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Growing trend of 'radical giving'

Mohit Kishore, April 16, 2016

Of late, there has been a small but potentially growing trend of what may be termed as 'radical giving'. This entails successful entrepreneurs announcing that they intend to give back nearly all their wealth to charity in a phased manner. On the face of it, these acts seem like extreme events that deserve a lot of praise – and indeed they do. However, it is equally interesting to analyse this using a number of perspectives to better understand what may be going on.

In addition to absolute values, wealth must also be analysed from a marginal utility perspective to better understand attitudes towards it. As wealth increases, its marginal utility, the amount of utility (happiness, satisfaction etc) that each additional rupee produces, reduces. At some point, it could be argued that giving away a rupee to a deserving beneficiary produces more utility for the giver than storing that additional rupee.

This may explain charity in its basic form. But what may explain radical giving? Well, at some further point of wealth accumulation, not only does the marginal utility of additional rupees become negligible, even a large percentage of the current store of wealth may appear to have low utility. For this to happen, the store of wealth needs to be of a large magnitude, and this is certainly true in the case of disproportionately successful entrepreneurs.

From a justice perspective, wealth can be looked at from the perspective of the philosopher John Rawls' work. Wealth or success or lack it is an outcome of differing starting positions of individuals, and where they go from there given the conditions of the society and economy they are born into. The conclusion that follows is that not all people have an 'equal' shot at success.

A number of things needs to come together such as being born into the right socio-economic circumstances, a supportive family environment, access to quality education and healthcare, not being discriminated against etc. Clearly, chance has a major role to play in an individual's access to these "starting position" factors (as does subsequent individual effort in making the best of one's circumstances).

Thus, the idea of 'you can be anything you want' as long as you work towards it may not even apply to vast sections of the population given their severely disadvantaged starting positions. From an Indian perspective, radical giving is probably even more important given the severe gaps in starting positions that individuals are born into. The justice perspective therefore demands some form of voluntary redistribution of wealth by the "winners." A coercive redistribution would demotivate entrepreneurs from creating the wealth in the first place.

Costly signalling

The idea of "costly signalling" from evolutionary biology may also offer some insight into radical giving. Essentially, it refers to the performance of costly, visible acts by an individual as a communication signal indicating certain attractive qualities. For instance, in early human history, high risk large game hunting and food sharing with the tribe (with no guarantee of reciprocation) can signal an individual's qualities to the community, potential mates etc.

Altruism in the present world may share some of these features, whereby the person demonstrating altruism, particularly when it is at great cost to himself is really signalling something else, for instance reliability, integrity, honest intentions to make a difference etc (particularly in times when the "evil corporation" narrative is quite common). In the radical giving scenario, the signal, by virtue of its high cost is more likely to be honest. Thus, a billionaire signalling his virtues by a mere sharing of 1% of his wealth should be subject to more scrutiny!

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Overall, it appears that radical giving is not only rational, but also essential, and should become even more mainstream than it is already. None of this is to suggest that radical giving is merely an outcome of rational analysis of the type above. It certainly involves a dimension of courage, whereby these individuals decide to go against the norm of significant wealth transfer to succeeding generations (which in turn perpetuates wealth concentration in the hands of a few).

It may be interesting to place radical giving at the pinnacle of capitalism, where at the final stage of material achievement, an entrepreneur begins a self initiated process of redistribution of wealth in order to solve humanity's problems. An interesting experiment is underway, and time will tell whether this model works.

(The writer is a corporate strategy professional)

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