Small bites and big bets: The challenge of philanthropy

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It was the first time I had been invited to the kind of reception where important people go to meet even more important people. I was still young and absolutely not important, invited probably because the conference that led up to this reception needed populating. The food looked gorgeous. The jeweled red of the freshest tuna sashimi, golden spring rolls on a bed of diverse greens, small samosas next to a bright green sauce, tiny tarts with bright strawberries sitting regally on top, neat little sandwiches with the crusts cut off... And much more. A portfolio of the greatest hits of world canapé cuisine, echoing the other portfolios that were in discussion in this conclave of the global rich.

One theme that was making its hesitant way through that evening was the role of philanthropy. This was a long time ago, before the Gates Foundation became a global name. The role of philanthropists in the development process was only beginning to be discussed, but one could already hear the murmurs, "governments are so corrupt, nothing really works", "private schools work so much better." My work on corruption was, in fact, the reason I was invited, but I suspect they had stopped reading
before reaching my main point, which was that if the private sector tried to do what the government does, they would face many of the same issues.

I was trying to animatedly explain that idea to a senior official from a development bank, and failing, by the way his eyes were drifting, when I noticed that trays of food had stopped coming. Since this was to be my dinner, it was my turn to be distracted. My explanations started to falter. It had just struck me that I had been fooled by the appearance of plenty — the food was there to signify munificence, not to fill us up.

Thinking back, it was in a way an appropriate metaphor for this world of high finance, where the flourish that goes into the discussion of “giving back” sometimes dwarfs the actual amounts given. Of course, there are many who do take giving back very seriously, and do it very well, and perhaps even some who take it too seriously, as exemplified by the recent to-do about cryptocurrencies, and the philosophy of ‘Effective Altruism’ championed by the founders of the now-bankrupt FTX. Cryptocurrencies were born of the same suspicion of governments that I encountered that evening long before bitcoin was even a glint in the eye of its elusive creator. The idea was for the market to take over the government’s role in supplying money. This, it was suggested, would work fine as long as no individual controls more than a microscopic part of the money supply and the whole thing is coordinated by sophisticated cryptographic algorithms, eliminating the risk that the government prints too many extra rupees to honour its commitments and thereby devalues the currency. How well

Courtesy: Cheyenne Olivier
that has worked, I will leave you to judge: suffice to say that the value of bitcoin, the oldest and most respected of these, has yo-yoed between $16,000 and $60,000 over the last two years. Think of the political backlash if this were the rupee or the dollar.

FTX was a crypto exchange, where people could buy and sell the bewildering array of cryptocurrencies that are now available. Its founders were 'Effective Altruists', followers of a philosophy that takes the contempt for governments that underlies the crypto project to its logical conclusion: if we cannot rely on the government to serve the poor and realise other societal goals, then socially minded private citizens should try to make as much money as they can and give it away. And if that requires bending some rules (or even just ignoring them), so be it, since it is in the ultimate social interest. And, as we know now, they did.

One can see how this same logic can encourage tax avoidance or even outright tax fraud. At a time when inequality is ballooning, this must worry governments that need to fund their many social commitments. According to the World Inequality Database, between 1995-2021, the wealth of the world’s richest 750 people grew 2.5 times faster than the wealth of the top 1%. Wealth is moving from the merely rich (the famous 1%) to the super-duper-rich, the kind of people who find it worthwhile to use tax havens and complicated strategies to dodge billions in taxes (think of Apple moving its intellectual property to Ireland to avoid paying the higher US taxes).

All of this might be less worrying if this accumulating wealth was being used for the social good. Reliable numbers are scarce, but a valiant attempt by the Global Philanthropy Tracker at the University of Indiana puts the total cross-border philanthropy in 2020 at $70 billion. Not all of that money goes to poor countries. Or is aimed at alleviating poverty — quite a bit goes to churches, mosques and temples, for one. Let us, in the absence of numbers, very optimistically, assume that $35bn went to the world’s poor. This is less than $2 out of every extra $1,000 wealth that the world’s richest 1% accumulated every year between 2020 and 2023. Of course, there are other ways to serve the poorest — for example, investments that create jobs or inventions that slow global warming — but the poor still need education and healthcare and help when they cannot support themselves economically. Just the Government of India spends something like $220 billion on that annually, seven times our estimate of global private generosity. Governments around the world fund a vast majority of the day-to-day fight against global poverty. Kind of like me filling up on a perfectly acceptable bowl of room-service pasta paid
out of my pocket, after missing out on the "free" glam-food at the reception.

Then there is the question of how the money gets spent. From my experience, the best philanthropic money is often extraordinarily useful, precisely because it can identify important gaps, in programs or in knowledge, and go long on filling them. But a lot of it echoes the style of that long-ago reception, a potpourri of greatest hits. They change over time — perhaps burrata takes the place of spring rolls, zaatar moves in for wasabi — but slowly. I still attend receptions where I am told about the latest investment in microcredit and how it is transforming so many lives, and I hesitate to mention that it has been 10 years since we, and then others, showed evidence that microcredit does not make the average beneficiary any richer.

The problem is that the rich are busy, and the hyper-rich are hyper-busy. The attention it takes to do philanthropy well competes with many other and much more lucrative concerns. Bill Gates' great insight was that he needed to do philanthropy full-time, and really understand what works (and what doesn't), which explains why the Gates Foundation has been such a leader. Too many others go for the easy option, some combination of what appeals to their gut instincts and what is in fashion, a bit like the canapés I did not get.

None of this is to say that there is not an important place for philanthropy in the good fight. The best donors give much more than their money; they bring imagination, focus, and an ability to think outside the box. They fund experiments, including inside government, and have driven a significant part of improved delivery of public services. They highlight problems that deserve more attention and bring in expertise to solve them.

And in that spirit of a more thoughtful giving, can I also hope for a more thoughtful reception menu? Maybe something that is less glamour and fancy ingredients and more about the harmony of tastes and colours. There is so much more to Chinese food, for example, than spring rolls and to Indian food than samosas or chicken tangri kebab, but I am yet to have been to a reception with either spiced jellyfish or kumror chokka. It is true that they are not natural finger food, but there is a huge amount we can do with small tweaks on existing themes like this recipe based on South Indian spiced eggplant bhartha.

This is part of a monthly column by Nobel-winning economist Abhijit Banerjee illustrated by Cheyenne Olivier.
Millefeuille of papad and baingan bhartha

Roast 750 gm of brinjal on an open fire (or in an oven at 200 degrees centigrade) till fully soft. Extract the flesh and chop it finely. Heat 2 tbs of sunflower-seed oil in a frying pan. Add 1 tsp brown mustard seeds. When they stop popping, add a pinch of hing, 2 tsp urad dal, 2 dry red chilies and a sprig of curry leaves. Add in the brinjal flesh and 200 gm of tomatoes, chopped fine, and 1.5 tsp salt. Add in 2 tbs tahini and let cook for 20 minutes at low heat, till it becomes a dryish paste. In the meanwhile, toast or lightly fry 15 small urad dal papads (more if you can find tiny ones, which make them better as finger food). Once the brinjal paste is cooled, throw out the chilies and curry leaves. Make stacks of 5 papads with a layer of brinjal paste between each pair of papads to make your millefeuille.

In the spirit of full disclosure Abhijit Banerjee is a director of J-PAL which receives funding from the Gates Foundation (and many other donors)

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