

PREFACE

This book offers a framework, Relentless Monetization (RM), by which to measure the impact of philanthropic interventions. It provides a strategy for comparing the value of one philanthropic option against another—a strategy by which to make smart philanthropic decisions. The power of RM lies in its consistent and persistent application of benefit/cost analysis. Implemented carefully, the strategy takes full account of the funder's philanthropic mission, the preferences and values of nonprofit actors (funders, donors, policy makers, academics, service deliverers) and resources. RM also takes full account of the best available evidence about the impact of philanthropic interventions on the outcomes that are relevant to the missions of funders and donors. And the strategy does all this in a manner that leaves a tangible trail of accountability, thereby exposing philanthropic decisions to challenge and revision.

The book grounds the discussion of RM in the practice of the Robin Hood Foundation, the largest private charity dedicated to fighting poverty in New York City. One of the authors, Michael Weinstein, has been in charge of Robin Hood's grant making for the past ten years and in that role developed RM. The other author, Ralph Bradburd, has served as a consultant to Robin Hood. Given its central role in this book, a word about Robin Hood is in order. It aims to "find, fund and cultivate the most effective poverty-fighting

methods and programs.” Beyond cash grants, Robin Hood provides its grantees with management assistance—help solving real estate problems, adopting fiscal systems, developing marketing strategies, improving fund raising capacity, and building boards of directors. In 2012, Robin Hood made about \$113 million in grants and other commitments to more than 200 poverty-fighting programs, directly serving hundreds of thousands of New York residents. Robin Hood’s board pays all of the organization’s administrative, fund raising, and evaluation costs, guaranteeing that 100 percent of every donation by non-board members goes directly to organizations serving low income New Yorkers.

The reader may wonder why RM has blossomed at Robin Hood. No mystery. Its founders and major donors come disproportionately from the hedge fund industry and other financial sectors. Many were “quants” trained to wallow in numbers. From the get-go in 1988, Robin Hood vowed to apply “investment principles” to the practice of philanthropy. Board members insisted that the Robin Hood staff invest their philanthropic dollars every bit as effectively as they invest their hedge fund dollars. The rhetorical commitment of Robin Hood’s board led staff early on to collect extensive data. The board then brought in Michael Weinstein, an economist, to develop a rigorous system for making cost-effective philanthropic decisions.

The easy prediction would have been that trying to meld formal, quantitative, results-oriented investment strategies with philanthropic goals would be disruptive—and so it was, measured in terms of the processes for analyzing grant proposals and the content of grants. But the disruption did not trigger much resistance among staffers for the simple reason that the board had made Robin Hood’s direction abundantly clear. The question became how, not whether, to formalize and quantify. Readers will judge for themselves to what extent the system that Robin Hood has adopted holds up to scrutiny.

Although the examples we use throughout the book are based on one author’s experience at Robin Hood, we do not use actual names of grantees or their data.

For whom is this book written? RM is a framework for making choices among philanthropic options when resources are limited. Funders like Robin Hood make such choices. So do donors, nonprofits (community-based organizations), policy advocates, and policy makers. The RM framework is designed to guide all of these philanthropic actors. Given the role that Robin Hood’s practice plays in this book, explicit reference is often made to decisions made by funders. But the discussion would follow

precisely the same lines were it written from the point of view of nonprofits or other philanthropists.

Special acknowledgment goes to Cynthia E. Lamy, whose responsibilities at Robin Hood include finding and creatively interpreting research as the first step in applying the principles of RM to the practical task of assigning numerical value to hundreds of potential and actual antipoverty interventions. Her painstaking efforts populate the examples in chapters 6 and 7, which provide examples that bring theory into concrete form. We'd like to offer a personal shout out to David Saltzman, Robin Hood's visionary executive director, who gave the new economist in town a wide berth in which to build on his magnificent grant-making handiwork. That took guts. That took patience. That took character.

Finally we celebrate the oh-so-smart advice that Myles Thompson and Bridget Flannery-McCoy showered on us, patiently guiding our thoughts as we restructured, reorganized, and rewrote.

THE ROBIN HOOD RULES FOR SMART GIVING

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Overview of Relentless Monetization

You're a philanthropist whose mission is to fight poverty. You're choosing between two different ways to allocate your charity. One option would have you donate \$10 million to teach carpentry to female high school dropouts. A second option would have you donate \$10 million to middle schools that serve disadvantaged children to expand their onsite psychological services. Which option do you choose?

This thought experiment triggers two questions. How can you, as a philanthropist, make the right choice? And what exactly does “right” mean in this context?

This book lays out a concise framework for answering these questions, a framework by which to make smart philanthropic decisions. By philanthropic decisions, we mean decisions driven by a mission other than the maximization of personal profit. By smart, we mean achieving philanthropic goals to the maximum extent possible with whatever money is available. We call our framework *Relentless Monetization (RM)*. It methodically applies the workhorse of modern economics, benefit/cost analysis, to the task of making effective philanthropic choices.

For many readers, “relentless” and “monetization” carry negative connotations. So why do we focus on them? Why do we argue that putting the two terms together makes for smart philanthropy? By monetization, we