a technical, ahistorical, and apolitical problem. Approaching social finance from this critical tradition will foreground the social relations that underlie investment in poverty alleviation, drawing connections between poverty knowledge and the financial networks that are gaining increasing influence over how this knowledge is implemented.

Relational poverty analysis (Lawson et al., 2012; Lawson and Elwood, 2014; Elwood et al., 2017) illuminates classed, raced, and gendered forms of difference that constitute how poverty is defined as a problem, how it is understood to be solved, and how the success of solutions is produced both discursively and materially (see Mosse, 2010 related to the latter). Authors working in this tradition re-politicize poverty alleviation knowledge and practice by focusing on how the middle class is implicated in cultural conceptions and material productions of poverty (Lawson and Elwood, 2014). Following Marxist and feminist geographers, the focus is on the "dialectical roles played by political-economic relations and productions and contestations of class identity in the regulation of poor subjects" (Lawson and Elwood, 2014, 211). This approach focuses on the social relations of poverty – how solutions are normalized and to what standards they are held – centering on what Lawson and Elwood (2014, 211) call an "idealized middle-class subject [that] circulates widely to shape and legitimate contemporary disciplining of 'poor' bodies."

This relationship between middle (or upper) class and poor subjects gets at one of the core social relations of social finance: the delineation of categories of poor (beneficiary) and non-poor (investor). How these categories are built and how financial value is extracted from the relations between them is a question germane to social finance's latest evolution, which is an effort to incorporate "retail investors," or middle class consumers, as the next significant source of social finance capital (Barman, 2016). And focusing on the social relations of poverty alleviation raises questions about how these investors make choices about which poor people and which poor places they want to 'help' by investing. These choices and relations are often murky and difficult to observe – Elwood (2015), for example, has shown how uneven geographies of poverty and privilege structure the microfinance industry but are obscured in promotional maps that rely on tropes of objective rationality and geographical stereotypes of poor others. This approach of deconstructing discursive framings of microloans as a form of individualized, caring-through-investment exposes the material consequences of representations of poverty alleviation-through-microfinance. Specific (presumed) knowledge about how poverty alleviation works undergirds state and investor decision-making about what projects to float as social impact bonds or which non-state social interventions in which to invest.

Focusing on the social *relations* that produce social finance could help scholarship on the topic expand its lens beyond studies of the architects and calculative agents of this market

– these are the sort of social studies of finance approaches popular in the cultural economy literature, and are now being pursued by economic sociologists working on social finance. Rather, employing a relational poverty lens, future geographical research could investigate how social financiers, intermediaries, and beneficiaries encounter one another – in practice or in representational form – across distance and difference. In effect, the utility of a relational poverty lens would be to disrupt the lengthy conceptual distances between investors and intended beneficiaries – these distances that are enforced by the abstractions of financial instruments and the social finance industry's practices of representing poor people and places as lacking and investors as giving and benevolent. These conceptual separations could be disrupted, for example, with conceptual analyses of the historical and ongoing ways that poor communities have been created as sites of need through uneven investment and development, or in analyzing the fetishizing of certain social categories in the selection of sites and candidates for social finance investment. Roy's (2010; 2012) exploration of how gender and poverty are fetishized in microfinance lending provides an instructive model of the latter approach.

Regarding the former, a relational poverty lens could be used to question the 'place' of the social in society, or where responsibilities for social reproduction lie, disrupting the social finance industry's reliance on the assumption that states now simply lack the capacity to deliver certain social services. This perspective is especially useful to understand (and critique) implicit and explicit state support for the expansion of the social finance sector. Conceptual divisions between investors framed as rational and benevolent and intended beneficiaries framed as recuperable through investor largesse are, again, the grounds through which capital accumulation through poverty 'solutions' is legitimated. For example, Mitchell and Sparke (2016) show how philanthro-capitalism is based on neoliberal traditions of poverty governance that perpetuate policy models that poor people will become responsible for their own care and for that of their families and communities (Mitchell and Sparke, 2016).

Deconstructing categories of costs and risks can also enliven geographical understandings of how the social becomes a site of value extraction through social finance. Kish and Leroy (2015), for example, highlight how a favored benchmark of SIBs is "cost savings" accrued to the government or taxpayers, which is tied to racialized associations of poor people being a drain on society, but now recuperated by investors through savvy and creative financial deals that minimize the former's consumption of social services. Further investigations of the framing of "costs" to be reduced by social finance are warranted – what public costs of social reproduction are deemed unreasonable and thus made available to private investment through social finance? What risks does this redistribute to marginalized communities or to society at large, and how is this redistribution between social classes legitimated? How do representations of social distance between investors and beneficiaries facilitate these processes?

Social finance practitioners' focus on the *means* of poverty alleviation – the market, framed as a one-stop solution for poverty everywhere – obscures attention to *where* social finance investments are made – often in the spaces of historically marginalized groups and communities. Approaching the spaces of social finance relationally also helps reveal how the sector's "egalitarian appeals" (Mitchell and Sparke, 2016) are spatialized. While social finance's goals are universal, the uneven nature of investment activities and the need to choose which investments are "good" or "bad," "sustainable" or "risky," means that the actual practices of social investing are highly performative. While the globalization of poverty management best practices involves standard measurements of social value (Mitchell, 2017), the added necessity of financial profitability further narrows the range of people, causes, and places that are deemed worthy of social investment. Deciding which spaces of capital accumulation match with acceptable and profitable social causes is an ongoing negotiation in the practice of social finance, and a relational approach to researching these decision-making and knowledge-production processes reveals a politics of knowledge production far from the technical, depoliticized nature in which poverty is framed in the marketing of social finance instruments. Rather, as financiers are becoming the new de facto experts in poverty regulation, they are cementing certain ideologies about poverty regulation in space. These new geographies risk being depoliticized when framed as rational decisions made based on financial performance tinged with an ethic of charity, which ignores the social causes of poverty while focusing only on the outcomes of chosen interventions. While social finance frames the social merely as an object of investment, critical and relational poverty approaches can repoliticize the social by revealing the power inequities and cross-class relationships that structure social finance's very conditions of possibility – a terrain of material deprivation framed as very much outside of the social worlds of social financiers, and depoliticized understandings of the causes of poverty, which are translated into technical, individual-based "solutions" through which financial value is extracted.

2.6 Conclusion

I have argued in this chapter that the rise of social finance raises theoretical concerns at the intersection of geographical research agendas on poverty, neoliberalizing capitalism, and finance and financialization. Social finance's use of geography as a simple category of consumptive or philanthropic decision-making ("will I send my capital to Kenya or Detroit?") belies many other geographies that constitute this sector: geographies of policy, of capital, of progressive cutbacks and marketization of social services, of power relations between investors and their purported beneficiaries, of imaginaries about the people and places that lack social services or opportunities, and of uneven development that leads to the contemporary 'need' for social investment. In exploring how social finance might be understood through various approaches in economic geography, I propose that social economy and cultural economy research can help to clarify how social finance comes to substitute for public investment in social services and how various subjects and valuation practices are enrolled in making the social finance market. Political economic approaches can make important contributions to understanding the macro structures of power and capital that underlie the rise of social finance. Meanwhile relational poverty analyses of how poverty becomes understood as a problem, to which investment is the solution, help us understand the epistemological basis of the geographies of debt and equity investments issued by social financiers. Together, geographical approaches to social finance can improve existing understandings of relationships between donors and beneficiaries, profit and impact, and ethical and 'mainstream' investment, as well as the complex investment commodity chains that construct sites of social need and connect them to sources of capital.

The literatures identified above certainly do not represent the only avenues for geographical research on social finance. Literature on humanitarian governance, for example, has examined poverty management through the lenses of governmentality and geopolitics with important findings about how neoliberal capitalism proceeds through governance in the name of poverty alleviation (cf. Atia, 2012; Reid-Henry, 2014) and has done so historically (Fassin, 2011). The literatures profiled in this chapter were selected because their central debates converge with the underlying provocation of social finance: that the problems of capitalism, specifically the uneven terrains of investment and negative social 'externalities' of capitalism, can be solved with the application of more capitalism through fine-tuned investment instruments. As such, I have focused this proposed research agenda most squarely in the realms of finance and poverty, illustrating the many beyond-financial geographical implications of capitalist experiments in appropriating the language of benevolence and neoliberal models of poverty regulation. The relations of poverty governance and regulation brought to the fore by the relational poverty literature help us understand the knowledge paradigms in whose name social finance is justified. Ideally, future research will bring together the conceptual tools of economic geography and relational poverty approaches.

The argument I want to reiterate is that, by bringing together these literatures, geographers can elicit a relationship between the financialization of poverty alleviation and the ways in which neoliberalized poverty alleviation logics are finding a new path of sustainability, insulated from political debates, by being integrated into the circuits of the financial industry. Geographies of inequality and social need condition the specific configurations of social finance in different places and by various investors. The retreat from the welfare state, colonialism, development, racialized processes of disinvestment – such global processes underpin the inequality that social financiers seek to address and are thus fundamentally implicated in social finance as a practice, moral performance, and way of organizing economy and society. Beyond documenting uneven geographies of investor and beneficiary locations and the where and how social impact capital is being distributed, critical analyses must ask how global core-periphery relations, the global color line, and the transnational mobility of poverty knowledge underpin social finance.

In the rise of social finance, an expansion of marketized subjectivities, an intensification of financial logics into poverty alleviation policy under neoliberalism, and the globally uneven socio-spatial circuits of capital – and their intermediaries – connect social finance capital with new sites of accumulation. The combination of economic geographical work on the uneven terrains of capitalism and the relational poverty literature's critical attention to the production of knowledge paradigms offer a strong critique of "progressive" framings of social finance proffered by the business literature, financiers, and a growing number of states and politicians. The geographies of social finance extend far beyond those of investor selection criteria, raising fundamental and ethical questions about the effects of constructing the alleviation of poverty as a category of financial investment. This new process of wealth creation, through the appropriation of the social, uses the neoliberal poverty model of individual "responsibility," manifested in behavioral changes by poor people, as a site of financial value extraction. Geographical examinations of social finance have much to contribute to understandings of the relational connections between finance and social reproduction in the contemporary intersection of processes of neoliberalization and financialization.

Chapter 3: A methodology for social finance

> The analysis of financialization must account for the material interfaces and multifarious devices through which finance "hits the ground."
>
> –Mezzadra and Neilson (2015, 2)

3.1 Introduction

In Chapter 2 I sketched a geographical research agenda on social finance, proposing a critical, relational poverty approach to theorizing the "social" subjects and objects of social finance, while looking to political economy and cultural economy literatures to understand how social services become an investment site. The present chapter considers the methodological implications of bringing these literatures together, and then outlines my research design. My aims for thinking through a methodology for social finance are twofold. First, I want to consider how a relational geographical approach and ethnographic methods can be used to study investments, which the financial industry portrays as allocations of capital that flow from owners to places where they might garner a return. Linear conceptions of finance reproduce the idea that investors' interests are represented by their capital, which intermediaries filter to different sites according to investor risk and return appetites, constrained by legal, regulatory, and accounting frameworks and market conditions. Given that a major concern of this dissertation is to understand the contradictions and feedback loops between various spaces from which an ethical investment is produced, a relational, rather than top-down, perspective is key to my approach. A relational approach also supports my commitment to thinking about social finance materially – as Mezzadra and Neilson (2015) suggest in the quote that opens this chapter, "where finance hits the ground." I propose that a multi-sited approach, working between ethnography,[18] participant observation, and in depth interviews, can aid in 'grounding' the operations of social finance capital.

Secondly, I wish to explore the methodological implications of conducting research with participants who frequently espouse good intentions as the rationale for the decisions they make. While it can be argued that most people have good intentions in how they conduct themselves at work, within communities, and in everyday life, such intentionality is often portrayed as the causal root of social finance actors' investment activities. In this sector, investor and fund manager declarations of good intentions often functionally result in an avoidance of critical reflection on the social finance model, and can depoliticize the process of selecting anti-poverty programs for investment. More practically, declarations of good intentions can (and were, in my fieldwork experiences) be used to deflect interview questions posed to investors and industry thought leaders about how ethical investing works, how decisions to undertake an 'ethical' investment are made, and how particular social programs are selected or designed to become the roots of these investments. In Western culture, one's philanthropic or charitable activities are sacrosanct – questioning decision-making about financial investments that pass as charity runs the risk of being read as awkward or offensive. Thus, I was challenged to avoid situations in which my research participants (especially elite actors) could deflect my questions by labeling them inappropriately personal. Ironically, while operating under the university's behavioral research ethics guidelines and researching activities undertaken with explicit claims to ethics and morality, I found that the specter of ethics sometimes worked against my ability to discern, from interviews, how systems of finance and care provision actually worked. This

[18] In my methods I differentiate between ethnography as participating in doing the work of social finance – in a Burawoyan sense – and more passive participant observation at social finance events and conferences.

made the ethnographic component of my research crucial to understanding of the abstractions of social finance.

Several of my research participants remarked that the only academics they had encountered studying social finance were business scholars. North American and British business schools are following the social finance trend by creating research centers and Masters of Business Administration tracts in social finance or social entrepreneurship. Academic business analyses tend to take investors' professed social motives at face value and focus on how financial or regulatory nudges can be used to incentivize these investments. Here, the business literature uses the idea of sociality to identify "the extent to which an organization intentionally and effectively pursues the advancement of objectives identifiably in the public interest" (Nicholls and Pharoah, 2008, 16). What the public interest is, or how it might vary between different places, is often left unproblematized. Instead, business research on social finance focuses on how financial management might incorporate beyond-financial criteria (Hawley, Johnson and Waitzer, 2011), how social finance deals are structured (Scarlata and Alemany, 2010), and how social finance might mitigate inequality from within capitalism (Clark, Emerson and Thornley, 2014). In sum, this literature focuses on how to practically pursue investment structures that do not singularly focus on profit. My goal, conversely, is to critically assess what happens when these strategies are put into practice.

3.2 Emerging critical perspectives on social finance

In March, 2017, economic sociologists Ève Chiapello and Lisa Knoll hosted an interdisciplinary group of critical social scientists at the University of Hamburg's Center for

Globalization and Governance to discuss the role of social finance in contemporary capitalism. In her plenary presentation, Chiapello proposed that social finance could be understood as a new phase of financialization or, alternatively, as a consequence of financialization. In the latter framing, social finance arises because financial logics become the driving force behind production and thus social life. Thus, because financial debts have come to take precedence over social debts (for example, the payment of municipal financial over the provision of welfare and public services in places like Detroit, Michigan), framing the solutions to social needs in terms of finance becomes the only reliable way to ensure the continued provision of social services. Chiapello proposed that understanding the relationship between social finance and financialization must involve following the money: this will allow research to discern whether social finance is a rhetorical move for recuperating capitalism (what Chiapello called "soft" financialization) or whether it involves a redirection and intensification of capital flows ("hard" financialization). By following the money, Chiapello points to tracking new funds, actors, and intermediaries across the industry, and asking how finance might be changing as a result of social finance. Indeed, some of the strongest analyses of financialization have centered on documenting sectoral shifts in how profits are generated and the incorporation of previously uncommodified products and services into financial instruments (Aalbers, 2008; Krippner, 2011; Johnson, 2013). Alternatively, following the money has been proposed as a methodology for studying financialization, defetishizing money and credit by exposing their material effects (Christophers, 2011; Gilbert, 2011).

For several reasons, however, following the money is not the approach I have taken in this research project. First, social finance defined as such is a juvenile industry; data collection is unsystematic and definitions of what constitutes a social finance investment are debated and debatable. It is thus difficult to quantify the extent to which social finance represents an expansion of financial markets or a growing capture of state or private capital resources.[19] Thus, in the design and execution of this research I do not investigate the extent to which social finance challenges traditional economic models or whether its results are more or less ethical than those of traditional investments. In this fledgling industry, the data to assess these questions are not available, not least because control and treatment groups to study social finance are not practicable (though economists are forging ahead with such techniques outside of North America – see Webber, 2015; Berndt and Boeckler, 2016).

Second, I am skeptical that the industry's volume of capital flows matches (or will ever match) the political and ideological influence of social finance – what Chiapello (2017) called "colonization by financialized ideas and techniques." While, in recent years, several social impact bonds have suffered highly-publicized failures to meet their social targets (Cahalane, 2015; Porter, 2015), political support for social finance has intensified, perhaps responding to failures with the "logic" that more and better social finance projects must be implemented (Lake, 2017). But the number of social finance projects in the "design" phase far outnumbers those that have been implemented – and many SIBs never make it to implementation (Instiglio, 2017). Similarly, platforms that attempt to expand the social finance investment base by engaging "retail" (that is, individual, middle- to upper-class) investors have so far shown lukewarm performance or are too new to assess.[20]

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[19] Piecing together the data to investigate whether social finance represents a morphological transformation of capital is part of my research agenda beyond this dissertation.
[20] Examples include Ours to Own, which allows retail investments in investors' own communities; and the now-defunct Microplace, which attempted to facilitate retail investments in microfinance.

The political discourse supporting social finance remains consistently solid, while the actual development of the industry has proceeded in fits and starts, with start-up social finance firms and platforms frequently launching and closing, while business lines from large financial institutions and philanthropic foundation spin-offs demonstrate some stability. Such larger players have (re)framed the failure of SIBs to deliver their expected social results into "learning experiences" and thus success stories – as Goldman Sachs and the Bloomberg Foundation (respectively the investor and guarantor) did when New York City's first SIB was canceled due to its failure to yield the expected social results (Anderson and Philips, 2016; see also Burton, 2015). Goldman Sachs has continued to invest in SIBs in the wake of this cancelation, and various levels of government continue to propose new SIBs. While social finance as a sector may or may not continue to grow, the notion that finance is a social *solution*, not a social problem, has the potential to rationalize further cuts in publicly-provided and state-funded social services. Thus, I am less focused on quantifying the volume of social finance capital[21] as I am with the sector's impacts on the governance of social services and the reshuffling of the roles of the state versus market in social reproduction. As social finance recasts investors, rather than the public sector, as best placed to serve the common good, and private investments as a better means than public funds for financing public policy (Langley, 2010; Chiapello, 2017), uncovering relationships between spaces of knowledge production, value representation, and service delivery allows me to discern how the governance of anti-poverty programs may be shifting with the entrance of this new financial ideology.

[21] As I cite throughout this dissertation, the market is growing exponentially but is still tiny compared to public social spending.

Third, as expressed in Chapters 1 and 2, part of the goal of this dissertation is to break through the abstractions of (social) finance and connect financial instruments to how the living of life in investments sites is transformed – along the lines of what Ouma (2016, 83) deems the "geographically variegated grounded operations of finance." Thus I favor an approach that dwells with a diverse group of actors involved in enacting social finance, whether a worker at a social finance intermediary or a poor person tasked with increasing their "self-responsibility" according to a financial evaluation scale. Here, as noted above, I seek to understand the production of ethical investments through visiting various nodes in the production of an ethical investment.

Fourth, I seek to defetishize ethical investing as a practice, understanding how an ethical investment is produced as a "success" (Mosse, 2010). This involves looking beyond the money to the knowledge paradigms and social performances that broadcast success to crucial audiences. A defetishizing methodology seeks to avoid what Gillian Hart (2001) has called the "impact model" – precisely the language used by the social finance industry itself – of attributing localized, material changes to larger-scale policies or global forces.

3.3 Putting "social" and "finance" together

Explaining social finance to the uninitiated often involves noting that the word social denotes the object, not mechanism, of finance (Langley, 2017). To some, the term social finance might suggest things like crowd-financed philanthropy or community-based financial practices like lending circles. Putting the social into the role of investment object can be confusing, perhaps, because the social and the financial have been so thoroughly bifurcated in the public imagination. What could profit generation have to do with social improvement and the living of social life? Political Scientist Norbert Götz (2015) provides an instructive path for conceptualizing how the social and financial meet with his critique of the concept of 'moral economy,' in which he highlights the vagaries of bringing these two extremely general concepts together. Explaining the history of the term moral economy, he notes that morality was decoupled from the idea of economy in the 18th century. In the context of the industrial revolution, "[morality's] signification was no longer self-evident" (Götz, 2015, 149). The term moral economy, then, first coined by EP Thompson (1966) to describe English working-class resistance to the transition to wage labor and the enclosure of the commons, provided a "reconciliation" of the moral and economic spheres but also continued to separate notions of community, religion, and social interest from political economic production, transactions, and consumption. Others (e.g., Bronterre, 1837) at the time used moral economy as a similar concept to the Marxian (and contemporary) concept of social reproduction, noting that "the political economy of production and profit accumulation [live] on a moral economy of reproduction, responsibility, and happiness" (Götz, 2015, 151).

Götz's reconstruction of the relationship between morality and economy, beyond the context of industrial capitalism, provides some methodological lessons for approaching a study of social finance. Rather than asking how social finance differs from purportedly "a-social" or traditional finance, which risks naturalizing common definitions and practices of finance, we might ask, following Chiapello (2017) how social finance represents an evolution in economic thought – a recognition of the false divisions present between ostensibly "non-social" traditional investments and their social externalities. Götz (2015) suggests that research could more usefully focus on the "actual practice" of economic models, and on what "moral" aspects of the economy the pursuits of "productive and profit accumulation" can make possible. Applying Götz to a geographically-informed understanding of social finance, we can ask how various spaces and scales are enrolled in the practice of turning the social into an object of financial investment. This goes beyond the practices of corporate social responsibility which, as noted in Chapter 2, simply exclude socially-undesirable investments from financial portfolios.

Just as moral economy has been used to denote "an antithesis to the 'rational choice' imperatives that conflate rationality and utility maximization in a crude material sense and dominate the present political imagination" (Götz, 2015, 147), practitioners of social finance position the latter as the antithesis of traditional investing. Social finance depends on the performance of good intentions, in which investors rationalize their participation in the market as a form of charity, often through deliberately taking a lower financial return or higher investment risk in the name of societal good. While sociological studies have undertaken detailed analyses of the financial industry to reveal that trading is not the technical, quantitative practice that the industry would have us believe (Zaloom, 2006; Ho, 2009), social financiers and intermediaries readily admit and celebrate the social basis of their investment decisions. While these decisions are still conditioned by considerations of financial risk, return, liquidity, and exit strategy, deeming them "social" openly refers to a (partially, at least) non-economic motivation. Thus, rather than needing a research methodology that can reveal the socio-emotional character of putatively technical financial calculations, we need to deal with the ways in which the language of ethics works to lubricate flows of social finance capital, as well as with the scope, effects, and geographies of these investments.

One need make only basic comparisons between social finance's rhetoric (that of inclusivity, democratization, and ethics) and the design of its instruments (based on risk, profit, and separating investor returns from the social "benefits" intended for poor people and places) to conclude that social finance is not a moral economy. If a moral economy is an exchange "justified in relation to social or moral sanctions, as opposed to the operation of free market forces" (Thompson, 1966, 203), or "traditional ways of sharing and showing solidarity" in contrast to liberal free-market economics (Fassin, 2009, 48), social finance is, by design, not a moral economy. Despite the desires and declarations of many of its investors and thought leaders, and as the empirical portions of this dissertation illustrate, social finance remains driven by private profit logics, not solidarity or redistribution. In my research, this was reflected by the fact that focusing on the declared moral intentions of social financiers was not very useful for answering my research questions. Attempting to assess where various social finance products and investors might fall on a continuum of more or less ethical (though this continuum surely exists) not helpful for understanding how the social finance sector works, nor for connecting the design of financial instruments and desired social change of investors to the "on the ground" effects of social products. Instead, I approach claims of moral intent and ethical values in terms of how these claims were marshaled to legitimate policy or market decisions and in the creation of the subject of the ethical investor. This subject, whether or not their actions are "ethical" from a normative standpoint, capitalizes on the *language* of ethics and morals to act in the social finance marketplace. Self-described ethical investors and their supporting intermediaries, political apparatuses, and financial regulations are moving large and growing volumes of capital, having tangible effects on the conduct of poverty regulation, and shifting conceptual boundaries between investment, philanthropy, and charity. To understand how this works, I scrutinize investment activities undertaken in the name of morality and ethics. How do these investment products get made, and how do they relate to the governance of poverty interventions in both a calculative and concrete sense?

Critical sociologist Erica Kohl-Arenas (2015) has approached the culture of "good intentions" claimed by philanthropists through contextualizing these individual intentions within broader social, cultural, and political relationships. This leads to a research focus on the structures and effects, not motives, of philanthropic action. While the motives of philanthropy may be well-intentioned, she draws our attention instead to what these good intentions *do*, for what purposes they are marshaled and espoused and to their contradictory outcomes.

This is where a critical, relational poverty framework helps put finance and social together, specifically in reference to my earlier point about good intentions and ambiguities. In putting this approach into practice, I asked almost all my research participants why they were involved in social finance, but also reflected on their longer career biographies and class identities – what previous career or educational paths had led them to social finance, what ethical commitments they espoused, and especially – as one of the participants herself brought up – whether they had already made the bulk of their wealth in another sector. The ideology of social finance is built around taking ethical aims for granted as the motivation for deal-making. This results in an industry that is at times unreflexive. Thus, while participants were eager to speak with me about their ethical commitments and social entrepreneurship platforms for changing the world, they were at times unprepared to deal with questions about the actual workings of the poverty interventions they were proposing. Early in my exploratory research, I determined that breaking through the discourse of social finance and the abstractions of its social and financial models would require methods beyond expert interviews. This was especially true since I sought to understand the social relations of social finance – the relations between investors, intended beneficiaries, and intermediary actors. As Tania Murray Li (2007) has shown, the will or claim to do good is fraught with power relations, but these relations are actively denied in development schemes framed as technologies for improving people's lives. So it is with the social finance and conscious capitalist rhetoric of "inclusivity" and "democratization of finance." Li and other anthropologists (e.g., Mosse, 2006) have used ethnography to interrogate how well-intentioned development schemes actually work.

My methodology is informed by such ethnographic approaches to poverty and development, and also by ethnographic approaches to understanding finance. Key influences include the social studies of finance (SSF) method of business ethnography, Burawoy's (1998, 2000) extended case method (ECM), and by ethnographies of circulations of "power and knowledge" (Tsing, 2004; Mosse, 2006; Roy, 2012; Kohl-Arenas, 2016). A SSF approach works to break through the abstractions of financial models and policy documents by examining the labor and wider social relations through which finance operates. ECM uses ethnographic case studies to test and reconstruct theory. An ethnographic circulations approach explores how the norms of development practice and poverty alleviation schemes are established, reproduced, spread, and connected between spaces. I applied these approaches through in-depth studies of the operations of social finance in two sites and through applying an ethnographic lens across the wider "circulatory matrix" (Roy, 2010) of the social finance community.

SSF, an interdisciplinary approach to studying financial decision-making in business settings, is useful for attaching the dynamics of abstracted concepts like 'the economy' to the everyday practices of people and institutions that (re)produce them. For example, scholars working in this tradition have used business ethnographies to study the activities of economists and financiers as they "perform" the economy – by exposing the social and cultural foundations of purportedly technical economic activities, these scholars are able to undermine technological-determinist accounts of the "New Economy" (Fisher and Downey, 2006; Zaloom, 2006). SSF informs my aim of understanding how an ethical investment is produced and organized by the calculative and decision-making labor of various actors. The traditional setting of SSF – business or financial offices – also inspired me to lodge myself within a social finance intermediary organization. It is precisely this sort of organization that does the work of translating the utopian goals of conscious capitalism into calculative devices (Callon et al., 2007) that inform decision-making about which poverty alleviation schemes get rolled out ethical investments. Locating myself in the midst of this process provided a view of the labor of translating poverty alleviation work into finance-ready metrics, as well as the institutional context of this translation process (e.g., Smith, 2005). In this dissertation I use a SSF approach to "ground" (Mezzadra and Nielson, 2015) the financial flows of social finance, which, as all financial flows, have "come to be thought of as hypermobile, seamless, and placeless" (Sassen, 2006, 306). But in this goal of grounding and revealing the social basis of financial decision-making, other SSF-style ethnographies have tended to stay in one place, or within one industry or class of research participants. To understand "abstract claims…as they operate in the world," (Tsing, 2004, 6), I had to move across space and scale.

Thus, this dissertation uses case studies in several contexts to generate a theoretical conceptualization of social finance and its relationship with financialization. Here I draw from the extended case method (ECM), proposed by sociologist Michael Burawoy in the 1990s, which provides the basis for ethnography-based theorizing that uses an integrative approach to circumvent the problem of inductive generalization. Rather than inducing theory from empirical data and "discovering" theory from the ground (an approach characteristic of grounded theory in sociology), the point of ethnographic research in the ECM is to generate theory that can be "scaled up" to the global level (Burawoy 1998; Burawoy et al., 2000). This allows the researcher to turn the supposed disadvantages of ethnography (lack of researcher "objectivity," messy boundaries and relationships between ethnographer and research participants, and lack of standardized data collection) into research advantages. This "reflexive science" (Burawoy, 1998) embraces the researcher's engagement in the study site and works to develop dialogue between researcher and participants and, crucially, between local processes and extralocal forces. This allows ECM to overcome two key concerns of positive science: problems of representativeness and of generalization. Instead of attempting to select cases "representative" of the phenomenon a researcher wishes to study, ECM uses a relational approach to make each case work through its connection to other cases. And instead of inductive generalization (seeking common patterns among diverse cases so context can be removed), ECM traces the sources of difference to external forces. Through an ECM approach, Chapters 5 and 6 of this dissertation use ethnographic case studies to subject theories about the forms and functions of financialization to empirical scrutiny.

Roy (2012) draws what she calls a method for tracing "ethnographic circulations" from anthropologist Arjun Appadurai (2001). This approach seeks to understand the practices through which knowledge becomes mobile, extending the traditional ethnographic site to an apparatus of policy or knowledge production. This, according to Roy (2012), equips scholars to better deal with global, 21st century mobilities of policy and knowledge, rather than generating theory from long-term engagements in one or two locations. From this approach, I draw two central aspects of my research design. First, Roy (2012, 34) inspires an adjustment in ethnographic methods, noting that "the ontology of immersion that characterizes traditional ethnography can rarely be maintained in the study of circulations." Adapting this multi-sited sensibility to social finance, I spent many months embedded in the offices of two social finance organizations, but also put in substantial time at other key sites of policy and knowledge production. Through this approach, I connected knowledge production practices observed at conferences and policy events to my longer-term research sites. Roy (2012, 34) quotes Holston's (2008, 34-45) "notion of ethnography as critique – of pointing out the way that thoughts and actions rest on taken-for-granted, unexamined assumptions and the consequences that both the unexamination of the familiar and its defamiliarization have for the construction of the way things are." Tacking back and forth between sites of social finance knowledge generation, translation, and application was my method of connecting these "unexamined assumptions" and their consequences across different spaces of social finance. Adding the travel of ideas and concepts across the spaces of social finance, I follow Tsing's (2004, 7) approach of examining "how universals work in a practical sense…[seeing] generalization to the universal as an aspiration, as always unfinished achievement, rather than the confirmation of pre-formed law. The "travel" of these universal aspirations – in my case, the ideology of social finance – becomes the ethnographic subject.

Second, my approach is inspired by Roy's (2012) proposal for focusing ethnography around the "new muse" of the "middling technocrats" (Larner and Laurie, 2010). This move recognizes that the subjectification effects of global policy apparatuses include a myriad of actors that create and participate in the circulation of policy knowledge. In other words, the subaltern figures who are the objects of policy are not the only subjects produced by global development. Following the enactors and everyday implementers of these programs also, I argue, helps avoid Hart's (2001) "impact" trap – the methodological mistake of simplistically attributing shifts in subaltern life courses to new policies passed down from global power centers. To understand how what I call the social finance ideology is translated into an investment deal, much of my research focuses on the mid-level, intermediary knowledge workers that do the everyday labor of making social finance function.

Ethnographic approaches proposed for studying poverty relationally (Lawson and Elwood, 2013; Elwood et al., 2017) have a similar project as ethnographic circulations in studying the production of knowledge about poverty. The relational poverty literature focuses on encounters between middle-class (or elite) subjects and poor people, meaning that space becomes a constituent part of theorizing. My research tracking social finance across sites, between the wealthy actors that perform good intentions through investing and the poor figures that are the intended beneficiaries, revealed that encounters between investor and beneficiary are few and far between. Thus, I realized, I would have to pay attention to these absences. What is the role of the absent figure of the beneficiary in spaces of social finance knowledge production? What tropes about poverty are reproduced in financial instrument design? Who is an expert in solving poverty? How are stories about, rather than perspectives from, poor beneficiaries enrolled in the production of ethical investment?

