

# Curing *evils* at their *source*

## Guest editors



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### In a complex and interconnected world, the economic system is a key lever for philanthropy's response

John D. Rockefeller said: 'The best philanthropy is constantly in search of the finalities – a search for a cause, an attempt to cure evils at their source.' Identifying root causes in this volatile and complex 21st century world means understanding interdependencies, power, and connections between different elements of a system, and intervening in multiple places at once. The economic system is a key lever for philanthropy to incorporate into its response, as it is the foundation for so much of society's decision-making. It has deep implications for our collective quality of life.

Price signals, the structure of markets, global architectures of debt, trade and tax, as well as flows and terms of finance, are constantly determining which technologies will succeed, and how the gains are shared. At a deeper level, economic assumptions and goals chart our collective future. Put simply, our current economic setup means you

can still earn a lot of money burning fossil fuels and by exploiting people through horrific working conditions. As long as that's the case, it remains very hard for any funders working on social and ecological goals to achieve them.

### Changing our economy is possible

Changing our economy feels audacious and almost unimaginable, but it is possible. Far from being static, the economic system—its assumptions, rules, and institutions—has changed and evolved over time and place. The current neo-liberal incarnation itself, which rose to prominence in the 1980s, demonstrates both this and the difference that philanthropy can make to those changes.

Its ideas were incubated over several decades by academics, think-tanks, and policy advisers, backed by long-term philanthropic investment. International financial institutions such as the International Monetary Fund and World Bank (controlled by the West) then imposed this economic dogma around the world, with loan conditions requiring developing countries to cut the very investment they needed to prosper.

All of this has brought us to a moment where our economy has stopped working for us. People increasingly feel their lives aren't improving, which is disrupting democracy right across the globe. We are crashing through temperature records and other planetary boundaries, creating a toxic inheritance for our children and grandchildren, which is aggravated by an unjust economic governance system imbalanced in agency and power.

It's purported that Einstein said 'insanity is doing the same thing over and over and expecting different results.' When it comes to our economy, it's absolutely time to stop doing the same thing over and over. Philanthropy is brilliantly placed to accelerate the next upgrade of our economic system, this time underpinned by values of justice and respect, for each other and for our planetary home, to meet the complex challenges of the 21st century.

### What is 'new economics' anyway?

What should the successor to neo-liberal economics look like? Larry Kramer identified the need to avoid the potential pathway of nationalist, authoritarian

economies, when he launched the Hewlett Economy & Society Initiative in 2020. One significant achievement of that programme has been to crowd philanthropic funding (from Ford, Open Society Foundation (OSF), Omidyar, and others) to create a global network of prestigious university centres including Harvard, The Brazilian Center of Analysis and Planning, the London School of Economics, Indian Institute of Technology Bombay, and Wits School of Governance, to develop a compelling and credible alternative suite of economic ideas.

Outlines and principles of a new economic system can be seen in the positive alternatives gaining traction, such as Wellbeing Economics, Doughnut Economics, Buen Vivir, feminist economics, and Ubuntu. While the names differ, they share many characteristics and the fundamental goal of just, equitable, and sustainable prosperity for people and planet.

Much in this 'new' economics is actually very old. Economics at its best has always had many ways of thinking and solving problems, including rich traditions of feminist and ecological economics. Indeed, there are many parts of the world, including many indigenous communities, where thinking about the whole community and future generations, and stewarding land and resources accordingly, is part of the world view.

A new economy would tip the balance back towards collaboration, resilience, and regeneration away from competition, efficiency, and extraction taken to extremes. Competition has its virtues, but equitable and just collaboration is needed to solve the biggest challenges we face. Efficiency can be a good thing, but not at the expense of resilience – too often quality, contingency, and flexibility to respond to shocks are eroded with deadly consequences (as we saw with poor pandemic preparation). Clearly, we need to extract resources for society to operate, but this needs to be done at a scale and in such a way that respects the custodians of that natural resource and the source of its extraction, so that future generations will also be able to prosper.

### How can philanthropy engage in new economics?

As the articles within this special feature demonstrate, there are many ways philanthropy can engage with new economic thinking. These



include developing specific programmes, incorporating elements of economic systems change into existing strategies, resourcing different voices that are contributing to knowledge building (like the Nawi Afrifem Collective), and considering the economy as a cross-cutting issue for grantmaking, or joining pooled funds like P4NE.

The philanthropic world is full of variety of approach and areas of concern. Whether it is health, education, equality, the arts, climate, nature, or opportunities for young people, there are organisations and projects acting on the problematic economic underpinnings preventing faster and more just progress. Likewise, this mission needs academia and research, policy development and advocacy, campaigns and movement-building, narrative and communications work, place-based pilots and community regeneration, so any funder can find their economic change niche.

