



ILLUSTRATION: GARY ALPHONSO/CORBIS

# SLOW MONEY

From venture capital to patient capital.

**I**F WE DO NOT wish to support economic growth that comes at the cost of biodiversity and peace, then we must concern ourselves not only with where our money is going but also with the fundamentally violent impacts of its speed. In fact, we will not be able to get money to many of the places that will be vital to the health of a restorative economy – local food systems, for instance – without slowing money down.

At a recent session of Investors' Circle, the scion of one of America's wealthiest families argued with some vehemence: "Money only knows one speed. Money only goes fast. Try to slow it down, and you'll only facilitate sloppy investing."

The depth of his objection to the subject that was being discussed – the creation of a Slow Money fund for supporting sustainable, local food systems – did suggest that tampering with the speed of money is akin to violating a taboo.

So, what is Slow Money? To get there, we have to travel through the well-charted territory of venture capital, to the barely charted territory of patient capital, and, finally, to the virtually uncharted territory of Slow Money.

## Venture capital

In the interest of space, I will omit an overwhelmingly convincing series of statistics about the exponential increase in trading on the New York Stock Exchange, global currency flows and the foreshortening of investment time horizons by institutional investors. The increase in the speed of money parallels the path of computer chips.

One of myriad manifestations of this acceleration is the emergence of the venture capital industry in the United States, which invests tens of billions of dollars per annum in a few thousand technology companies that have the potential to create billions of dollars of shareholder value in only a

few years. The financial benchmark that has emerged from this rarefied kind of hyper-investing is a 20% internal rate of return. To achieve this, one must construct a portfolio of twenty or so investments, each of which has the potential to return five to ten times the initial investment in five years. But in reality, the returns are generated by a small handful of home runs, such as Google, the internet search engine, which return fifty times the original investment, or more.

In fact, we may use the particulars of Google to exemplify the type of investment that venture capitalists seek, and the example of Stonyfield Farm, now the world's largest manufacturer of organic yogurt, as an example of another path, the path that heads toward Slow Money.

When Stonyfield started out over twenty years ago as a non-profit agricultural education centre in rural New Hampshire, its principals could not have even dreamt of a US\$200-million

yogurt company. A few years later, when their yogurt began to broaden its customer base, they still could not have written a business plan. When they got to \$10 million in sales, the business plan they wrote could still not envision \$200 million in sales. Yet, even if they had, at the outset, been bold enough to write a plan that showed zero to \$200 million in twenty years, no venture capitalist would have devoted the time to do due diligence: such growth, particularly in a low-margin, non-technology deal with unproven management, just does not make the institutional venture capital grade.

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Compare this to an investment in Google made by one of the world's leading venture capital firms, Kleiner Perkins: they invested US\$25 million in Google in early 1999, at a valuation of \$75 million, and enjoyed the prospects of a true venture capital home run when Google went public in 2005 at a valuation of \$25 billion. The culture of Silicon-Valley-style venture capital could not be more different from that of Stonyfield Farm-style venture capital. These are differences of scale and kind.

### Patient capital

To those concerned with sustainability and what E. F. Schumacher called "meta-economic" values, the need for a more organic, more patient system of nurturing new enterprises could not be more obvious.

With thanks to Wendell Berry for his wonderful articulation of the differences between exploitation and nurture in the opening pages of *The Unsettling of America*, I offer the following distinctions between venture capital and patient capital.

- Venture capital is about speed. Patient capital is about care.
- Venture capital is about how much. Patient capital is about how.
- Venture capital is about growth and

exit. Patient capital is about development and legacy.

- Venture capital prioritises internal rate of return. Patient capital prioritises external rate of return.
- Venture capital seeks superior, risk-adjusted rates of return for preferred shareholders. Patient capital seeks fair, impact-adjusted value creation for all stakeholders.
- Venture capital operates in a milieu of millions and billions. Patient capital works in a system bounded by household, community and bioregion.
- Venture capital is about making a killing. Patient capital is about making a living, and more than a living, but doing so in a way that minimises harm.
- Venture capital, like its twin, philanthropy, is about managing the run-off of a broken wealth-creation system. Patient capital, like its twin, engaged citizenship, is about attempting to fix the system.

It is no accident that the financial system that produces today's venture capital finds it difficult to steer capital to the Stonyfields of the world, not to mention the many thousands of smaller food enterprises that are the foundation of a healthy food system and a healthy society.

Only a society of fiduciary specialists, dedicated to maximising the financial returns to the current generation of shareholders, could ignore the violence to the health of communities and bioregions – and, literally, to the health of the soil – that occurs when the imperatives of venture capital define the culture and strategic development of new enterprises.

Patient capital does not exist yet as a recognised asset class. But it is the gestalt that is emerging as socially responsible investing matures. Screened mutual funds, shareholder advocacy, the development of new metrics (e.g. Social Return On Investment) are all steps towards a fundamental reinvention of the relationship between investors and companies, and the relationship between companies, communities and bioregions.

We are, in the emergence of patient capital, where the field of organics was in the early 1990s. Then, no investors saw organics as an 'investable' sector. No professionally managed funds invested in organics. Now, organics is an \$11 billion sector, 2% of US food sales, growing very rapidly and widely recognised as leading fundamental shifts in consumption for a significant portion of

the population.

