

**TITLE: Divestment is just the free market at work**

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By the shrill sound of things, you'd be forgiven for thinking the Australian National University (ANU) had sent its teaching staff on a paid trip to blockade the Pilliga.

Jamie Briggs, Minister for Infrastructure, attacked ANU for "damaging" job creation.

Christopher Pyne, Minister for Education, called the university "bizarre".

Joe Hockey made similar intonations, questioning if ANU in fact knew what it is that is helping to "drive the Australian economy".

Never mind, Mr Briggs, that more Australians are employed in sports and recreation than in coal mining. Never mind, Mr Hockey, that all the royalties, and all the tax, from all the mining companies, in all the country, merely make up about 5 per cent of governments' revenue.

The shaky economic foundations of these comments aside, what do these comments have to do with ANU's [commitment to divestment](#) from companies with concerning environmental credentials?

Divestment, after all, is a commitment to principle. Investors have no responsibility to invest in industries, companies or organisations on the basis that they "create jobs", nor do they invest for some patriotic duty to "drive the economy".

Investments are made for a variety of reasons, and responsible investment is nothing new. Many funds do not invest in tobacco, for instance.

The choice to divest does not take into consideration those employed in tobacco, nor the sizeable tax revenue taken in from the sale of tobacco (2.5 per cent of governments' revenue in 2010-11). To these investors, it simply doesn't matter if tobacco is "good for the economy".

The ALP, likewise, has since 2004 refused donations from tobacco companies on ethical grounds. The choice means it faces a persistent financial disadvantage relative to the LNP. It

translates into fewer television ads, fewer printed leaflets, fewer campaign staff, and potentially, fewer votes.

To their credit, the Liberal Party (though not their Nationals partner) announced shortly before the last election that they will no longer receive tobacco donations from here on, effectively themselves divesting from a jobs-creating, economy-driving industry on principled grounds. Good on them for doing so.

The free market is often treated like a magical elixir - the policy solution to all problems.

Climate change? The market will sort it out. Youth unemployment? Pesky minimum wages and penalty rates mean the market isn't free enough. Housing affordability? If there was less regulation, there'd be more housing supply. The free market saves the day again.

There's no doubt that markets sometimes help solve problems, but there's also no doubt markets sometimes help cause them.

Former World Bank Chief Economist Nicholas Stern's landmark 2006 report into the economic cost of climate change described the phenomenon as "a result of the greatest market failure the world has seen".

Because it did not factor in the negative external costs of climate change, and supply and demand failed to adjust to equilibrium, the market has not allocated our carbon resources in a way optimal to welfare maximisation. In other words, the free market failed us.

For conservative free market ideologues, this is heresy. "The market does not fail," they decree. "Governments fail."

Free market ideology is fixed on the premise that markets take care of everything for us, if only we'd let them. It's a seductively simple principle, and one with many friends in the Abbott Government.

But what's good for the goose is good for the gander. The Abbott Government can evoke free market principles as a reason to avoid climate change mitigation. Conservatives can logically sit on their hands in the fight against climate change by insisting that climate change will be resolved only when there is enough sentiment in the market to actually resolve it. It's the free market working, they say.

But when individuals and institutions express that resolve, and take action to achieve it? That's the free market too.

Free markets allow individual investors to invest freely and divest freely. In a free market, you don't owe the company you choose to divest from an apology, an explanation, or an "it's not you, it's me". You're free to invest as you choose.

And if the government doesn't like the choice you made, guess what? It's none of the government's business.

Criticising divestment from fossil fuel companies by saying "they create jobs and help the economy" is an absurd non-sequitur, as is criticising divestment from tobacco companies for the same reason.

It is as irrelevant to the debate as saying ANU can't divest because these companies use electricity.

To the university's critics, it is unfathomable why an investor would put principle over profit. What explanation does ANU owe them? None. Its principles are not on trial; nor should they be.

The Government's criticism of ANU has nicely morphed into a talking up of fossil fuels and mining, even if only a handful of the seven companies from which the university have divested are producers of fossil fuels. But one of those is Santos, an oil and gas producer, who have been unusually loud and unusually quick to claim all sorts of offence in the welcoming pages of the financial press.

On this issue, ANU has taken a position consistent with the scientific consensus surrounding climate change, a consensus to which they contribute, and it is a position that other leading universities should follow.

They've long had the principle, it's just that now they have the investment portfolio to match it.

That this divestment is controversial is shameful. Just as political parties have every right to refuse donations on principle, investors have every right to take action against climate change, and in a free market, they will continue to do so. Because markets don't fail. Governments fail.

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