The figure of the social finance beneficiary – who these subjects are, where they appear, and how they encounter investor-subjects – gives us information about the geographies of social finance and its impacts. Since social finance is built around investing in anti-poverty programs, geographies of poverty are the terrain that investors mine for profitable opportunities. Sociospatial relations between classes are thus a defining element of social finance, which involves wealthier people deciding where and when to make investments claimed to benefit poorer people, but other social and identity categories that overlap with American poverty geographies also define my analysis. As Kish and Leroy (2014) show in an analysis of American social impact bonds, social finance instruments are disproportionately targeted at communities of color, which are a disproportionate share of American poor people. In my research, race and class relations came up in multiple ways, from negatively coded references to poor communities of color in research findings and policy disseminated at social finance events and calculative spaces, to the contrast between the identities of the social finance beneficiaries described in Chapter 6 and the demographic characteristics of the project's developers, knowledge workers, and investors.

3.4 A commodity chain approach to the sites of social finance

As noted in Chapter 1 of this dissertation, my overall project is to defetishize ethical investing in order to understand how these financial instruments work. I do this by tracing relational connections between parts of a system that allows behavioral changes by poor people to become a profitable investment, in an approach based on commodity chain analysis. Marx's (1976) analysis of commodity fetishism has been taken up by sociologists, anthropologists, and geographers in analyses that seek to expose the social relations that are masked by commodities. In commodity fetishism, the social relations through which commodities are produced, exchanged, and transported are mistaken for the commodity itself. Fetishes make commodities seem clear cut and their production appear seamless, despite the contested relations that underlie this production (Collard, 2014).

Harvey (1990, 422) called for geographers to recognize the hidden "social labor" through which commodities are constructed, to get "behind the veil" of fetishism (see also Cook, 2004). This dissertation's project is exactly the investigation of the social labor through which "the social" – in this context a sort of euphemism for poverty alleviation – is constructed into an investment object for a financial sector and emerging logic of poverty regulation. The way certain sites, causes, and people become enrolled as beneficiaries of a social finance investment is my primary interest. Beyond the presence of profit-seeking investment capital, the drivers behind this process are myriad, including the ethical, topical, or geographically-specific commitments of investors; the due diligence and advice of intermediaries and financial institutions; various trends in anti-poverty policy and practice; and local dynamics that allow certain forms of poverty regulation to be profitable.[22] These many contingencies, in addition to a lack of data on which investors are putting money into what types of social finance products, also support my choice not to focus my analysis on following the money. While the money is a key driver of the social finance market, with financial advisers and industry leaders claiming that the pool of capital available for social

[22] In Chapter 6's case study of social impact investment in subsidized housing, for example, these include a high-cost housing market, an underserved population of poor people, and numerous state subsidies available for social services organizations willing to attend to these conditions.

finance investments far exceeds the availability of investment opportunities (Rockefeller Foundation, 2017), focusing my examination on the ideologies and calculative practices that lubricate social finance's flows of money allows me to better elicit these flows' relationship with poverty regulation.[23]

The task, then, is to learn from commodity chain approaches and move from analyses of actual *things* to tracing flows of ideas (e.g., Roy, 2010; Peck and Theodore, 2015) and forces, following Burawoy's (2001, 151) technique of "defetishiz[ing] globalization as Marx defetishzed the commodity by entering its hidden abode of production." To enter the "hidden abode" of the production of social finance, I follow the *idea* of the money. I travel across locations, populations, and social services that are spaces of ethical finance, whether the development of its ideologies, the calculation of its 'returns' or the adjustment of service delivery and human behavior to facilitate its financial flows and profits – and also the relationships between these processes. This involves following financial models, social policies and the development of poverty regulation norms.

The application of a commodity chain-style approach also fits well for social finance because in this sector, the allocation of investment capital is more akin to a commodity purchase than a traditional investment, as explained by business scholar Alex Nicholls (2017, 2).

> First, an analysis of the capital allocation decisions that fund social purpose organizations demonstrates a complex blend of various logics and rationalities driven as much by personal or cultural values as rationalistic calculations of a specified set of return-on-investment expectations. Thus, some of the funding

[23] That being said, Christophers' (2011) point, following Marx, that money ultimately facilitates commodification activities by acting as a unit of exchange, account, and equivalence certainly holds for social finance. In Chapter 5 I detail the labor that goes into attempting to place a monetary value on social improvements, such that social changes in various places can be rendered equivalent and attached to the financial returns of social finance instruments.

> activity in this sector resembles consumption as much as investment, effectively buying outcomes prioritized by the investor as opposed to building long-term capacity or increasing overall returns over time.

Thus the "purchase" of preferred outcomes lends itself well to a commodity chain style analysis, as investor preference can often be readily traced through various intermediaries to the cause selected by the investor, whether women's empowerment in Mexico or affordable home-building in New York. In the course of this research I was able to observe multiple nodes along such chains, but I do not refer to the specific investors involved for reasons of investor confidentiality and non-disclosure agreements. Instead, Chapter 4 focuses on the production of social finance norms, best practices, and ideological foundations more broadly; these are manifest in the more specific design and implementation of social impact investing around which Chapters 5 and 6 are centered.

3.5 Research context

As explained in Chapter 1, the period following the global financial crisis of 2007-2008 saw social finance grow exponentially in welfare politics, anti-poverty finance, and investment activities generally. The origins of social finance as a term are piecemeal, and the industry did not emerge suddenly at the nadir of the crisis. Rather, a conjuncture of key trends and events conditions its rise. The global growth of microfinance since the 1970s has functioned as a "proof of concept" that financial and social good could be symbiotic (Mader, 2017), while philanthropic foundations such as the Roberts Enterprise Development Foundation (REDF) spent several decades experimenting with accounting techniques that could calculate the economic value of social purpose enterprises. Former director of the Roberts Enterprise Development Fund, Jed Emerson, coined the term "blended value" in

2000 to advocate for an expansion in how businesses, investments, and the philanthropic sector were evaluated – to be based on their ability to generate social and environmental value in addition to financial value (Emerson, 2017). This led to the development of models for defining and tracking discrete social outcomes to allow the comparison of "apples to apples" and allow charitable and nonprofit programmatic decisions to be made "on the basis of sound, investment logic" (Emerson et al., 2000, 135). Emerson and another high-profile figure in philanthropy and social entrepreneurship, Anthony Bugg-Levine, published a book introducing social impact investing to a wide audience (Bugg-Levine and Emerson, 2011), positioning the sector as an ethical yet financially sustainable solution to the social crisis wrought by the global financial meltdown several years earlier. Meanwhile, the Rockefeller Foundation claimed responsibility for coining the term impact investing in 2007, as part of a platform of "unlocking new sources of capital and creating more inclusive markets in a changing global economy" (Rockefeller Foundation, 2017), part of a post-crisis, multi-pronged strategy of financial innovation and nurturing the growth of the market (Rodin and Brandenberg, 2014). The first social impact bond (SIB) was piloted to reduce recidivism at Peterborough Prison in the United Kingdom in 2010, the first US SIB deal launched in Massachusetts in 2012, and, also in 2012, the US government began allocating hundreds of millions of dollars in federal grants for "Pay-For-Success" projects, which were intended to scale social impact bonds into a sustainable state strategy (The Economist, 2011).[24]

Meanwhile, austerity was being enforced unevenly on disinvested American cities, largely under the radar of mainstream political debate (Peck, 2012). Instead, post-crisis

[24] The model of paying welfare contractors by results was first proposed in the 1980s in the US and UK (Shramm, 2015) and endorsed in 2000 in Britain under the New Labour government's Social Investment Task Force (Dowling, 2016).

politics focused on how to tighten government budgets – not whether they should be tightened – and whether the power of the big banks could be reined in. The growth of income polarization and poverty was brought to the political forefront around this time by the Occupy Movement, which contributed to a broader crisis in legitimation for the financial sector after the 2008 crash (as discussed in Chapter 2). The crisis as a catalyst of political dissent was contextualized by history of cuts in social spending and decline in middle-class incomes and employment prospects since the 1970s. Global consultancies like McKinsey & Company studied the nascent social finance sector and pointed to the potential that private capital could be reframed as a force for – rather than antagonist of – the public good (e.g., Callanan, Law and Mendonca, 2012).

In June 2013, shortly before I began my research, social finance gained international attention through its inclusion as a key agenda of the G8 meetings, hosted that year by the United Kingdom (UK). In the lead-up to the meetings, the UK commissioned a multi-national panel of social finance experts to draft a global policy agenda for encouraging the sector's growth. Led by Sir Ronald Cohen, a prominent philanthropist, the panel was comprised of representatives from Global North nations with emerging social finance sectors, including Australia, Canada, France, Germany, Italy, Japan, the UK, and the US. Following the G8 meetings, the advisory boards continued to meet to develop national-level policy proposals for their respective countries. I observed a presentation of the US policy proposals in 2014. A representative from the Obama White House spoke about the administration's hopes that social finance would help revitalize Detroit, which at the time was in the midst of its municipal bankruptcy filing. Observing rounds of brainstorming about the future of US federal policy for social finance, I began to understand the broad scope of actors throwing resources towards the sector. This was the context in which I began my research – one in which social finance was being widely hailed as a way of saving capitalism from itself, in which SIBs were still new and failure-free, and amidst a flood of financial professionals exiting Wall Street for new careers, hoping to stoke a "softer, gentler" capitalism.

3.6 Research design and selection of sites

In this project I examine the development of social finance knowledge and ideology across multiple sites, and then to zero in on how these ways of understanding the nexus between poverty and profit manifest in one type of instrument – social impact investing. I selected social impact investing (as defined in Chapter 2, private investments in nonprofit or for-profit social services) over SIBs for several reasons, including the fact that most critical social science research on social finance has focused on SIBs (Dowling and Harvie, 2014; Lake, 2015; Ogman, 2016; Dowling, 2017; but see sociologist Emily Barman's 2015 and 2016 papers on social impact investing). Despite the surge in research attention to SIBs, the volume of capital invested in social impact bonds is currently much smaller than what has been invested in social impact investments. Although definitional ambiguity makes it difficult to specify precisely how much capital is flowing through social impact investments, the volume of global capital invested in social impact bonds through 2017 (Instiglio, 2017) is less than even one years' worth of investments[25] made by the top 200 social impact investors globally (Mudaliar et al., 2017). Social impact investments have also existed for longer than social impact bonds, and span a greater range of social causes, geographies, and scales of service delivery. From a research perspective, this made it easier to locate industry

[25] $22.1 billion in 2016 – up from $15.2 billion in 2015,

intermediaries for interviews, as there are more firms providing financial, accounting, or consulting services on social impact investing. While many of these are attempting to expand their technical expertise to SIBs, the SIB market is not yet large enough to support a substantial number of professional service providers. Finally, most investments in SIBs thus far have been made by large financial institutions – Goldman Sachs, for example, has been a driving force behind the design and financing of many American SIBs (Warner, 2013). While large financial institutions also figure prominently in the social impact investing market, the field of investors is much more varied than that of SIBs, including family offices,[26] high net-worth individuals, smaller local or regional financial institutions, and now middle-class retail (individual) investors.

I also chose to focus the bulk of my research on social impact investing because of the importance of some of its primary investment targets, nonprofit service providers and community development organizations, to welfare provision and anti-poverty policy in the US. If social finance is shifting the institutional relationships of social services provision – if, under social finance, "public policy is designed as a means for the ends of private investment rather than a means, through the medium of tax revenue, for the ends of urban social policy" (Lake, 2015, 76) – then accounts of how this transpires and what effects it might have are crucial to understanding the potential of social finance to shift the governance an already-marketized system of welfare provision. Changes in financing have historically been accompanied by shifts in governance: devolution of federal aid to lower levels of government encouraged the adoption of more "entrepreneurial" styles of economic development governance (Harvey, 1989; Weber, 2010), while the contracting out of welfare

[26] A family office is a private company that manages trusts and investments for a single family – the capital managed by the office stems from family wealth accumulated over generations.

narrowed access and service provision (Shramm, 1995). Might a financing scheme built directly around private profits – however couched in ethical intentions – shift how the anti-poverty industry is governed?

In the course of my research I found that the financial instruments I was following are heavily dependent on the existing framework of nonprofit social services provision in the US. This is important for several reasons, not least because the very possibility of structuring a financial market around (even modest) return-seeking investments in nonprofit organizations is made possible by the state ceding to the third sector the responsibility for providing a social safety net, a move which corresponded to substantial and systemic increases in poverty (Schramm, 1995; O'Connor, 1999). The 1970s, post-Keynesian role of the state as facilitator rather than provider of many social services, combined with funding cuts in the 1980s, led nonprofit providers to rely increasingly on non-state forms of funding, including grants, donations, and loans from philanthropic foundations (Peirce and Steinbach, 1987). In the post-financial crisis era, these funding sources have been squeezed even further, and American nonprofits are increasingly financing their operations with debt (Pollak and Gephardt, 2014). Meanwhile, as noted in Chapter 2, the increasing tendency to frame nonprofits' work in terms of investments in communities complements framings of social finance as a way of solving social problems that is symbiotic with profitability. As I show in Chapter 5, social finance opens up new financing options to nonprofit organizations, many of which have difficulties accessing traditional forms of finance.

On the supply side of finance, the majority of social impact investors desire market-rate returns on investment – the same returns they would achieve through a traditional investment that is blind to social impacts. For example, a 2016 analysis of 400 social impact funds found that 79% were seeking market returns (ImpactBase, 2017). Similarly, the Global Impact Investment Network's surveys of the top 100-200 global impact investors consistently show that the majority of impact investors seek market returns, and that the percentage of investors seeking market returns is increasing – 55% of top impact investors (by capital volume) in 2014 and 66% of top investors in 2016 (Saltuk, et al., 2015; Mudaliar et al., 2017). Only 18% of 2014 investors and 16% of 2016 investors were willing to accept below-market-rate returns that were close to capital preservation (the rest of investors sought below-market-rate returns "closer to market rate." Such studies do not capture the motivations of these investors. These statistics could be driven by investors that identify as philanthropic but want to achieve their social goals without sacrificing a financial return on investment, or by more 'traditional' investors who see an opportunity to achieve a market return through a portfolio designated as "social."

An unpublished analysis of a proprietary database of over 350 impact investment funds[27] analyzed how funds targeting market rate and below market rate returns selected different types of poverty interventions. Below market rate funds had eight times less committed capital than market rate funds. For impact investments in the Global North, investors seeking market returns targeted sectors like green technology, sustainable consumer products, and environmental markets by a factor of two to one. Investments in basic services like housing and sanitation were predominantly carried out by investors willing to accept a below market return. Generating a market return from basic services, perhaps unsurprisingly, is difficult. For me this provoked a question of how investors and intermediaries attempt to do this, given that the social finance industry's rhetoric tends to

[27] This analysis was conducted at an accredited business school and was made available to a closed network of social impact investors but not to the general public; it is thus not cited here.

demonize public and nonprofit provision of basic services, claiming that the private market can do better when motivated with an ethic of the "double bottom line."

As I corroborate in the empirical chapters of this dissertation, investor preference for market rate returns channels capital towards tired-and-true models of social intervention, which fund managers and asset owners can reasonably expect will turn a profit. A 2012 study by the Monitor Institute (a consultancy specializing on monitoring and evaluation of the social sector, which was acquired by Deloitte in 2012), the Acumen Fund (a global nonprofit impact investment firm), and Bill and Melinda Gates Foundation confirmed this, finding that tested poverty intervention models attract market rate investments, while untested or "unsafe" models are funded by venture philanthropy or below market rate funds (Koh et al., 2012). My empirical analysis focuses on the type of instruments that make up the majority of commercial impact investments: market-return-seeking investments in a well-established model of social services provision.

Rather than engaging in a search for a case that might be representative of social finance – difficult if not impossible to do for a new field of financial products and governance arrangements – I searched for a case that would be theoretically explanatory (Mitchell, 1983; Peck, 2003). The processes of creating profit and impact that I trace in Chapters 5 and 6 are, of course, specific to their political, economic, and social conjunctures. These case studies were selected because they capture processes most germane to my central theoretical questions, which are how (or whether) social impact investing might work as a financialization of poverty or social services, and how this process relates to the already-marketized system of poverty regulation. In terms of research design, these cases allowed me to concretize the abstractions of social finance through prolonged engagement with its social and political actors, drawing from their perspectives to understand social finance at the nexus of shifts in financial practices stemming from the financialization of the global economy (Aalbers, 2008); the continued devolution of welfare, where social finance extends the state's role in governing social services by facilitating private profit generation (Soss et al., 2011); and related changes in the governance of poverty alleviation which, as mentioned above, largely occurs under the umbrella of community development in the US context.

Following social finance's appropriation of pre-existing poverty alleviation models led me to the American subsidized housing sector, one of the primary arenas of national poverty management. Subsidized housing for low-income people has long been marketized in the US. The vast majority of subsidized housing construction is now done by private for-profit or nonprofit developers, a system that has been in place since the 1937 Federal Housing Act removed the federal government from the role of directly intervening in much of the low-cost housing market, and especially since President Nixon's 1973 moratorium on the construction of public housing (Listokin, 1991; Orlebeke, 2000). However, the subsidized housing sector remains hugely reliant on the state, through state support for community development financial institutions, state tax credits to developers that build low-income housing, and state subsidies to low-income tenants, part of a larger program of federal intermediation in mortgage finance systems (Wallace, 1995). This context facilitated my investigation of a mature sector of social services provision that was integrating social finance into its operational and financial structures, which meant that there were already robust connections between the two social finance investment firms where I did much of my research, and state and financial actors supporting the sector's expansion. Rather than focusing on a social finance start-up and running the risk that it might fail while I was doing my fieldwork, I was able to investigate social finance in what has so far been a stable and successful form.

The development of housing for poor people was also a fitting sector for the conduct of this research, as US subsidized housing policy explicitly connects the physical provision of housing to programmatic components aimed at poverty alleviation and creating so-called "communities of opportunity." This adds an interesting layer to the process of evaluating investment impacts in social terms. The employees with whom I worked were tasked with providing evidence that financing a unit of housing would produce positive effects beyond simply placing a roof over someone's head. Through working with community development organizations, I was able to learn a great deal about how anti-poverty policies work at the intersections of neoliberalization and financialization, and how these policies are translated into objects for social finance investment.

3.6.1 Becoming a social finance knowledge worker

I was fortunate to take advantage of an industry acquaintance's assistance in making contacts and ultimately embedding myself in the offices of Affordable Housing Ventures (AHV) and Bay Impact Partners,[28] two social finance institutions that use investor capital to make loans to community development organizations. AHV and Bay Impact Partners were sites where I could, respectively, observe the calculative practices of social finance and trace the connections between social impact investments and how they work at the level of a specific project. At AHV, employees were carrying out research that would help them place a value on the social impact of the organization's investing activities. I approached the

[28] These are both pseudonyms.

director of the research department with the proposition of a research exchange, and was permitted to work in the office and observe staff meetings and activities from November 2013-February 2014, continuing my activities remotely through April 2014. During these months, I assisted with AHV's research. The resultant fieldwork is the basis of Chapter 5. From May 2014-October 2014 I worked as a social impact evaluator for Bay Impact Partners. This work brought me to the building I call the Rochelle, the housing development in the San Francisco Bay Area around which Chapter 6 revolves. At both of these organizations, I informed coworkers with whom I had frequent content about my dissertation research. Those who agreed to participate in the study and who sat down with me for more formal interviews signed research consent forms. These staff members' identities and titles, and the locations of their offices, have been masked.

I worked at different levels of abstraction at each site. At AHV, I worked at the level of the financial instrument and its association with or bonding to certain types of social change – here I observed and participated in AHV workers' attempts to make the social improvements that are associated with poor people's access to adequate housing into something that "capital can see" (Robertson, 2006, 383). The AHV office was a node where I could observe the translation of social finance's ideological vision into concrete calculations used to market investments and justify investment decision-making. Daily interactions and working relationships with staff allowed me to observe how a professionalized community development organization understands poverty solutions alongside the difficult labor of translating these solutions into something that financial and policy actors would understand.

Bay Impact Partners makes loans to community development organizations in California and other west coast states. In May 2014, I began working on behalf of Bay Impact Partners to evaluate the social impacts of one of the organization's investments – a multi-family building for low-income renters in the San Francisco Bay Area[29] that I call the Rochelle in this dissertation. I conducted a focus group with the Rochelle's tenants, followed up with six one-on-one tenant interviews. On behalf of Bay Impact Partners, I also conducted secondary research on the demographic characteristics of the neighborhood, the loan and developer, and the context of subsidized housing in the San Francisco Bay Area. Being located in the Bay Area during this period of time also allowed me to continue interviewing social finance industry actors, as San Francisco is the western hub for American social finance (the others being New York, Boston, and Washington DC). And finally, as shown below in Table 3.1, the Bay Area is the site of many social finance conferences and housing-related events.

At Bay Impact Partners and the Rochelle, I observed the roll-out of social finance in one particular ecosystem: a high-cost housing market with a large homeless population, rampant gentrification and displacement, municipal governments eager to facilitate the construction or "preservation" of affordable housing, and a tech industry culture of "hacking" or "disrupting" the problem of housing poor (and even middle-income) people in an overheated housing market. The focus of my research in the Bay Area was on understanding what makes social finance work in this specific urban context, and how the practice of "ethical" investing unfolds at a particular site. Thus, Chapter 6 is not an ethnography of social finance as experienced by intended beneficiaries at the Rochelle, much as that type of

[29] The specific jurisdiction is intentionally masked here.

research is needed in social scientific understandings of social finance. Rather, I sought first to understand the flows of finance and social services that make the Rochelle profitable, and secondly how the Rochelle is produced as a social finance success story. Beneath the success story, I document frictions between the social outcomes that Bay Impact Partners promises its investors; the experiences reported by tenants, staff, and service providers; and the struggle to fit these incongruences into a "social return on investment" report.

Intermixed with working at AHV and Bay Impact Partners, I conducted interviews (n=29) with bankers, social impact fund managers, workers at social impact intermediaries, philanthropic foundation staff, social service providers, municipal employees overseeing subsidized housing in the Bay Area, and the Rochelle's management and case management staff.[30] Many of these interviews were recorded. The interviews were semi-structured and often informal – as noted above, participants' motivations for working in social finance can be quite personal. In my one-on-one interviews with the Rochelle's tenants (conducted a few months after we had met each other informally and in the focus group I conducted on June 19, 2014), conversational-style interviews were similarly important due to the personal life histories that tenants shared with me. My research design relied on interviews as a secondary mechanism for gathering information, to support and contextualize my ethnographic and participant-observation work at AHV, Bay Impact Partners, and social finance events. To ensure my interview participants' anonymity, I have masked the organizations and locations specified in interview quotes used in this dissertation, except when participants agreed to let me identify their organizations.

[30] Interviews were conducted in Austin, TX; Berkeley, CA; New York, NY; the San Francisco Bay Area; Washington, DC, and by phone and Skype.

Event	Date	Organizer/Host	Location
Social Enterprise World Forum	September, 2013	The Trico Charitable Foundation	Calgary, Alberta
Impact investing policy brainstorm	November, 2013	Global professional services firm	Washington, DC
Policy presentation on US impact investing policy	February, 2014	US National Advisory Board to the G8 on Social Impact Investing	Washington, DC
SHARE: Catalyzing the Sharing Economy[31]	May, 2014	Peers[32] and Social Capital Markets	San Francisco, CA
Hack the Housing Market Conference	June, 2014	San Francisco Impact Hub and San Francisco Public Press	San Francisco, CA
Social Capital Markets[33]	September, 2014	Social Capital Markets	San Francisco, CA

Table 3.1: List of social finance-related events attended during fieldwork

As listed in Table 3.1, I also attended several key conferences and similar events, at which I observed policy and knowledge production in the social finance industry and its manifestation in the US subsidized housing sector. At these events, I observed the production and circulation of what I call the ideology of social finance – its utopian aims, smoothed over assumptions, and newest innovations. I also observed how poor people and

[31] Recordings of many presentations are available here: https://www.youtube.com/playlist?list=PLJw5R-2X_x2sSaKo90zdzzf6Vu-kJzum7

[32] The now-defunct Peers was a "nonprofit 'advocacy group' that launched in July [2013] with industry 'partners' from the 'sharing economy,' including Airbnb, Lyft, and TaskRabbit" (Tiku, 2013). Airbnb paid a private consulting firm to start Peers, while Peers' cofounder (and SHARE conference co-host), Douglas Atkin, simultaneously worked as the community manager of Airbnb. The SHARE conference reception was held at Airbnb's corporate headquarters in San Francisco. The social finance and sharing economy movements involve many of the same actors. In the words of Peers' former director, Natalie Foster: "We no longer live in a binary space of business versus the grassroots. Businesses can be part of social change, just like nonprofits. This space between social benefit and economic benefit is where the sharing economy is growing fast" (quoted in Kamenetz, 2013). Apart from Airbnb, the primary backer of Peers was the Omidyar Network, a major player in social finance that was started by the founder of eBay.

[33] Recordings of many presentations are available here: https://www.youtube.com/playlist?list=PLJw5R-2X_x2vzCzy6Eed_-8eQRa6eG_Mf

places were marshaled as examples, anecdotes, and 'proof' of concept. The Social Enterprise World Forum 2013 and SHARE Conference 2014[34] provided me with free admission as part of student scholarship programs. I paid a reduced registration fee at SOCAP 2014 in exchange for working 12 volunteer hours at the conference. All details of my encounters at the below events have been anonymized unless, where noted in the text, their content was made publicly available. Many speeches and panels at SOCAP are on YouTube; I have included links to these presentations in the text. As these were public events, I have not masked the identities of the presenters. All photos of these events are publicly available online and I have used them with permission of the rights-holding photographer. People who appear in these photographs were informed by the conference organizers that their images would become publicly available by virtue of their participation in these events.

I also dialed into open webinars on social finance, hosted by organizations including JP Morgan Social Finance, KPMG, the Federal Reserve Bank of San Francisco, the Calvert Foundation, and the Global Impact Investing Network. Finally, I read reports on various aspects of the industry: on tools and models for accounting for social value, surveys of capital flows in different sectors and geographies, and national and global policy proposals. While only some of these events made it into my dissertation chapters, they all provided crucial context for my analysis of the social finance industry and in many cases allowed me to make contact with interview participants.

[34] The normal registration fee to spend two days talking about the potential of the sharing economy was $795.

3.6.2 Positioning myself in social finance

As I have noted, social financiers are usually people with good intentions. Researchers, too, are expected to approach fieldwork with good intentions toward their participants, and to study the objects of their research with respect. For me, practicing respectful research involved taking industry actors at their word when they expressed good intentions and instead focusing on a different question: what do actions labeled as ethical or moral do to facilitate flows of finance and knowledge about poverty? Anthropologist Anna Tsing (2004) notes that respectful ethnography involves maintaining a willingness to be surprised by what one finds in the field. Indeed, some of the most surprising moments of my fieldwork, such as when I realized that the process of "monetizing" social change had almost nothing to do with financial calculations, or when I was confronted by a neighborhood resident when doing research at the Rochelle, led to some of my most significant findings. Alongside being open to surprise, however, I endeavored to maintain a critical perspective on the claims of ethics and optimism surrounding social finance. To open up "the implementation black box" (Mosse, 2004, 643) between policy prescriptions endorsed by investors and poverty regulation practices requires a critical perspective on the "persistent optimism" of practitioners and how such optimism is organized into program structures and governance.

Tsing (2004, xi) calls for ethnographers attempting to trace the generation of ideas to "focus on zones of awkward engagement, where words mean something different across a divide even as people claim to speak." My research on social finance was nothing if not filled with awkward engagement, as I (and the industry) navigated across relationships of class and race that were often fraught, attempting to draw connections between categories of people that are deliberately siloed in the design of social finance instruments. In each zone, I paid attention to whose interests were being represented, whose interests were not (in almost all cases, the interests of intended beneficiaries of social finance were assumed rather than questioned), and how the latter were represented. I have tried to present the tensions of interpretation and perspectives of various groups openly. As Ley and Mountz (2001) note, attempting to derive a unified narrative from this cacophony of perspectives could be misleading and silencing.

When possible, I shared conclusions drawn from my fieldwork with my research participants. In September 2014, I returned to the Rochelle to present the tenants with the "social return on investment" report I had written for Bay Impact Partners. During this visit I gathered data on tenants' impressions of the document and how their lives were portrayed – these results are presented in Chapter 6. At the end of my fieldwork at AHV, I sat down with several staff members and talked through my understanding of the organization's practices and their relationship with the American community development industry. I did not directly verify my analysis of social finance events with these events' participants. However, interviews with workers in the financial sector and impact investment firms allowed me to confirm many of the conclusions I drew from observing these events. In general, however, industry participants take capitalism as a given and are understandably thinking inside the system for solutions. Thus, any conclusions I drew that related social finance to the contradictory nature of capitalism received very few endorsements. In general, gurus and industry boosters I met at conferences had a more ideological and utopian position on social finance, while community development practitioners had a much more instrumental perspective that included a longer historical view into the marketization of social services.

The variety of perspectives I received about my interpretations of how the social finance industry functions endorses Ley and Mountz's view. Depending on their subject positions, investors, intermediaries, and beneficiaries (intended and excluded) feel differently about social finance and its potential role in solving social problems.

Some individuals interviewed for this dissertation have been identified by (pseudo) initials to protect their identities. The three organizations where I conducted research, AHV, Bay Impact Partners and California Housing and Affordable Development (CalHAD), have been given pseudonyms. The locations of these organizations' offices and projects have been disguised, though I do reveal that the case study in Chapter 6 takes place in the San Francisco Bay Area. All identities of participants observed at un-broadcast industry events have been anonymized.

3.7 Conclusion

This chapter has explained my approach to methodology, examined my positionality, and discussed how I made decisions about research design. The purpose of this research is to open the "black box" of how the idea of social finance becomes an investment that impacts (in ways intended or not) the life of a poor person, to defetishize the claim that a financial deal is a practice of poverty alleviation – something that will seamlessly make someone else, somewhere else, better off. As the "control over the interpretation of events" (Mosse, 2005, 8) is a central way in which the success of social finance is discursively produced and performed, I undertake a relational, geographical political economic analysis of the abstractions and materialities of social finance.

My project of empirically ‘grounding’ social finance proceeds in the subsequent three chapters, operating across three zones of “awkward engagement” (Tsing, 2004, xi) with social finance actors. The next chapter interrogates the production and circulation of social finance as a theory of innovative capitalism, engaging with some of the most optimistic, best-intentioned figures in the sector. Beginning here allows me to analyze the relationships between the major industry players, how they characterize their projects, and how they understand and represent their intended beneficiaries.

Chapter 4: Performing social finance and building the market

> "We wanted to validate the market at the intersection of money and meaning, the place between giving and investing. With philanthropy you lose all the money; with aid the money doesn't come back, typically. So we wanted to say that you could make doing good sustainable."
>
> –Kevin Jones, Co-founder & Convener, Social Capital Markets (quoted in Kanani, 2011)

> "People make a good living promoting impact investing for its warm fuzzy magical win-win juju.
>
> –Phil Demuth, Forbes Magazine (2014)

4.1 Introduction

In early September 2014, several thousand people converged at San Francisco's Fort Mason Center, on the waterfront of the Golden Gate National Recreation Area, to attend the annual Social Capital Markets conference. SOCAP, as it is referred to within the industry, brings together "heart-centered investors, entrepreneurs, and social impact leaders who believe in an inclusive and socially responsible economy to address the world's toughest challenges" (Social Capital Markets, 2016). SOCAP is a flagship event for the global social finance community: in 2014 it attracted 2,500 participants from 60 countries. On this bright and blustery morning, conference attendees arrived by car, bus, and Uber to discuss emerging trends in social finance, pitch social business ideas, meet with potential investors, and learn about new platforms for social innovation. In the words of the SOCAP 2014 program booklet, 2014's mission was to teach impact investors and supporting organizations to be "bilingual" between the mission-focused world and the financial return world. The 2014 theme was "igniting vibrant communities."

