Discussion of

Are Socially Responsible Impact Funds Viable?

by Amil Dasgupta, Dirk Jenter, Richmond Mathews, and Paul Voss

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Stockholm School of Economics

4th Sir Oliver Hart Conference
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Primitives: Investors with Social Preferences



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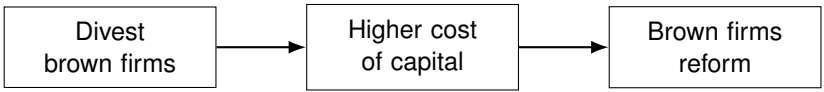
A “Simple” Idea: Divestment

- **Divestment** in theory (e.g., Heinkel et al., 2001)



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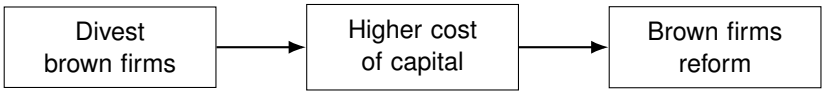
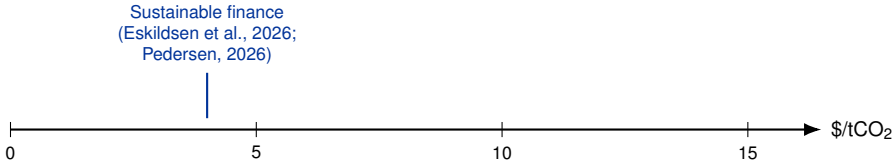


- Why not stop here?

Empirical Objections

- **Greenium** in carbon-tax units



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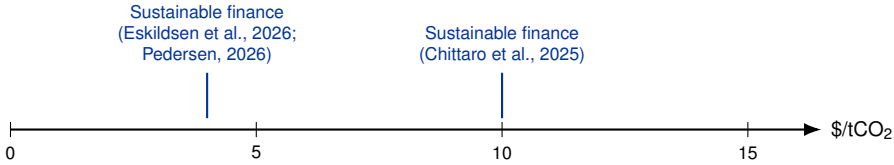

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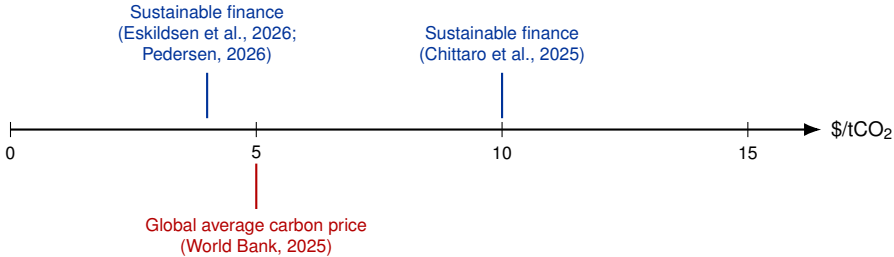

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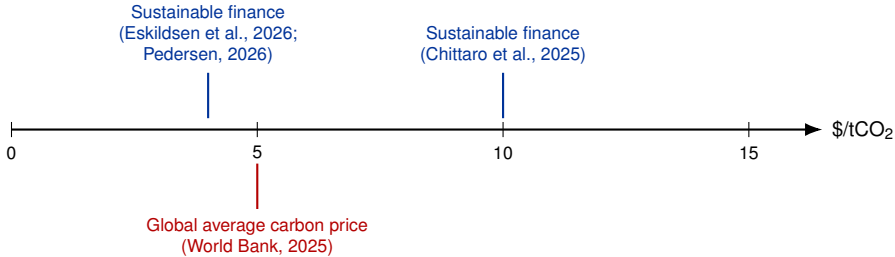
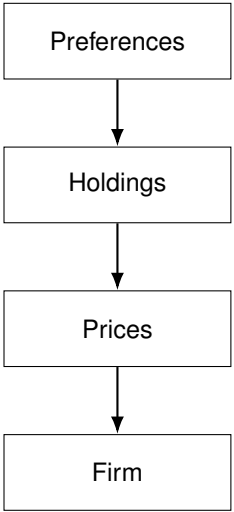


- Implications
  - Sustainable finance $\approx$ carbon pricing $\lll$ **social cost of carbon**
  - Not necessarily informative about potential magnitudes

