



Keynote Address

Beyond the Magic Bullet Conference

Stanford Association for International Development

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Thank you for inviting me.

Because we are kindred spirits, I am honored to be here. Together, we are part of an international community of global citizens, activists, social entrepreneurs, philanthropists, students and scholars -- all of us, hand-in-hand, combating the disgrace of grinding poverty.

We are here today because we believe there are no second class citizens in the global campaign for economic justice. Whatever our life callings, we all share a responsibility to end poverty.

Today, I would like to address how each of us can exercise that responsibility with intellect, impact and force. The two essential and defining characteristics of every social entrepreneur and every social activist are to be a realist, not a romantic, and to be a pragmatist, not an ideologue.

Whether financing a well-established social venture in Palo Alto or start-up NGO in Sao Paulo, we have to be high-minded without being soft-headed.

Successful social entrepreneurs need a clear-eyed understanding about the realities on ground. Nothing is achieved by romanticizing poverty or the poor. That means understanding both the people and the marketplace in which they live, shop and survive.

For starters, imagine shrinking the world's nearly 7 billion people into a small village with just 100 people.¹ What would our village look like? What are the population characteristics?

- 95% of world is not American.
- 51 of us are female. 49 are male. Men on average live 61 years. Women live 3 years longer. Half the village is under 25 years of age.
- Our village has neighborhoods. One neighborhood has 58 Asians. Another has 13 Africans. 10 Latin Americans live in the barrio. 8 Europeans live on one side of the Atlantic. 6 North Americans live on the opposite shore.
- 20 villagers speak Chinese. 8 speak English. 7 converse in Hindi. 6 in Spanish. 5 in Russian. 4 in Bengali. Another 4 in Arabic. 3 in Portuguese. 2 each in Japanese, French & German.
- 33 villagers are Christians. 22 are atheists or simply not religious. 18 are Muslims. 13 are Hindu. 6 are Buddhists. 1 is Jewish. Our village uses 5 different calendars.
- 37 of us have jobs. The rest of us do not.
- 18 people in our community cannot read or write. One of us has a college education.
- 50 villagers will never send or receive a telephone call. 8 of us have cell phones.
- 20 women – our mothers, daughters and sisters -- have been assaulted or raped by someone in our own village.
- 80 of us live in substandard housing. 50 do not have a basic sanitary toilet. 4 of us use 50% of the village's total healthcare.
- The 20 *poorest* villagers consume just 1.5% of all goods and services. The 20 *richest* villagers eat 45% of all the meat and fish, use 59% of all the energy and own 87% of all the village's vehicles.
- 5 people control half the village's total wealth.

In our village, textbook market conditions do not work and indeed a myriad of market imperfections plague the poor:

¹ This model is inspired by a children's book, *If the World Were a Village* by David J. Smith. Specific data sources are varied and may be slightly out-of-date.

In functioning markets, capital flows to its highest and best use. Risk and reward is measured to the single basis point.

- Where the poor live, capital is rare and expensive. Indeed, microfinance was invented because mainstream banks, historically and enthusiastically, had ignored the working poor.

In functioning markets, prices are set between willing buyers and willing sellers. Competition brings down prices, improves products and extends markets.

- Where the poor live, scarcity and monopoly live side-by-side. The poor are captive consumers subject to predatory pricing.

In functioning markets, consumer protection and financial transparency are enforced by governmental policy and a court of law.

- Where the poor live, property rights depend upon social norms or brute force. The poor are powerless.

In functioning markets, a distinction is made between public and private goods, between street cleaners and vacuum cleaners.

- Where the poor live, private investment is often the only investment. The market, quite literally, becomes the sole provider of the common good.

In functioning markets, survival of the economic fittest is a necessary consequence of progress. Some businesses succeed, some fail.

- Where the poor live, the only ethical economic policy is not creative destruction, but creative opportunity.

Our heads know that reversing 10,000 years of free market bad behavior – from slavery to debt bondage, from company towns to global cartels, from discriminatory banking to predatory pricing – is not within our near-term grasp. But in our hearts, we know we have to try.

In the words Horace Mann: “Be ashamed to die until you have won some victory for humanity.”

For most us, fighting the good fight is personally rewarding, intensely gratifying and utterly fun. In addition to raising our families and pursuing successful careers, social change work completes us as individuals.

You may not know this, but social activists and entrepreneurs are smarter. We are better-looking. We are sexier. And, we have the best posture.