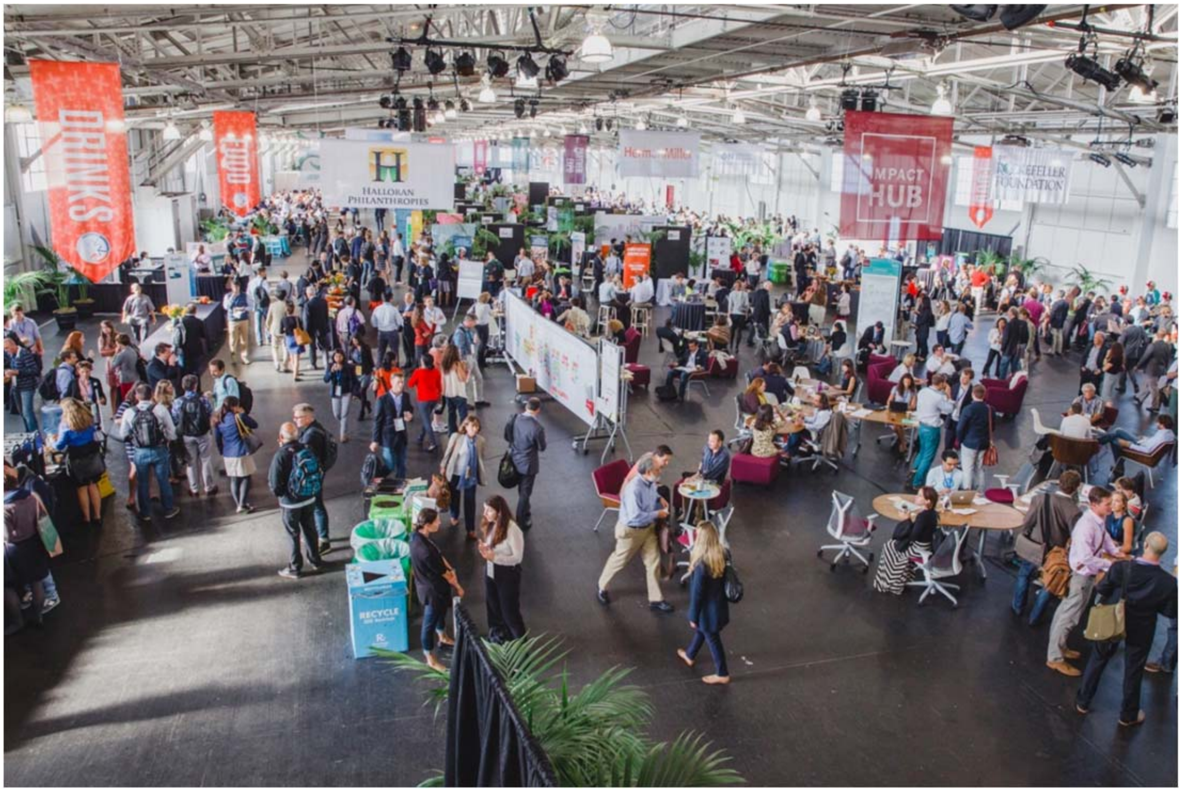

Figure 4.1: The "impact hub" at SOCAP 2014
Image credit: Sumit Kohli, used with permission

Among the crowds of attendees from investment banks, social finance funds, philanthropic foundations, nonprofits, social enterprises, and local governments, I was one of many student volunteers, though one of only a few not from a business school. Volunteering gave me large discount on SOCAP's $800 ticket price and a view behind the scenes of conference operations. In between volunteer shifts I attended twelve SOCAP sessions, viewed many others on YouTube in the evenings, and engaged in informal conversations with conference-goers and my fellow volunteers. Many of the latter were aspiring social entrepreneurs working to perfect their investment pitch. In between shifts in green SOCAP volunteer t-shirts, some of them changed into suits and ran through their five-minute elevator speeches in the volunteer break room, snacking on croissants and stale coffee.

Conventions like SOCAP are key sites in the production and circulation of social finance knowledge. It is here that visions of ethical capitalism are disseminated in their most utopian form and where the master narratives of the social finance industry are consolidated. Here, social investors and social entrepreneurs rally around a belief that infusing finance with ethical ideals will transform capitalism. Social venture consultant and SOCAP attendee Joy Anderson colorfully captures this spirit of utopian reinvention: "Why should we think capitalism can't be fixed? We made up this shit. We can make up better shit!" (quoted in Zimmerman, 2015). Focusing on what Anderson calls "the human element as inextricable from profit," SOCAP speakers that call themselves conveners, visionaries, and social change catalysts speak of profit as the road to "vibrant communities" and "place-based innovation." Depending on who you ask, this transformation might be piecemeal, as practiced by investment banks allocating small portions of their portfolios to social impact investing, or wholesale, like industry thought leader and frequent SOCAP attendee Jed Emerson's declaration that "a convergence of new thought and path-breaking practice threatens the ways of past decades by giving birth to a 21st century vision of investing and venture creation that holds the promise of true transformation" (Emerson, 2003). What unites this wide spectrum of commitments to social finance are business models and investment instruments that seek to transform financial markets. When I informally asked SOCAP participants about their reasons for attending the convention, reasons given included scoping out innovative social enterprises and poverty alleviation platforms, meeting with potential investors, and learning about the latest priorities of the investors, foundations, and financial institutions that provide capital to the market. At the 2014 meeting, there was also a large government and policymaking presence. One of the highlights of the event was the unveiling of the US response to the G8's 2013 social impact investing policy (Figure 4.2).

Figure 4.2: Members of the National Advisory Board on Social Impact Investing present policy suggestions to grow the US market
Image credit: Sumit Kohli, used with permission

In this chapter I analyze the generation of social finance best practices and the establishment of parameters for organizing the market. I argue that social finance enrolls the social finance investor as a subject whose knowledge of how to nudge financial flows in "ethical" directions allows these subjects to act as the new experts in anti-poverty policy. While subjects enlightened to social finance see profit-only financial logics as anachronistic in relation to their vision of a new kind of capitalism, they do not demonize profit as an underlying motivation. Rather, these subjects accept profit motivations as entirely rational and necessary to alleviate global poverty. For example, a speaker from a faith organization who spoke at SOCAP 2014, channeling the protestant work ethic (Weber 2002[1905]), stated that "Smith's invisible hand of the market was really the invisible hand of God, who through the market was talking about moving money in ways that help community." When the session moderator jokingly asked her if she was a socialist, she chuckled. "I'm not a socialist. Believe me, I actually really love money. Money is just paper, money is coins. Money has the meaning that we attribute to it."[35] The idea that money is simply a tool, with profit motivations waiting to be channeled according to investor commitments and motivations, is the "good news" trumpeted by such promoters of ethical investing.

This chapter responds to the first research question set out in Chapter 1 – what are the institutional configurations of the social finance industry, and what sorts of practices accompany the social finance ideology? In analyzing this ideology, and to relate these ideological spaces to the practices analyzed in subsequent chapters, I analyze how poverty solutions, investment possibilities, and intended beneficiaries are represented in the industry. I examine how the idea of social finance is framed and circulated within the sector's institutional spaces – spaces of policy development, spaces of ideological consolidation, and spaces of finance – as well as in the development of reporting and ratings systems for standardizing the industry. From this analysis I argue that social finance relies on the formation of the ethical investor-subject, a morally-inclined, but still financial subject at root. In my larger project of defetishizing "ethical" investing, this chapter operates at the most abstract level – the level of knowledge, theory, and ideologies of social finance. In Chapters 5 and 6, I ground these abstractions through analyses of spaces in which they are applied.

[35] A recording of this panel is available at https://www.youtube.com/watch?v=0SovwPSJpxE&t=2196s&index=16&list=PLJw5R-2X_x2vzCzy6Eed_-8eQRa6eG_Mf (Accessed June 6, 2017).

People who work in social finance often refer to the industry as a figurative "space" and speak of "working in the space" as being part of an enlightened niche within (or perhaps outside of) mainstream finance. This chapter visits some of these spaces of social finance knowledge production. Through an anatomy of market actors and analyses of key sites of knowledge generation, I explore how the industry works to blend poverty solutions – what in Chapter 2 I conceptualized as claims to knowledge about poverty and how to solve it – into the infrastructure of finance. Each section of the present chapter introduces various market constituencies, focusing on how they interact to formulate industry narratives, policy models, or services to lubricate capital flows. In the conclusion, I theorize how these constituencies coalesce in the subject of the ethical investor and argue that this subject is a key facilitator in the "soft financialization" (Chiapello, 2017) of poverty knowledge – the reordering of poverty solutions around profit as an ethical financial end.

4.2 The utopian narratives of social finance conventions

My research on the social finance sector was bookended by large industry conferences. In early October 2013, I traveled to Calgary, Alberta for the four-day Social Enterprise World Forum (SEWF), which attracted 1,200 participants from 30 countries. SEWF, my first in-person encounter with social finance, introduced me to legions of aspiring social entrepreneurs, industry figureheads shilling utopian but detail-light visions of capitalism transformed, a dizzying amount of industry jargon, and an enthusiastic government presence – Calgary Mayor Naheed Nenshi, then-Alberta Premier Alison Redford, then-Canadian Minister of Employment and Social Development Jason Kenney (Figure 4.3), and former Canadian Prime Minister Paul Martin were all speakers. In

September 2014, I attended SOCAP, taking in three and a half days of sessions about how to expand the “intersection of money and meaning.” SOCAP was a veritable who’s-who of the industry figures I had spent the past year reading and hearing about from my research participants. By this time, I was more seasoned to the industry’s trends, more able to ask pointed questions and understand the context of the presentations and conversations I witnessed. Thus the bulk of the empirics analyzed in this section focus on SOCAP, exploring how various actors participated in the conference-circuit narration of conscious capitalism.

Figure 4.3: Jason Kenney speaking at SEWF 2013
Photograph by the author

4.2.1 "Breaking good"

Catherine Hoke was selected from dozens of other applicants to pitch her new social enterprise, Defy Ventures, on the SOCAP 2014 main stage.[36] Defy is an "entrepreneurship, employment, and character training program" for formerly incarcerated people, with a special interest in former drug dealers and gang leaders (Defy Ventures, 2017). To begin Hoke's SOCAP pitch, which she called "Breaking Good," the lights in the hall were dimmed and a short video introduced Defy's platform. "100 million Americans have criminal histories," the text read, with pop music echoing throughout the hall where hundreds of chairs were about half filled. The video cut to an image of Hoke leading an ice-breaker exercise between a group of formerly incarcerated men (now "entrepreneurs in training," or EITs) and a group of corporate leaders, prospective EIT mentors. Corporate mentors and EITs in suits faced each other in a conference room, divided by a line of masking tape on the floor. "I like hip-hop music," Hoke said over a microphone. Those who agreed with the statement (nearly everyone in the room) were instructed to take a step closer to each other. "I like the Yankees." More steps forward; quiet laughter as others smirked and retreated. "I heard gunshots in my neighborhood growing up," Hoke intoned loudly, expressionlessly. The camera pivoted to a Black EIT in a blue collared shirt taking a step forward as two white women next to him backed away from the line.

The video switched to an interview with an EIT. "People actually rely on me now," said Lasyah Palmer, identified on screen as having served 21 years in prison. "And that's a beautiful thing, from my wife…" – he paused, swallowed and blinked rapidly as his voice

[36] A recording of the presentation analyzed in this section is available here: https://www.youtube.com/watch?v=JgEnzQ9EnKU&index=11&list=PLJw5R-2X_x2vzCzy6Eed_-8eQRa6eG_Mf (Accessed June 6, 2017).

cracked – "…and, my kids." The text displaying his prison terms dissolved into his new affiliation: "Defy Grad and CEO of LegalTech." Next the frame cut to a shot of Duncan Niederauer, CEO of the New York Stock Exchange, standing above the trading floor flanked by three Defy graduates. "If one of the models of being a CEO and a leader is to help…not give a hand out but give a hand up to people who are willing to help themselves, and really find a way to pay it forward, I think it's a no-brainer," Niederauer said.

As the video ended, Hoke herself strode onto the SOCAP stage. A white woman in her late 30s, she was wearing tall heels and a black and white striped dress. "I came sporting my jailbird uniform so I'm easily recognizable throughout the rest of the day, in case you have any questions" she joked to the audience, hinting at the investments she hoped would result from her presentation. For the next 50 minutes Hoke pitched Defy to the room. She began with her path to founding the company: a graduate of the University of California-Berkeley, she was hired straight to a venture capital firm in Palo Alto, and then as director of investment development for a private equity fund. In between, Hoke says, she had "a profound faith experience" and became a Christian. "I had this brand new heart for injustice," but she didn't know what to do with it. "I wanted to be able to combine my business negotiation and deal-hustling skills with my new heart for injustice." When she was 27, a friend from JP Morgan Chase invited her to "go to prison" in Texas through a program that took business executives on tours of state penitentiaries. Hoke described her reaction to meeting the inmates. "I went there [to prison] thinking that maybe I was going there on a zoo tour to see some wild caged-up animals. And when I arrived there I felt convicted over the ugliness of my own heart. I felt so ashamed." In talking to the inmates, Hoke says, she realized that many former drug dealers had skills in management, sales, marketing, quality control, and bookkeeping – "everything except risk management," she joked. Inspired by these inmates, she started Defy Ventures with her own start-up capital. The mission: "transform the hustle" by "incubating" the entrepreneurship of formerly incarcerated people. In exchange for a one-time or monthly subscription fee, Defy Ventures provides EITs with corporate mentors, crash courses in business, and opportunities to compete for start-up capital.

What Hoke didn't mention yet is that Defy is not her first startup, nor her first experience teaching prisoners to become entrepreneurs. After visiting the Texas state penitentiary, she moved there and founded Prison Entrepreneurship Partners (PEP), a program that taught inmates business skills before they were released from prison. The program had 500 graduates in five years, whose recidivism rate of 10% was remarkably reduced from non-graduates' rate of 40%. 60 of PEP's alumni founded their own businesses. But in 2009 Hoke admitted to her volunteer staff that she had had "improper relationships" with four PEP participants. The Texas Department of Criminal Justice, which has strict policies against personal involvement between inmates and volunteers, launched an investigation. Hoke was ultimately barred from Texas penitentiaries and forced to resign from PEP (Frieswick, 2012). It was the lowest point in her life, she often says in interviews. But, she adds, her community helped her pick up her life and put it back together. "I got over a thousand e-mails from people of love and support." After a period of soul searching, she moved back to New York City to found Defy Ventures.

After her opening pitch, Hoke shared this story with the SOCAP audience, using it to pose the question of "What it would be like if you were known for the worst thing you ever did in your life?" By describing her own story and path to redemption, she suggested to the audience that formerly incarcerated people should also be given a chance to build a new reputation. She showed how her own ability to turn her life around was contingent on the support of others, and then asked the audience to provide the same support for Defy's EITs.

Hoke ended her SOCAP presentation by bringing three Defy graduates on stage so the audience could "hear their stories and celebrate their transformation." The EITs were going to be nervous about talking about some of the worst things they had done, she reminded the audience, asking for an enthusiastic welcome. Three men of color in business suits joined Hoke next to the podium. She introduced the audience to Coss Marte, 28, Founder and CEO of Coss Athletics. At age 19 he was running one of the top drug delivery businesses in Manhattan, making over $2 million USD a year. Next was Jamel Graham, 31, founder of a computer repair company, TechwayNY, which services low-income neighborhoods. Beginning at age 14, he served prison time for drug sales and robberies. Last was Lasyah Palmer. He was then 45 and had served 21 years in prison for armed robberies in diamond districts across the country. Now he creates complaint management and lawsuit insulation services for businesses.

Hoke quizzed the EITs on their stories and backgrounds and also interpreted their comments for the audience, noting that it is common for EITs to have parents who died of AIDS, to have used guns to "protect themselves" from poverty, or to have sold drugs at a young age. She reiterated that the audience's presence and support "makes the EITs feel human again." At a second SOCAP presentation the next day, she brought the men on stage again and introduced them as coming from communities where "a strong sense of entitlement is a problem." Internet searches for Defy yield images of Hoke surrounded by men of color snarling comically (an allusion to their criminal pasts) and holding signs that say "I ♥ Defy" and "Hustling Harder and Smarter." The organization's website describes the typical EIT:

> Defy EITs only survive when they bring significant commitment, ambition and discipline to Defy's table. Each week, they juggle three training sessions, entrepreneurial assignments, extracurricular reading, exams, and tough contests. All are held to the highest professional and personal standards. Most EITs also hold down jobs, have kids and families, and struggle financially—but they're willing to invest in their futures (Defy Ventures, 2016).

Hoke herself demonstrates deep compassion for EITs, inmates, and formerly incarcerated people. Defy's website lists facts about the "racial injustice" and "immeasurable human costs" of mass incarceration. Photos of EITs that have become successful business owners reframe formerly incarcerated people as productive members of society, running legal and legitimate enterprises. Prisoners note that they form long-term relationships with their corporate mentors, who "treat us like human beings and not like ex-felons" (quoted in Retkwa, 2015). Yet Hoke's SOCAP presentations and Defy's website rely on familiar tropes about poverty. The "hustle" of struggling financially while "investing" in one's future is portrayed as an antidote to the "sense of entitlement" that Hoke located in the poor communities where most EITs were born. To sell Defy as both a worthy investment and a legitimate poverty intervention, Hoke must demonstrate that EITs are held to high standards, that she is not using investor capital for gifts or "handouts" to formerly-incarcerated people. EITs pay tuition so they have "skin in the game." EIT tuition, Hoke explains, allows participants to feel like they are investing in their future: "we're breaking the welfare mentality," she says (Dahl, 2014). They take random drug tests, must show remorse over their crimes, and work hard. One EIT noted that out of 50 who started in her program in September, 2014, only seven remained by the spring (Retwka, 2015). Thus, Defy relies on a large population of formerly-incarcerated people to ensure the success of its business model.

People who don't make it in the program can be replaced by attrition with those who will "hustle" harder. The supply of clients is provided by the captive, incarcerated audience of the US prison-industrial complex.

Defy is registered as a 501(c)(3) nonprofit organization, but Hoke referred to it as a social enterprise.[37] While Defy was initially 100% funded by philanthropic grants and Hoke's own money, it has now received $700,000 in program-related investments, which are US Internal Revenue Service-approved below-market loans made by charitable foundations to support social causes.[38] Defy's interest rate on its loan is 2% per annum. When Hoke pitched Defy at SOCAP in 2014, her investor prospectus stated that she was seeking an additional $3,000,000 in funding from foundations and impact investors. Defy generates revenue by charging EITs for tuition (a sliding scale of $600 to $6000), charging graduates for "entrepreneur incubation" ($100/month) and charging membership fees from corporate mentors. Defy pays its loans with these revenue streams. Significantly, investor returns are not tied to the program's social results (for example, to numbers of EITs that found profitable businesses or recidivism rates). Instead, payments to investors depend on Defy's ability to recruit formerly incarcerated people into the program and, more recently, the sale of Defy programs to corrections [criminal justice and prison] departments in several states (Retkwa, 2015; Defy Ventures, 2017). At SOCAP 2014, Hoke estimated that Defy would break even in early 2017.

[37] This may have been a rhetorical strategy to assure potential investors of Defy's attention to its bottom line. Many initially nonprofit social entrepreneurs have created spin-off, for-profit platforms, as I discuss in Section 4.2.2.

[38] Recent changes in US tax code now allow foundations to count program-related investments as part of their mandated yearly spending of 5% of their endowments (Examples of Program-Related Investments, 2012). This means that Defy's foundation investors can count these investments in the same category as grant funding – as a philanthropic expenditure, despite receiving repayments from Defy with interest.

In 2014, Defy spent $299,764 on compensation for current officers and employees and $608,384 on "other salaries and wages" (Defy Ventures, 2014). That same year, Hoke was named one of Fast Company's 100 most creative people in business (Fast Company, 2014). Her next goal is to "adopt a blended-learning, online-offline model to make the program more scalable, and therefore have bigger impact" (Defy Investor Prospectus, 2014). And she has been remarkably successful in achieving these goals. In 2015 and 2016 Hoke returned to SOCAP to serve as an example to other social entrepreneurs of what a SOCAP pitch could do for their causes. Defy has now secured $8 million in investments, is launching an online program, and has expanded into 11 California prisons with a contract from the California Department of Corrections and Rehabilitation, which pays $500 per inmate for Defy's programming (SOCAP, 2016). It has also expanded into the New York State correctional system, including the notorious Riker's Island Prison Complex, New York City's main jail. Defy's statement of social impact claims 1000+ currently incarcerated EITs served, 525 formerly incarcerated EITs served, the "incubation" of 150 startups, and a recidivism rate of 3% (Defy Ventures, 2017).

Catherine Hoke's reputation – which is based on her experience in venture capital, her claims of moral and religious motivations, and her story of personal redemption – is central to Defy's success in attracting investments. Her credentials in finance solidify her position as an expert in market logics. Meanwhile, her biography as a businessperson and hedge fund manager undergirds how she can be framed in the social finance industry as a creative thinker, able to recognize the traits of entrepreneurship in people whose former means of subsistence is often understood as ad-hoc, informal, and morally bankrupt. Hoke's intervention, a short-term mentorship and unaccredited, fee-based education for prisoners and formerly-incarcerated people, is derived from business understandings of what poor people need, rather than cutting-edge poverty research. Interventions like Hoke's are rooted in anti-poverty ideologies that have focused on individual self-betterment for over a century (Goldstein, 2012; Katz, 2015). Similarly, many other SOCAP presentations showed that innovation manifests more in platforms and financing structures than innovations in solving social problems.

4.2.2 Big ideas in ethical finance

Across the stages of SOCAP 2014, presenters worked to explain how ideals of social good would tame market forces. In "Reject the System: Disruptive Giving," the audience was presented with examples of entrepreneurs whose platforms "inspire donors to become activists and storytellers in unique and unprecedented ways." The first speaker, Pamela Hawley, introduced herself as "Philanthropy Girl." She talked at length about her privileged upbringing and how this world was shattered with a trip to Mexico, where, at age 12, she encountered poverty for the first time. Her platform, Universal Giving, vets philanthropic causes, providing potential donors with information on the missions, finances, and governance of charitable organizations. Universal Giving is also a portal for charitable giving, and channels 100% of donations directly to philanthropic causes. Hawley refers to her model as "experiential philanthropy." At SOCAP, she defined philanthropy as "a love of people, not a giving of money." Beyond money, she noted, philanthropy is about telling a story that will “empower donors to make their donations their own.” She blogs almost daily on themes of “living and giving.”[39]

UniversalGiving is a registered 501(c)3 nonprofit that vets charitable causes to identify the “top performing, most competitive” philanthropic causes. “All projects are vetted through UniversalGiving's trademarked, proprietary Quality Model.™ 100% of each donation goes directly to the cause” (UniversalGiving, 2012) Below this description was a summary of the other part of Hawley’s work, UniversalGiving Corporate. “UniversalGiving Corporate is a customized [for-profit] service helping Fortune 500 companies scale their Corporate Social Responsibility programs worldwide” (UniversalGiving, 2014). Clients include Cisco, Gap, the US Bureau of Economic Analysis, MTV, and Symantec. Hawley made $78,000 in 2014 as the Founder and CEO of UniversalGiving, in addition to an unknown amount of compensation from UniversalGiving Corporate (UniversalGiving, 2014). As noted above, this business model is typical of many social enterprises – a nonprofit idea that evolves into a for-profit platform. The next speaker, Eric Harr, CEO of the mobile platform Make a Stand, also followed this model.

Harr, a former social media promoter in Silicon Valley, introduced himself as “a CEO with the world’s best boss.” The boss is Vivienne Harr, Eric’s daughter, who was ten years old when she gave a keynote speech at SOCAP 2014. At age eight, Vivienne saw a photo of child slaves. She sold lemonade in front of her house every day for a year to raise money to end child slavery. Her father’s LinkedIn profile[40] states: “When Eric’s 8-year-old daughter Vivienne set up a lemonade stand to end child slavery, Eric amplified her story through influencer engagement and via social and traditional media, generating over two billion

[39] https://pamelahawley.wordpress.com/ (Accessed June 4, 2017).
[40] https://www.linkedin.com/in/ericharr/ (Accessed May 18, 2017).

media impressions. At 9, she rang the bell at Twitter's IPO [initial public offering]." Harr turned Vivienne's lemonade stand into Make a Stand, a corporation selling lemonade with a "vision" of freeing all 18 million enslaved children worldwide.

The company was sold within two years. Make a Stand's webpage (now defunct) informed me, in fine print, that Make a Stand had been a for-profit company sending 5% of its profits to organizations that work against slavery.[41] Eric Harr went on to found STAND Technologies, which by June 2015 had raised $2.25 million in equity funding from investors including the co-founders of Twitter and Square, Citi Ventures, and a group of venture capital firms (Crunchbase Inc., 2017). STAND was going to create a mobile platform to allow online crowdfunding for philanthropic causes. But by June 2016, after raising $3 million, the company was out of business. According to LinkedIn, Harr has now co-founded Imagine Ventures, a "global accelerator + impact venture fund that forms one of the world's largest ecosystems of for-profit, for-purpose companies with innovative solutions to humanity's most pressing problems."

4.2.3 Contradictions at the heart of money and meaning

At SOCAP 2014, certain panelists seemed to be moving toward the perspective that simply claiming good intentions or expertise in certain areas of poverty alleviation would not, in itself, ensure ethical outcomes. On the "Meaning" stage, a panel was organized to discuss how so-called "vibrant communities" could be created from social finance

[41] A version of the website can be viewed here: https://mkt.com/make-a-stand-inc (Accessed August 22, 2017).

investments that incorporated community ownership and governance.[42] Andrea Armeni from Transform Finance, an organization that advocates for communities targeted by impact investors, called for the integration of communities' own definitions of social impact into the structure of investment deals. He called this a "social license [for investors] to operate." The moderator, Steven Wright from the Grameen Foundation,[43] questioned Armeni's invocation of social justice: "[What] do you mean by a social justice investing approach? Because the first time you said that, it stood out to me. I've never heard those used in the same sentence before." In reply, Armeni offered a story:

> I'll give you an example that has been touted as of one of the most successful impact investments out there. It has to do with small communities in southern Mexico, on indigenous lands. The investment in this case was a wind project, which was financed by a group of European investors, mostly Spanish and French energy developers. It actually produced excellent profits. Which, you might say, "what's not to love? That's what impact investing is all about." Renewable energy, on indigenous lands, that actually produces profits. And I went to visit that community a few years later, when it had supposedly been such a great example of impact investing, and the communities were in worse shape than they were before the investment came in. They had lost their land, because they had been largely swindled into giving it up for 50 cents per acre, for this wind farm…with the backing of the Mexican government…They were protesting against this, putting up barricades, there were fights in the streets, and you say, wait a second, is this really the kind of face of impact investing that we want to see? Is the promise of impact investing? Proceeds and profits flowing back to Europe, folks in the US feeling great about this because it is green, renewable energy and we've helped these poor communities and the community itself being in worse shape…
>
> But how would this have looked different if the community had been involved? In the design, in the governance, in the ownership, all these things?

[42] A recording of this panel is available at https://www.youtube.com/watch?v=0SovwPSJpxE&t=2196s&index=16&list=PLJw5R-2X_x2vzCzy6Eed_-8eQRa6eG_Mf (Accessed June 6, 2017).

[43] The Grameen Foundation is a US-based entity associated with the Grameen Bank, which was founded in the 1970s by Professor Muhammad Yunus to provide microloans to poor Bangladeshis. The bank and foundation have now expanded their operations worldwide.

This, Armeni said, is what he meant by a social justice approach: ensuring that communities had control over the deals made by capitalists from outside the community, and ensuring that most proceeds from impact investing deals would remain within the community. "So one of the things I hear you saying," said Wright, "is that the community needs an advocate." Armeni paused. "No. The community doesn't need an advocate. The community needs a space to make its voice heard."

How to represent the interests of social finance's intended beneficiaries was a point of discussion in several SOCAP 2014 sessions, and continues to plague the industry at large. In many ways, social finance is a step backwards from trends toward community control over community development. Communities cannot set social finance investment contracts in their own terms – not only must they satisfy financial due diligence, but they also need to play to the specific interests and social goals of funders. It is significant but not unsurprising, then, that clients of social finance tend to hail from the worlds of professionalized community development (Newman and Lake, 2006), rather than more grassroots organizations. Established – and especially place-based – community development organizations had a minimal presence at the events I observed. At the large conferences, in particular, invited speakers tended to hail from service providers piloting new, "innovative," or "disruptive" (business) models of poverty alleviation. Philanthropic foundations and community development financial institutions, the traditional 'bankers' of anti-poverty programs, had a comparatively large presence. These organizations saw opportunities to attract new capital sources to channel to service providers.

It is, perhaps, also significant that the term social justice was deemed an unfamiliar concept when it came up on the "Meaning" stage. Rather than justice, the rhetoric of

SOCAP tended to revolve around public benefits, social good, social change, and social impact. But few industry actors claim that social finance is a change in social relations. Instead, it marks an attempt to shift the social framing or social function of finance. Power relations between investors and beneficiaries remain undisrupted – the professed disruption is to finance itself.

SOCAP's program booklet portrayed poor people as a source of information for potential investors. Investors and beneficiaries were framed as existing in a relationship, with few references to the power dynamics of this relationship:

> It hasn't been the norm to teach listening to poor people as the path to profit in [business] school, but that's what it takes for this financial inclusion sector that is taking off like a rocket…There is often a difference between our intent and our impact; between our motivation and hope behind our actions, and how our actions change the lives of those around us. That's why our theme is vibrant communities this year; positive impact has to do with relationships, it happens in a specific place, and it happens to all of us if it's going to happen for any of us.

Alongside this call for listening, the session descriptions in the program guide focused on person- and place-specific (rather than structural) poverty solutions (Katz, 2015). Examples included "building local self-reliance, incentivizing investment in underserved communities, building resilience in individuals, behavior-changing interventions, character training, and encouraging savings." And in the SEWF and SOCAP sessions I attended, audience questions revolved more around financial models and investor risk tolerance than the details of various platforms' social impact. Sessions with speakers from large financial institutions drew especially large audiences. I found that corporate financial literacy was a highly-coveted skill among investors, entrepreneurs, and intermediaries alike.

4.3 Big finance goes social

As a SOCAP volunteer I was assigned two tasks: badge checking and setup/breakdown. My badge checking duties happened at evening social events. With my fellow volunteers I stood at the entrance of Fort Mason Center greeting hundreds of conference attendees who flocked into the atrium after the requisite San Francisco food truck dinner outside the building. In the course of my duties, I struck up a conversation with an advisor to a microfinance foundation. He was meeting potential investors and collaborators who had flown in for SOCAP, and asked me about my reasons for attending the conference. I told him I was interested in the "end user" of impact – the people whose lives social impact investors hoped to improve. He expressed surprise. "Not many people are asking questions like that."

It turned out that he and one of my fellow volunteers knew someone in common, one of the volunteer's classmates from business school, who had done a summer internship with the microfinance foundation. "She's fabulous," the foundation advisor cried. "We'd love to hire her but I told her she has to go work for Goldman [Sachs] for a few years first." He explained that this woman and her cohort of would-be social entrepreneurs needed experience at a big investment bank for two reasons: to develop a robust knowledge of finance and how the big firms operated, and for legitimacy. As Catherine Hoke's entrepreneurial journey shows, a central way social ventures and platforms gain legitimacy in the eyes of investors is through the credentials of their managers.

The influence of big finance was on display at a SOCAP session dedicated to major wealth platforms. It was called "Too Big Not to Help: Financial Industry Players Making a

Difference."[44] Representatives from Bank of America-Merrill Lynch, Morgan Stanley, U.S. Trust, Deutsche Bank, and Goldman Sachs sat before a packed auditorium, fielding questions about what drove their investment decisions. "Investor willingness," was Deutsche Bank's answer. "These clients focus on profit-making, not profit maximizing." Audience members scrambled to learn how the big investment banks wanted social impact quantified. The answer was standardization. All speakers on stage emphasized that standardization would allow them to compare performance between investments. U.S. Trust called it the key to the future. The big banks reported that they were interested in transitioning away from screening investments for negative externalities to actively measuring and reporting impact. Unlike many other panel participants, these large financial industry players did not speak in terms of innovation and creativity. Instead, they rehashed the tenets of investment: business plans, management credentials, evaluation standards.