Funding the new economy echoes many of the values of modern philanthropy, such as working in equitable collaboration, systems thinking, and a broader view of measuring progress. In this issue, Romy Krämer (Guerrilla Foundation) reflects on how philanthropy institutions can evolve their practices to become better grantmakers.

Examples of new economic funding already underway include changes to economic purpose, policy, and practice.

### **A new purpose for the economy: Meeting people's needs within planetary limits**

As an overarching purpose, the economic goal of meeting people's needs without wrecking our environment doesn't sound radical. Since the 1940s, however, economic theory has focused on GDP growth as a proxy for improving people's lives. As Robert Kennedy noted: 'it measures everything...except that which makes life worthwhile.' It leaves out unpaid activity, such as most care work, and social reproduction, leading to a systematic under-valuing of the economic contribution of women in particular. Clean-up operations from natural disasters and emergencies boost GDP, and so does privatisation of healthcare to the detriment of so many. It measures the flow of goods and services produced but tells us nothing about the accumulated or depleted stocks of natural, human, and social capitals. And it ignores how resources are shared, even though we know that inequality is bad news for economies and societies, as well as for the planet. Nonetheless, its status as a convenient single figure has cemented its ubiquity in economic forecasting, modelling, and reporting.

To shift to an economy that serves people and nature, some funders are supporting work to promote new measures that capture what we actually value, and new governance that steers our economy accordingly. Recently some countries have attempted to adjust GDP to take account of environmental degradation. Others, as varied as Canada, Costa Rica, and Bhutan, have pursued different measures of progress more focused on health, happiness, good work, and opportunities for young people. More than 80 city,

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Courtesy of Doughnut Economics Action Lab

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regional, and local governments are now mapping their economic activity on the 'Doughnut' to see where they are succeeding or failing for people and nature, and making changes accordingly. Economic models themselves are being questioned and remade. Science has rightly debunked the bizarre economic modelling by a Nobel prize winner that suggested the 'optimal' level of climate warming would be around four degrees.

### **New economic policy for a green, just transition**

Measuring differently is necessary but not sufficient. Economic institutions making different decisions must follow, and fortunately there are multiple signs that change is afoot in our political economy, often aided by philanthropic investments.

As Muhammad Qaisar and Lydia Marsden explore on page 52, central banks and financial supervisors have started to factor in climate risks to their strategies, which given their pivotal position, can have knock-on impacts throughout the economy.

Government investment and co-ordination during the pandemic has reminded people that the state is uniquely placed to respond in a crisis and to shape the economy.

European governments are now looking enviously at the success of Biden's green industrial policy and the Draghi report is urging massive investment, both public and private. Even traditionally neo-liberal politicians are railing against elites and corporate power and proposing new policy to rebalance the scales towards working people.

After a decade-long battle led by the Africa Group, the UN adopted draft terms of reference for a United Nations Framework on International Tax Cooperation which will begin the process towards a more inclusive and just global tax reform.

OSF have made a major \$400 million commitment to sustainable and equitable economic policy in the Global South, to reduce inequality and create green jobs (see our dialogue with Laura Carvalho on page 43). They will also explore changes to international financing and taxation that have reinforced global inequalities and hampered prosperity for developing countries.

Whether it is funding policy initiatives developing green industrial strategies, advocacy work to reform the financial system and global institutions, campaigns for tax justice or debt relief, local place-based sustainable economic demonstrator projects, narrative and communications interventions to help people think differently about the economy, academic research to underpin alternative economic models, or supporting the ecosystems that are nurturing and connecting all of this, there is a role for every kind of philanthropy.

The entangled set of crises we face is forcing us to lift our sights to the system level. By doing so, we have a better chance of creating enduring solutions. While working at a systemic level, we also need to pay attention to the impact on people's lives, winning hearts, and minds along the way.

As Tade Akn Aina and Bhekinkosi Moyo remark in *Giving to Help, Helping to Give*, 'philanthropy, and in particular African philanthropy, has functioned as a glue that binds humanity, promoting solidarity, and integration. It is the energy that animates collective action, unity, and self-reliance as well as the transformation of economic and social relations. It builds social cohesion through its emphasis on creating bonds and bridging difference.'

The challenges are huge, and so is the potential prize. Philanthropic investments can help society to reimagine, or relearn, how to value nature and human wellbeing, and catalyse an economy that serves people and nature, now and for future generations. As legacies go, it's hard to imagine anything better. So, the question is, how will foundations and philanthropists rise to the challenge? ●

**Left:** Kate Raworth, author of *Doughnut Economics*