

1

The case for change

This book aims to engender a new dialogue: a dialogue about creating the conditions under which business, government, the welfare sector and individuals can address the problems of poverty, inequality and environmental sustainability. In order to grapple with these issues effectively we as a society must reclaim the word value as a term that reflects what we hold as desirable and important—the things and ideas for which we choose to strive. We need to move beyond notions of charity and welfare, beyond do-gooding and guilt, to a system that recognises the complexity of our values and a realistic understanding of how we can support them. The way to do this, I believe, is to embrace what I have come to call value-centred market economics.

In recent times, we have become increasingly focused on valuing things in terms of money alone. Yet money is merely the mechanism we have chosen as a means to share and exchange things of value. In itself—without the objects, services or opportunities that it creates—money is worthless.

The End of Charity

Paradoxically, while we refuse to acknowledge value in anything other than monetary terms, there are some things that loom like the proverbial elephant in the room of the economy, uncosted and unvalued. These things include poverty, homelessness, disadvantage, climate change, water management and other environmental realities. By turning a blind eye to the very real market value/cost of these things, we subsidise and tolerate inefficiency, environmental damage and social inequality. To confront these problems and devise long-term, large-scale solutions, products and their by-products must be ascribed their true value.

There is no need to fear that the changes flowing from such a rethink will slow economic activity or reduce opportunities for enterprise; as markets shift they generate new economic value. Yes, some industries and individual companies will face shrinking markets and increased costs as their products are ascribed their true value/cost. However, other markets will be created and extended. For example, in recent years, in a bid to check global warming, carbon has been ascribed a value. This has created huge new markets for products such as compact fluorescent light bulbs. Similarly, the demand for 4WD vehicles may shrink as oil prices increase, but consumer interest in more fuel-efficient cars is rising.

These types of market shifts resulting from changes in values are not unprecedented. Over the last few decades, the tobacco industry has had to come to terms with the true cost of its product. As a result of increased awareness of tobacco's adverse effect on health, cigarette companies have had to take some responsibility for the costs its use generates for society as a whole. Through litigation, government regulation and increased taxes on their product, they have

The case for change

been forced, in some measure, to subsidise the huge costs to our health system and compensate those whose lives have been shortened by smoking.

New opportunities and new markets have always emerged in response to shifting values, and these value shifts can be supported by legislation or other market mechanisms. In fact, the market itself is one of the most powerful tools we have to deliver and effect social change on a large scale and support the values we want our society to advocate.

Our political and economic system divorces values from the market. Historically, those on the left have focused on social values, while conservatives have made the management of the economy and the market their province. The welfare sector, of which for many years I was a part—most recently, as CEO of the Brotherhood of St Laurence—also operates within this system, as do business and enterprise. Although each of these elements is part of the one system, they operate in their own cycles of separateness.

With each element focusing on its particular area of concern, problems for and disjunctions with the other elements and sectors are created. Each sector also draws its meaning and status in part from its differences, both real and perceived, from the other sectors. The system is set up to fail—has to have its failings—in order for each sector to know its place: as CEO of a large welfare agency, I needed homeless people to define myself as a ‘good’ person in contrast to those in the less ‘caring’ sectors of business and government.

Individuals and entities within each sector define themselves and draw their *raison d’être* from the place where they’ve chosen to reside: I’m in business, I make money; I’m in charity, I do good works. Such separation allows

The End of Charity

individuals to restrict their engagement with the world to manageable dimensions. This keeps their sphere of action and engagement a straightforward place to reside in, if a little uncomfortable to maintain. Decision making within this restricted world view is also much simpler. The consequence of such separation is that we can't bring all the available levers to bear on any particular problem.

Faced with a problem, the tendency has been for each sector to take a different and usually disconnected approach; or to distance itself from the problem by disavowing any responsibility or refusing to see that a problem exists at all.

For example, the installation of an AAA-rated shower head in the average Australian household will reduce water usage by at least 20,000 litres and save about half a tonne of carbon dioxide production in a single year. But as the retail plumbing industry already has an established market for shower heads; there is no real incentive for it to push AAA-rated shower heads to a consumer base that is already buying large numbers of inefficient shower heads. And consumers, by and large, want to see the issue of climate change addressed but generally aren't sufficiently motivated to change their individual behaviour, even though it would save them money in the medium term to change, for example, to a more efficient shower head.