The presence of big finance appeared to lend legitimacy to SOCAP. American Express was a first-time sponsor at the 2014 conference. The program guide heralded the significance of this:

> We are also excited that we have a major US-based financial services company as a sponsor this year. This is a company that isn't here just for CSR, or PR, showing off pilot feel good projects around the edges. The big financial services have real revenue targets around software, services, and products that make money helping reduce the cost of being poor. It's a place where justice and the market overlap to potentially create great financial returns.

Such endorsements from major financial players are highlighted prominently in session descriptions and sponsor lists at social finance conventions. These endorsements show

[44] A recording of this panel is available at https://www.youtube.com/watch?v=HGlNPwcZxLo&t=185s&index=47&list=PLJw5R-2X_x2vzCzy6Eed_-8eQRa6eG_Mf (Accessed June 6, 2017).

market-makers that big finance is paying attention to social finance. The project of dismantling conceptual barriers between profit and social good allows big finance to act as a partner for positive social change, using conferences like SOCAP as an expression of corporate social responsibility while maintaining influence over the trajectory of this emerging investment class.

4.3.1 Structuring deals

Under the US Securities Act of 1933, "a company that offers or sells its securities must register the securities with the Securities and Exchange Commission or find an exemption from the registration requirements" (United States Securities and Exchange Commission, 2014). One such exemption is that a company may sell securities to "accredited investors," defined in Rule 501 of the Act as people who can "bear the economic risk of investing in unregistered securities" (United States Securities and Exchange Commission, 2013). To gain accreditation, an individual must earn in excess of $200,000 USD per year ($300,000 with a spouse) for two years or have a net worth of over $1 million. Banks, trusts, nonprofits, corporations, and partnerships can also be accredited investors. At SOCAP, dozens of closed-door sessions and meetings for accredited investors were held parallel to the sessions listed in the program guide.[45] Despite the existence of platforms attempting to use financial innovation to sell social finance products to unaccredited retail investors, most social finance funds are still marketed to accredited investors.[46] This means

[45]A few of these closed sessions were noted in the program guide, but conference participants informed me that there were many others off-book. Additionally, meetings with representatives from various funds were arranged ad-hoc during the conference.
[46]Phone interview, senior manager, Bank of America-Merrill, March 2014.

that investors tend to be investment banks, institutional investors like pension funds, philanthropic foundations, and so-called high net worth individuals (HNWI).

The investor prospectus for one such investment, which I learned about at SOCAP and have masked here, provides a view of the necessary economism of translating social finance's utopian ideals into actual investment products. The fund, which sought tens of millions of dollars in investments, had a minimum investment of several hundred thousand dollars and a 4.0% yearly fixed return. This rate is quite competitive in the contemporary context of rock-bottom interest rates. The fund was marketed as a well-researched, moderate-risk, benevolent, and cutting edge fund that would allow poor people to "share in the benefits of the global marketplace." Sectors that the fund determined were the best targets for debt financing included financial services, energy, and health. Debt financing from this fund, a prospectus stated, would be directed at social enterprises with an explicit social mission, high ethical standards, fair and transparent pricing, quality services, recourse for client complaints, and adherence to the applicable regulatory and safety standards.

Part of the fund's stated purpose was to demonstrate how the Global North social finance industry could learn from microfinance. The fund would use investments in microfinance institutions to moderate portfolio risk. Other risk protection structures included a principal protection guarantee.[47] Organizations selected for investments would have to be profitable or on a clear path to achieving profitability, with an annual revenue of several hundred thousand dollars and a track record of several years. These organizations also had to have strong management teams and business models focused on "innovative and long-lasting solutions to issues facing the poor."

[47] This is a guarantee that if borrowers default, a percentage of investors' capital will still be repaid by the fund owner.

In the fund's prospectus, "the poor" were defined by geography (largely sub-Saharan Africa and Asia) and by categories of social need. General statistics about poverty were used to illustrate market opportunities: approximately 2.5 billion people globally lack access to formal financial services, over 2 billion people lack access to surgical care, and 400 million people in live without electricity in India alone. Marketing the fund also involved giving examples of investable social enterprises that would address these social needs. Potential social impact was defined in terms of client-based quantitative metrics, such as customers served, students benefitted, or people whose quality of life had been improved. While places like India and Africa were referenced as the locations of widespread poverty and health problems, the fund made no promises that its investments would address any specific problems and geographies. The firm's investment strategists would make the ultimate investment decisions.

The fund contained no mechanism for determining if and to what extent social problems or poverty would be improved, similar to what Roy (2010) observed in the ratings practices of the microfinance industry. "The need to prove financial worthiness" (Roy, 2010, 51) takes precedence over the need to prove that poor people will benefit. Though the fund I analyze here was marketed as ethically "discerning," ethics would be guided by the fund owner's voluntary adherence to a code of conduct inspired by the Client Protection Principles used in the microfinance sector. This, the fund prospectus noted, provided an (unspecified) baseline of moral/ethical standards for the companies and causes in which the fund would be invested. Here, it is revealed that claims about the worthiness of social causes and the effects of social impact investments require less robust assurances than do their financial structures. The work of building a new moral façade for what, in many cases, is simply a capital investment in a growth opportunity, retains an economic calculus at its core. While the fund analyzed here is simply one example of a heterogeneous universe of financial practices, it reflects the research discussed in Chapter 3 about what types of poverty interventions attract market-rate social finance investments.

4.3.2 Due diligence

I pursued interviews with the owners and managers of social impact investments through every turn of my fieldwork, hoping to question them about how and whether social finance investment decision-making differs from that of "traditional" investments. Emailing contacts listed for social finance departments at large financial institutions yielded zero replies. Every interview I secured with someone who worked at an asset owner (in my case, philanthropic foundations or large financial institutions like investment banks) came because I approached them at an industry event. My association with the community development organizations described in Chapters 5 and 6 was vital in this respect, facilitating access to events I would not have known about otherwise. I had better luck cold emailing asset managers – nonprofit or for-profit firms that use social impact investors' capital to make loans to nonprofit social service providers or social enterprises. I visited several asset managers' offices, but all but one of my interviews with asset owners occurred by phone or outside of their offices. I only made it into one proper Manhattan office – JP Morgan Chase.

The JP Morgan Social Finance business line is a prominent one in the social finance marketplace, sending speakers to nearly every industry event I attended. My interview participant from the bank, a manager from the social finance business unit, confirmed that impact investments received the same due diligence as traditional investing. When I inquired how social impact was determined, she replied that the firm relied on established third-party evaluators to track social outcomes. But she did make some visits to project sites, she revealed. A few times per year she visited projects in one of the company's international locations, rotating between sites every several years.[48]

In terms of financial due diligence, all of my interviewees confirmed that it was as rigorous, if not more so, than their standards for "traditional" investing. A senior director of the JP Morgan Chase Foundation said in a February 2014 interview that the foundation's activities were directly related to "what the bank does as a business: increasing financial capacity, workforce readiness, and the growth of partnerships." He said JP Morgan Chase would soon be implementing a new results framework that would make sense to both nonprofit organizations *and* banks. When I asked him to describe the models, he revealed that they were based on traditional return on investment calculations.[49] Similarly, a managing director from Bank of America Merrill Lynch's social finance business said in an interview that the profit imperatives of social impact investing bring accountability – an "incentive to *make sure* there is an outcome."[50] His firm used a template with 24 quantitative measures of social impact to assess potential investments. "Most people want to be impactful," he noted, "but they don't know you can do it with money that you already move around."

Asset managers had similar responses to my questions about how due diligence and risk management work in social finance. An investment strategist at a San Francisco-based impact investing asset manager noted in an interview that the firm's due diligence and

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[48] Personal interview, manager, JP Morgan Chase. New York, NY, March 2014.
[49] Phone interview, senior manager, JP Morgan Chase Foundation, February 2014.
[50] Phone interview, senior manager, Bank of America-Merrill, March 2014.

portfolio management for impact investing is "almost identical" to traditional investments. She noted that social impact investing simply requires additional assessment.[51] Similarly, an investment manager at a nonprofit social finance asset manager in Washington DC noted that the firm conducted rigorous financial due diligence on prospective investments – more rigorous, he admitted, than the screening of potential investments' social impacts. His firm "lacked capacity" for large-scale or longitudinal social impact assessments, which meant they largely relied on potential borrowers to self-report the details of their social change missions. However, the financial and management details of potential investments underwent a minimum of three months of underwriting. This meant his organization tended to lend to well-established providers of social services, who could demonstrate a balance sheet and management team that would satisfy the underwriting process.[52]

He mentioned that the risky nature of social impact investing also meant that his organization tended to partner with large banks to "get investments into low-income communities." These banks use such investments to satisfy federal requirements to invest capital in "underserved" communities. But the need to control risk and provide a certain return meant, he said, that these investments were not going to serve "the poorest of the poor."[53] An interview participant who did investment strategy for a nonprofit lender and had previously worked for a Wall Street investment bank had a similar perspective. She thought that large banks saw social finance "very much as a commercial product, with the attendant competitive returns on investment."

> So then you need to hit the 5% hurdle. Well, what if, you know, it only returns 2-3% but it's got a huge potential social impact? If Goldman's business model

[51] Personal Interview, investment strategist, social impact investing firm. San Francisco Bay Area, June 2014.
[52] Personal interview, manager, mid-sized, nonprofit impact investing firm. Washington, DC, February 2014.
[53] Personal interview, manager, mid-sized, nonprofit impact investing firm. Washington, DC, February 2014.

> becomes the model of social impact investment, you might see a world where you don't see 2-3% financially returning deals being done. Same thing with maybe Morgan Stanley or others who basically say "this is my version of social impact" and they have so many foot soldiers on the ground who can sell that vision, that that sort of ends up hijacking the entire debate.[54]

4.3.3 Translation

The investment strategist quoted above emphasized the need to communicate social impact in a way that the financial industry could understand:

> When I first came here and I looked at the energy report that we generate, everything was in kilowatts. And everything was in language I could not understand. And I was a banker and I still did not understand. And I said to the person that was running the program, "you've got to translate all this to dollars for me. Tell me how much in terms of dollars you're saving by providing your service."[55]

How to quantify, prove, and legitimate the "social impacts" of ethical investments is an unresolved debate in the field. In terms of auditing, the social finance industry's move to align investment portfolios and charitable missions has precipitated the growth of evaluation frameworks seeking to standardize social outcomes so different investments can be compared. Evaluation frameworks perform financial legitimacy for potential investors, and also for government. Several catalogs of performance metrics vied for industry dominance until the mid-2000s, until the Impact Reporting and Investment Standards (IRIS) overwhelmed the market influence of the others. IRIS was developed by The Rockefeller Foundation with support from Hitachi, Deloitte, and PricewaterhouseCoopers in 2008 (Global Impact Investing Network, 2017a) and Deloitte has maintained influence over the

[54] Personal interview, manager, nonprofit financial institution. New York, NY, February 2014.
[55] Personal interview, manager, nonprofit financial institution. New York, NY, February 2014.

framework through acquiring the Monitor Institute, a "social change consultancy" that helps create IRIS categories,

IRIS is a calculative tool meant to help investors vet potential investees' claims about the social changes the latter are creating. In the words of the Rockefeller Foundation, "without standards and ratings, investors can't distinguish between good investments and bad ones" (quoted in Bugg-Levine et al., 2012). As I observed at SEWF and SOCAP, and as my interview participants noted, financial institutions are calling for consistent metrics and IRIS responds by attempting to be the valuation standard for the entire social finance industry. But even IRIS has not been implemented on a wide scale. Institutions like Bank of America-Merrill Lynch, for example, have their own, internal social impact templates.[56] KPMG has a "true value methodology."[57] Sometimes, my interview participants reported, these institutions will become IRIS-certified for legitimacy but still rely primarily on their own institution-specific standards for what profitable social change should look like.

As sociologist Emily Barman (2017) shows, the huge variety of organizations that claim to have a social mission leads to difficulties in defining categories of social value and social change. IRIS attempts to address this by creating a standardized terminology for the valuation of social change. Nonprofits and social enterprises self-report their social metrics annually, choosing from over 400 possible categories that IRIS defines. This reporting standard is intended to allow investors to "compare investments across their peers – a capacity that proved central in the growth of mainstream venture capital and private equity" (Godeke and Pomares, 2009, 122).

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[56]Phone interview, senior manager, Bank of America-Merrill, March 2014.
[57] I participated in a December 2014 webinar in which this methodology was presented.

Building on IRIS indicators, Rockefeller and the Monitor Institute developed another calculative tool: the Global Impact Investing Rating System (GIIRS). The intent of this system is to "rate" the social value generated by nonprofits and social enterprises in similar ways that credit rating agencies like Moody's rate creditworthiness. GIIRS reduces the complexities and ambiguities of valuing the social aspects of impact investing to a number of stars (out of five) and a score out of one hundred (Barman, 2017). GIIRS also derives legitimacy from identifying itself as an independent, third-party, objective source of data. The upshot of these calculative tools is that the program results of nonprofits and social enterprises are being communicated more and more in the language of investments and finance. This is in line with banks' demands for social finance investments to abide by the same metrics as traditional investing.

4.4 Intermediaries: Serving and distinguishing the market

The intermediaries attempting to apply financial accounting techniques and standardization tools to the idea of social impact are key figures in expanding the possibilities for the circulation of ethical financial instruments. Like the actors described in the previous section, they also frequent social finance conferences and network between the public and private sectors. At the time of my fieldwork, debates were raging over how to measure social impact, whether it could be quantified, and how to do it.[58] Practitioners of social finance were also struggling to define the field itself. Where did social finance happen – did it include microfinance, or should investment sites in the Global North be thought of differently? Who could claim to be a social impact investor? Given federal moves to

[58] From a 2017 vantage point these debates are still unresolved.

incentivize the growth of the market in 2013 and 2014, intermediaries were anticipating an expansion in regulatory definitions of social finance, accompanied by new revenue streams.

On a frigid day in the winter of 2013, I sat in a conference room in a corporate office building where a global professional services firm I call VNG[59] was hosting a roundtable on social finance. As we ate our continental breakfast, the other visitors and I watched impact investments circulating the globe on large screens. Maps with arrows showed capital flowing from the US to various other places; tweets about the social changes attached to flows of capital popped up if viewers clicked on a certain location.

VNG had convened the meeting to suggest steps the federal government could take to support social impact investing. The firm had prepared several research reports and a lengthy presentation. Attendees at the meeting included representatives from the White House, federal government departments, a political action committee, impact investing asset managers, and an assortment of NGOs. While it was clear that VNG had hoped many representative of government would attend, this number was dwarfed by private and nonprofit attendees. A young woman from a federal agency later mentioned to me that this was the first time she'd represented her department at a meeting.[60]

At the meeting, VNG recommended changes to US federal policy to encourage investments in the social finance market, involving relaxing investment regulations, re-defining fiduciary duty to allow maximizing value beyond profit, and consolidating financial and non-financial impact standards through third-party auditing like IRIS. A senior member of the VNG team, who I later interviewed, had worked on the first SIB in the UK. She

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[59] I have masked the identity of this firm and organizations that participated in the meeting.
[60] Government was, I later learned, investigating the impact economy on its own terms. In the months before the VNG meeting, the Department of Housing and Urban Development (HUD) had been meeting with Wall Street investment banks to discuss future impact investment deals involving housing and social services.

declared that results-based goals grounded in social scientific measures were the only way to appeal to "big dollars with "major risk/return considerations" (that is, banks and institutional investors). When asked for an example of what sort of metrics these players sought, she suggested a "scientific measure" of the likelihood of neighborhood rioting as a good proxy measure for a less tangible social impact like community cohesion.[61]

Another VNG proposal was for the government to write federal tax code specific to social finance. Investors are worried about the tax implications of social impact investments because no federal guidelines or standardized regulations have been formulated for the sector. In light of these concerns, high net worth individuals make philanthropic investments through foundations – an older model – which, in the view of VNG and other leaders of the social finance sector, restricts the amount of capital flowing into the new "impact economy."

At one point at the VNG meeting, a representative from an international development finance firm spoke in response to a question about potential models for the growth of the domestic impact economy. She noted that a model for domestic social finance already existed: international development. Think about it, she told the other participants, we are already extending investments into places to effect social change. We are already collecting metrics and refining our policies and investments to maximize social impact. This has been happening in international development for decades. "I believe in policy transfer with a money return and social return around this money," she noted. Why couldn't this transfer be extended back to the origin of international development dollars: the US itself?

A man who had introduced himself as an independent impact investor spoke up. "People don't like talking about international development in US cities," he said. That

[61] Personal interview, VNG manager. November 2013.

narrative didn't align with the values of the traditional investing sector. He argued that the domestic narrative needed to be economic development, something that "isn't associated with development in the Third World." In response to modeling the US social finance sector on international development, an investor present at the VNG meeting also expressed concern: "Development consultants write copy-paste RFPs [requests for proposals] for all countries. They are just check boxes for receiving development funding. We don't want the US impact economy to look this way."

This exchange encapsulates a central problem for the makers of the American social finance industry: differentiating it, in both conceptual and technical terms, from microfinance. While microfinance, as Roy (2010) and Rankin (2013) have shown, enjoys widespread support from mainstream investment capital, social finance is still thought of as a high-risk and unproven sector. In the words of a member of the US National Advisory Board to the G8 Social Impact Investment Task Force, "most people assume it's a stupid idea that won't work." The task for the promulgators of the US social finance industry is to capitalize on positive associations with the microfinance industry while differentiating social finance beneficiaries from those of microfinance – poor, female micro-entrepreneurs in the Global South. This need to differentiate stems from an ever-present imaginary of poor people in the US as being unsuitable subjects for the type of direct loans made by microfinance institutions. The assumption that "the poor always pay back" (Roy, 2010) does not exist in the US context. Rather than images of hard-working women empowered by micro-loans, the image of poverty in the US is one of racialized dependency. Indeed, sessions at SOCAP and SEWF were peppered with comments about poor Americans' (and Canadians') culture of entitlement and dependency. Social finance solves this problem by shifting the investment site from poor person to anti-poverty services provided by nonprofit organizations or social enterprises. These organizations provide a buffer between investor capital and the assumed un-creditworthiness of the American poor.

Thus, re-framing the image of poverty in the Global North into a profitable sector where real social improvement can occur relies on a different sort of subject than the "promise of the poor woman" (Roy, 2010). At SOCAP and SEWF, the heart of the story is often the social entrepreneur, not the entrepreneurial poor. Social entrepreneurs tell stories of how they became aware of the extent of global poverty and inequality – a photo of child slaves, a trip to Mexico as an adolescent, a visit to a federal penitentiary – to mark their personal transformations from capitalists to conscious capitalists. These stories are not the bootstraps and empowerment narratives of the microfinance sector. The stories of American social entrepreneurs revolve around how they have created social good through their benevolence, innovative thinking, and creativity. Combined with financial innovation – capital stacking, innovative risk pricing, innovative metrics-making – these traits make the social entrepreneur into the face of a cause worthy of investment.

The industry frames these types of financial innovation as the opposite of existing forms of public finance for anti-poverty programs. Public finance is portrayed as insufficient and inefficient, funding failing government efforts to eradicate poverty that would be better ceded to the market. What practitioners call "unlocking" private capital for social finance often involves, somewhat ironically, reassuring potential investors that the government is *not* driving the definition of social needs and that an infrastructure of established, knowledgeable third-party service providers will ensure that the behavior of individual beneficiaries remains in line with generating investment returns. But such framings belie the sector's reliance on government. As the VNG meeting illustrates, government policy can constrain or "unlock" capital flows. In addition, social finance in many ways is proposing to serve as a private proxy welfare state. Thus, even if government no longer pays for or designs social interventions, it still facilitates private market activities in these areas.

4.5 Spaces of policymaking

Government has been interested in social finance from the start. Historically, the philanthropic sector has channeled huge amounts of private capital to social services, and social finance has the potential to expand this flow with new capital sources. As Judith Rodin (Figure 4.4), then-president of the Rockefeller Foundation, stated at SOCAP 2014, "philanthropy and government simply only have billions between us, yet private markets hold an estimated $210 trillion in capital."[62] Ideologically, the implication that the private sector can be a better social provider than government fits with the neoliberal ideology pushing marketized service models, framing government as merely a maker of policies that should nudge private savings and investments toward the public good. Former Prime Minister David Cameron, in 2013, emphasized this role at the G8 forum on social investment:

> "We've got a great idea here that can transform our societies, by using the power of finance to tackle the most difficult social problems. Problems that have frustrated government after government, country after country, generation after generation. Issues like drug abuse, youth unemployment, homelessness and even global poverty. The potential for social investment is that big. I want to make it a success in Britain and I want to sell it all over the world…And here government needs to help. Government needs to be more creative and innovative – saying to social entrepreneurs 'if you can solve the

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[62] A recording of this speech is available at https://www.youtube.com/watch?v=U5K3CRBkCRs&index=3&list=PLJw5R-2X_x2vzCzy6Eed_-8eQRa6eG_Mf (Accessed June 6, 2017).

> problem we'll give you money.' As soon as government says that, social entrepreneurs can go out and raise capital" (quoted in Levitt, 2014 111).

Judith Rodin highlighted the G8 recommendations in her speech at SOCAP 14, noting that "we will see an enormously important step to further systematize and globalize this movement." In 2014, the US National Advisory Board of the G8 Social Impact Investment Task Force produced a blueprint for US domestic impact investing policy, based on the international policy proposals formulated at the G8 meetings.

Figure 4.4: Judith Rodin speaking at SOCAP 2014
Image credit: Sumit Kohli, used with permission

At the National Advisory Board meeting, delegates endorsed by the US federal government presented a draft framework for domestic policymaking around social finance. Attendees included representatives from philanthropic foundations, universities, investment banks, think tanks, and nonprofit service providers. Representatives from several White

House offices and federal departments reflected wide government interest in the creation of policy to incentivize social finance deals.

While much of the discourse coming out of social finance conventions I observed framed government as an inefficient, underfunded service provider, other interlocutors framed government as a partner. For example, an interview participant who managed social finance portfolios at Bank of America Merrill-Lynch remarked that we "can't ignore the government side" in expanding the social finance marketplace, because government is "motivated for good."[63] Community development practitioners, too, knew that social finance is contextualized by a long history of government facilitation of privatized markets for anti-poverty interventions like subsidized housing.[64]

At the presentation of the proposed domestic social finance policy framework, a representative from the White House laid out the actions the Obama Administration was taking to support the market: $50 million allocated for the federal Pay-For-Success (SIB) program, a federal incentive fund for "outcome financing" in the fiscal year 2015 budget, and using social finance for public-private partnerships to create jobs and "revitalize" Detroit. A representative from a federal department emphasized that federal funds were not "subsidies" but "holistic innovation strategies," as the framing of government support of social finance was politically delicate in the austerity context of 2014. Similarly, at the Social Enterprise World Forum in Calgary, when an audience member asked Alison Redford, then-premier of Alberta, whether the province's social budget was cut to provide incubation capital for SIBs, she responded "it was not cut. It was convened."

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[63] Phone interview, senior manager, Bank of America-Merrill, March 2014.
[64] Phone interview, manager, nonprofit financial institution, February 2014.

At the US policy presentation, a manager of impact investing at a philanthropic foundation disagreed with these desires not to label government grants as subsidies. "Impact investing has a math problem," she said. "Subsidies are part of [what makes the math work]." She urged the group present at the meeting to "be realistic" about the function of government at this stage of market development. The role of government was to "allay investor fears [in order to] scale" the market. Another philanthropic foundation representative said "there is nothing new about layering capital." The scale of interest in social finance, the focus on data and impact, and federal subsidies for the sector might be new, she said, but foundations had been using seed and first-loss capital to insulate private losses for decades. But someone else redirected this question to a panelist representing a large investment bank. "You're the scale – tell us what you think." Like social entrepreneurs, policymakers must ensure that potential investors are satisfied if the social finance marketplace is to function.

4.5.1 Philanthropy in the time of social finance

As detailed in Chapter 1, philanthropic foundations are central players in the growth and development of social finance. Foundations are built on the idea that the negative social effects of capital accumulation can be offset by selectively redeploying profits for the public good – generating profits with one hand to pay for philanthropy with the other (Buffet, 2013). The three big American foundations (Ford, MacArthur, and Rockefeller) are all involved in building the market. Rockefeller claims to have coined the term 'social impact investing' and, at SOCAP 2014, Judith Rodin noted that "we at Rockefeller have invested nearly $50 million over the last seven years to building the architecture and the infrastructure for impact investing." As noted in Chapter 2, MacArthur is leading an effort to bring $100 million in social finance investments to its home city of Chicago. In his April 2017 announcement that the Ford Foundation would allocate $1 billion of its endowment to social impact investing, president Darren Walker called social finance a shift in the traditional philanthropic model. US tax code requires philanthropic foundations to spend five percent of their endowments on philanthropic initiatives annually, but does not regulate how the other 95% should be invested, beyond requiring that returns be maximized. Thus, foundation endowments are traditionally allocated to profit-maximizing investments blind to social impacts. But Walker (2017) proposed that foundations like Ford begin to use that 95% for social finance, not for traditional investments: "if philanthropy's last half-century was about optimizing the five percent, its next half-century will be about beginning to harness the 95% as well, carefully and creatively." This recognition of the "power" of foundation endowments has the potential to introduce billions of new dollars into the social finance marketplace.

Some foundations, like New York's FB Heron Foundation, have already embraced this type of "mission-only" investing strategy. After the 2008 global financial crisis, the leadership of the FB Heron Foundation began to reconsider the role of its 95% (FB Heron Foundation, 2016). Most of the investments the foundation made to generate revenues for grant-making had never been examined for their alignment with the foundation's mission of helping poor Americans out of poverty; the board concluded that this "contradiction" could no longer stand, declaring some of Heron's investments "may [have] inadvertently undermined mission success" (FB Heron Foundation, 2016). So the board decided to eliminate the foundation's conceptual barrier between grant-making and investing. As noted above, recent changes in the US tax code support this. Foundations are now permitted to count social impact investments as part of their obligatory annual endowment draw-down. Heron's view that all investments have a social impact, whether positive or negative, has led the foundation to view its investment strategy *as* its social mission.

Meanwhile, the New York-based Robin Hood Foundation, founded by hedge fund manager Paul Tudor Jones, has also moved to a 100% impact portfolio. Robin Hood, one of the leaders of the venture philanthropy movement, pursues what it calls "relentless monetization" of its investments by using metrics that converge with those used by the financial industry. The foundation "assign[s] dollar values to outcomes" and compares these outcomes to counterfactual estimates (Weinstein and Bradburd, 2013, 5). The foundation believes that applying investment principles to philanthropic grant-making will ensure the best possible use of resources and the best possible anti-poverty outcomes. The strategy is implemented by a board stacked with asset managers and investment bankers.

The logics behind Ford, Heron, and Robin Hoods' models are different, but they illustrate a growing consensus that capital provision is the highest and best use of philanthropic resources. Foundations are trying to transcend the quantitative limitations of grant funding by attempting to restructure their operations to avoid what SOCAP founder Kevin Jones (2012) noted in the quote that begins this chapter: "with philanthropy, you lose all the money." Additionally, transitioning grants to social finance allows foundations to recoup capital either from loan repayments or equity gains. This supports the foundation model of acting as a revolving or "sustainable" source of philanthropic funding. In framing investments as potential forms of philanthropy, and philanthropy as an investment, foundations also legitimate their use of large capital expenditures to support the growth of the social finance market. For example, Rockefeller spent millions to create IRIS and sponsor conferences like SOCAP, and the Bloomberg Foundation spent millions to insure Goldman Sachs' investment in the failed Rikers Island SIB (Porter, 2015). In the political economy of philanthropy under social finance, the boundaries between profit and charity – already blurred through a tax structure that allows wealthy donors to create their own social policy priorities through philanthropic foundations instead of funding priorities decided by elected governments (Gilmore, 2007) – continue to fade.

4.6 Conclusion

Across the spaces where the knowledge, policy, and best practices of social finance are formulated, a common language is being created for the market at the "intersection of money and meaning" (SOCAP, 2016). Blending financial logics into ethical or philanthropic motivations – or perhaps vice versa – a new culture of investing turns philanthropy into "a good investment" and profit into an ethical pursuit. As illustrated in the various spaces I have visited in this chapter, these investments are framed as "good" for both society and investors. The sociospatial materialization of this "good" is flexible, seamless, and exchangeable based on investor interest and market conditions.

The culture of the social finance industry converges around an investment logic that purports to serve the owner of capital and intended beneficiary of investment simultaneously. Across the spaces of the market, participants adopt a common terminology: mission-aligned investment, social impact, the double bottom line. Regardless of their specific role, all market participants are framed as ethical investors. The formation of the ethical investing subject is a process of eliminating barriers between finance and social life (Langley, 2010), reframing finance as the solution to social problems, and converting everyone – not just those with capital – into an investor. Poor people "invest" in their futures, while anti-poverty organizations and community development financial institutions must "invest" in communities. Asset owners "invest" in solving poverty. These latter subjects are understood as "ethical" regardless of the percentage of their personal portfolio that resides in a social finance fund. One can be an ethical investor through any volume of market participation – even, as described in Section 4.2.2, if one's social platform is ultimately converted into a for-profit one. This allows social finance to act as a form of offsetting,

The "conscious capitalism" ideals of businesspeople like Eric Harr and Pamela Hawley are complicated by the business models through which these ideals are enacted. While this class of social finance luminaries claims that there need be no tradeoff between "doing well" and "doing good," these business models do not require scrutinizing the balance of personal gains and "giving back" – any amount of the latter will do. Through credentials garnered in the financial industry, these entrepreneurs emerge at their mid careers wealthy and steeped in financial industry knowledge, but also able to claim expertise in how to turn social problems into opportunities. An investment marketing manager from a nonprofit organization explained to me that she was cynical about this model, even though she believed in the power of social finance to solve social problems. The appeal to many investors and entrepreneurs, she hypothesized, was that "you can be part of the 1% and still 'do good.' You don't have to sacrifice anything, whether success, career, or compensation." She explained that people who leave the private financial sector to 'do good' in social enterprise and impact investing can do so because they already made all their money through traditional finance. "A lot of it is finance guys who like finance and think that way," she explained.

Now they are playing with "money for good" but still want to be competitive and make money for their causes.[65] Her view was reinforced by my investigations of the career trajectories of SOCAP presenters. Many had come from careers in traditional finance and, notably, when I revisited their biographies in 2016, many had founded new businesses or moved to new organizations after their earlier, socially-branded start-ups failed or were sold.

These social entrepreneurs and their performances of ethical motives are one side of the consolidation of the social finance ideology. On the other side are the mainstream financial actors, the pragmatic gatekeepers to the "big dollars" of institutional capital. These actors bring expertise about the risk tolerance of impact investors and demand standardization of metrics so potential deals can be compared. While this latter group of actors does not trumpet ideological claims of disrupting capitalism, their influence runs deep. They operate as the fiscal constraints on social finance's utopian ideals of "values-based value creation" (a phrase used by a White House representative at the policy meeting described in this chapter).

The role of mainstream financial actors, particularly investment banks, as the ultimate adjudicators of what is viable in social finance underscores how financial logics remain central to the industry. This works through asset owners' and managers' demands for rigorous financial due diligence over social screening, and attempts to standardize social metrics to help investors compare potential deals, all serve to facilitate the circulation of finance into and within the market. As Jones (2012) and Rodin (2014) noted at SOCAP, the trillions of dollars controlled by private finance must be courted. As I explore in Chapter 5,

[65] Personal interview, investment marketing manager, nonprofit organization. Washington, DC, February 2014.

accessing these trillions requires converting existing flows of charitable finance into products for social finance markets.

Financial logics also govern ethical investor subjects' credentials for participating in the social finance market. Industry knowledge gained at firms like Goldman Sachs can authenticate these subjects' claims to expertise about how to solve social problems more so than their knowledge of social issues or poverty. The ethical investing subject is, at heart, still an investor – one who proves themselves through acquiring business and financial credentials or simply through becoming wealthy. These subjects also communicate in the language of finance. As illustrated by the creation of IRIS, GIIRS, and other tools of standardization, social change is not valuable unless it can be valued.