Theoretical Objections



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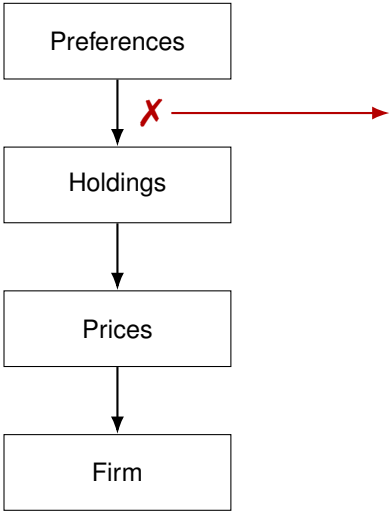
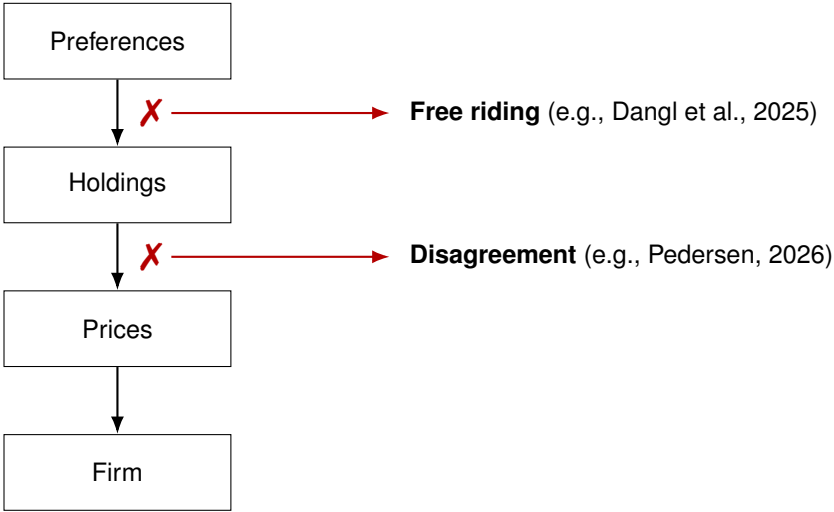


Free riding (e.g., Dangl et al., 2025)

Theoretical Objections



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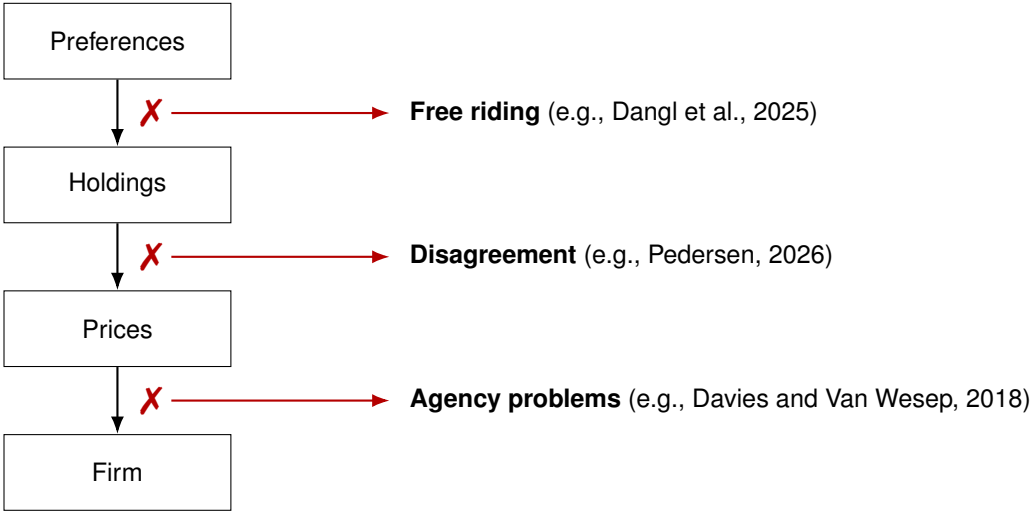
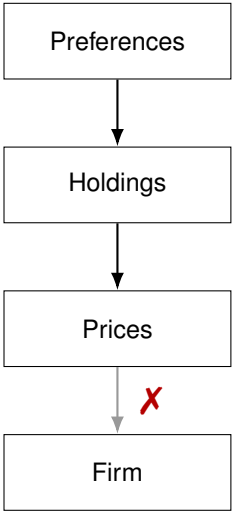


This Paper



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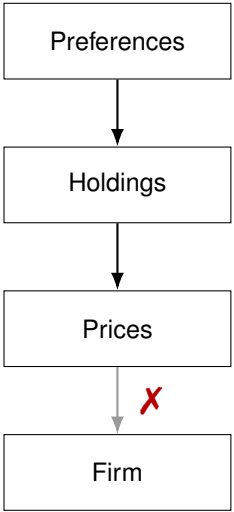

- Key ingredients
  - **Warm-glow** preferences ⇒ premium
  - **Noisy** financial markets ⇒ target partly concealed

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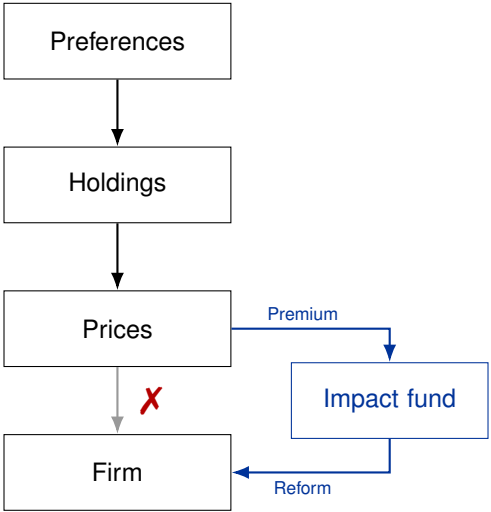
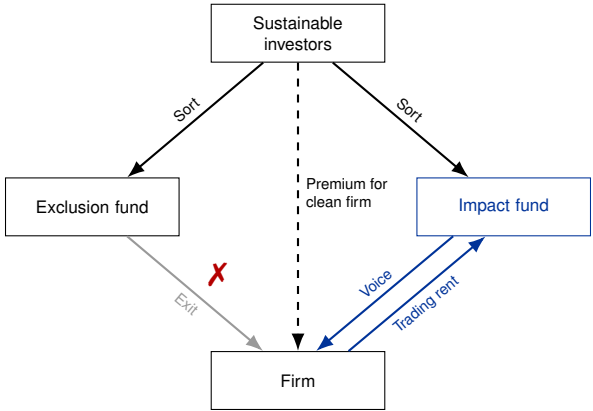


