

# **The Story of Bob Swann's Relationship With the Launching of the Socially Responsible Investment Industry**

By Terry Mollner

In 1973 I called a meeting at our large group house of all the “alternative organizations,” as we called them – the food cooperatives, the alternative schools, the work collectives, etc. – in the Boston-Cambridge area to discuss creating our own banking system. I proposed that we start a credit union. To my surprise, most people did not want to do it. They were afraid that the government would close it down. Those were the days of anti-war demonstrations and President Richard Nixon. People tended to be pretty paranoid. I was stunned at the fear. So you can imagine how they responded to the older (late fifties which was very old to us at the time) pure white haired man who suggested that we start our own currency to replace the dollar. That man was Bob Swann. I arranged to go meet with him at his office the next day. I loved his calm courage.

It turned out that he was part of a group led by Ralph Barsodi, who had written the best seller, “Inflation is Coming” in 1949, and they had already launched a privately issued currency called “the constant” out of Luzenborg where it was legal to do such things. Constants were already being used in Barsodi’s hometown of Exeter, New Hampshire. I was soon invited to be on the board of directors of Arbitrage International, Inc.

I learned that Bob had written the first book on community land trusts – Gandhi’s idea of the ownership of land being held in trust for the good of all rather than privately owned - in the USA and was working to develop them. I also learned of socially responsible investment from him. I had come into adulthood interested in becoming a psychotherapist and educator. I had not like the world of business and finance. But as a member of the board of the Boston Food Cooperative, Inc. – the largest cooperative in the nation at the time where members worked a couple hours in the store each month – and as one of the founders of the New England Food Cooperative Organization, Inc., which was the association of all the food cooperatives in New England, I had learned much about business and finance. I came to see that making changes in that part of our lives was very important to improving our society. So, by this time, I was keenly interested in the area.

When I privately got legal advice and discovered the entire truth about the constant currency project, I took the leadership to close it down. Even though we had received strong support from many, including a check for \$50,000 from Ray Kroc who was the founder of McDonalds, our issuing of silver coins was illegal and the way they had issued the paper constant notes out of Luxemborg was questionably legal in the USA. Fortunately, the day we were taking our last walk around our offices in Exeter, and actually walking out the door to deliver the keys to the landlord, a man in a gray suit showed up at the door. He asked if this was the office of Arbitrage International, Inc. We said "it was."

"It 'was'?" he questioned.

"Yes," I said. "We have dissolved the organization and we are just about to return the keys to the landlord."

"Good," he said, "I am from the FBI. You made a good decision." Then he smiled and left.

Bob and I then started a new organization called the "Institute for Community Economics, Inc." It would focus on three things: community land trust development, legal local currencies, and "community investment" as we labeled and was what we today separate into "socially responsible investing" – investment in for-profit companies – and "community investment" – investment in non-profit organizations. I became very interested in the this third area, especially after an evening at Charles Knight's home. Charles had inherited wealth and was a major contributor to progressive organizations. He argued that all companies did bad things and that the only thing to do was to invest in them, make money, and then donate the profits to good causes. Logic simply told me that there had to be, like people, companies that had high standards and those that had low standards. This resulted in my enthusiasm for "community investment" to increase greatly. I saw it as something we could actually accomplish and take to a larger scale. I also judged it was something we could get funded from foundations and investors.

We decided to bring a group of people together to serve as a think tank to create what we called "community investment." We invited Robert Zevin, the economist and an investment officer in the Trust Department at

US Trust Company in Boston; Charles Knight; Shelly Korman, Executive Director of the new Ms. Foundation; George Benello, a professor, entrepreneur, and investor; Michael Galle, investment officer in the largest African-American venture capital firm; and a number of others. All these were contacts that Bob had. I invited only one person. He was someone I had gotten to know at a Right Livelihood Weekend I had organized with some friends at Another Place Farm, Inc., a conference center in rural New Hampshire where the progressive community throughout New England gathered on weekends. He was the only other person there involved with investments. He had just started First Variable Rate Government Income Fund, one of the first all government money market funds in the country. His name was Wayne Silby.

