A CAPITALIST KNOWS WHO TO CALL

Abhijit Banerjee

I am frankly a little baffled by this conversation about the feasibility and/or moral justifiability of creative capitalism. Capitalism, after all, is a system that draws a lot of its strength from the fact that successful entrepreneurs end up with huge rents—not just normal profits on their equity but what some people would call obscene amounts of money. If those successful entrepreneurs want to "consume" their rents in the form of doing what they consider to be good for the world, who are we to tell them that they can't? Indeed, isn't a part of capitalist ideology that choice increases the value of money?

Why wouldn't we want to offer capitalists the choice of how they want to get their kicks? Shareholders might disapprove, I agree, but they can always take their money elsewhere or try to get the capitalist fired (board meetings exist for that purpose). My guess is that they mostly won't because the entrepreneurs who want to take on creative capitalism are precisely the entrepreneurs who have made tons of money for their shareholders.

The relevant question to me is whether it is a good idea: Would society be better off if the creative capitalists stuck to

their day jobs, where they clearly are doing some good—creating jobs, serving customers, inventing new products—or would it be better off if they ventured into what is sometimes called the social sector?

I emphatically support the latter option. We want more creative capitalists. As I see it, one of the weaknesses of the capitalist model is also one of the things that make it so powerful: the huge incomes it offers those who make it to the top. The result is that young men and women of talent tend to find their way toward a job in the private sector, in part to make money, in part just to achieve a level of comfort comparable to that of their friends, in part to prove to themselves that they can do it. The flip side of this is that the rest of the economy, "the social sector," is always starved of talent and often ends up in the hands of those who are there because they could not cut it in the private sector. And, unfortunately, these are the parts of the economy that are meant to take care of the poor—making sure that no one falls below some acceptable standard of living and that every child has the chance to make it.

I don't mean to say that there are no talented people in government. But they are often frustrated, in part by the thin salaries, the process, and the poor quality of the people around them. As a result, there is a strong tendency, at least in the countries I know well, for talented people to leave the government or, what is even sadder, turn into the local cynics.

Which leaves the NGOs. I know a number of marvelous NGOs, but even the best of them are usually strapped for cash and frustrated by their inability to really take their best ideas to scale and change the way that the social sector functions. Now along comes Mr. Gates, and I hope many like him, backed by enough cash to give the ideas he likes (his own and those of

others that he likes) a fair tryout and the political pull to make governments take them seriously. We could see a sea change in how social policy gets carried out. Add to that the fact that he knows how to run a large organization and how to get people excited about what they are doing and is free to set up the organizational culture and reward structure he wants, and we might be on the brink of a revolution in how social services get delivered.

There are, as I see it, two obvious objections to this optimistic vision. First, how do we know innovation is what the social sector needs today? Perhaps the fact that the government is organized the way it is acknowledges that innovation is not a priority and that it would be a waste to involve the best minds in the world in reinventing the delivery system.

This, I think, is pure nonsense. The remarkable thing about governments is how little they have changed organizationally over the last one hundred years despite the amazing progress we have seen in technology and the substantial, though less remarkable, progress made by the social sciences.

Take the example of curing TB. The basic technology for curing TB has been known for fifty years or more: Take lots of strong antibiotics regularly over several months, and don't stop taking them because you are feeling better. It has been twenty years since it was recognized that patient adherence to the drug regime was a major challenge and one important reason that so many people still died from TB. The World Health Organization (WHO) has been pushing the Directly Observed Therapy, Short-Course (DOTS) program as a solution to this problem for almost as long. The idea is that someone will be there to observe the patient taking the medicine every time he or she needs to take it.

It is clear that this is a rather cumbersome way around problem; it works, but only if the observer is motivated, wl is not guaranteed. Indeed, one of the more robust finding the literature in social psychology (and more recently in e nomics) is that even with the best of intentions, people fin difficult to commit to do something slightly tedious, like gc to the gym or resisting cookies, on a long-term basis. Obs ing someone every day is similar, and good intentions may always be enough. And since in many instances the per doing the observing is a government employee, even the g intentions cannot be taken for granted. Another robust finc from the recent literature on service delivery is that gove ment nurses in rural health centers (exactly the people who supposed to be doing the observing in many countries) absent a third of the time or more.

Mohammed Jameel, a genuine creative capitalist and an M alum, recently set up what he calls the Yunus challenge at MI honor his friend and fellow creative capitalist, Muhamm Yunus. Every year the Yunus challenge asks groups of MIT s dents to come up with designs that combine technology with sights from the social sciences to solve problems of so importance. We at the Jameel Poverty Action Lab get to sug some of the problems students are asked to solve. Two years we challenged them to come up with an alternative to DOTS.

One group of students came back with what they cal NEW DOTS. This involves adding a neutral reagent to the medicine that shows up in the urine of those who are tak their pills on schedule. They also came up with strips that re to the reagent in the urine by revealing a code. By calling in right code to the right number at the right time, people e credit, which can be redeemed later.

The idea, obviously, is to give people a small reward for taking the pill on schedule, and there is a growing body of research that suggests small rewards can be quite powerful as a way to overcome people's tendency to procrastinate.

The point here is not to extol the brilliance of MIT students (though they are brilliant). It is to ask why all this was not old hat, why a hundred such models were not coming out of government research cells all over the world every year, given the known difficulties with the DOTS approach. The answer, obviously, is that this is not how governments think, which is why I firmly believe the social sector could do with an infusion of creative talent from outside.

The creative capitalist has a real advantage; he knows how to put pressure on governments and how to market his ideas to the man in the street. He has credibility, he does not need anyone else's money, and he knows who to call. I think something good is about to happen.