Water policy and energy policy are generally the responsibility of two different government departments. These are traditionally fenced off by bureaucratic walls and by a desire to define their role and output distinctively and separately from other departments and tiers of government. Therefore they develop strategies independently of one another. This results in non-action on this issue. Such a situation calls for governments to make a value call: water

The case for change

conservation and carbon emission reductions are a priority, so we will mandate that all homes fit AAA shower heads.

Governments tend to tinker around the edges of many of these issues, reluctant to step up and lead change in these areas. In any debate on policy, battle lines get drawn along old ideological boundaries: social outcomes versus economic outcomes; left versus right; development versus the environment. It is possible, however, to redraw these arguments along very different lines, and it is essential that we do so if we are to achieve a world that is environmentally sustainable and relatively free from poverty.

We need to make a shift to a new paradigm of social and economic policy. We already have the language, but we have only tentatively begun to put into practice the concepts behind it. *Joined-up government, whole-of-government approach, social enterprise, corporate social responsibility, triple bottom line* and *sustainability* are some of the phrases that express this new agenda. Different sectors use different terms, but the language is there and developing rapidly. Some organisations are even putting the ideas encoded in these words into practice. In the last twelve months, awareness of global warming has accelerated this kind of thinking and practice enormously.

Governments have a vital role in creating the conditions under which these practices can flourish. They are, in fact, crucial to establishing a value-centred market economy. Such an economy will exist when all of us adopt a more complex approach to defining value and making that value central to government policy, business practice and the choices we as individuals make about what we buy and how we live. Value-centred market economics can work within the structures and mechanisms that we already have. I'm not advocating the overthrow of capitalism—that battle

The End of Charity

was lost long ago—merely a broader definition of value that includes the environmental and social impact of the decisions and actions of individuals, businesspeople, non-government organisations, corporations, politicians and policy makers.

Governments set the agenda and define the values to which we as a society aspire. Through policy decisions, legislation and regulation, governments can set the stage for creative and dynamic responses to the values they articulate and champion.

Increasing numbers of companies are adopting this new language and the way of thinking that it represents. In 2007, Westpac, Toyota, Rio Tinto, ANZ and BHP Billiton all appeared in the top ranks of Australia's Corporate Responsibility Index, which assesses the systems businesses use to achieve best practice in the areas of community, environment, marketplace and workplace. In the wake of Sir Nicholas Stern's report on the likely economic impact of global warming, leading businesses are calling for a carbon tax, and many businesses, both small and large, are striving to improve their performance in areas such as community investment, environmental issues, diversity and work-life balance. There is a growing recognition, too, that corporate social responsibility benefits businesses as well as the community.

Welfare organisations are also beginning to explore alternatives to the ways they have traditionally operated. Significant work and research is being done in the areas of social enterprise and corporate partnerships. In Australia, remote Aboriginal communities are forging relationships with corporations in an effort to create employment and business opportunities. The work the Pearson brothers, Noel and Gerhardt, are doing in Cape York, Queensland,

The case for change

with Westpac and the Boston Consulting Group and others is one example of this (see page 67). Many philanthropic agencies are exploring new ways of working with the market and with industry players to effect lasting change in the areas of job creation and poverty reduction. The Brotherhood of St Laurence has created partnerships with bodies such as the ANZ Bank to offer loans to people on low incomes, and with the Victorian Office of Housing to employ residents of public housing to provide services such as security and cleaning in their buildings.

Of course, there are many who say that these partnerships and modes of corporate behaviour are just old ideas rehashed or rebadged. They are wrong. These models are different because they are being developed in a new century with changing technologies, fresh insights, unique problems and different people. Of course we can use lessons from the past, but in the main we need fresh approaches. It is time, confronted by ongoing poverty and environmental degradation as we are, to suspend our cynicism and at least contemplate different ways of operating. Let us use all our combined skills and experience to end these blights on society. Let us create lasting solutions to these seemingly intractable problems of poverty, injustice and environmental damage.

For fifteen years I have been pleased to be called a social entrepreneur. A social entrepreneur is not merely someone who is innovative in terms of delivering a service while still relying for funding on philanthropic donations or government grants. A true social entrepreneur locates the interface between a social goal and building a consumer base for that service that delivers that goal. Some of the experiences that have developed my skills in, and my ideas about,