Yet through operating in what is often framed as a remote island off the coast of traditional finance, ethical investing subjects share a sense of being at the fringe, of being disruptive innovators. This is perhaps what prompted one of the organizers of the SHARE conference, a SOCAP spin-off, to frame the conference as a grassroots action, despite the fact that it was sponsored by Airbnb and several financial institutions, and despite its fixation with adopting the tools and standards of mainstream finance for use in the sharing economy. At one point in her talk, the organizer said "The master's tools won't dismantle the master's house, right?" – quoting Audre Lorde (2003) without a hint of irony. Despite investors' sense that they operate at the cutting edge of social innovation, this chapter finds that integrating the idealistic claims of social entrepreneurs into a sustainable asset class – that is, one that will attract large amounts of capital and yield investor profits – is still what makes the social finance industry work.

My investigation of the ideological, administrative, and policy development of social finance yields three central findings. First, the industry's institutions must legitimate the (re)direction of private, government, and philanthropic capital to social finance investments. This has involved making financial credentials into a central qualification for claims to social finance expertise. State funds redirected to support the social finance market are framed as "incentives" rather than subsidies, and potential investors are assured that financial determinants, not government priorities, will drive investment decision-making. Second, social finance collapses the logics of investing and charity in the formation of the investing subject which, as described above, helps to create social finance as a "win win" solution for the financial industry, government, and poor people alike. And third, social finance depends on the crafting of a new class of experts about American poverty management – experts with roots in the financial industry rather than anti-poverty policy or community development. This involves building an ideological apparatus that contains the contradictions at the heart of "money and meaning," blending these categories together through new calculative devices and policy frameworks. In this, social finance exemplifies Jameson's (1981, 81) conceptualization of ideology: inventing "imaginary or formal 'solutions' to unresolvable social contradictions."

This chapter followed the consolidation of the social finance ideology through various spaces. These include where industry actors convene to exchange knowledge and pitch investments, where new policies for the US market are forged, where financial instruments are designed and assets managed, and where old philanthropic models are converted into a new investment class. I also analyzed how poverty is portrayed in these spaces of social finance. Except for Defy Ventures' SOCAP investment pitch, the figure of the poor beneficiary of social finance is absent from the spaces I describe. Instead, representations of poor beneficiaries decorate the presentation screens of SOCAP, the prospectuses of new funds, and the websites of new social finance platforms to illustrate the potential of the new social finance market.

This chapter touched on some of the tools of measuring the social benefits that social finance intends to produce, but only in terms of how they function in making the social finance market. The work of translating social change into a financial instrument, through calculative devices and valuation practices, is a messy process through which market intermediaries struggle to couple utopian ideals with metrics acceptable to investors. But as Tsing (2004, 6) reminds us, "abstract claims about the globe can be studied as they operate in the world." In the next chapter, Chapter 5, I explore such abstract claims: attempts to assign metrics to social finance's abstract claims of generating social benefits.

Chapter 5: Monetizing social change? Valuing social impact in practice

5.1 Introduction

In 2009, researchers at a hospital in the northeast US used their clinical database of poor children to analyze the relationship between poverty, substandard housing, and health. They compared the health outcomes of children living in subsidized housing to the outcomes of poor children whose families were on subsidized housing waitlists. The findings – that poor children living in subsidized housing had a substantially lower risk of food insecurity and being underweight – were published in a pamphlet that circulated throughout the medical and social services industries. These findings were also cited as evidence of the projected social impact of a rent-subsidized residential property being financed by Affordable Housing Ventures (AHV),[66] a US-based financial institution that sells investment products to social impact investors. With these investors' capital, AHV makes loans to a wide range of nonprofit service providers. As with other social finance products, these investments are marketed as producing both a competitive return on investment and improved social outcomes for communities, which will reduce public expenditures on social services. Citing the child health study, AHV marketed the investment as one that would produce healthy children and reduce public healthcare costs.[67] AHV investors receive market or slightly below-market rates of return from borrower repayments, as well as reports about the positive social impact their investments have on low-income families. Such reports might include the number of families being housed, using the children's health study to extrapolate a

[66] This is a pseudonym to protect the identities of this organization and its employees, who generously hosted me in their office and participated in my research.
[67] This source is unattributed to protect AHV's identity.

percentage of children that will experience better health outcomes due to moving into subsidized housing.

In investment products like this, social impact investing is marketed based on *projected* (rather than observable) improvements to the lives of poor and low-income people. These projections are translated into metrics (e.g., "a 35% less chance of food insecurity") to legitimate lending decisions and attract a pool of social finance investors. At a time when private capital is flooding to the social impact investing sector (United States Social Investment Fund, 2014; Saltuk et al., 2015), community development intermediaries like AHV do the work of channeling investments to social programs and services that have been progressively contracted out of the public sphere since the 1970s. Since then, the governance and finance of community development has been fragmented into thousands of organizations like AHV, operating across the country to channel capital to "underserved" communities (Giloth, 1988). With the advent of social impact investing, these community development intermediaries have begun to market social interventions to investors, using evidence like the children's health study. As I show in this chapter, what are presented as universal outcomes (a reduced chance of poor indicators) are often abstracted from place to place in declarations of the social impacts that investors will create. While data on social outcomes have been used to legitimate private investments in welfare services since the latter began to be marketized, the rise of standards like IRIS and industry ratings like GIIRS creates pressures on industry players to produce more fine-grained data (Barman, 2017). As the pool of projects available for impact investments grows, intermediaries like AHV are working to create better social metrics to attract capital.

This chapter responds to the second research question outlined in Chapter 1 by examining practices of measuring and representing the social metrics of social impact investing. I investigate how social goals are integrated into traditional profit- and risk-focused investment models: how are social impact metrics derived, attached to financial instruments, and marketed to investors? Setting the stage for Chapter 6, in which I analyze the roll-out of a social finance investment, Chapter 5 pays attention to what happens when social finance moves into the terrain of long-standing paradigms and infrastructures of American poverty alleviation, as the community development industry adopts social finance as a way of communicating and funding operations.

This analysis is based on a case study of how the creation of social impact metrics unfolds at AHV. In examining how this organization attaches social outcomes to investments, I highlight the important role of community development intermediaries in the social impact investment market, where these intermediaries produce knowledge on social interventions to legitimate social impact investments. While, as shown in Chapter 4, the social finance industry is giving rise to many new organizations, it also has a deep reliance on existing infrastructures of community development-based service provision. As social impact investing enters the "market" for this type of service provision, community development organizations that carry expertise in social policy are enrolled in the legitimation of "ethical" investing. In the process of marketing social outcomes to investors, I find, intermediaries reproduce a mainstreamed neoliberal ideology of poverty management as the basis for flows of social investment capital. Under a financialized style of community development governance, the design of social metrics functions as marketing to investors who are treated as consumers, while segmenting poor populations into categories of more or less deserving of investment.

To understand how the framework of social impact investing relates to existing models of poverty alleviation in the subsidized housing sector, I examine calculative practices within the realm of community development finance. In my case study, this means analyzing the socio-spatial hierarchies and valuation practices that allow a group of middle-class community development professionals to make financial deals that affect how housing-insecure Americans in other places will live. I use the framework of relational poverty analysis (Mosse, 2010; Lawson et al., 2012; Roy, 2012; Lawson and Elwood, 2014) to investigate how these workers apply the financial models of social impact investing in relation to longstanding community development models of subsidized housing policy and finance. As noted in Chapter 2, a relational poverty approach explores the social relations of how poverty is framed as an object of analysis and intervention, as well as how middle class people engage with efforts to 'solve' poverty.

Methodologically, I pursue this analysis through the social studies of finance (SSF) approach of examining calculative and valuation practices. This allows me to analyze the types of poverty knowledge that underlie AHV's social change mission in relation to how loans made in high-cost housing markets are marketed as a "good investment." I scrutinize the financial models through which financialization proceeds, responding to calls for critical scholars to produce in-depth empirical accounts of financialization (Christophers, 2015; La Berge, 2015; Poovey, 2015).

This chapter proceeds in Section 5.2 by situating my case study in the context of the American subsidized housing sector. Section 5.3 introduces the sorts of financial models that banks use to assert the value of social impact investments. Here I show how "social impact" is added to traditional financial models but also framed as outside the scope of financial industry expertise. Section 5.4 focuses on how "social impact" is represented and understood by community development professionals, and the process by which it is asserted. Section 5.5 analyses the implications for how poverty alleviation is governed – financial institutions have effectively contracted out the evaluation of social impact to community development organizations (and, increasingly, a group of specialized evaluation firms like New York's MDRC). In Section 5.6, I summarize my findings: that in the process of folding poverty alleviation outcomes into financial models, social finance investment instruments limit the extent to which subsidized housing can be both a "good investment" and accessible to those who need it.

5.2 Contextualizing social impact investing in subsidized housing

In the ongoing neoliberalization of the state since the 1970s, social services that were formerly paid for and provided by government are increasingly provided via marketized models (fee for service or public-private partnerships) and by the nonprofit sector. These forms of extra-state service provision are supported by social policy that requires individual poor people to "take responsibility" for their own life improvement (O'Connor, 2002; Goldstein, 2012; Kohl-Arenas, 2016). In poverty regulation centered around an ethos of self-responsibility, access to subsidized housing is framed as an "opportunity" that nonprofits and state subsidies give to poor people. This language was originally used in a progressive sense in the 1990s, to reframe poverty from associations with social delinquency to a lack of resources or job prospects. In this sense, housing was framed as an intervention that would address structural inequality. In contemporary (pre-Trump) federal housing policy, bestowing poor people with the opportunity to live in subsidized housing is expected to lead to further opportunities: better-paying jobs, good transit, healthcare, and education (de Sousa Briggs, Popkin, and Goering, 2010). Subsidized housing is supposed to stimulate "multiplier effects" for households and regional economies – the logic being that with decreased housing costs, income-insecure people should have more financial resources for transportation, education, food, or savings. Advocates of this model claim that subsidized housing will also produce non-financial effects, such as improved health from better housing conditions and increased household stability. These multiplier effects are often modeled through econometric analyses that attempt to associate households' decreased rent burdens with corresponding economic stimulus for households, communities, or cities (e.g., Hendrickson and Shimberg, 2010).

Before the term "social impact investing" was coined in the mid-2000s, investments that intermediaries like AHV channeled to community development organizations were principally made by banks and institutional investors. Such investments were motivated by the 1977 Community Reinvestment Act (CRA), federal legislation that responded to investment redlining of poor communities by requiring banks to make credit available in low-income neighborhoods that fall within their business areas (Moon, 2010). CRA investing began to take the place of older models of government or private philanthropic funding. This paved the way for further marketization and social impact investing, which has opened up community investing to other types of commercial investors that do not face CRA requirements but are interested in receiving market-rate returns coupled with social impact. Now, in a further expansion of the market for community development investing, social impact investments are increasingly marketed to middle-class individuals, known as retail investors. While regulations tie CRA investments to geographies of poverty,[68] social impact investments are not regulated on the basis of geography or social need. This allows non-CRA investors to choose from a wider array of causes, and lenders to seek out opportunities located in a wider range of places, not just those the federal government deems underserved.

Many community development intermediaries have thus expanded their investor client base as a result of marketing their investment products as social impact investing. New entrants, according to my AHV interlocutors, include retail investors, philanthropic foundations,[69] as well as new commercial institutional investors that see opportunities to generate market returns while engaging in investment activities that can be counted as corporate social responsibility. As mentioned above, investors' increased expectations for data on social change lead to new reporting practices, such as "social return on investment" reports. At AHV, an expansion in research and evaluation efforts accompanied the organization's entrance into the social impact investing market. Meanwhile, few adjustments to actual lending practices were needed, as traditional forms of due diligence and financial vetting remained in place. As an AHV employee said in an interview, "the fact that we are bringing our expertise in this sector lends the credibility that it's a product worth supporting or investing in."[70]

[68] Despite these place-based investing requirements, CRA has generally not succeeded in moving capital into the poorest communities (Pothering, 2017).
[69] As explained in Chapter 4, philanthropic foundations, while always big investors in community development, have been able to expand investments in this area due to changes in US tax code that allow them to consider the "mission alignment" of their profitable investments – not just maximum portfolio returns. These changes are part of policy efforts to expand the social finance marketplace in the US.
[70] Personal interview, March 2014.

Subsidized housing supports a self-help approach to poverty alleviation through the theory that reduced housing costs will increase financial resources for poor people to spend on other necessities – transportation, healthcare, education, food. The goal of making housing "affordable" with public subsidies means that households will spend no more than 30% of their income on rent or mortgage, a level prescribed by the US Department of Housing and Urban Development (HUD). As expanded in Chapter 6, state subsidies to reduce housing costs for poor people include rental vouchers for tenants and tax breaks for housing developers.[71] These subsidies are crucial to the profitability of social impact investments in the sector. Poverty scholarship has connected this model of poverty alleviation to neoliberalized forms of governance that make poor people responsible for solving their own poverty (O'Connor, 2002; Katz, 2015). This is the model of poverty alleviation in which the contemporary community development sector is grounded. With community development's move toward social impact investing, this model also comes to undergird investment profitability and the political replicability of using social finance to pay for social services.

During my time working at AHV, I observed and participated in the organization's efforts to define and assert the social "impact" of the loans it makes to community development organizations. Beyond assisting with research on social impact, I observed staff meetings and organizational strategy sessions. I also interviewed AHV employees about community development theories of social impact, the organization's valuation practices, and

[71] By volume, these programs are dwarfed by other government housing subsidies – namely the mortgage-interest tax deduction – that support homeownership by allowing Americans of all incomes to deduct mortgage interest payments from their yearly federal tax obligations. Such programs, which overwhelmingly benefit the wealthy and upper-middle classes, are separated in American political discourse from "entitlement" programs that assist low-income people with housing costs (Desmond, 2017).

the politics that surrounded these models. Analyzing this organization's valuation practices yields insights into how poverty alleviation programs like subsidized housing become attached to social finance investment instruments. To contextualize how AHV workers translate theories of poverty alleviation into metrics for social impact investors, I first examine the financial model of social impact investing.

5.3 Social impact investment models

Figure 5.1, below, illustrates how investment strategists fit social impact into financial models: through adding a third dimension to a traditional, two-dimensional risk/return spectrum (Saltuk et al., 2012). This graph is based on modern portfolio theory, which allows investors to distill information using the parameters of risk and return. In basic terms, social impact is slotted into a financial model that has traditionally been used to maximize profit. Investors then can then target specific impact objectives, target populations, and business models – poverty alleviation schemes that social finance businesses like that of JP Morgan refer to as business models (Saltuk et al., 2012). Specimen impact objectives might include "access to financial services," "community development," "food security," or "affordable housing." Target populations might be defined according to income level, region of inhabitance, or degree of inclusion in the formal economy (e.g., "excluded," "underserved," "rural," or "off-grid") (Saltuk et al., 2012, 11-12).

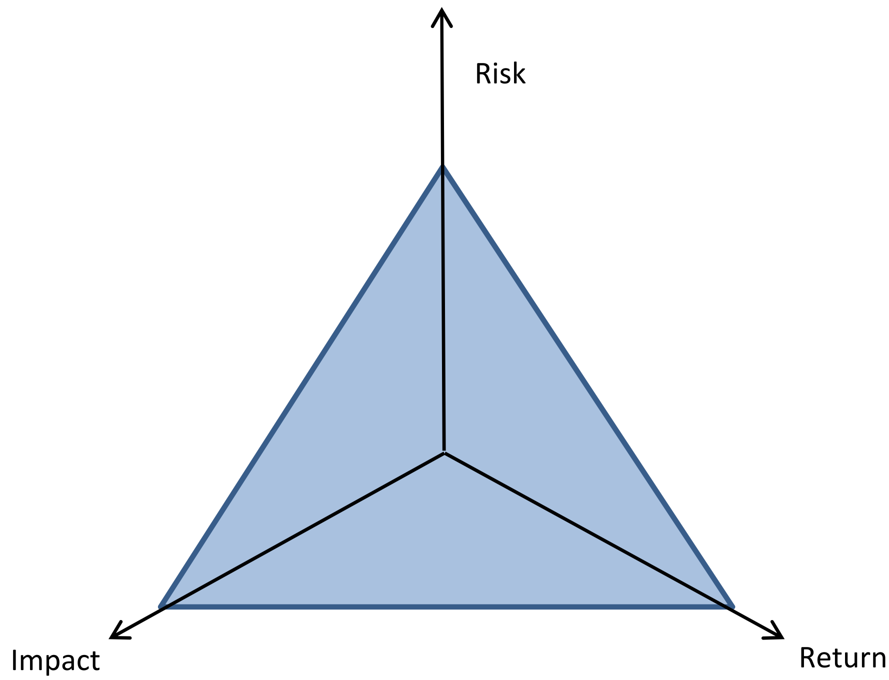

Figure 5.1: Mock-up of commercial investor's social finance investment graph
Source: author[72]

Figure 5.1 is a representation of JP Morgan Social Finance's model of a target impact investing portfolio. JP Morgan is an influential financial institution in the industry and collaborates with the Global Impact Investment Network (GIIN) to produce some of the most comprehensive data on the sector (e.g., Saltuk, et al., 2015). In Figure 5.1's model of a social impact investment, impact and [financial] returns are maximized with a minimal level of investment risk. This, as noted in Chapter 3, is the risk-return-impact allocation targeted by the majority of commercial and institutional (non-individual, i.e., pension funds) social impact investors. It is a model without a trade-off between impact and return, where

[72] This graph is based on a model developed by JP Morgan Social Finance. At the time of this writing, after repeated requests, I have been unable to contact JP Morgan Social Finance to obtain copyright permission to reproduce the original figure in this dissertation. Instead, I have created a mock-up of the model for purposes of analysis.

financial risk is also controlled. This model is largely identical to a traditional investment portfolio target, with impact added as a new dimension of investor decision-making.

In the hypothetical portfolio of a high (financial)-risk investor, an investor more concerned with maximizing impact than profit, this graph would change. To compensate for increased impact, risk would increase and financial return would decrease. Investors with high risk tolerance could include philanthropic foundations and so-called “angel” investors or venture philanthropists – wealthy people and/or funds that are more concerned with proving new business models or social interventions than maximizing their financial return. In this type of investment, there is a high risk of not being repaid.

The framework proposed by JP Morgan Social Finance can accommodate any combination of investor choices; levels of return, risk, and impact adjust accordingly. Each graph analyzed here illustrates how social finance investments are customized per investor preference. JP Morgan gives investors advice about the risk/return tradeoffs inherent in adding impact to the investment equation, but makes no declarations about what is a better or worse, effective or ineffective social impact. Regarding the selection of social causes, JP Morgan advises that:

> The portfolio management team will need to articulate the impact mission of the portfolio. For many impact investors, the impact thesis is usually driven by the value set of an individual or organization and can reference a theory of change, often with reference to specific impact objectives such as access to clean water or affordable housing. An impact thesis can reference a target population, business model or set of outcomes through which the investor intends to deliver the impact (Saltuk et al., 2012, 4).

In this way, multi-dimensional and multi-sectoral social objectives are distilled into “impact,” a single category that encompasses all possible forms that social interventions might take. This makes social change comparable across financial instrument, and negotiates it in relation to financial calculations of risk and return.

JP Morgan notes that "the development of the market over time should erode some of the risks associated" with social finance investing (Saltuk et al., 2012, 7), advising portfolio diversification across sectors, geographies, and impact pursuits to guard against risk. It also suggests that investors can "[build] covenants referencing the mission into the deal" (Saltuk et al., 2012, 7) to guard against what the industry calls "mission drift." Mission drift happens when an investee's operations may start to contradict the intended social mission; for example, an organization's growth could lead to a reduction in local jobs as systems are automated and scaled.

Financial institutions like JP Morgan, which both market their own social impact investment funds and invest in community development and other social services intermediaries,[73] claim expertise in financial risk management and deal-making. In describing its portfolio approach to social impact investing, JP Morgan defines its role solely in the domain of finance, while stating that the impact thesis or impact mission is driven by the investor or financial advisor (Saltuk, et al., 2012). To conduct due diligence on the level of impact projected or achieved, financial institutions like JP Morgan rely on outside experts –organizations with technical expertise in various social services or third-party research evaluation firms.[74]

[73] Like all financial sectors in the age of derivatives and financial securitization, social finance involves many layers and varieties of capital. Investors, especially large ones, might make direct investments into a community development financial institution to satisfy CRA requirements while also investing in social impact funds and simultaneously managing their own social impact funds.
[74] Personal interview, JP Morgan Chase. New York, NY, March 2014.

As illustrated by Figure 5.1, social finance is built around existing financial models. The new industry surrounding social finance, profiled in Chapter 4, involves the rise of new research and evaluation firms, boutique investment firms, and policy incentives. Community development organizations, the long-standing leaders of the anti-poverty industry, are less present at social finance events. As I show in this chapter, as social finance moves into the anti-poverty industry, community development is adopting the language and metrics of social finance.

Community development intermediaries like AHV provide investors like JP Morgan with expertise on financing and governing poverty alleviation in a contracted out, marketized context. This expertise is key to evaluating social impact and attaching it to financial instruments. It involves translating the results of poverty interventions into the language and form required by the financial industry. At the time of my research, AHV was engaged in interviews with its client investment banks (AHV's largest investors by volume). The goal of the interviews was to allow AHV to better target its financial products to high-volume investors. A staff member privy to these interviews told me that each investor had its own requirements for social impact priorities and documentation.

Another staff member told me about these large investors' interest in AHV's operations. She noted that during her time at AHV, several banks had attempted to exert what she thought to be an inappropriate level of control over AHV's market priorities. She saw this as a "public relations move," through which banks were using community development investments to increase the visibility of their corporate responsibility activities – many investors categorize their investments in organizations like AHV as a form of corporate philanthropy, even though they make a financial return from these investments.

Like philanthropists, these investors are interested in selecting preferred causes, geographies, or target populations. This is a level of personal connection that traditional investments rarely imbue in their investors. My interlocutors at AHV noted that sometimes investors would be interested in a certain geography or type of target population beyond what would have been required through CRA. In this way, investors stake claims over what sorts of social impact they produce; as with any population of investors, some are more active in the selection process than others.

AHV worked to find investment sites where investors' social causes would be satisfied, while also basing these interventions on established anti-poverty models. The management of investors' financial risk was based on a long history of nonprofits moderating private capital risks to encourage investing. In an interview, one of AHV's investment strategists noted that "AHV exists because of market failure. Nonprofits create a stable environment for private capital to enter" – otherwise, she said, private capital would never go into the neighborhoods AHV served.[75] In other words, the relationship between AHV and private finance predated and also made possible AHV's entrance into the impact investing market. With social finance, investors are still using community development organizations as market experts to stabilize investments in "risky" markets (i.e., low-income neighborhoods).

In terms of financial returns, AHV's business model of generating returns for investors through financing subsidized housing also predates its turn to social impact investing. But some AHV staff were concerned about the influence of the financial industry

[75] Personal interview, February 2014. The interlocutor here was speaking specifically of community development finance. Private capital certainly did enter low-income neighborhoods through predatory mortgages in the run-up to the 2008 US housing crisis.

in the development of the social impact investing sector. An AHV employee told me that banks should be commended for investing in the sector, but they had the potential to heavily influence how things evolved:

> The only thing I worry about, sitting where I sit now, is that to the extent that you allow institutions like Goldman and Morgan Stanley and Bank of America, which are at the end of the day profit-driven organizations, to control the debate on social impact investing, [is] that [this] might not be where we might want to see the dialogue go. So it's great that they're participating to the extent that they can actually expand what the universe is, but you don't necessarily want the leadership of that dialogue or discussion to be solely these financial institutions, or even predominantly. So that is a concern. And they have such clout and such...balance sheets among them that if they really wanted to, they can skew the dialogue at this stage, I think.[76]

Offering investors a competitive return is an important aspect of AHV's business model. Despite industry talk of investments in a new breed of agile, entrepreneurial social enterprise and nonprofit startups, a primary way that financial institutions reduce financial risk and reassure their clients is by making social impact investments in established organizations with track records of effectiveness.[77] In other words, in the nascent field of social finance, organizations like AHV are the conduits through which the bulk of capital investments are flowing. But AHV's entrance into the social impact investing market opened up the organization to comparison with other social impact investments that might have more competitive financial returns, another staff member told me. Investors were looking at other social impact investment products that might offer either a higher financial return or a more robust social impact metrics. It was the development of these metrics to which AHV was devoting substantial resources at the time of my fieldwork – assembling a new set of social indicators about investments in subsidized housing.

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[76] Personal interview, March 2014.
[77] Personal interview, JP Morgan Chase. New York, NY, March 2014.

5.4 Asserting the social impacts of social impact investments

AHV sought to produce a standardized set of metrics that could describe the social and financial effects of subsidized housing on low-income renters. This involved creating a series of narrative claims about the effects its lending activities had on households and neighborhoods. The claims sought to connect poor people's access to affordable housing to government cost savings, increased household budgets, and the "increase" in households' access to opportunity.

The metric of increased opportunity stems from the 1990s "moving to opportunity" experiment conducted by the US Department of Housing and Urban Development (HUD). The hypothesis was that poor household's residential locations were spatially mismatched with employment opportunities and other neighborhood characteristics that would allow households to pull themselves out of poverty (Wilson, 1987; Goetz, 2003). While the program showed mixed results (de Sousa Briggs et al., 2010), its understanding of poverty as connected to uneven and place-based 'levels' of opportunity became central to the poverty alleviation tactics that structure the US community development industry. Another 1990s HUD program, HOPE IV, which provided federal funds for the demolition of public housing moved tenants into mixed-income housing, set policy precedent of attaching other anti-poverty programs to housing policy. HOPE IV provided funds for social services in addition to housing. The theory was that stable housing, coupled with services such as job training, education, case management and childcare, would help tenants gain self-sufficiency (Curley, 2005). Curley (2005) shows that this relationship between housing and social improvement for poor people continues to underlie the theory of change in the contemporary community development industry. As my research reveals, this relationship has also become incorporated into social impact models of impact investing in the community development industry. This has implications for the governance of poverty alleviation.

The motivation behind the creation of social impact metrics at AHV was as much political as it was financial. The profits AHV and similar organizations promise to their investors are supported by federal tax credits and rent subsidies – tax credits, especially, are part and parcel of what has made the subsidized housing development market profitable for investors for decades (Wallace, 1995). But given the political interest in social finance at multiple levels of government, the push from philanthropic foundations, and the financial industry's interest in the public relations benefits of double bottom line investing, AHV employees with whom I worked explained that the organization's pursuit of social impact investing was strategic on multiple levels. It would, they hoped, attract new capital sources as well as new types of government support.

In a company-wide meeting, someone asked the director of AHV where the data for the social impact metrics would come from – how would AHV quantify its impact? The director replied that the organization's researchers would take care of the social impact reporting. While acknowledging the difficulty of this task, the director also emphasized its importance to the organization's overall success. It was this task that took up the bulk of my time as a researcher at AHV's office.

The process of creating impact metrics at AHV involved finding peer-reviewed, scientific evidence that connected affordable housing access to discrete improvements, such as better health or educational outcomes for poor households, improved neighborhood "quality," or cost savings to government because public social expenditures that were no longer needed. Next, this evidence was extrapolated into a social value proposition tied to investment instruments – the “impact” component of the JP Morgan graph analyzed in the previous section. Ideally, this involved distilling evidence into quantities of social change that could be associated with AHV’s financing of service providers. I worked with several AHV employees to review social scientific studies on the relationship between adequate, affordable housing and health, financial stability, education, transportation access, and other measures of household and neighborhood stability. They kept track of the sources in a citation database, where they made notes on the sources, authors, findings, context, and rigor of each study. With the research publication date bracketed in the past ten years (it was important to be able to state that the research was contemporary and cutting-edge), gold-standard sources were those that were longitudinal, covered a large geography (ideally more than one city), reported findings related to discrete housing factors (e.g., overcrowding instead of simply substandard housing), and yielded quantitative data. In practice, almost none of our sources fulfilled all the criteria. Most studies of discrete housing impact factors were limited to one city or one neighborhood.

AHV employees referred to subsidized housing in terms of properties and products that were viable (or not) for financing. AHV was, in the words of one staff member, “primarily a financial organization, so we’re talking about investing money effectively.” This staff member noted that the organization was trying to operate in a tight fiscal environment and position itself at an advantageous position regarding increased policy interest in social finance from government and philanthropic foundations. Another of my interlocutors, who structured AHV’s loans, noted that social impact investments coming into

AHV from large financial institutions required quantitatively-driven data. To meet this demand, AHV needed to produce better metrics.

During my time at AHV, as reflected in the research process in which I took part, the organization was transitioning to a more quantitatively-based evaluation style. Employees searched for metrics that could be compared between places, and through which the expected cost savings or multiplier effects of subsidized housing could be extrapolated. There were both logistical and analytical barriers to executing this task. AHV had no time (and no funding) the staff told me, for surveys of households, for large numbers of interviews with residents, or for before-and-after assessments of people who moved to an AHV-financed property. AHV had to prioritize outcomes and impacts that would best allow the organization to market its investment products. "No one has asked me anything about resident services in the four years I've been here," said one of the research staff members, discussing the type of data in which AHV investors were interested.

As one staff member described it to me, the organization was addressing "pent-up demand" for standardized measures. Employees tasked with coming up with metrics talked about the difficulties of being called on by other staff members to "give us a number." During one meeting I observed, a staff member expressed frustration over the drive to quantify, asking if was really worth putting a number on impact if "I can't fully explain where I got it." A senior staff member replied that this was a process of "searching" for the organization's social return on investment. Educated ballparks would be the beginning of the conversation, not the end, the senior staff member said. This exchange highlights the tensions between a desire for accuracy and a need to come up with metrics for marketing and valuation purposes. Nuance, one employee expressed to me, was necessarily lost in this process.

Several other staff members echoed this tension between robust, accurate data analysis and the instrumental need for clear metrics. One explained it as a tension between research and marketing:

> We provide data…and because there's a way that people [who work in lending and marketing] want to frame that information, it keeps evolving into a different language. So we keep changing the language back. And they keep changing the language in the other direction. We keep having this interesting dance.[78]

She related these tensions to changes in the demands of funders, but also to the existence of tools that allowed new kinds of questions to be asked. "People are asking better questions, and as people ask better questions, they get better data. Our funders [investors] are asking us to provide better data and asking us to think about impacts." Another staff member expressed concerns about how these numbers were created and where they might "go" – within AHV, to other nonprofit organizations with which AHV worked, to policymakers, or to investors themselves. She and the other employees working on the social impact metrics worried about the assumptions built into calculations about the public cost savings or improved health outcomes resulting from construction of subsidized housing, fearing that these assumptions would end up producing "inaccurate statements."

In one academic study that AHV was considering for its social impact calculations, for example, the cost of homelessness in New York City was estimated to be $20,000 per person – the price of housing one person in a New York City shelter for one year. About this figure one of the AHV staff members had several concerns. First, she noted, the

[78] Personal interview, February 2014.

numbers could be misused. "The cost of homelessness is $20,000 per person, so the total cost is $1.2 billion?[79] We have not even defined *who* accumulates the cost savings from less homelessness!" Furthermore, she asked, wouldn't many of the costs that the study presented as possible "savings" from moving homeless people to permanent housing be present even once they were housed? Surely people at risk of homelessness would still need services like healthcare, regardless of whether they live in shelters or apartments. She was also concerned about where the numbers were coming from. Was it just a before and after homelessness comparison? There was no information about family size, type of family, or the type of sheltering. She was thinking about doing her own study. "If we're going to create a number, we might as well do it ourselves."

5.5 Governing poverty alleviation under social impact investing

While AHV workers often spoke of their desire to use investment "for good," the personal satisfaction they took from involvement in AHV's work was ultimately tied to the work they did to invest other people's capital. In marketing and communications, AHV appeals to potential investors' desires to do good by with compelling personal stories about people who had been able to move into AHV-financed homes: "Meet the people and communities touched by your investment," read a marketing email sent to investors in one project. AHV's good work was water cooler conversation in the DC office. For many staff, especially junior and mid-level, the positive impact of the organization was something to be proud of. Most people with whom I came into contact seemed to draw a sense of purpose

[79] Based on the presence of approximately 60,000 people housed in shelters in New York City, a number that has remained steady for the past five years.

from the work the organization was doing. This exchange, for example, occurred in reference to hitting some of the organization's fundraising goals:

> Employee A: "Good things are happening, all because of AHV."
> Employee B: "Sometimes you have to sit back and reflect on the good we are doing."