I became the co-ordinator of the group. During the first year we attended to two main tasks at our monthly meetings. For the second meeting everyone wrote up and presented to me what they thought the social screens should be. I then put them all into one draft document. At each meeting over the next year we improved on it and I would bring back for review the next draft. The second task was to create the investment vehicles we would use to raise capital. We decided on three funds that would be private offerings. A fund to make loans to non-profits that is called “community investment” today. An SBIC – Small Business Investment Company – which would allow us to receive matching dollars from the government to invest in small socially responsible businesses. And a third fund for the same purpose that would not have the restrictions of the former fund imposed by the government. I had made arrangements to receive pro-bono legal services from a prestigious law firm in Boston, Hal and Doer. Each month I would prepare further drafts of the three legal investment fund documents, learn from the attorney at Hal and Doer how to word them in the document, and present it to the group for review.

We raised \$250,000 (a lot of money in 1976) in donations and had a briefing with a number of large foundations in NYC. We were on a role. But there were problems. We did not have the expertise required. We did not have the right people in the right places. There were reasons to be concerned. While on the phone with Wayne Silby discussing these matters one day, Wayne decided he would come up and just the two of us would spend a day thinking these things through. By mid-afternoon we decided we needed a walk.

While walking in a park discussing the contributions we were hoping that our generation could make to the improvement of the world I commented that one of my professors in college who I greatly respected, Ken Blanchard – who later became very famous for writing the book “The One-Minute Manager” – was fond of saying, “If you want to teach someone something, try to sell them something. They always pay attention when they are deciding to buy or not buy something.” At that point Wayne stopped on the dirt path, turned to me and said, “Well, if that is the case then we should do a public offering instead of private offerings to a few foundations so many individuals can invest only \$1,000 and participate.” Our eyes met in that way that says two things: “that is a great idea and we are definitely going to do that one.” But there was a problem. Everyone on the current board, including us, were totally loyal to Bob Swann because he was such a caring man, one of the champion of non-violence since the 1930s - he had even spent time in jail as a conscientious objector; yet he was not qualified to head such an organization. We knew that for other reasons it may be necessary to close the current program down, but that was not our decision. Clearly Wayne, who with his partner John had created a publicly traded investment fund, was the person among us qualified to do this. So we both registered this understanding and commitment, but tabled it and returned to the task of being loyal to assisting the current effort.

I then met privately with each of the members of the board. The clear conclusion of all of them was that we should find a way to have me head up the program. But I was unable to do that. I had become very ill, which is a long story, and had to say I could not do it. It was decided to close the program down. In those days, if you attempted to begin a progressive organization and failed, it was on the front pages of the New York Times Business Section. We concluded that we did not have all the pieces in the right places and we had to close it down so we would not have a failure and, perhaps, set back the possibility of someone else launching a successful socially responsible investment program. Very reluctantly, we met for our final meeting at US Trust Company and all resigned. Bob Swann moved to Great Barrington to organize a particular land trust that he then lived on and created the E.F. Shoemaker Foundation. I moved to Western Massachusetts to begin building employee-owned cooperatives. And Chuck Mathai took over the running of ICE with a focus on community land trusts. Today it is the premier organization in the USA providing this service. He also began to focus on bringing non-profit, community investment organizations into an

association. But he was against developing the “socially responsible investment” side of the original program.

Wayne and I had become good friends and stayed in touch. Many months later, Wayne, after going to an EST Training, called me on the phone and said, “Lets do it inside my company.”

“Great,” I said. “Lets.” What had transcribed spiritually on the path months earlier when he came to Boston was free to come to the surface and it did. But it was Bob Swann who introduce me to the concept, provided the leadership to bring us together that involved Wayne, and who brought most of the people to the table who wrote the social screens...which Wayne and I pulled out of our files and used with very few changes to launch the first Calvert Social Investment Fund. Those social screens have basically been the social screens that have been the basis for the development of the social investment industry. Without Bob Swann, it never would have happened from our locality...there were other groups beginning to think the same way of course. But we launched Calvert Social Investment Fund in October of 1982 and it was the first modern, pro-active socially responsible investment fund – Pax World Fund was at that time just a “no fund,” no alcohol, gambling, etc.

Calvert would not have been launched without the inspiration and guidance of Bob Swann and without him introducing it to me and then to Wayne Silby. Bob Swann is one of the fathers of socially responsible investing.