Given the interplay between the 'red line' (the extractive economy heading towards overshoot and collapse) and the 'green line' (the restorative economy beginning to emerge), the forces that will drive the creation of patient capital in the 21st century are as broad and deep as those which fostered the emergence of venture capital, and of organics in the last few decades of the 20th century.

### Slow Money

A host of entrepreneurial companies that promote the transition to a restorative economy need growth capital, but do not meet (or, in many cases, wish to meet) the criteria for venture capital: niche renewable energy players, educational products and services, village-level healthcare solutions for developing countries, independent media companies, developers of green building products ... The list is long. The concept of patient capital applies broadly across many sectors.

Applied to the food sector, patient capital becomes Slow Money – with more than just a doff of the cap to Slow Food (the international movement that promotes biodiversity, artisan food production, and connections between consumers and small farmers).

Despite the commercial success of a number of sustainability-minded entrepreneurial food companies such as Stonyfield and Ben & Jerry's, and despite the dramatic growth of the organics and lifestyles of health and sustainability, fundamental questions remain unanswered:

- Is mission inexorably compromised when a company goes public or is acquired?
- What happens to 'local' when a company scales?
- Would the food system, in particular, and the economy, as a whole, be safer and healthier if tens of thousands of small, independent, mission-driven companies were supported by capital that prioritised local control?

These interrelated questions go to the fundamental imperatives of an economic transformation that started with the Jeffersonian ideal of a small farmer and ends with TV dinners, nutraceuticals and a bunch of eco-farmers who don't know whether they are a movement or an industry.

Investors who invest in organic food companies without addressing these fundamental questions are too

much like organic gardeners who use organic fertilisers and organic pest control, but who know nothing of the joys of composting and the mysteries of soil health. The result is a system that produces international organic food brands and puts organic food products on supermarket shelves, but leaves the soil of community less fertile, less full of life and less capable of supporting future generations.

Towards this end, the concept for a Slow Money fund has been incubated over the past few years by the Investors' Circle Foundation. What would the financing of early-stage food enterprises look like if it were designed from the farmer's field and the local community up, rather than from supermarkets and financial markets down? We are in the process of answering such questions, working towards the goal of the first Slow Money fund in 2007.

Seen through a Slow Money lens, using the powerful tool of venture capital to nurture sustainable food companies is like flying an aircraft to the shop for milk. What we need are

new investment vehicles that seek not to maximise speed and power, but rather to optimise directly the health of communities and natural systems.

Seen through a Slow Money lens, the speed of global financial markets is enabled when links to people and place are attenuated or severed. What is needed are radically new approaches to investing that use capital to build food enterprises as if place mattered.

Listening with a Slow Money ear, questions may be heard that extend beyond the farmer's field: What if you had to invest 50% of your financial assets within 50–200 miles of where you lived? The idea would be to recognise and respect watersheds and bioregions as fundamental to healthy economies, and to nurture spheres of local exchange.

Calculated with a Slow Money non-calculator, there is something elegantly simple about fifty-fifty. It's about sharing, about balance. The rules of the game that made sense when capital was scarce and nature seemed inexhaustible (at the beginning of the Industrial Revolution) no longer make

sense when \$2 trillion a day courses through Wall Street.

Thinking with the Slow Money side of the brain, we sense that fundamental changes in the way we finance food enterprises will raise fundamental questions about the very structure and governance of the modern corporation: What if there were a new generation of companies, whose charters called for 50% of their profits to be deployed charitably at the local level? Not 1% of revenues or 10% of profits, but 50% of profits, which would betoken an end to the Era of Ever-Accelerating Capital and Shareholder Entitlement, and the beginning of the Era of Stakeholder Capitalism or Natural Capitalism or Commons Capitalism or Restorative Economics?

This would recognise that the forces of nature are also forces of human nature – that the health of one is simply a reflection of the health in the other. 🌱

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Get a life. A real life, not a manic pursuit of the next promotion, the bigger pay-check, the larger house. Do you think you'd care so very much about those things if you blew an aneurysm one afternoon, or found a lump in your breast? Get a life in which

you notice the smell of salt water pushing itself on a breeze, a life in which you stop and watch how a red-tailed hawk circles over the water or the way a baby sowls with concentration when she tries to pick up a cherry with her thumb and first finger. Get a life in which you are not alone. Find people you love, and who love you. And remember that love is not leisure: it is work.

Get a life in which you are generous. And realise that life is the best thing ever, and that you have no business taking it for granted. Care so deeply about its goodness that you want to spread it around. Take money you would have spent on beer and give it to charity. Work in a soup kitchen. Be a big

# GET A LIFE

Anna Quindlen

brother or sister. Everyone wants to do well. But if you do not do good too, then doing well will never be enough. It is so easy to waste our lives, our days, our hours, our minutes. It is so easy to exist instead of to live. I learned to live many years ago.

I learned to love the journey, not the destination. I learned that it is not a dress rehearsal, and that today is the only guarantee you get. I learned to look at all the good in the world and try to give some of it back because I believed in it, completely and utterly. And I tried to do that, in part, by telling others what I had learned. By telling them this: consider the lilies of the field. Eat in the backyard with the sun on your face. Learn to be happy. And think of life as a terminal illness, because if you do, you will live it with joy and passion as it ought to be lived. •

Anna Quindlen is a US Pulitzer Prize-winning author.