In a community development environment where government has, for decades, been framed as an inefficient service provider, many people who want to work in poverty alleviation end up at organizations like AHV. Along with being separated from government, this work is highly professionalized. The office culture at AHV was similar to a corporate environment, but with people talking openly about how to create positive social change. When I asked one employee about why she had wanted to work for AHV her reply was quite neutral: she wanted to conduct rigorous research to benefit the wider organization. Other people spoke about more personal motivations for doing this work. One, for example, spoke about the tension between personal satisfaction and instrumentality:

> Would I love to know what happens to people that we've touched? Yeah. But mostly because I think it will validate, for us, our feelings that we already know we do good work. I don't know how much more value-add there would be. Politically, though, it's incredibly compelling to be able to have the ribbon cuttings…you get warm and fuzzy...[80]

Another employee revealed ambivalence about the need for social impact analysis:

> One of the earliest rude awakenings I had was finding out that 70% of single mothers of color are in poverty. To me that's a moral imperative! It's just like, there's some things that shouldn't need a social return on investment analysis. You know?[81]

Sentiments like these illustrate how moral aims overflow the constraints of executing poverty alleviation in a marketized environment, and now the added

[80] Personal interview, January 2014.
[81] Personal interview, February 2014.

requirement quantifying social impacts for funders. One such constraint was evident in the difficulties of quantifying one of the central goals of AHV (and shared by many other American community development organizations): increasing "opportunity" by moving people into subsidized housing. In AHV workplace conversations, employees often questioned what opportunity meant and whether it could be used as a specific goal or rigorous analytical metric. Staff members working on the social impact metrics were faced with the unenviable task of attempting to slot opportunity into various categories of social impact – improved health, education, access to transit, household stability. The staff members held several meetings to brainstorm how to do this. During one such meeting, a staff member expressed frustration over the imprecision inherent in their quest. He didn't think it was possible to build a framework around opportunity, asking: "what if the population changes? Opportunity means different things to different people and communities." His concern was that AHV would get major "push-back" from investors if they attempted to define opportunity or link it to organizational outcomes, impact metrics, or investment returns. That is, AHV did not want to go the route of social impact bonds, where outcomes were specifically tied to investment returns. AHV, he noted, had purposefully never defined opportunity before the days of social impact investing.

But in 2014, the language of opportunity was politically strategic. One day an AHV staff member circulated an email related to "messaging" on inequality versus opportunity, linking to a news story about the Obama Administration's shift from the discourse of inequality to the discourse of opportunity.

> Income inequality is out, "ladders of opportunity" is in. Eager to dispel claims that President Barack Obama is engaging in "class warfare" as he

> heads into his State of the Union address next week, the White House is de-emphasizing phrases focusing on economic disparity and turning instead to messages about creating paths of opportunity for the poor and middle class (Kuhnhenn, 2014, np).

Some staff members replied to the email noting that it would be important to define the terms of opportunity before it could be tied into social impact analysis, also wondering how the organization could consolidate its mission around one definition.

Around the same time, I observed a meeting that illuminated further tensions between the definition of metrics and the practices of community development. Two staff members briefed the rest of the group on a recent AHV effort to develop a vision of what it would mean to create sustainable, equitable communities. The word equitable immediately raised questions because, as someone noted, equity was not part of AHV's mission or that of the larger community development industry. The goal was increasing opportunity. This goal, in concert with the social finance ideology of capitalism as an ever-expanding pie, has no implications of redistribution the way an equity-oriented mission might.

Through a thought experiment on how social impact might be measured in terms of equity, staff members noted that equity would be spatially uneven – there might be "equity gaps" between certain places. Causality became an issue, leading them to think about how potential inputs into a system, such as finance, might result in both negative and positive results. This, in turn, led the staff to think about how the root causes of the social disparities that cause inequity might be captured. One person noted that discussions of equity were related to system level change, while the language of opportunity focused on the agency of individuals. Someone else asked if AHV was working through systems change or "boot straps." Many conflicting opinions were offered in response to this question. Some people disagreed with the definitions themselves. "I've always liked the communities of opportunity framework," said one. "But if it's about bootstraps, then I don't like it anymore because it's about blaming poor people for being poor."

Another person noted that community development investments tended to be made in a certain type of place, implicating community development in helping to make poor neighborhoods into places where society could intentionally hide "certain kinds of people." This staff member also reminded the group that, even in 2014, the criteria that affordable housing developers most frequently requested to be waived was siting: the requirement to place a certain percentage of subsidized housing developments in affluent communities. Thus, he emphasized, the industry was still deliberately placing poor people in poor locations. The tension between the business constraints of community development and practitioners' desire for structural change was difficult to resolve.

This debate illustrates a collision between the utopian model of social impact investing and the grim economism of quantifying poverty outcomes. As practitioners of community development have known for decades, public-private governance leads to complex arrangements for financing anti-poverty programs. Bringing financial instruments branded as ethical into the equation raises new questions. Can equity be allowed to be a category in the financial model? On a more mundane level, the politics of things like zoning regulations collide with the social justice goals espoused by many community development practitioners. Furthermore, the tensions between different visions of social impact, and metrics developed to translate impact for 'consumption' by the financial industry, illustrate the empirical as well as ethical challenges of quantifying abstract categories like opportunity and social improvement. Beyond failing to adequately contain some practitioners' desires for different types of ethical commitments (equity rather than opportunity), producing social metrics for financial instruments brings out fundamental (and historically long-standing) tensions that the community development faces in attempting to solve poverty with profitable investments.

Though the word poverty is rarely mentioned in AHV's work, the tensions described in the exchange above relate to the fact that AHV uses social impact investments to finance housing for poor people. Since this is done with investments from for-profit investors (supplemented, as noted above, with tax credits), AHV has a strategic imperative to facilitate investor profit-making in the process of creating places for poor people to live. The dual imperatives of providing profitability and a specific type of (depoliticized) social assistance also mean that AHV's work is possible only in certain places (poor ones), benefitting only certain types of people: generally those who can pass muster against local housing authorities' occupancy requirements for subsidized housing in order to receive rental vouchers. These can include income requirements, participation in job training or employment counseling, drug testing, and criminal background checks.[82] Moreover, demand for the type of housing AHV provides far outstrips supply, requiring applicants to participate in lotteries with long-shot odds to gain subsidized housing. Meeting the financial (profitable) and social targets of AHV's investors is geographically dependent on housing market conditions, neighborhood demographics, and political conditions. This geography leads to another set of simultaneously distant and intimate relationships between AHV's funders, its employees, and its intended beneficiaries: relationships of gender, class, and race. As shown throughout this chapter, naming these relationships is avoided through the coded descriptors of "low income people" or "low-opportunity communities." As Lawson and Elwood (2014)

[82] These requirements are enforced by local housing authorities that screen applications for compliance with city, state, and federal regulations attached to housing subsidies.

have noted, the social relations of poverty are a latent but structuring force of community development work – the middle- and upper-class knowledge workers that staff AHV have been at this for decades and social impact investing is not fundamentally changing these relationships. As AHV seeks to attract social impact investing capital, however, its work must be legitimated in new ways.

5.6 Conclusion

In this chapter I have investigated the processes through which the value of subsidized housing is asserted for the purposes of communicating with social impact investors and the larger financial industry. This analysis expands understandings of what which spaces and industries should be considered "financial" for the purposes of critical analyses of finance – all too often, the 'place' of finance is imagined to be the Wall Street financial institution or perhaps a den of programmers designing algorithms to automate derivatives trading. Claims that finance is involving less and less actual *work*, in the form of human labor, fail to account for the vast amount of intellectual labor involved in asserting or defining the value of real world processes – such as housing that is intended both to profit investors and ease the financial burdens of poor people – to make these processes understandable to finance. While social impact investing and related financial instruments have been usefully theorized as a process of financialization – as the encroachment of financial logics into the provision of public and social services (Dowling, 2016; Lake, 2015; Ogman, 2016) – my investigation of the practices of valuing the *social* side of social finance locates the production of value and best-practice policy in spaces beyond financial institutions, outside of financial calculations intended simply to maximize the accumulation of financial profits through investments in social services. In translating social impact into quantitative terms, AHV knowledge workers enable the further encroachment of finance into the spaces and governance of poverty management. Examining how social impact metrics are created reveals a process of faux quantification in which, rather than actually evaluating post-investment outcomes, social changes are projected based on studies that draw connections between housing access and better socioeconomic outcomes for poor people. This emphasis on faux quantifications extends a long history of technocratic interventions in poverty management (Schramm, 1995; Soss et al., 2010). In this process, the proposition of "ethical" finance collides with a long-standing, depoliticized framing of poverty alleviation ("opportunity" rather than "equity") on which the US community development industry is built.

The financial models of social impact investing are linked to AHV workers' efforts to 'prove' that subsidized housing will produce positive social change and to value this change in quantitative terms. These financial models and theories of social change are "made real" (Peck and Theodore, 2015) through making assertions about what subsidized housing should or should not be expected to achieve, how benefits expected to accrue to poor people and communities are calculated, and how boundaries are drawn around who should have access to subsidized housing. At AHV, these claim-making or valuation practices are the basis for lending decisions and for the organization's ability to attract investors. Given extensive marketization of welfare and social services in the US that predates the social finance industry, poverty interventions like subsidized housing are easily incorporated into new types of financial instruments. As I have shown above, relationships between nonprofit workers and the "poor others" (Lawson and Elwood, 2014) they seek to assist thus undergird the process through which social finance investments are made available to investors and institutions in the financial industry.

Relationships between middle- and upper-class knowledge workers and poor people take a myriad of forms at AHV and in social impact investing more generally. For instance, many of the financial institutions funding AHV's work have also participated in the destruction of poor people's home equity, neighborhoods, and communities through predatory lending practices, purchasing other lenders' predatory mortgages to create securitized debt products, and investing in projects that contribute to gentrification and displacement where poor people live. These same financial institutions hold sway over AHV's mission priorities and buy AHV's financial products to improve their public images. Thus, financial logics hold heavy sway over AHV's mission, and so too do business-led understandings of what causes poverty and how it can be solved. Intermediaries like AHV carry out the social evaluation work that is used to legitimate these investment products. Continuing to trace ethical investing to its grounded manifestations in poverty regulation, the next chapter examines a particular site where social finance is applied.

Chapter 6: Social finance meets the subsidized housing market

6.1 Introduction

In previous chapters I investigated subject formation and knowledge production in the social finance sector (Chapter 4) and attempts to fit the ideals of conscious capitalism into finance-ready metrics (Chapter 5). In Chapters 1 and 3, I proposed understanding social finance investments as a fetish, in which the construction of a financial deal is represented as a practice of poverty alleviation. In the fetish, the contested relations and power hierarchies that underlie the production of a 'successful' ethical investment are mistaken for a seamless, technical process of capital allocation with ethical ends. In this process, the social finance ontology renders the intended beneficiaries of social finance abstract and interchangeable. In investment models, helping one poor person in a one way is the same as helping another poor person in a different way.

In the present chapter, I 'ground' these abstractions through a case study of how social finance works through an investment in subsidized housing development. Locating and interviewing the funders, intermediaries, and beneficiaries of this site of social impact investing allows me to examine how changes in tenants' lives are integrated into the investment instrument. I execute this case study through a relational analysis of 1) how the building's operators and funders represent "social return on investment" to investors, 2) how tenants report experiencing life in the building, and 3) how circumstances outside the building, from the context of a high-cost housing market to federal housing policy, contribute to the project's double bottom line.

This chapter revolves around a building I call the Rochelle, a multi-family, rent-subsidized building in the San Francisco Bay Area in California. For a period of six months, I worked on behalf of the organization that financed the building with impact investors' capital, which I call Bay Impact Partners, to evaluate the Rochelle's "social impact" on its tenants and wider neighborhood. Participating in the work of social impact analysis allowed me to understand the many actors that facilitate the production of a social impact investment: tenants, tenant case workers, building management, a nonprofit developer, local social services providers, the jurisdiction's housing and community development agencies, and Bay Impact Partners.

The local conditions of the San Francisco Bay Area housing market are key to the production of the Rochelle as a successful impact investment. In this chapter I show how Bay Impact Partners' social impact investing model relies on a surplus of potential tenants and requires applicants for tenancy to display the traits of an idealized subject of neoliberal poverty alleviation: the self-helping, hard-working poor person. Contra industry claims that social finance is a novel market solution, I find that the creation of a successful social impact investment, which satisfies investors' demands for profit while providing evidence of "social impact," is dependent on the existing infrastructure of services provided by nonprofit organizations and government subsidies.

In identifying the networks of actors working to produce profit and social change at the Rochelle, I respond to the third research question identified in Chapter 1 by analyzing how tenants (intended beneficiaries), service providers, and municipal institutions are enrolled in the production of a social finance investment. In the present chapter, I investigate how the (already-marketized) subsidized housing sector is converted into a social finance investment opportunity, and how the conduct of intended beneficiaries' lives is tied to the generation of investor value. My findings indicate that social finance's entrance into the subsidized housing sector depends on changes in the governance and provision of anti-poverty services, making these further beholden to profit as a bottom line. This process financializes the industry by increasing the availability of deals demanded by investors, but also satisfies many *non*-financial needs of capital in the financialized present – namely the performance of renewed commitment to corporate social responsibility in the aftermath of the 2008 financial crisis, the conversion of corporate philanthropy into a good financial investment in its own right, the continued depoliticization of poverty, and the political legitimation of market-based poverty solutions.

In his history of the poverty politics of 20th century America, Alyosha Goldstein (2012, 252) argues that these market-based solutions "[obscure] the social costs of the market system and [appropriate] the survival strategies of the poor to support the ongoing maintenance of the so-called free market." In this chapter, I investigate what happens when social finance enters this already-marketized terrain. My documentation of the public finances and subsidies that support the generation of social finance's investor value troubles the industry narrative that social finance is producing new types of solutions that "disrupt" an existing, inefficient mode of social services provision.

Empirically, this chapter relates the "power geometries" (Massey, 2007) of investment, policymaking, and knowledge production considered in Chapters 4 and 5 to a place where social finance "becomes real" (Peck and Theodore, 2015) in the San Francisco Bay Area. Where social finance ideologies touch down at the Rochelle, poor tenants' strategies of life improvement are monetized into rent payments and evaluated against the prescriptions of distant investors. But this is not simply a case of behavioral "improvements" being appropriated into financial instruments. As this chapter shows, the production of success at the Rochelle is also made possible by what goes on outside the building – processes of urbanization, gentrification, housing speculation, and the continued poverty of poor people who do *not* live at the Rochelle.

In section 6.2, I discuss the political economy of the housing market in the San Francisco Bay Area; section 6.3 introduces Bay Impact Partners and its strategy of intervening in this high-cost market with social finance. The rest of the chapter is organized around three ways social impact investing works through the Rochelle, which I characterize as processes of (re)valuation, producing success, and translation. In the section on (re)valuation (section 6.4), I map the flows of capital and institutional resources that produce the Rochelle's profitable potential, documenting how the financialization of this housing model extends the historical model of welfare provision via the capture of public resources by private investors. In the section on producing success (section 6.5), I read Bay Impact Partners' stated goals for the Rochelle against experiences reported by tenants and my experience of evaluating the Rochelle for an investor report. Here I illustrate contradictions between representations of social finance as a win-win solution for governments, investors, and poor people and its intended beneficiaries' reported experiences with the institutional forms, capital flows, and neoliberalized poverty policy nexus of social finance in the San Francisco Bay Area. In the section on translation (section 6.6), I return to how this success is performed through translating social change into investor-legible metrics, showing how different aspects of the building are highlighted and downplayed in this reporting process.

6.2 The political economy of subsidized housing in the San Francisco Bay Area

The San Francisco Bay Area has been one of the most unaffordable housing markets in the US for the past decade (National Low Income Housing Coalition, 2012). Driven first by military and transportation investments in the San Francisco and Oakland ports (Self, 2005) and in more recent years by the growth of semiconductor and software industries (Hall et al., 1983; Saxenian, 1991; Scott, 1992; McNeill, 2015), the area has for many decades been a destination for economic migrants. Rental prices have increased dramatically since the 1990s, far outpacing average US rental prices during this time period (Barton, 2011). Since 2010, the area has set yearly records with its double-digit rent increases (Avalos and Carey, 2014).

The area's high housing costs play heavily in local politics. Recent moves by municipalities to increase zoning density have been met with resistance from single-family neighborhoods. Measures intended to protect renters from sudden rent increases and evictions make frequent appearances on local ballots (often ending in defeat). From the perspective of local activist groups, the Bay Area's technology sector bears partial responsibility for pushing up housing costs and failing to take responsibility for these "externalities" of the enrichment of technology sector workers (Causa Justa, 2014).

Inequality in the Bay Area tops national rankings and, based on income distribution, the region is short about one million units of affordable housing (Cook, 2014). Crises of gentrification and displacement, with high evictions, are pushing lower-income people out of San Francisco to Oakland, and out of Oakland to surrounding cities. In the post-2008 period, many cities have been targeted by institutional investors buying up swaths of foreclosed homes, increasing rents at a time when the number of rental households is growing (Fields, Kohli, and Schafran, 2016). While jurisdictions usually require, on paper, a certain number of affordable units to be part of new development applications, in 2014 many cities had still not built any of the affordable housing mandated by regional housing plans (Cook, 2014).

At the time of my fieldwork in 2014, for example, the City of Oakland was planning its 2015-2023 housing element, a state-mandated part of the city's General Plan, which is required for access to local, state, and federal funds. The new housing element, adopted in December of 2014, evaluates Oakland's progress in facilitating the production of adequate low-to-moderate income housing from 2007-2014. The document notes that, during this period, "the City fell short of meeting the overall housing production requirements" (City of Oakland, 2014, 2). The report highlights the limits of the local state's ability to intervene in the hot real estate market. From the start, in the executive summary, the authors note that "unfortunately, the City cannot control the housing market conditions to encourage housing development. In addition, subsidies available to develop affordable housing units can only stretch so far given the high land and development costs during this planning period" (City of Oakland, 2014, 2).

Public resources for subsidized housing units, already curtailed and fragmented into private funding and nonprofit management since the 1970s, now face even further cuts. In the past five years, a conjuncture of state and federal funding cuts during unprecedented increases in regional real estate values has resulted in pressing needs for new types of affordable housing finance. In 2011, in a move led by Governor Jerry Brown to reduce the state's massive budget deficit, the California state legislature passed two bills abolishing the state's redevelopment agencies. The agencies had given city and county governments the ability to direct a progressively greater share of (rapidly increasing) property taxes to redevelopment schemes, including subsidized housing (Taggart, 2012). But the 2011 bill dissolved this funding source, a large blow to state and municipal affordable housing funds in a time of rapidly increasing land values and development costs in the San Francisco Bay Area.

At the same time, federal funds that California cities receive through the US Department of Housing and Urban Development (HUD) and other programs were cut significantly, corresponding disastrously to the takeoff in the Bay Area's real estate market after a brief post-crisis lull in 2008-2009.[83] A municipal housing development coordinator told me in an interview that this loss of funds, coupled with federal cuts to housing resources, significantly tightened Bay Area municipalities' ability to provide both housing subsidies and incentives for affordable housing development.[84] She called the need for funds to construct and preserve (through subsidies and tax credits) affordable housing "enormous."

To deal with these cuts, some Bay Area cities have funneled some of their one-time windfalls from the dissolved redevelopment agencies into affordable housing trust funds, which provide small grants and loans to nonprofit affordable housing developers. Repayments from loans that municipalities make to support housing development are these funds' main sources of capital. But these funds are tiny compared to the finances that Bay

[83] The two most significant HUD programs for the development and expansion of affordable housing are the HOME Investment Partnerships Program (HOME) and the Community Development Block Grant program (CDBG). HOME provides grants that cities can use, in partnership with nonprofits, to build, buy or rehabilitate affordable housing or provide rental assistance to low-income people (HUD, 2017). CDBGs are awarded to particular jurisdictions and can be used for a wide variety of community development activities (HUD, 2017). At the time of this writing, both of these programs are likely facing major cuts under the appointment of Ben Carson to lead HUD under the Trump administration.

[84]Personal interview, municipal housing and community development agency. San Francisco Bay Area, June 2014.

Area municipalities could access through California's redevelopment agencies.[85] Furthermore, these funds' mandate is far broader than the construction and renovation of units for low-income people: they also fund assistance to first-time home-buyers, foreclosure abatement, emergency shelter operations, and other services for low- and moderate-income households. In one jurisdiction, for example, only 40% of the funds must be used for projects that support people making 80% of the area median income or less.[86]

Local politics have considerable influence over how budgets like these are divided and prioritized, as well as how housing needs are defined. In 2016, for example, Oakland Mayor Libby Schaaf and the city council's Community and Economic Development Committee voted to expand the city's definition of affordable housing to include moderate-income housing, not just low-income housing. Nearby municipalities have followed suit: citing the impact of the Bay Area's unaffordable real estate market on the middle class, municipalities have proposed using affordable housing subsidies to help middle-class homebuyers and renters. The politics and dynamics of the Bay Area housing market are such that justifications for low-income housing production must compete with the political imperative of supporting the middle class, who are also increasingly priced out of the market.

Despite this hot real estate market, nonprofit real estate developers, which are important providers of subsidized housing, still have a difficult time obtaining financing. The City of Oakland Housing Element, for example, cites "a general misperception of Oakland's livability and desirability" on the part of large-scale institutional investors (City of Oakland, 2014, 289) and "limited financial resources" on the part of smaller developers more

[85] Personal interview, municipal housing and community development agency. San Francisco Bay Area, June 2014.
[86] Personal interview, municipal housing and community development agency. San Francisco Bay Area, June 2014.

inclined to propose projects in "historically under-invested areas." Private and nonprofit real estate developers in the region tend to spread their portfolios between multiple jurisdictions. This allow them to access funds from many different sources (for example, HUD funds distributed between multiple counties, cities, and neighborhoods) and to spread their risk.[87]

In sum, the San Francisco Bay Area, like many North American regions, faces a paradox. On one hand, the region's rapidly increasing land values create conditions favorable to increased availability of financing, as large-scale institutional lenders take notice. At least in theory, this opens up the possibility of financing for housing development in areas where such financing would previously have been impossible despite support from the local state and funders like Bay Impact Partners. On the other hand, increasing land values both displace low- and moderate-income people and create the conditions in which subsidized housing development must compete with market-rate development.

The paradox extends from the economics of the housing market to social and political conditions. Subsidized housing faces a historical and ongoing image problem. In attempting to incentivize development of affordable housing, the local state also recognizes the need to "improve the quality, image, and acceptability" of such housing, noting delicately that "there can be resistance to change in familiar environments" when subsidized housing development is done in neighborhoods where it has not occurred before. The gold standard is "low-income housing developments [that] enhance many…neighborhoods and blend unnoticed into others" (City of Oakland, 2014, 292). As I elaborate below, this "blending and enhancing" applies at all levels of the housing development processes, from design and branding to tenant selection and marketing of investment opportunities.

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[87]Personal interview, nonprofit affordable housing developer. San Francisco Bay Area, May 2014.

6.2.1 The local politics of low-income housing provision

The prevailing narrative I heard from my informants in the Bay Area is that San Francisco is the city most hostile to unhoused people. Surrounding municipalities have more, although insufficient, housing opportunities. San Francisco residents' schizophrenic relationship with their social obligations to poor and unhoused people were especially visible in the November 2016 county elections. By a margin of 52% to 48%, San Francisco Voters approved Proposition Q, a ballot measure that prohibited the use of tents on public sidewalks and required the city to offer temporary shelter before removing tents (Ballotpedia, 2016c). But by a margin of 64% to 36%, voters defeated Proposition S, which would have allocated revenue from local hotel taxes to family homeless services (Ballotpedia, 2016a). Voters also defeated Proposition J, which would have earmarked $50 million per year for homeless sheltering through a small sales tax increase (Ballotpedia, 2016b). Proposition Q – banning camping on sidewalks – received a $49,999 donation and vocal support from Ronald Conway, a "tech angel investor" who has spoken at SOCAP and also spoke at the 2014 SHARE conference; he was also a primary donor to a 2010 campaign that successfully passed a law banning sitting or lying on San Francisco sidewalks during daylight hours (Wong, 2016).

While municipalities outside of San Francisco have not seen such direct legislative assaults on the presence of homeless people in public spaces, many cities face an eviction epidemic. In 2016, in response to public activism against rent increases and evictions, the City of Oakland passed a 90-day emergency moratorium on rent increases and most evictions (City of Oakland, 2016). The tragic deaths of 36 people in the Oakland "Ghost Ship" fire in

December, 2016 made visible how the squeeze on low- and middle-income renters has forced people into unsafe, unregulated living situations (Dougherty and Turkewitz, 2016).

Influential political constituencies in the Bay Area have preferred to address local social problems with a piecemeal and often privatized approach of individual and corporate largesse. Large corporations often offer paid time off to volunteer in the community – Salesforce, for example, allow employees up to seven days per year (Salesforce, 2017). The Silicon Valley Community Foundation, formed in 2007, has become the wealthiest community foundation in the world, with $8 billion assets under management as of 2017; since its establishment it has provided some $2.4 billion to nonprofits and charities in the San Francisco Bay Area (Silicon Valley Community Foundation, 2017). The foundation specifically caters to donors interested in "flexibility" and "complex gifts" (Donovan, 2014), including donations in virtual currencies (such as bitcoin), in-kind donations of technology or strategy suggestions, and hands-on involvement in grantees' missions and operations. The foundation's officials note that working with tech entrepreneurs often involves dealing with libertarian views, especially in terms of government being "more of a hindrance than a help" (quoted in Donovan, 2014, np).

It was in this political environment that I entered the San Francisco Bay Area subsidized housing market as a field researcher. At a 2014 policy forum on how to spur impact investing in affordable housing, I had heard representatives from large philanthropic foundations speak excitedly about social finance in the subsidized housing sector. The housing sector could be, in the words of the leader of one large foundation, where "we can prove the concept of making money and having impact…breaking cycles of poverty." Representatives from nonprofit affordable housing advocates had expressed similar enthusiasm, noting housing's proven connections to other social metrics like better health outcomes and transit access. In Bay Impact Partners' investment portfolio, these anticipated benefits were waiting to be documented and transmitted back to investors.

6.3 Becoming a social impact evaluator

From May until October 2014 I worked for Bay Impact Partners, supporting the organization's efforts to develop a more robust and data-driven system for measuring its social return on investment. My main task was to conduct a social impact evaluation of the Rochelle. I split my time interviewing the Rochelle's tenants, developers, and management; doing secondary data analysis at Bay Impact Partners' office, and pursuing interviews with local social impact investing firms and local municipalities' community and economic development departments.

Like all social finance organizations, Bay Impact Partners must provide its investors with evidence about the benefits it provides to poor people and neighborhoods. The organization also had a long-term goal of generating longitudinal statistics about the operations and results of the properties it financed – at the time of my fieldwork, the only comprehensive information the organization kept on its beneficiaries was a running total of people and families whose lives the organization had "impacted." This frustrated both the organization and their investors, who were hungry for more specific data. Investors, as a Bay Impact Partners staff member told me, were beginning to expect more quantitative evidence, such as the "relentless monetization" model of the Robin Hood Foundation. To institutionalize the collection of more "robust" data, Bay Impact Partners wanted to do more detailed impact assessments of properties it financed.

Bay Impact Partners gave past impact evaluations of its financed properties to use as examples. The organization used the terminology of "social return on investment" to discuss these social impacts. Past reports profiled families who had gained stable housing, formerly homeless people who had gained support services, and communities strengthened by job access, transportation, healthcare, and education. Social returns on investment were demonstrated through an array of metrics, including housing units built, people that gained access to them, jobs created, and taxes and revenue for local government that was "catalyzed" through Bay Impact Partners' investments. For my work, Bay Impact Partners wanted the Rochelle evaluated on three levels: impact on the tenants, impact on the neighborhood, and impact on the developer to which Bay Impact Partners had made a loan. Regarding the tenants, they wanted data on several benchmarks: First, did residents maintain their housing and avoid eviction over the medium-to-long term? Second, did the residents access support services? Third, did the residents find employment? And fourth, did resident health improve?

Operationalizing data collection on these questions was difficult. In the spring of 2014, the Rochelle had only been open for a few years since its renovation. Longitudinally speaking, this was simply not long enough to collect data and draw conclusions about how the Rochelle might have affected its neighborhood's demographics or dynamics. Furthermore, attempts to produce gold-standard metrics – those specified in dollar values – ran into the same causal problems encountered in the homelessness cost-savings study analyzed in Chapter 5. If public spending on criminal justice or healthcare had decreased, so many variables were at play that there was no conclusive way to attribute these decreases to subsidized housing.

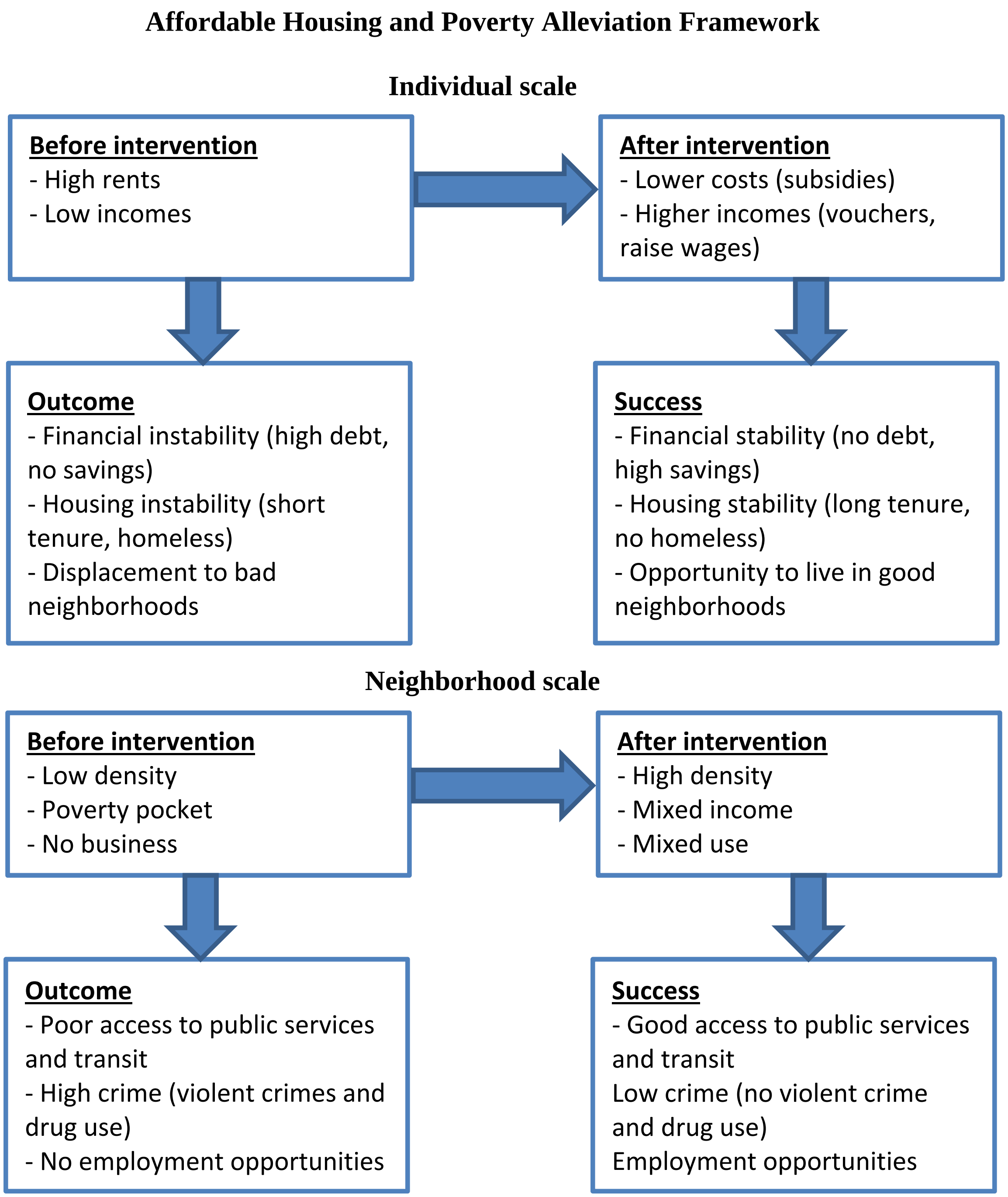

Figure 6.1: Examples from causality flow chart for social impact[88]

In Figure 6.1, above, I have partially recreated the framework through which Bay Impact Partners justified its impacts. The framework for calculating the social return on

[88] Certain identifying details have been altered.

investment connected housing (the "intervention") with improved outcomes for households. In interviews, Bay Impact Partners staff described the organization's theory of change as follows: At the scale of the individual, high rent burdens displace people to "bad" neighborhoods, often leading to financial and housing instability. Aging, unmaintained housing stock in these neighborhoods also leads to health and safety concerns. Low-density, poor neighborhoods with limited commercial activity lead to crime, poor access to services, and limited employment opportunities. With Bay Impact Partners' investments in the construction of additional subsidized housing, poor people's rent burdens will be reduced and neighborhoods will improve in quality as new housing catalyzes density and commercial activity. Lower costs and expanded social services, which are tied to subsidized housing, will lead to increased stability and health for poor people.