- Key ingredients
  - **Warm-glow** preferences ⇒ premium
  - **Noisy** financial markets ⇒ target partly concealed
- Impact fund
  - **Overweights** dirty firm
  - **Reforms** it at cost
  - **Resells** at premium

Exit and voice are complements

Exit and Voice as Complements



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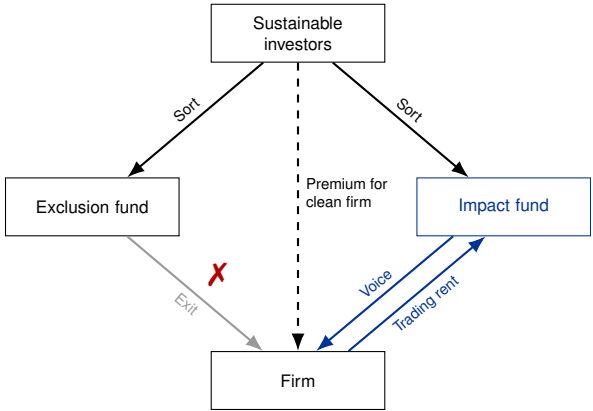
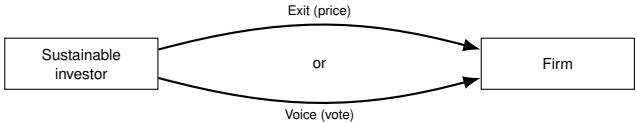


- **Comment 1:** competition among impact funds may erode trading rent and impact

Exit and Voice in Literature

- Sustainable finance: **exit versus voice** (e.g., Broccardo et al., 2022)



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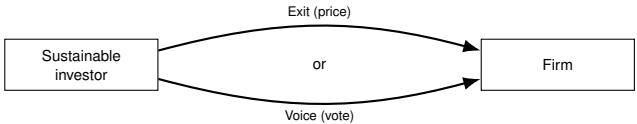

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  - Exit as **form of voice** (e.g., Admati and Pfleiderer, 2009)

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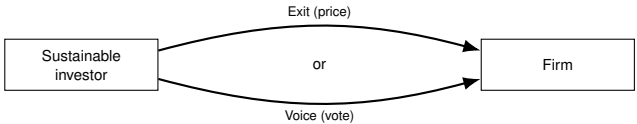

- **Comment 2:** engage more deeply with broader literature on exit and voice
  - Exit as **form of voice** (e.g., Admati and Pfleiderer, 2009)
  - **Complements** through information (e.g., Chen et al., 2026)

Impact requires outside activist

Why an Activist?

- More direct links
  - **Cost of capital:** firm reforms if premium exceeds cost (e.g., Heinkel et al., 2001)
  - **Voting:** shareholders vote for reform directly (e.g., Broccardo et al., 2022)

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- **Comment 3:** make friction more explicit

Activist Impact Investing in Practice



New York Times Magazine, 2021

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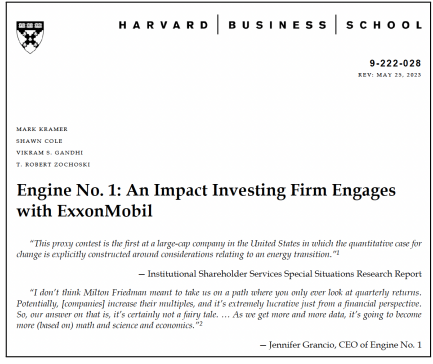

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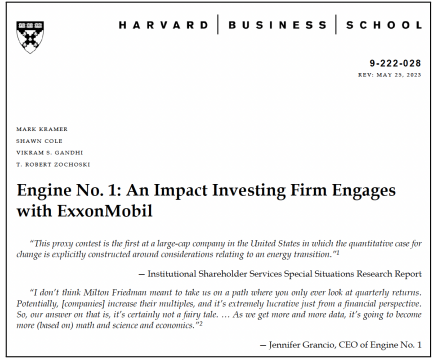

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- **Engine No. 1:** board change through vote, relied on shareholder coordination

Premium finances impact

Small Premium, Small Impact?

- This paper: impact **bounded by premium**
  - Largest financeable reform cost increases in premium

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- **Comment 4:** frictions that limit premium may also limit impact channel

Impact investing without financial sacrifice

Back to Our Investor



Back to Our Investor



- **Comment 5:** map to definitions of impact investing

References

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