In the words of Abraham Lincoln: "A man never stands so tall as when he leans over to help a child."

Social entrepreneurs reject a world in which half of us survive on \$2.00 a day – roughly, \$700 a year.

We don't accept that, if you keep your food in a refrigerator, your clothes in a closet, have a roof over your head and a bed to sleep in, you are richer than 75% of the world's population.

We reject a world in which 1 out of 7 people are hungry, lacking the minimum daily calories needed to survive. In plain language, slowly starving to death in a global concentration camp of hunger.

But I am not here to lecture you or appeal to your conscience. Although if conscience does not move us to action, nothing can or will.

You don't have to be a pessimist to believe that the poor will always be with us. You do need to be ashamed enough to do something about it.

It is not enough to be well-intentioned. Well-motivated is not the same as well-run.

To increase the odds that you make a real difference, eight operating principles are useful to keep in mind:

1. Partner with local programs and leaders. Wherever impoverished families fight for their futures, local resources are worth leveraging. The poor may be victims of injustice, but they are always resilient, hard-working survivors.
2. Going to scale is not the only path to economic justice. Size and budget are not automatically synonymous with impact, fundamental system change or even, for that matter, economies of scale.
3. Support long-term strategies and solutions. There are no instant no cure-alls, no silver bullets. Change comes slowly because poverty alleviation is about changing human behavior, raising expectations, creating hope and upending the status quo.
4. Because poverty is a multi-disciplinary problem, multi-disciplinary solutions are needed. Microfinance is a good example. It should be about more than just money. None of us in this room would accept living in a community with bad schools, little healthcare, no electricity, filthy water, but with a great bank.
5. Work with those who know more than you do. Most of us want to do good, but we aren't good at it. Just because you have a brilliant theory of social change

and mean well, don't automatically start another organization. Partnerships and collaborations are force multipliers.

6. Check your ego at passport control. Anti-poverty work is not about you. Leverage your dollars and your skills for the biggest difference, not the biggest impression.
7. Open your wallet or pursue. Perhaps throwing money at problems doesn't always work, but try solving poverty without it.
8. Results are what matter. Political ideology and economic theory are not the honest work of social entrepreneurs. Saving lives is. A drowning person doesn't care, or ask, how the life preserver was financed. Doesn't care, or ask, if a taxpayer, shareholder or NGO paid for the lifeguard.

It is now within our economic power to rollback the scourge of poverty.

From Mexico to Malaysia, from the United States to the United Arab Emirates, a global natural experiment is underway. Social activists, public policy thinkers and business leaders of conscience are examining how to combine the innovation and spirit of the competitive marketplace with the more important social values of community solidarity.

- At the turn of the last century, the Industrial Revolution became the single biggest anti-poverty program in the history of Humankind. In the succeeding two centuries, the world's average per capita income increased ten-fold.
- In the 20th Century, the United States government financed 45,000 miles of socialized freeways. Today the Interstate Highway System remains the largest public works project in history, returning six dollars of private sector economic activity for every dollar of public road construction.
- In our own time, Chinese-style capitalism has lifted 300 million people out of rural poverty.

What the poor deserve are not ideological solutions, but rather a dynamic anti-poverty pluralism where the private and public sectors, for-profit companies and nonprofit causes, operate side-by-side --- partnering when needed, competing when necessary.

Now it is our turn – your turn. We can change the poverty paradigm.

Free markets mean each one of us has the freedom to make ethical choices.

No economic theory and no marketplace, whether functioning or failing, can change a basic truth. As individuals, we are each blessed, and burdened, with a moral compass.

Whom do you want to be your role model? Don Quixote? Noble, but uselessly tilting at windmills. Don Corleone? Wielding power to benefit the few. Don Diego de la Vega? Zorro, fighting for the underdog.

Is social entrepreneurship about creating a viable asset class to make money in developing markets or about building a social movement for economic justice? Are we advocates for the poor or advisers to the well-off?

In the words of the poet: "A wise man should have money in his head, not in his heart."

As we cannot bomb our way to peace and prosperity, we cannot finance our way to economic justice. In the end, the poor must have the power to speak up, speak out and speak for themselves.

Serving the bottom of the economic pyramid is not just a market opportunity. It is an existential statement about our values – your values -- our shared global citizenship.

Whatever path you take, whatever your talents, we are all called upon to live the words of a college chaplain:

"Be a maker of peace,
a steward of mercy,
a voice of reason, and
be the hands and feet of justice."

Thank you.