The methods of data collection and analysis to evaluate the Rochelle based on this theory of changes centered on secondary analysis of census and housing cost data, as well as semi-structured interviews with tenants, developers, building management, and service providers. I also conducted a focus group with tenants at the Rochelle. The questions I asked these various informants were driven by the guidance of Bay Impact Partners and the assumption, which I gleaned both from conversations with staff and from reading past social return on investment reports, that the evaluation should reveal positive changes in tenants' lives and in the neighborhood. As I gathered the data, however, tensions emerged between investors' expectations and the narratives of the Rochelle's tenants, developers, and service providers.

6.4 Valuation

Making the Rochelle profitable for social impact investors involves capital and institutional resources flowing from government, nonprofit, and private sources. The configuration of actors and resources enrolled in this process, which I detail below, is nearly identical to that of a traditional model of nonprofit subsidized housing provision. Here, following the money reveals less of a shift in financial arrangements than it does in the governance of the intervention: what expectations do investors hold for the impacts of subsidized housing? What is perhaps most remarkable about the institutional arrangements described in this section is the amount of public resources devoted to ensuring profitability for investors while providing housing for a small number of poor people. The contingencies of the local housing market and socioeconomic conditions also figure heavily in the model of subsidized housing that is being converted into a site of returns for the ethical investor. Simultaneously, familiar models of post-welfare poverty management are used to ensure rent payments while acting as benchmarks of social impact to be communicated to project investors.

The Rochelle is a multi-family building for very low-income people, with some units reserved for seniors and people with disabilities. Each room has a bathroom and a kitchenette with a microwave and mini-fridge. There are common rooms, a computer lab (Figure 6.2), and a shared kitchen facility. In the lobby, small groups of people gather and watch TV. The case workers and building manager have offices on the ground floor.

The neighborhood around the Rochelle is gentrifying and rental prices have doubled since the mid-2000s. The neighborhood was being rebranded by real estate developers as an “up and coming” neighborhood. It hosts an older housing stock of walk-up apartment buildings and older houses split into several units. Many of these buildings had already been replaced with new condominiums when I visited the neighborhood in 2014.

Figure 6.2: Computer lab and inspirational posters at the Rochelle
Photograph by the author

Until 2010, the Rochelle was owned by another, now bankrupt, nonprofit organization that I call Opportunity Housing.[89] It owned and managed a portfolio of single-room occupancy hotels (SRO) in throughout the Bay Area region. I learned about Opportunity Housing from a manager at one of the local jurisdictions' community

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[89] This is a pseudonym.

development departments, who noted that although Opportunity Housing was a nonprofit with supposedly social goals, it essentially operated "like a slumlord."[90] For several years, different municipalities in the area made grants and loans to pay operating costs and unpaid bills on Opportunity Housing's properties. Still, financial difficulties persisted and conditions at its SROs worsened. What my respondent called a "spiral of deferred maintenance" and lawsuits related to bedbugs and other city code violations persisted, as did Opportunity Housing's mounting debts.

In the late 2000s, Opportunity Housing shut down its operations, including property management. Various Bay Area jurisdictions took over its properties, which were in extreme states of disrepair. Each building had to be officially foreclosed before it could be resold, a process that took years; meanwhile, the buildings continued to house low-income tenants with essentially no maintenance or property management. Some of the buildings had third-party property managers, who threatened to leave until the municipalities obtained property insurance. The municipalities began searching for other nonprofits to take over Opportunity Housing's properties. Some properties were taken over by private investors and became market-rate housing. Bay Area municipalities offered housing vouchers and financial assistance to support nonprofit takeover of the others, in order to "preserve" their low-cost units.

The Rochelle's foreclosure presented an opportunity to a developer I call California Housing and Affordable Development (CalHAD)[91], which rehabilitated and now runs the Rochelle, along with properties throughout the Bay Area. CalHAD identified the Rochelle

[90] Personal interview, municipal housing and community development agency. San Francisco Bay Area, June 2014.
[91] This is a pseudonym.

shortly after Opportunity Housing's bankruptcy. While the foreclosure proceeded slowly through the city and the courts, CalHAD began to cobble together the financing to acquire the building. The large price discount afforded by the foreclosure made this possible, and CalHAD obtained a loan from AHV. The local state extended grants and loans for maintenance, exterminators, and renovations. The municipal money is "subordinate" to the Bay Impact Partners loan, meaning that if CalHAD defaulted or fell into bankruptcy, the Bay Impact Partners loan would be repaid first.[92]

CalHAD's ability to repay the loan is based on federal tax credits and rents drawn from the Rochelle's tenants. These rents are also subsidized by the state through partial housing vouchers for tenants. Thus, public funds support the repayment of Bay Impact Partners' investors – with interest – in both the construction/rehabilitation and operation of the Rochelle. When the tax credits run out after 15 years, or if state rent subsidies are reduced, CalHAD has permission from the local municipality to increase rents to ensure continued operation of the building. Furthermore, it can eliminate the lowest-rent units if subsidies are reduced to a level at which the project can no longer break even. An assumption that various other public subsidies would kick in to compensate for any loss of state rent subsidies was built into the loan approval, as were commercial rents derived from businesses on the ground floor.

An interview participant from the local municipality emphasized that the huge waves of market-rate residential investment before and after 2008 (with a brief hiccup during the financial crisis) made affordable housing provision difficult in the Bay Area. Municipalities struggled to maintain an interest in as many subsidized properties as possible to prevent them

[92] Personal interview, manager, local housing and community development agency. San Francisco Bay Area, June 2014.

from being bought by private investors. But the fact that SROs make up much of the existing subsidized stock in the area presents financing difficulties – developers and investors (both traditional and social finance) are hesitant to invest in such buildings. This, a Bay Impact Partners interlocutor told me, was because developers and investors are thinking about what will happen when these buildings' rent subsidies expire, usually after 15 years depending on tax codes or other provisions attached to each building's financing.[93] Converting SROs with no bathrooms into market-rate condos is time-consuming and costly. Better tax credits, public money, and nonprofit developers rehab such buildings and add bathrooms – this would potentially allow the subsidized units of today to become market-rate studio apartments in the future, my respondent noted.

She emphasized that the local state's goals were to stabilize tenants' housing situations and connect them with case workers, healthcare, and social services. Then, the municipality wanted tenants to move on to managing their own finances and, if possible, enter job training. The ultimate goal was for tenants to increase their incomes enough to move out of subsidized housing, though this was acknowledged to be uncommon for tenants in the lowest-income brackets.

The municipality oversees its interest in the Rochelle through what are called "asset managers" – these are city staff that track the building's financial data and data on tenants, including tenant incomes, rents, and use of public services. If tenants' annual incomes rise above the threshold for receiving a state housing voucher, they are no longer eligible for subsidized housing. Asset managers also track the building's financial "health," monitoring CalHAD's loan repayments and balance sheet, revenues and expenses, operating costs, and

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[93] Sometimes the city and/or nonprofit organizations will scrape together financing and tax credits to renew or "preserve" subsidized stock after the initial 15-year period.

eviction and vacancy rates. My respondent noted that asset managers have a "dashboard" of indicators of financial problems, including vacancy, tenant complaints, low cash reserves, and failure to pay taxes. The municipality also mandates a maximum yearly rent increase for subsidized properties.

To further understand how the Rochelle was constructed as a financially viable and desirable project for CalHAD, Bay Impact Partners, and the latter's investors, I talked to a Bay Impact Partners investment strategist about how projects the organization finances generate enough revenue to repay investors. She noted that, aside from tax credits, "the biggest effect on the program is the existence of city rent subsidies. If these go away, everything changes. All the rent metrics [that go into the design of project financing] would get thrown out – this is a big question."[94]

So what was changing with social impact investing? The investment strategist saw this as what he called "developing a narrative around financing public good." She gave me a timeline. From Franklin Roosevelt until the 1970s, taxes funded public welfare and the government executed these programs. These were the years of government-built public housing, of a strong welfare state. In the late 1970s and 1980s, the system turned to public-private partnerships, often incentivizing the provision of social goods through tax credits. Social impact investing was coined as a term in the mid-2000s, coming from social enterprise and international microfinance. At the time, she noted, community development and affordable housing specialists "saw [social impact investing] as a distraction from real work." But the public interest and investor dollars are there, and Bay Impact Partners is there to help the community sector connect to this interest, he said. The question was whether it was

[94] Personal interview, impact investment strategist. San Francisco Bay Area, June 2014.

going to be through public-private partnerships, which are already institutionalized in the subsidized housing sector, or a fully private option. She wasn't quite sure what the latter would look like. Her sense was that the fully privatized provision of social goods was something of a pipe dream from interests that did not understand just how fundamentally dependent private investors in social goods are on an infrastructure of state and nonprofit assistance in making their projects function.

We discussed the narrative coming out of the social finance movement, which is that private investments made with the goal of social change will do a better job providing for unmet social needs than government and nonprofits. The investment strategist thought this narrative was naïve, pointing to the fact that nonprofit financial intermediaries have "create[d] a stable environment for private capital to enter."[95] Despite Community Reinvestment Act requirements (described in Chapter 5 of this dissertation) there would be too much risk. She reaffirmed the government's role in facilitating basic services like subsidized housing. This sentiment was echoed by CalHAD's director of resident services. "Public money has to go into these things," he told me. "This should be completely non-controversial – the cost savings are clear."[96]

He told me about the care taken by CalHAD to ensure that tenants will pay their rents and make the project financially sustainable. This was important because investors now have a "bigger" stake in the projects than before – here he was gesturing to the social impact analysis I was conducting on the Rochelle, mentioning, as did several of my other interlocutors, that investors who self-identified as social impact investors wanted more specific data on social changes than investors of the past. Screening of tenant applicants for

[95] And have done so since the 1970s reorganization of community development governance.
[96] Personal interview, CalHAD. San Francisco Bay Area, June 2014.

buildings like the Rochelle is coordinated between the local housing authority, the developer, and the property manager.[97]

The tenants' actual abilities to pay are topped up with housing vouchers that are allocated to the state of California, and to the city of Oakland, from a pool of funds administered by the US Department of Housing and Urban Development. These vouchers are referred to within the industry as "Section 8," in reference to the amended subsection of the 1937 Housing Act that created this rental assistance program in the 1970s. At the Rochelle this meant that all units would yield $800 per month in rents (market rent being $830 for a studio apartment in the neighborhood at the time of CalHAD's loan application to Bay Impact Partners). As stated by CalHAD's loan application, "100% of the units will have project based Section 8 subsidies, which largely enhances the market appeal of the project."

The local housing authority ensures tenant eligibility for Section 8 subsidies. The property manager's compliance department develops other selection criteria based on the rules of the building's many different funding sources. For example, the developer's continued receipt of federal tax credits is contingent on compliance with the program's tenant selection guidelines, which are based on the neighborhood's area median income (AMI), as defined by the US Census Bureau. Other sources of finance specified that a certain number of units had to be set aside for mentally ill people, for homeless people, and for tenants that lived at the Rochelle before it was rehabbed.

A great deal of the developer's and property managers' time was devoted to tenant screening, ensuring the proper "mix" of tenants to comply with the stipulations of its properties' many funders. Being out of compliance with low-income housing tax credit

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[97] Personal interview, Rochelle Property Manager. San Francisco Bay Area, May 2014.

tenant restrictions, which mandate a ceiling for tenant income, could jeopardize its future access to credits, and there are different requirements for every government funder. The developer's other primary compliance concerns are financial: private impact investors, whose capital flows to CalHAD through Bay Impact Partners, have strict requirements regarding CalHAD's debt repayment schedule, reserve finances, and staffing levels. In addition, he said, these projects needed tenants who would keep the units in good condition.

CalHAD's director of resident services and housing development project manager told me that CalHAD is "all about preventing vacancy."[98] CalHAD uses various "incentives" to ensure that their buildings have "good continuity" – for example, social programming that encourages tenants to keep their units clean and management that keeps close tabs on each tenant to "notice changes [in ability to pay rent] and get ahead of them." He used the term "outreach" to describe how property managers ensure the flow of rents. The developer holds weekly meetings with its property managers to discuss the specific tenants in their buildings – who is behind on rent, who is showing problem behavior, and who is having health and hygiene issues? In addition, buildings with higher than average eviction rates are monitored closely for what the director of resident services called "multiplier effects" of bad tenant behavior – he believed this could easily spread throughout a building. He emphasized the importance of paying rent for even the lowest-income tenants. "Even if they have to collect cans to pay rent, it gives them ownership."

Tenants with difficulties paying rent are approached by the building's case worker, who helps them develop a "plan" to take to property management. My informant at CalHAD noted that "it is never actually this smooth" and that he frequently sat down with tenants who

[98] Personal interview. San Francisco Bay Area, June 2014.

were having difficulty making rent and asked them point blank "do you want to be homeless again?" As tenants face many financial pressures, the developer frequently refers them to workshops on budgeting and personal financial management.

I also spoke with one of the Rochelle's case workers, who is paid through the county health department. She had worked at the Rochelle both before and after its rehab. She described her primary responsibility as "making sure residents maintain their housing" – echoing CalHAD's goal of ensuring that tenants pay rents on time and avoid violating building rules. There are two rationalities here – making sure the money comes in but also making sure that people do not lose their housing. Combining these rationalities, much of the case worker's job involved counseling tenants on their finances – how to apply for more state assistance, what to do if they couldn't make rent. She also monitored tenant compliance with the rules of various funders – for example, receiving subsidized healthcare required that tenants register in the city's Homeless Management Information System (HMIS).[99] She directed tenants to psycho-social care, healthcare, and other public services. If tenants were short on grocery money, she helped them get to the food bank. She also hosted information groups on alcoholics anonymous (AA), narcotics anonymous (NA), and sessions on health, resume building, and professional behaviors and practices. When I asked her about attendance at these sessions, she noted that AA and NA groups were much better attended than job-related sessions. "The problem people don't take advantage of the opportunity," she told me. She focused on encouraging these tenants to keep regular hours, to get up and leave the building to look for work. Possible jobs she mentioned included Walmart, truck driving, industry and manufacturing work, and work as chefs at fast-food joints.

[99] This is a county-level database maintained in many US jurisdictions, tracking homeless people's use of public services.

The case worker also provided social programming for the Rochelle. Programs included a knitting circle, weekday coffee hours, bingo, and movie nights. Tenants were required to sign in for all events in which they participated. These records were sent to the city's low-income health provider and to CalHAD.

When I asked her what had changed in the building since its renovation, her central impression was that "residents' dispositions have improved greatly." Instead of the gloomy, bedbug- and roach-ridden conditions of Opportunity Housing's tenure, the remodeled Rochelle gave tenants "a sense of peace in their surroundings." Bathroom privacy and less chaos, she said, were a large part of this. People now gathered and socialized in common areas, whereas before everyone stayed in their rooms. "The building has a character that speaks to people," she said. "It says to them that there is something better on the horizon."

The Rochelle's property manager, who also worked at the building before it was rehabbed, echoed this impression. She noted that the biggest influence change was the building's sense of permanence and safety. Many tenants were elderly or disabled, and she didn't see work in their future. Only four out of one hundred tenants were currently formally employed; one was going to school. Everyone in the building had to pay 30% of their income for rent – the minimum rent in the building was $50 a month. Almost everyone survived on social security benefits, general assistance benefits (maximum $336 per month),[100] or federal Temporary Assistance for Needy Families (TANF) for the few Rochelle tenants with children under 18.

[100] General Assistance (GA) provides cash aid legal residents of Oakland's Alameda County who have no other means of support. It is a state-mandated program that is locally funded and administered. To be eligible, recipients must have no more than $1000 in personal property (Alameda Social Services, 2012).

When I asked the property manager about the social impact the Rochelle had had on its tenants since it was renovated, she looked at be blankly and said, “I would say that it’s had no impact.” I realized I had expected her to be savvy to the language and priorities of social impact investing, which she was not. For her, the Rochelle was simply a run-of-the-mill subsidized housing property. As someone who did not share the goals of Bay Impact Partners, CalHAD, or its investors, she looked at the tenants in a much different light. Her statement that there had been “no impact,” however, differed from the tenant reactions reported in the next section of this chapter.

In response to my inquiry about how evictions were handled, the property manager stated that tenants were served a ten-day notice before they were evicted. This would usually happen if they went two months behind on rent. Lawyers handled eviction, she noted, and most people didn’t fight it. She would do counseling with people who seemed in danger of eviction, asking if their finances had changed or if they could access more income supports. In the past year she’d overseen five or six evictions, which was more than before the rehab. “Most people pay their rent,” she said. When I asked what people did if they were evicted, and said, “nothing,” meaning that they would go back to being homeless.

The contributions of these various actors and organizations produce the profits and social impacts that Bay Impact Partners promises its social impact investors. Figure 6.3 maps the flows of capital and services that facilitate these returns.

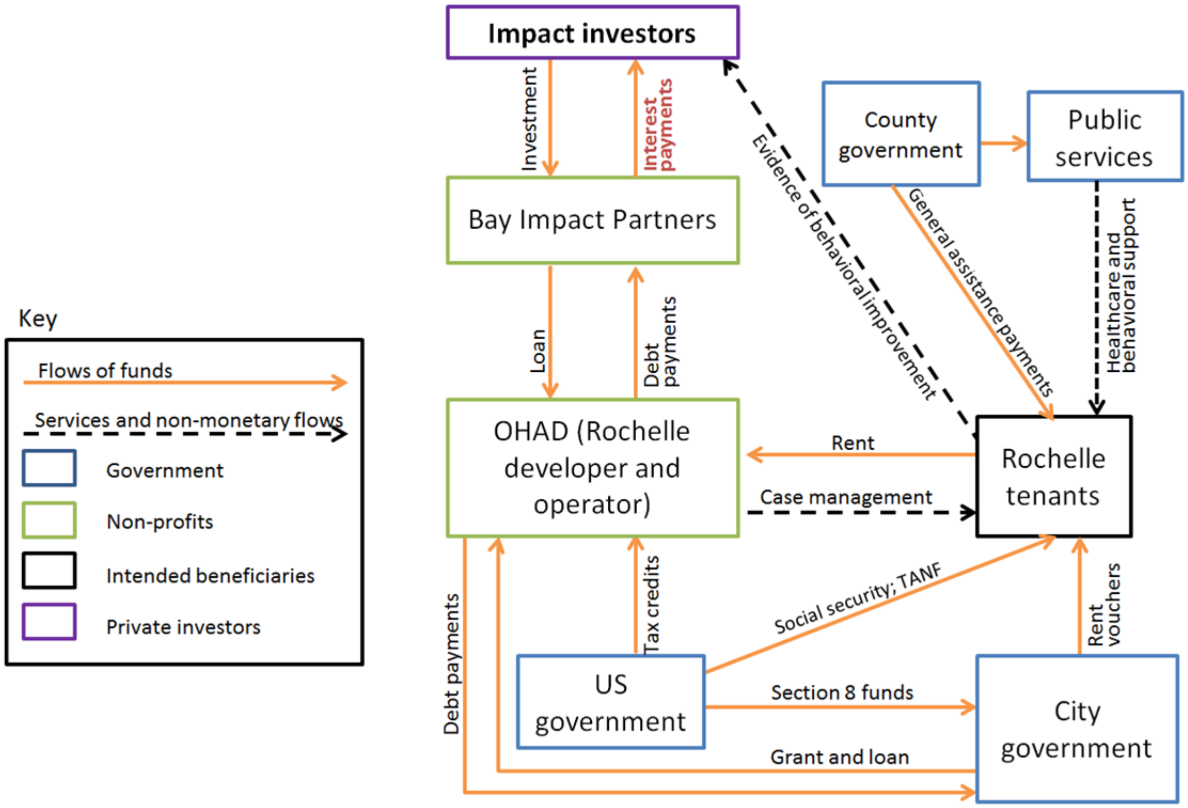

Figure 6.3: Flow chart of finances and management of the Rochelle's development and operations
Chart by the author

The financial flows in this chart are similar to a typical marketized model of subsidized housing development and operations in the US. In the case of the Rochelle, social impact investors are profiting from the detritus of the underfunded system of nonprofit housing provision – exemplified by Opportunity Housing – and branding profits derived from the redevelopment as social finance, a novel market-based solution. As Figure 6.3 shows, however, this framing belies the project's continued reliance on public subsidies. A novel component of this chart is the Rochelle tenants' performance of behavioral improvement, which is documented for social impact investors. While, for decades, nonprofit housing developers and community development financial institutions have had to report to the state on the number of people they serve, social impact investing emphasizes individual poor people's stories to a greater degree. As discussed in Chapter 4, the ideological model of social finance promotes all social change as positive social change, and putting this model into practice relies on new intermediaries that operate between investor social change expectations and the experiences of beneficiaries. As I show in the subsequent section of this chapter, the production of a successful social impact investment relies not only on financial profitability but on what is essentially a processes of marketing social outcomes to investors.

6.5 Producing Success

6.5.1 Making affordable housing a public concern

One morning when I went to work at Bay Impact Partners, the staff was meeting with a marketing firm. Bay Impact Partners was hiring the firm to design a campaign to promote public awareness about the area's housing affordability problems. Throughout the day, the marketing team interviewed various members of the Bay Impact Partners staff, trying to become familiar with the organization's platform and specific needs. Before they wrapped up for the day, they asked to interview me.

The man who introduced himself as the head of the marketing team began to describe the project. Bay Impact Partners had hired them to devise a strategy to bring attention to the rental housing crisis. At AHV I had often observed discussions of this nature – how to convince investors not only that AHV's loans to nonprofit developers were a good investment, but also that affordable housing was a worthwhile social endeavor. One idea I heard proposed at AHV was a choose-your-own-adventure style infographic, where viewers could see the tradeoffs that over-burdened renters had to make between housing costs and food, or housing costs and healthcare. But Bay Impact partners felt – and the marketing team agreed – that charts and reports about rent burdens had already been done, and had failed to bring adequate public attention to this issue.

A history of industry efforts to bring bipartisan political and public support to subsidized housing contextualizes the Bay Impact Partners marketing campaign. The use of the phrase "affordable housing," rather than "subsidized housing," is emblematic of this approach. Though increasing the supply of affordable housing involves state subsidies to developers at a much higher volume than vouchers given to low-income people, the industry strategically distances itself from words like "subsidies." Subsidies are associated with entitlements for poor people, and are thus political. As an AHV staffer had told me, talking about "affordable housing" allows AHV to avoid partisan politics. At Bay Impact Partners, the marketing people thought it would be best to emphasize the fact that the "tools" to increase affordable housing already existed: it was simply a case of raising awareness about the affordable housing crisis and humanizing the people experiencing it in the Bay Area. Their idea was that increased public support would help expand the use of these tools – tax credits for affordable housing developers, inclusionary zoning laws requiring developer set-asides for affordable units, fees on market-rate developments, and wage supplements through housing vouchers and tax credits.

The marketing people asked me about my thoughts on "how best to reach out to the consumer." They wanted my opinion on "the biggest barriers to consumer buy-in in San Francisco." I had to ask for clarification about who the consumer was in this instance. "The public," was the answer. The public was the consumer, and the consumer needed to be made to care about affordable housing.

Listening to the marketing team describe their goals for getting people in San Francisco to care about affordable housing, I recalled how, earlier that day, I'd gone downstairs for a $4.50 cappuccino at the coffee shop on the ground floor of the building. While I waited in a line that extended out the door, an older businessman sat down at a table outside to drink his coffee. There were many free tables and chairs on the sidewalk. Soon after, another man sat down at a different table. This man was visibly unwell, with an appearance that many people would associate with homelessness. Repeatedly swatting the back of his neck, he mumbled to himself. The businessman rose, came inside the shop, and said something to a barista. She went into the building's lobby and returned with a security guard. Meanwhile, the businessman settled into a new chair further away. The security guy approached the homeless man and told him he could not sit there unless he bought something; the man got up and slowly walked away. The businessman thanked the security guard. As the line progressed and I entered the shop, the staff laughed amongst themselves about the "crazy" homeless man, imitating how he swatted at his neck.

These two scenes highlights the difficulties of ensuring the provision of adequate housing, and even summoning the political will to provide it, in an environment of marketized social services provision. Market conditions do not permit the provision of adequate subsidized units for everyone who needs one. To acquire more resources, organizations like Bay Impact Partners must generate public interest – not voters, but individual investor "customers." Social finance allows poverty solutions to be framed as bipartisan and depoliticized; as historians of welfare and poverty have shown, community development groups have historically been unable to obtain funding when poverty solutions have been framed as political (Goldstein, 2012; Kohl-Arenas, 2016). The worth of AHV and

Bay Impact Partners' work and the worthiness of the cause of affordable housing require proof – the "consumers" need convincing through engagement in a human story. Good stories of deserving tenants that struggle to pay their rent for reasons society deems acceptable make their way onto websites hoping to increase public support and, I would argue, empathy. But using empathy as a basis for generating support for affordable housing leads to a certain type of story being highlighted: the deserving recipient of housing subsidies, one whose story is palatable to investors or people willing to elect politicians who will expand developer tax credits or housing vouchers. From looking at Bay Impact Partners reports, I could see that I should not be writing up the stories of the mentally ill, of drug addicts, or of people who, despite obtaining stable housing, would never work. I was told to look for stories of families, with visible diversity, along themes that would "speak" to investors. In other words, we were looking for the cream of the crop of the deserving poor. The discourse here did not touch the fact that for many people, social assistance works as livelihood maintenance and not a catalyst for upward mobility.

The figure of the depoliticized, deserving poor person has historically been a central part of how appeals are made to donors in a charitable (as opposed to tax-based) forms of social services provision. In theory, social finance and its cousin concepts of "social capital" and "resilience" are supposed to make visible the ostensibly non-economic factors for which earlier forms of neoliberalized community development have failed to account. However, the appropriation of such factors into private investment vehicles can obscure the negative social costs of the market system by converting the everyday living strategies of the poor into an object of investment, framing these strategies as entrepreneurial and using them to generate rents. A recognition or interest in discerning what causes people to be poor is not included in these calculations. The recruitment of deserving social finance beneficiaries also involves the segmentation of poor people who do and do not meet the requirements of the model.

6.5.2 Insiders and outsiders of social impact

At 11 am on June 19, 2014, I arrived at the Rochelle to conduct a focus group with the tenants. I had been there a few times already, but the attendant did not remember me. She summoned Q., the building manager, who escorted me upstairs to set up for a focus group I had organized with some of the building's tenants. I was acting on behalf of Bay Impact Partners to collect information for the building's social impact analysis. Having conducted interviews with all other service providers, funders, developers, and municipal overseers, the tenants were the final piece of the story. K., one of the case workers, was also present at the focus group. They helped me set up a ring of chairs in a room used for AA meetings, coffee socials, and the knitting circle.

I hung jumbo sticky notes on the front wall of the meeting room and set a stack of name tags on a chair near the door. Near noon, people began filtering in, smiling at me and sitting in small clusters in the circle of chairs. At 12:05 K. noted that we probably had everyone we were going to get. There were 17 people, with three men among them, one white person, and the rest appearing to be people of color. At least one had a visible physical disability and there were several senior citizens. I introduced myself to the group as a researcher collecting information on behalf of the Rochelle's investors, and also for my own research. The latter involved an awkward distribution of ethics clearance forms, while I assured the group that all names and statements would be anonymized and that Bay Impact

Partners was offering lunch as compensation for their time. Once the ethics forms were signed and collected, everyone filled out their nametags. I asked if there were any questions, and no one volunteered any. So I asked everyone to introduce themselves and state how long they had lived in the building.

The first participant, a Black woman in her mid-40s, gave her name and noted that she had lived in the building for nearly a year. Prior to that, she added, she and her husband (also present at the focus group) had lived in their car for over two years. She described walking several miles a day between a church that offered meals and the only place they could find to park the car undisturbed, carrying water and food back to the car. What she shared seemed to inspire the other participants to volunteer their "before" biographies as well. As we circulated around the room, most people stated that they had lived in the Rochelle for about a year, which was when the building had been officially rehabilitated and reopened. Before moving to the Rochelle, the tenants had lived in cars, in tents, in SROs in San Francisco's Tenderloin district, in women's shelters, and on the couches of friends and family.

After participants shared their histories for a while, I brought up the fact that the Rochelle's investors were interested in how the tenants' lives had changed since moving into the building. The focus group participants, until now talking one at a time, began clambering to respond. "I have more self-responsibility now," someone said. Others chimed in that they were looking for job and the refrain of self-responsibility echoed around the room. Likely influenced by the kind of information AHV told me they wanted for their investors, I had expected stories about improvements in people's living situations. Instead, responses focused on personal reinvention, catching me off guard as I tried to jot down the responses on the giant sticky pad. People in the group spoke of new goals, of pursuing stability in personal relationships, and of "taking responsibility" for their health, education, addictions, families, and personal development. While access to permanent housing may have been the catalyst, the big changes that participants wanted to report to me were behavioral, not material. The material stability of their living conditions seemed to have opened up many new possibilities.

When I probed specifically about improvements in their living conditions, the focus group participants appeared largely unimpressed with the Rochelle's amenities (several complained about lacking full kitchen facilities, though they liked the private bathrooms) but emphasized its cleanliness and, above all, its permanence. I asked about social relationships in the building. These were generally strong, the participants reported, with people helping each other out as much as they could. What about with people outside the building? This elicited a lengthy silence. "Nope," one man said, finally, "with people outside, when you're friends with them, you end up bringing outside problems inside." I asked what he meant. "The people inside this building are trying to better themselves," he explained. "The people outside…not as much."

Bay Impact Partners wanted to know how the presence of the Rochelle was improving the neighborhood, I told the focus group. The participants seemed stumped by this question. Finally someone said that there was less fighting outside the building than before it had been renovated. "Yeah," someone else added, "but that's because there's no place to sit out there any longer." Before renovation, they said, there had been benches, but people were always getting into trouble for loitering. Someone jokingly said that the flowerpot outside the Rochelle had "become the bench."

So what did people from the Rochelle do in the neighborhood? Generally, participants said, they couldn't afford to do much. There was the library, a museum, and a weekly free food drive in a park nearby. So mostly they went for walks and used their monthly allotment of two free bus passes to get to medical appointments. Many people collected cans to cover their (subsidized) rent. One was pursuing a general education diploma (GED), the equivalent of a US high school diploma. Mostly, people reiterated, they stayed inside a lot.

Bay Impact Partners hired a photographer to take portraits of some of the Rochelle's tenants for the evaluation report. She arrived after lunch. We asked the group if anyone was interested in having their photo taken – five agreed, with excitement. After signing more release forms we headed outside into the bright afternoon. The photographer posed the tenants individually next to the Rochelle's entrance. A young Hispanic man, who had lived on friends' couches before getting his room at the Rochelle, smiled broadly into the sunshine, his hand on the door frame. A Black woman who had stayed in SROs and shelters before the Rochelle crossed her arms over his chest and kept her face neutral. A young white woman in a wheelchair, who had previously lived in a SRO, also chose not to smile. The photographer encouraged each of her subjects, praising their poses, telling them they looked great. Several other tenants clustered around us, watching.

The Black couple who had spent a year and a half living in their car decided to stand on the sidewalk in front of the Rochelle, smiling broadly at the camera. "I love it," the photographer told them. She started shooting and a passerby stopped to watch. He peered at the photographer, the group of tenants, and me – I was clearly coordinating the photo shoot, dressed in a blazer and echoing the photographer's encouragements of J. and T. The passerby began to speak with one of the female tenants. I could not hear their conversation until she shouted abruptly. “He’s trying to sell me drugs!” She went back into the building. The passerby moved onto some of the other male tenants who were watching the photo-shoot, insistent and increasingly loud as he spoke to them. I heard them tell him they didn’t have money and they didn’t want to buy. Several others went back inside.

