Socially screen portfolios exceeded the $2 trillion mark in 2000–2001 and continue on a significant growth trajectory. With more than one hundred and seventy five socially screened mutual funds, nearly one of every eight dollars under professional management in the United States is committed to socially responsible investments (Social Investment Forum, 2001). Socially responsible investments (SRI), however, have also engendered increasing debate. Questions of impact, performance, and the methods by which such investments are screened are rarely addressed by business scholars and business ethicists.

Do socially responsible investors pay a price for their investments or do these funds outperform others? Do socially responsible investments have an impact on social issues or merely help in marketing funds? These questions were raised by Prof. Thomas Dunfee in his introduction to the 2000 Zicklin Center Wharton Impact Conference on the Social Screening of Investments. His answer is simple and honest, “[t]he field is just beginning to attract the research needed to get to the bottom of these and other questions. . . .”

The 2000 Zicklin Center Wharton Impact Conference on the Social Screening of Investments brought together leading scholars and practitioners to address some of the most difficult questions facing this field with the hope that leading-edge research will follow. Believers and non-believers populated each conference session debating a host of issues, from the metrics used to screen SRI products to the very fundamental question: Is ethical investment ethical?

In the first conference paper of this special issue of the Journal of Business Ethics, Stephen Dillenburg, Timothy Greene, and Homer Erekson report on the progress of a new comprehensive rating scheme: Total Social Impact (TSI). TSI provides ratings of corporations based on business practices that derive from the principles espoused by the Caux Round Table – a business forum committed to reducing social and economic threats to world peace and security. Their discussion reveals the importance of moving from simple screening methods to social and environmental metrics that hold the distinct promise of affecting corporate behavior.

Next, Barbara Krumsiek and the Calvert Social Research Department raise concerns about the conventional wisdom that high technology companies deserve their pristine social reputations. As part of their socially screened portfolios, Calvert employs elaborate avoidance and positive screens that explore a corporation’s workplace practices, environmental impact, community relations, product safety profile, and commitment to international human rights. Krumsiek carefully documents how much more complex the process of screening should be in a sector like high technology that defies this traditional SRI analysis.

In the third contribution to this special issue, Steven J. Schueth provides a descriptive overview of SRI, including a brief history of SRI, the primary motivations of SRI investors, the criteria used in SRI fund strategies, the growth of SRI, and SRI performance indicators. As Chair and President of the Social Investment Forum, Schueth writes with much enthusiasm about the future of SRI and the value of social investing.

“For most,” Schueth writes, “socially responsible investing is about achieving one’s financial goals while catalyzing changes in corporate behavior aimed at improving quality of life. Thus they use their power as investors within traditional market...”
mechanisms to assist in the creation of a more just, sustainable and healthy society.”

Mark S. Schwartz follows by taking a critical look at the ethics of ethical investing. Prof. Schwartz focuses on five questions: Do ethical mutual funds firms have any additional obligations relative to other mutual fund firms? Are these obligations being met? Are the ethical screens currently being used ethically justified? Are the screens being applied in an ethical manner? And, finally, is the ethical investment movement itself ethically justified? Schwartz concludes by proposing a code of ethics for ethical investment that mandates disclosure requirements and ensures a fair screening process.

Alan Strudler responds to Schwartz’s paper by challenging his moral assessment of the screens used by investment funds. Specifically, Prof. Strudler is concerned with Schwartz’s rationale for screening against tobacco products when some smokers make a voluntary and informed choice to smoke. He argues that the production and sale of tobacco products are, thus, not inherently unethical. Strudler joins a number of contributors to this special issue in challenging some of the very premises of SRI.

D. Bruce Johnsen concludes that “...what passes as socially responsible investing (SRI) in many cases is nothing more than a panacea for those who want to rid themselves of the misplaced guilt of western capitalism.” Prof. Johnsen’s critique of SRI also includes challenges to the inclusion of certain screens, e.g., weapons manufacturers. After expressing additional concerns over the methods and metrics of SRI screens, he proposes several suggestions that raise “considerable” hope. The first considers how portfolio composition (i.e., common portfolio ownership) may be used to achieve SRI objectives. The second suggestion reveals how fund managers can bond the credibility of their SRI claims by organizing as close-end funds.

Pietra Rivoli’s paper tackles the devastating problem of exploitive labor practices, focusing on the proliferation of sweatshops. After providing descriptive evidence of the practice, Prof. Rivoli asks and answers the following questions: How should investors make sense of the complex moral, economic, and social issues surrounding the sweatshop debate? How should investors evaluate U.S. firms on this issue? How might investors contribute to the discourse on this topic?

Alan Willis is the first of a number of contributors to consider, in some detail, the emergence of voluntary reporting initiatives and guidelines. The Global Reporting Initiative (GRI), for example, is designed to “significantly improve the usefulness and quality of information reported by companies about their environmental, social and economic impacts and performance.” Willis summarizes the purpose and nature of the GRI and its Sustainability Reporting Guidelines, and then suggests the ways in which both support the SRI community. “The GRI Guidelines,” Willis concludes, “are emerging as an important instrument in enabling companies to communicate with their stakeholders about performance and accountability beyond just the financial bottom line.”

The final three papers raise additional challenges to SRI, its metrics, and performance. Kenneth E. Goodpaster raises four such challenges. First, Prof. Goodpaster poses the question – how should matters of conscience be translated into a discrete set of principles? Second, once successful, how should these principles be benchmarked? Third, must these benchmarks be measured by both inside and outside observers? And fourth, how should the necessity and sufficiency of the benchmarks be assessed?

Thomas Dunfee takes a different approach by asking what properly falls within the ambit of social investing? What do we need to know about investor psychology and SRI? How can we improve the measures of social performance? Should social reports by firms be audited? What sorts of public policies are necessary to support the social screening of investments? Professor Dunfee calls for accurate corporate information, backed by generally accepted accounting and auditing principles. He notes the importance of independent social auditors and disclosure that is backed by industry norms, as well as sound public policy.

In the final contribution to this special issue, Social Accountability and Corporate Greenwashing, I argue that the problems and challenges of