

Putting New Models to Work for the American Dream

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2017 Winter Innovation Summit

Thank you, Gretchen, so much for having me here and thank you to Jim, Jeremy and the Sorenson Center for hosting this 3rd Annual Winter Summit.

I am honored to be here with so many fellow travelers, innovators and drivers of social progress, from across all sectors.

Over the past six years, we in this room and beyond have taken an experimental idea called Pay for Success and put it into action.

But I am not here today to focus on the challenges and evolution of the model, or the progress we have made together – the 70+ Pay for Success projects that have been launched worldwide -- or the bipartisan support for Pay for Success approaches to tackle our nation's toughest challenges. We can save that for the next panel.

Instead I want to talk about where the Pay for Success model can take us in pursuit of the American dream in the 21st century context.

It has been almost a century since the term “American Dream” was coined by James Truslow Adams, and the phrase has taken on so many meanings for so many people.

For me, the American Dream meant coming from my hometown of Hong Kong to America as a foreign student, meeting my husband and raising a family. And building a new firm, a new idea, a new field.

As I pursue this work, I am continuously stunned by the support available to Americans in pursuit of their own American dream. I am reminded over and over again how nowhere else in the world can you access this kind of support and philanthropy. This country is deeply generous, its citizens deeply compassionate.

But we all know too well that opportunity and economic mobility have not been equally accessible to everyone. We know that there are clear disparities in education, in housing, in healthcare, in job prospects.

As this election demonstrated, many people feel that the American Dream is no longer available to them – whatever that dream may be.

This is why our work here at the Summit – to discuss the state of social innovation, evidence based policy making, impact investing - is so critical. To discuss the tools that can help widen the net of opportunity, allowing those most marginalized by situation and circumstance to access their full potential.

What do new tools like Pay for Success represent? That in the 21st century context, the American Dream is not just a value impulse.

Pay for Success clearly sits at the center of age-old American values, like opportunity, hard work, and innovation, but it also sits at the center of three concurrent 21st century movements.

It is about using data and evidence smartly in service of policymaking. It is about harnessing the capital markets in service of society. And it is about building tri-sector models, further blurring the ever more porous boundaries across the public, private, and social sectors.

Robert F. Kennedy once said of the GDP that “it measures everything in short, except that which makes life worthwhile.”

The challenge that government faces is that although it has gathered huge amounts of data, it has conventionally valued that which can be measured.

“...[Our GDP] does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials.

It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile. ”

-- Robert F. Kennedy, 1968

With new data capabilities and a new ethos, Pay for Success flips this on its head – working instead to measure that which is most valued.

In Pay for Success, we put this into practice when we measure improved earnings, rather than enrollment in workforce development programs. When we track improved maternal and child health, rather than the caseload of the clinician. When we measure outcomes rather than outputs. In short, when we begin to quantify the true impact of social programs on that which makes life worthwhile.

In addition to data, PFS draws on another parallel movement. Investors across the spectrum are increasingly seeking to express their values in their investment portfolios, to get both social and financial returns. Or, as my co-founder Ronnie Cohen says, to consider impact as the third dimension to risk and return in investment decisions.

Some call it impact investing, others call it sustainable capitalism, still others call it shared value - but all point to the principle that economic value and financial returns can be created in a way that also creates value for society.

This disrupts the notion that for-profit investments should seek only to generate financial return, while social problems should be addressed only by nonprofits and governments.

So we have data and evidence, we have impact investing, the third parallel movement is the increased momentum around tri-sector partnership models.

In any new Pay for Success project, uncommon partners are brought together around a common purpose, new collaborations are forged, silos breaking down between the public, private and social sectors. We see public and private actors, for-profit and nonprofit entities,

Republicans and Democrats working side by side for common ground. Boundaries separating these identities and sectors are becoming more and more porous, and we are seeing real commitment from trisector players to think creatively and to build enduring partnerships.

I'd like to highlight one particular actor which has been a critical partner in Pay for Success - philanthropy. Foundations and mission driven investors have been important stewards of the impact investing field, balancing some of the tension that may inevitably arise. I see their role as almost the conscience of the movement.

So where are we six years in?

New ideas take years to build. We have built a proof of concept but we are still in the early days of Pay for Success. It is not a silver bullet. Building fair, thoughtful Pay for Success contracts is hard; taking the best of what we've learned in social science and adapting it to the realities of public sector investments is not linear. Our work requires balancing the needs of our most-vulnerable communities with political priorities and investor frameworks, as well as the realities of data, measurement, and evaluation.

The market is still young, and it is imperfect. But I do believe we have a perfect moment, in this time of change and uncertainty, to take this model to the next level. As was said earlier today, there has never been a more opportune time to use new common ground approaches to support our public sector agenda, especially at the state and local levels, to spend smartly to get value for taxpayer dollars, to get measurable results for our communities, and to bring uncommon partners around a common purpose.

This brings me to the often quoted African proverb – if you want to go quickly, go alone. If you want to go far, go together.

With the great minds and the extraordinary commitment in this room, let's go far together.

Thank you so much for having me.