The passerby now approached the photographer. He called to her, “take my picture!” When she didn’t respond, he moved closer. Then he accused her of being afraid of him, calling “get off my block. This is my block.” She kept shooting, encouraging J. and T. to smile. They looked at each other uneasily, but continued posing while the photographer awkwardly ignored the passerby. Seemingly dissatisfied with her lack of acknowledgement, the passerby looked at J. and T. “Don’t smile,” he told them. “Don’t smile. No one wants to see that.” Their faces fell. They continued smiling, but looking at the photo proofs later that week, I could spot this moment, the quality of their smiles indicating when the photo shoot had turned from excitement to embarrassment.

The passerby moved behind J. and T. and stuck his head between theirs. His presence in the frame caused the photographer to stop shooting. “Hey,” I said to the passerby, feeling the urgency of getting him away from J., T., and the photographer, “we’re just taking some pictures.” I was overwhelmed with the awkwardness of the confrontation, with guilt for subjecting J. and T. to this experience, and with my own feelings of self-consciousness about being viewed as a trespasser. The passerby approached me, standing very close. “This is my block,” he said. He hurled profanity at me. He told us to leave. “Ok,” I said. “We’ve just finished.” I motioned for the others to head back inside. At the same moment, the building manager came outside. “Get back inside,” she yelled at the tenants. “Everyone inside!”

Everyone rushed toward the door, and the passerby followed us. "I'm coming inside," he said. The manager said no, the building was only for the residents. "Why can't I go inside? This is my block! Why don't I live in here? Why do they get to live here?" He came into lobby with us, and the tenants headed for the stairs to their rooms. The manager dialed 911. I mumbled an apology to the tenants we had photographed. "I called the police," the building manager said loudly to the passerby, "you better leave." As he did, the building manager locked the door after him. "Stay inside," she told us. "The police will probably be a while, but don't leave." She went back to her office.

I sat on a couch with the photographer and looked out the window onto the small courtyard where white collar workers were eating lunch at outdoor tables. The confrontation outside the Rochelle had taken place steps from the lunchers, who would have been unable to avoid hearing what had transpired. They had ignored the confrontation. Inside the lobby, one of the tenants looked at me. "This is why we don't go outside."

In March, 2017, just months after the Oakland Ghost Ship fire, a SRO hotel in Oakland, California caught fire. For years, residents had complained of code violations including mold and rodent infestations. Four people died when the building burned (Ioannou, 2017). This was the condition of the Rochelle before it was rehabbed, and the sort of building where many tenants of the Rochelle lived before they "won the lottery" of subsidized housing access. It is a reminder that converting the Rochelle into a social impact investment "depend[s] upon – and asymmetrically enlist[s] – constitutive sociospatial others/outsides" (Christophers, 2015, 198). Social finance does not create these outsides – they are prevalent whenever public welfare is marketized as community development and thus not provided for everyone – but social finance's profit margins rely on these outsides.

As noted by my interlocutors from CalHAD, the huge number of applicants for units at the Rochelle and similar properties is what makes these investors attractive. This demand demonstrates not on only the potential for future investments but the fact that tenants selected to live in these buildings will be ideal subjects of social finance – non-disruptive, rent-paying, self-bettering individuals. This "deserving" population is drawn from a larger population of tenants deemed undeserving. These people must live somewhere else, away from the Rochelle.

The question raised by the passerby – why doesn't he live in the Rochelle? – highlights an aspect of Rochelle model that is fundamental both to its profitability and to how the "success" of Bay Impact Partners' social mission is produced (Mosse, 2010). The system of affordable housing provision in the US – and indeed in other Western countries pursuing social finance to pay for social services – does not provide affordable housing for everyone who needs it. This scarcity of subsidized housing supply is a necessary component of the system's profitability, both generally and in the particular places where Bay Impact Partners works. Excess demand for housing is productive for Bay Impact Partners' model at the level of the individual seeking housing and also in terms of aggregate demand for housing in various markets.

At the scale of the individual, excess demand for subsidized housing allows Bay Impact Partners, and the organizations to which it makes loans, to be selective about tenants that are granted leases in the properties it helps to finance. As noted above, the screening process for tenant applications is rigorous and complies with regulations from multiple government and nonprofit capital sources (the latter often acting as a vehicle for private investors). Property managers take an extremely hands-on approach to ensuring the flows of rents and also tenant behaviors like cleanliness, attending healthcare appointments, and maintaining eligibility for housing vouchers.[101] While Bay Impact Partners has no direct control over tenant screening, it works with organizations like CalHAD that have a reputation for selecting eligible tenants.[102] The regular flow of rents from these tenants is crucial to the building developer's ability to make loan payments to Bay Impact Partners, which in turn repays its investors with interest. Meanwhile, the selection of eligible tenants is also necessary for documenting these investors' "social impact" and producing investor-friendly stories of low-income tenants' personal reinvention. Put bluntly, the passerby's biography is unlikely to resonate with such investors' ideas of who is deserving of rent subsidies. Bay Impact Partners, CalHAD, and the Rochelle property management are all well aware of this fact, though it remains unstated.

In terms of aggregate demand, a favorite metric of Bay Impact Partners and affordable housing developers like CalHAD is the number of applications received when new properties open. In the case of the Rochelle, around half of the building's units went to tenants that lived in the building before it was rehabbed. For the remaining apartments, which required applicants to already possess Section 8 vouchers and make less than 50% of AMI, the building received over 800 eligible applications.[103] Quoting the ratio of housing availability to applications is, paradoxically, a primary means through which Bay Impact Partners markets the "success" of its work to investors. The large number of applications demonstrates robust demand. And the greater the need, the more persuasive the evidence of social impact. News reports covering the opening of the Rochelle cited the number of people

[101] Personal interview, CalHAD director of resident services. San Francisco Bay Area, June 2014.
[102] Personal interview, impact investment strategist. San Francisco Bay Area, June 2014.
[103] Personal interview, CalHAD director of resident services. San Francisco Bay Area, June 2014.

that applied to be tenants and also the Bay Area's excess need for subsidized housing. This, more than anything else, provides assurance to investors that market "demand" persists and that rents will be ensured through state subsidies.

6.6 Translation

When I returned to the Rochelle several months later with copies of the social return on investment report, I wondered how the tenants would receive it. The report been edited by Bay Impact Partners and now depicted the tenants' lives in what I felt to be an artificially optimistic manner. J. and T., whom I had arranged to interview one-on-one, were waiting in the lobby when I arrived. I handed T. a copy of the report and she was immediately appreciative. As other tenants passed through the lobby, she excitedly waved them over to see it: "it's about *our* building." This reminded me that, whatever the Rochelle's financing structure, it has created a home for a group of people that loves living there.

I arranged one-on-one interviews with six tenants, both to hear their impressions of the social return on investment report and to get more information on possible shifts in how they were experiencing life in a building whose funder requested evidence of their social improvement. Unsurprisingly, when I explained the concept of social finance, no one had heard of it. At one point, I asked one of the tenants what she thought about the fact that investors were profiting from the Rochelle while claiming they were acting charitably. She shrugged. "If that's what it takes for me to have my apartment, it doesn't bother me." No one seemed particularly hung up on the details of how the Rochelle was funded.

In the one-on-one interviews, I again asked tenants to recount details of the conditions of the Rochelle before and after its rehab, asking whether services and daily life had shifted.

Again, I was met with stories of personal transformation rather than accounts of the building specifically. I heard stories of being in jail, of losing children to child services, of domestic abuse, of decrepit San Francisco SROs, and of mental illness untreated for years. Out of this, since moving to the Rochelle, people were stabilizing themselves, bolstered by its safety, permanence, and community. The tenants again stated that they were "finally" taking responsibility for themselves. I felt rude asking whether such responsibility included paid employment. The answer was universally no.

These claims to self-responsibility seemed almost too closely aligned with the identity of the idealized, deserving, neoliberal poor subject desired by both impact investors and the municipality. I surmised that the tenants had been asked these questions before, likely by the Rochelle case worker, the building manager, and other public service providers with whom they came into contact. The tenants knew what sort of answers were expected of them from the overseers of social services, and also expressed relief with being able to care for themselves. But the "taking" of this responsibility did not include activities associated with the model of the entrepreneurial poor person – job training, the accumulation of savings, the budgeting of income, the acquisition of paid work. The expectations placed on tenants to obtain employment and eventually accumulate enough wealth to leave the Rochelle seem largely unattainable. More importantly, these are not the goals of the tenants I spoke to. Instead, my interview participants emphasized the value they drew from a safe, stable living environment, surrounded by a familiar community, with support from various service providers. This was essentially what I had written in the social return on investment report, which I was due to present to the project's investors via two webinars after my final visit to the Rochelle. I was curious how the investors would react to such outwardly modest displays of social "improvement."

In October 2014, I presented two "social return on investment" webinars to the Rochelle's investors. The analysis covered the dynamics of the Bay Area housing market, stories and photos of the Rochelle's tenants, and how each property had affected its neighborhood for the better. In preparing for the webinar, I realized no one had ever discussed the implications of finding the opposite or, in my case, finding what might come off as lukewarm results. Looking over some past examples that Bay Impact Partners shared, I saw stories of single mothers moving into subsidized housing and finding employment, down-on-their-luck families of color whose health improved as a result of stable housing, and seniors who were now able to access community services and social events. Stories of neighborhood improvement were also positive and depoliticized, with few references to the causes of neighborhood instability, high rents, and inadequate housing. These stories acted as templates for our evaluations.

I worked over phone with a Bay Impact Partners contact to develop the webinar. We did a dry run a few weeks before it was held. For my part of the presentation I began with some statistics on the housing market in the Bay Area. I highlighted the rapid increase in rents versus incomes of the bottom quintiles, as well as the growth in homelessness. I then introduced the Rochelle's neighborhood, pointing to the intensification of gentrification and displacement in the last several years. As I ran through this part of the presentation, the loan fund staffer stopped me: "Can we avoid the word gentrification? It can be controversial in these circles."

From what I knew of this particular employee, she was a politically active homeowner, had been elected a neighborhood commissioner, and was outspoken about racism among landlords. Yet she also knew our audience: financial institutions and wealthy investors who likely had large amounts of capital tied up in high value real estate markets like San Francisco. The need to access (and increase) the capital these investors were willing to direct to Bay Impact Partners was the bigger goal. This, she said, obviously meant that we could not implicate these investors in the production of housing shortages. The word gentrification could be interpreted as such an implication. Her instrumental relationship with impact investors, many of which in this case were investment banks, was something I observed throughout my time working with impact investing organizations. Here, again, they inherit a legacy of community development finance that requires social interventions to be depoliticized and framed as individual-level problems.

The investor questions I received during the webinar very focused on tenant outcomes. Participants wanted to know more about what sort of goals the Rochelle tenants were pursuing. I reiterated the sense of community the building residents shared, and the stability the Rochelle had introduced to their lives. It felt somewhat anticlimactic not to have other traditional success stories to share – people holding down jobs, pursuing education, or generating enough income to move out of the Rochelle into a place of their own. Should I tell the investors about how tenants gave each other extra cans to sell to make rent each month? About how several tenants said the best thing that had happened to them lately was being given permission to adopt therapy kittens? About how two tenants had cried when I interviewed them one-on-one, telling me personal details about their lives before the stability of the Rochelle? There was not a place in the social return on investment framework for these “impacts.” And this is not unique to a social impact investing framework – these are embodied details and experiences that have failed for decades to justify public investment in social housing. I began to appreciate why, before the rise of social impact investing, many community development organizations had stuck with simple quantifications, such as units built and lives affected by affordable housing. Compared with IRIS metrics seeking indicators like how much beneficiaries’ assets had increased, how many children were now attending school regularly, or how many clients were engaged in vocational/technical training (Global Impact Investing Network, 2017b), adopting kittens rang hollow.

About a year later, I checked in with Bay Impact Partners to ask how the next summer of impact evaluations was shaping up. Things were going well, and Bay Impact Partners had identified three new properties for impact assessment. They noted that this year, the social return on investment would be more “metric-driven,” standardized, and quantitative. This was in accordance with investor demands.

6.7 Conclusion

In this chapter I have analyzed social finance where it touches down in the San Francisco Bay Area subsidized housing ‘market.’ In the context of the broader political economy of subsidized housing and poverty regulation, the Rochelle is a case of the enclosure and re-purposing of subsidized housing into profits for a new category of investors. Meanwhile, the way this property is managed and evaluated illustrates how expectations of entrepreneurial poverty, filtered through financial metrics and languages, fail to adequately account for the conduct of life within the building. At both the level of the social finance beneficiary and across the multiple actors that come together to produce a social finance success story, this chapter uncovers the institutional infrastructures on which the rollout of social finance is dependent: a robust affordable housing development industry, a ready 'supply' of tenants who are priced out of an expensive housing market and remain a captive audience given their dependence on public services, and a class of elite workers and corporations eager to offset their inflationary footprint on the city's housing market within what are viewed as immutable constraints of local housing politics: single-family neighborhoods will not be rezoned for increased density, housing will not be decommodified, and poor people are "partners" in the quest to reduce the housing crisis.

The Rochelle is a site where impact investments materialize in the provision of excellent housing and services for poor people. It is also a place where profit is generated for the repayment of the developers' loans, and a place where the results of social impact investing must be proven to investors who have financial and also ideological stakes in the building's success. As noted in previous chapters, social impact investing's social goals are based on people- and place-based (rather than structural) understandings of what causes poverty and how it can be solved (Katz, 2015). Most centrally, this involves finding poor people that meet certain benchmarks of deservingness according to investors and service providers. Under the logic of social impact investing, poor people should use this bestowed access to subsidized, supportive housing to help themselves out of poverty. When this expectation fails to materialize in anticipated ways – through job placement, for example – the process of "social return on investment" analysis fails to capture conditions on the ground. However, the machinery of ethical investment finds ways around this. The Rochelle is still celebrated as a success story and used as a poster child for Bay Impact Partners' work.

Chapter 7: Conclusion

> "I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it."
>
> – Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Book IV, Chapter II, 1776)

> "Aside from the question of fact – I share Adam Smith's skepticism about the benefits that can be expected from 'those who affected to trade for the public good' – this argument must be rejected on the grounds of principle. What it amounts to is an assertion that those who favor the taxes and expenditures in question have failed to persuade a majority of their fellow citizens to be of like mind and that they are seeking to attain by undemocratic procedures what they cannot attain by democratic procedures."
>
> – Milton Friedman, *The Social Responsibility of Business is to Increase its Profits* (1970)

7.1 Introduction

Market traditionalists who critique social finance might agree with Adam Smith, quoted above, that the free market actors should not attempt to "trade for the public good." Social financiers, meanwhile, argue that this is necessary to steer the market in the direction of producing general social welfare. The ideology of social finance professes that trading for the public good is not only possible, but productive of a more evolved and profitable form of capitalism. This dissertation has explored the enactment of this ideal, tracing social finance through spaces of ideology, policy, calculation, and contradictory manifestations in an urban context.

I began my exploration of the social finance market in Chapter 1 with two points of departure. First, while social financiers claim moral and ethical motivations, social finance is not a moral economy – that is, it does not by design operate in opposition to liberal free-market economics. Second, and related, social finance attempts to resolve the unequal and often unjust results of capitalism with more capitalism. This works through the existing framework of marketized provision (and governance) of social goods and services and does not displace profit as an underlying logic. As this dissertation has shown, the bottom line of social finance always requires a financial justification.

This point is illustrated by an email I received in 2017 from the Transform Finance Institute, one of the more progressive organizations working in the social finance field. In Chapter 4, I told the story of Transform Finance's executive director, Andrea Armeni, broaching the idea of investing "with a social justice lens" on the "meaning" stage of SOCAP 2014. In the email, addressed to subscribers of the organization's newsletter, Armeni notes that Transform Finance has concerns about the impacts that social finance-funded renewable energy projects are having on communities in the Global South. Potential harms include "displacement, harms to indigenous people's rights, violence, and killings linked to wind, hydropower and solar projects." Attached to the email is a briefing on why this matters for investors. It sets out "concrete risks including costly delays, increases in operating and capital expenditure, reduced monetization, reputational damage, etc." (Transform Finance, 2017). As the language used in this report shows, for the negative social impacts of renewable energy projects to be valued, they must be made valuable.

7.2 Summary of arguments and contributions

This dissertation has asked how (and whether) social finance changes finance and poverty regulation, using the case study of social impact investing in the American subsidized housing sector. In Chapter 1, I argued that the central claim of the social finance ideology – that it uses profit to create social value – warrants scrutiny in terms of whose values are represented as the public interest, and how the governance of anti-poverty services might shift. I proposed a relational and geographical approach to investigating these questions. In Chapter 2, I argued that the geographical implications of social finance are much broader than those acknowledged by its asset managers and business analysts. Social finance is built on geographies of policy, finance, social services provision, uneven development, power-laden social relations between investors and beneficiaries, and imaginaries about what causes poverty and how it will be solved. I proposed that geographical studies of social finance should 1) analyze social finance's implications for welfare governance though social economy perspectives on the relationships between different sectors of the economy, 2) examine the making of social finance as a market through cultural economic perspectives on subject formation and valuation practices, and 3) explore the sector's financial and power arrangements through geographical political economic analysis. I also proposed combining these economic geography approaches with a critical poverty studies approach to understanding how social finance builds neoliberalized poverty knowledge into the design of financial deals. In Chapter 3, I explained how this theoretical framework influenced my research design, arguing that a methodology for social finance must 'ground' the abstractions of finance and poverty knowledge in analyses of how they operate through specific places and investment instruments. Using ethnographic immersion, participation-observation at conferences, and expert interviews, I designed this project to draw relational connections between ideological framings of finance as a way of doing "good," the translation of these ideals into metrics that legitimate financialized poverty governance, and the materialization of a social finance investment in a particular place and context.

In the second part of this dissertation, I visit these three nodes in the production of an “ethical” investment. Traveling from conferences and policy events to the conceptual labor of framing subsidized housing as investable, and then to spaces of lived experience and social impact evaluation, I work from the abstract to (more) concrete. Though these spaces involved many different actors and contexts, common languages and universals (Tsing, 2004) emerged. Social needs must be communicated and represented in terms legible to finance – often through quantitative and standardized metrics. Social interventions revolve around individual behavior made by poor people. Social changes said to be “caused” by social finance deals are almost always framed as positive, leaving the outside(r)s and boundaries on which social finance is reliant unacknowledged in evaluation reports and financial models.

My empirical analysis of the spaces of social finance yields five central arguments. First, social finance’s framing of geography rests on poor people and poor places being made into interchangeable, potentially-investable subjects and sites. This depends on segmenting the ‘market’ for poverty alleviation into people and places that are more or less eligible for investment, creating new peripheries of service provision. Second, social finance commodifies poor people’s behavior and life strategies by incorporating social outcomes into financial deals and marketing these deals as practices of poverty alleviation. The American community development industry, an already-marketized infrastructure of welfare services, is a ready host for these investment deals. Third, social finance shifts the governance of poverty alleviation from a framework of doing the state’s work of serving a generalized population of poor people, to one organized around recruiting the most entrepreneurial or "deserving" poor people to be the beneficiaries of investment. Fourth, social finance financializes anti-poverty policy through appropriating existing or lacking social services as new sites of financial accumulation. Fifth, and related, despite an ideology built around changing capitalism and investment practices, the practice of social finance relies on traditional financial models and deal structures. The greatest shifts here are not in financial practices but in the institutional configuration of social finance as an industry, as new intermediaries arise, conferences are held, and states enact policy to grow the sector.

Social finance, in several ways, is a partial strategy of ethical capitalism, not a wholesale shift even within a capitalist framework. While a few philanthropic foundations have gone "all in" to impact investing (e.g., Miller, 2011), converting their portfolios to 100% mission-related investments, no one in the industry expects investment banks, institutional investors, or individual investors to follow suit and allocate their entire portfolios to ethical investing. Rather, social finance is a small vehicle for offsetting the majority of investment portfolios, which remain wholly profit-focused. This offsetting involves allocating capital for investments in nonprofits and social enterprises that serve social problems that are the externalities of capitalist accumulation – most centrally, poverty. Discussing poverty with few references to inequality, many social finance deals are grounded in tested poverty alleviation strategies and investments in organizations that provide these solutions via "financially sustainable" business structures. A network of intermediaries, analyzed in Chapters 4 and 5, helps to smooth the entrance of social finance investors into the anti-poverty industry.

But as Chapter 6 shows, the social finance model does not reach its investment sites in an uncomplicated manner. As Mezzadra and Neilson (2015, 8) note, "the global scope of the operations of…finance cannot be thought without attention to the uneven and heterogeneous patterns they create in specific material circumstances." So while the expensive San Francisco Bay Area housing market produces a context in which social finance can be implemented in a manner that investors, city officials, and social service providers deem a success, this apparent success cannot be decontextualized from other conditions that produce the possibility for investors to profit from subsidized housing: rampant real estate speculation, displacement and evictions creating a huge pool of potential social finance beneficiaries, and tech-industry growth that produces new forms of philanthropic capital and the political sense that something must be done about the housing crisis. The spatialities of social finance markets coexist with these geographies of wealth, poverty, and profit possibilities. As I show in Chapter 6, these profit possibilities are reliant on their outsides – poor people who are not eligible tenants and neighborhoods that are not (yet) investable.

The way subsidized housing is practiced through AHV and Bay Impact Partners' social impact investing frameworks does not mark a wholesale shift in the governance of subsidized housing provision. The US anti-poverty industry is already marketized and fragmented in terms of governance, making it a ready site for new arrangements of financial accumulation. But the necessity to attract social impact capital divides space in new ways, into new spaces of deservingness for the highest and best use of social finance capital. Paradoxically, amidst claims that traditional state and nonprofit models of poverty alleviation have failed and that the introduction of social finance will lead to innovations in poverty alleviation, the industry tends to fall back on “proven” models due to the necessity of assuring investors that interventions will be profitable. Social finance as practiced at AHV and Bay Impact Partners is not creating new ways of serving clients. It is, rather, transferring existing social needs and service models into the portfolios of new investors, with new evaluation requirements.

As for what this project has to say about financialization, I have found that mainstream, profitable social finance tends to be about appropriating pre-existing, well-tested models of social services provision and rebranding them into “ethical” investments. Here, financialization – in the sense of entrenching financial logics in social services – is driven by incorporating elements of previously existing markets. The ideology of “doing well by doing good” is attractive to government and the financial industry alike – the latter sees the opportunity to reframe normal business practices in ways that appeal to new investors and forms of public support, and the former sees new ways of attracting private capital to pay for social services. While discourse in the financial industry focuses on social finance as a risky sector, philanthropic foundations and governments use their capital to reduce the risk of potential investors.

But reframing social change into something that is only valuable if it can be valued also creates opportunities for capital to circulate in new areas. Here, social finance is a political economic shift that creates new asset streams. Foundation grant-making is turned into return-seeking (“ethical”) investing, new public-private partnerships like social impact bonds arise, and, new financial products and services are marketed. Whether or not promised financial returns are always achieved is hardly the point – these new markets will ensure the continued circulation of capital and the opening up of the realms of care and social reproduction to greater numbers of investors. Social finance is giving rise to new institutions and intermediaries dedicated to facilitating this circulation. And given the important role of the state in supporting social finance profits, social finance may be doing to charitable giving what neoliberalism did to industrial Keynesianism: transforming the role of the state into managing the circulation of financial flows. This conversion of charity into an asset stream is a form of financialization facilitated by the state.

As Christophers (2015) reminds us, this process is both constituted by and productive of new peripheries and outside(r)s, which in social finance are often invisible to investors and asset managers that are focused on a social intervention in a particular place. Comparing the utopian optimism of the stakeholders at SOCAP with the realities of the Rochelle highlights the distance between investors and beneficiaries, a distance amplified when the latter's lives are converted into an investment instrument that must be filtered through an ever-greater number of intermediaries to allow investors to profit while "doing good."

7.3 Research reflections and limitations

In designing this project and carrying out fieldwork, I was inevitably forced to make choices about what themes and actors to highlight, meaning that others were downplayed or excluded. In this section I acknowledge some of these shortcomings and omissions. In the subsequent section I comment on how I (and others) might address these gaps in future research directions.

First, as acknowledged in Chapters 5 and 6, the market provision of affordable housing has a long history in the US, with deep connections to community development actors. While the original intent of this project was to study social finance as the financialization of community development, my fieldwork experiences placed me in conversations with different debates. I found that theorizing community development did not figure as prominently in my analysis as expected, possibly because I was operating in circles where community development has become so professionalized that it has become decoupled from actual communities. At SOCAP and similar conferences, I found some evidence that locally-based community development organizations were attempting to attract social finance investments, but most potential investors are not interested in the level of risk associated with small and especially activist organizations. In practice, the biggest actors in the social finance industry tend to avoid the most innovative or disruptive forms of social service provision. As illustrated above, more progressive or activist community development actors will likely have to continue their reliance on donations and grant funding. Still, the frequent use of the *language* of community development within the social finance community speaks to the possibility that community development as a concept needs further investigation in relation to the history of social services provision and how the practice of community development may change under social finance.

Second, I did not focus on how social finance might be used in transformative ways, even though it operates within traditional investment structures. There is a long history of activist groups using finance instrumentally to achieve social justice outcomes – the possibility is certainly there for social finance to be used as such. The Transform Finance Institute may be one such example. Another is the use of the concept of a "social license to operate," which is being applied by some indigenous groups to control what sorts of social finance projects enter their communities. In a "social license to operate" framework, investors must gain community approval over proposed social interventions before investments are approved. Organizations working toward social justice for their communities should not be begrudged for participating in social finance. For groups that can satisfy the requirements of investors, this is one of the most feasible means of accessing capital.

Related to this point, my research design did not foreground emerging contestations within the social finance industry about what counts as social finance, who can claim to be doing it, and what defines it. Tensions over ethical values and capital requirements were visible in the assortment of speakers at the industry events I attended. Political debates about social finance have only intensified since my research was conducted. At SOCAP 2016, for example, Uber's head of economic research spoke on a panel about "investing in quality jobs in under-served communities" (Takagi and Berger, 2016). In response, Martin Montero, a critic who argues that the social finance sector is overly capital-centric, tweeted "So #Uber is on a panel about good job creation at #SOCAP16??? Their model: Exploitation, tax evasion & machismo. #Fail."

Many of social finance's original emissaries are worried that their territory will be co-opted by mainstream business and run-of-the-mill politics. Even one of the investment strategists I interviewed was wary of the financial industry gaining too much influence over the direction of the social finance sector:

> It's important that we be able to play with our partners, and it's important that they support our work as we can support their work, but I also - as I said - am very wary of us just molding ourselves to what the Morgan Stanleys or Goldman Sachses of the world are doing. Because then what's the point? We might as well go and work for those guys…And if we have to be the lone voice selling our type of product, hopefully not, but you know, at least then we are, I think, doing what we need to be doing…If you're really serious about social impact investing and having an influence in that debate, we need

> to be - we need to be able to say "no, this is what I think social impact investing is all about."[104]

In response to acknowledgements like these, future studies should investigate the extent to which investment banks and other powerful corporations control the direction of the industry.

Third, despite my stated commitment to focusing on the production of social finance as a "success," and in drawing connections between the various actors implicated in the production of this success, more of my fieldwork encounters were with the elite and middle-class actors than with intended beneficiaries (or those excluded from the possibility of being a beneficiary). If there is one thing of which I am certain, it is that investigating the outcomes and experiences of social finance's intended beneficiaries remains a crucial project. On one hand, research on the outcomes of social finance has shown some unexpectedly progressive results, such as a South Carolina SIB that resulted in increased public resources being directed to single mothers, a traditionally stigmatized and under-resourced population in that state (Warner and Tse, 2017). On the other hand, anecdotal evidence from many of my fieldwork experiences suggests that social finance has a limited potential to affect poverty on a widespread scale, and many studies and news reports I reference in this dissertation speak to how it has been used for ends directly opposed to social justice.

7.4 Future research directions

Based on the limitations of this study summarized above, I propose several directions for future research.

1. Further investigation of the role of large philanthropic foundations in the future of the industry. Philanthropy's cultural hegemony has been studied through a

[104] Personal interview, nonprofit community development organization. New York, NY, March 2014.

historical lens, but social finance’s influence on philanthropic practices (and philanthropy’s influence on social finance) warrants further examination.

2. Research on the relationship between geographies of social finance investments and the local, regional, and national geographies of social needs, service provision, and care. Such investigations, which I intend to pursue in my postdoctoral research, might track flows of capital to see how and whether capital flows into social services are shifting, whether they are redistributing resources or prioritizing new types of services. Such a study could document financialization in a political-economic sense by tracking flows of capital. Analyzing social finance through the lens of an ethic of care could add to theoretical debates over the financialization of social reproduction.
3. Research on the role of social finance in the support and reproduction of the capitalist system. Here, research on social finance could be used to build a regulation theory for the post-crisis present. As noted in Chapter 1, to the degree that social finance succeeds, it becomes functionally essential to how capitalism reproduces the condition for its own reproduction.
4. Research on the implications of social finance for democracy and political participation. As noted throughout this dissertation, social finance appears to place investors in the driver’s seat of determining social policy priorities. How and whether this is contested is another gap in existing research. Investigations of the implications of social finance for the role of the state are needed here. Who will be the ultimate judge of the deservingness of social finance beneficiaries?

Does the state have a new role in the wake of investor sovereignty over social policy priorities?

7.5 Conclusion

In the pages above, I have demurred on the question of "if not impact investing, then what?" This dissertation is about how ethical investing works, not whether it succeeds. But at the end of a lengthy analysis, the question of whether impact investing is better than nothing is a reasonable one. My response would be a qualified yes, that if the options are impact investing or nothing, it is likely better that people are more connected to, or at least more aware of, where their investments are going. At the time of this writing, activism based around divestment is being used to contest corporate profiteering from the Dakota Access Pipeline's flouting of indigenous land rights and to resist the Trump presidency through the #dumptrump movement, which encourages Americans not to consume products and services marketed by the Trump family. But while, at first glance, it may appear better (than nothing) if wealthy and middle-class people allocate some, rather than none, of their investments to what tend to be earnest commitments to bettering the lives of poor people, the history of philanthropy gives us countless examples of the contradictions endemic in the American tradition of allowing the wealthy to drive national social priorities without democratic oversight (Lamarche, 2014; Callahan, 2015). Just as foundations are not required to prove the public benefits of their billions of dollars of tax-subsidized funds and nonprofits are not required to identify their donors, social financiers are not required to justify the societal benefits of their missions. Attempting to account for social impact may, in some cases, improve accountability, but in how the industry is currently organized, the social cause or mission itself requires no justification beyond claims to be "doing good." As explored above, this results in many social impact funds that are essentially identical to traditional investments. In 2016, the fund rating agency Morningstar rated 193 funds marketed as socially responsible. Half of these funds scored as "average or worse than conventional funds when it comes to ethical investing" (Williams, 2016). Funds marketed as socially responsible by JP Morgan Asset Management, Blackrock, and UBS were among those given "below average" or "low" ratings. Recognizing the irony of agreeing with Milton Friedman (1970), I would argue that democracy, taxes, and public expenditures are superior means for eliminating poverty.

Given the many contradictions of ethical capitalism, I would also argue that the framing of "impact investing or nothing" is a false choice (e.g., Slater, 2014) that lacks imagination. There are many historical and contemporary examples of finance being used instrumentally in ways that maintain community control – land trusts, certain forms of cooperative organizations, lending circles, and mutual aid organizations. The difference here is that the owners of capital must give up control for the community to gain it. Giving up control is rarely something that owners of capital are inclined to do. In sum, while social finance does show some humanizing possibilities, it does not go far enough. Activist Leah Hunt-Hendrix's (2016, np) prescription for a more just system of philanthropy applies equally – or more so – to investors attempting to profit from "doing good":

> If we understand philanthropy as the product of an economic system that produces great inequality, then thoughtful funders must come to terms with their role in that system. They can choose to do palliative work, tinkering around the edges. Or they can take big risks and challenge the ways in which wealth and power are accumulated…Instead of altruism ("for the other"), which characterizes a philanthropy that might be based on ephemeral feelings—or, alternatively, on the cold calculation of impartial metrics—we need a philanthropy of solidarity ("standing together"), which emphasizes real

relationships. A gospel of solidarity means forging deep and sturdy alliances with those seeking to create a world where all can flourish.

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