

Review

Poor Economics

By Abhijit Banerjee & Esther Duflo

Review by Timothy Ogden

Stanford Social Innovation Review
Fall 2011

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Radically Small Thinking

Review by Timothy Ogden

POOR ECONOMICS: A Radical Rethinking of the Way to Fight Global Poverty

Abhijit Banerjee & Esther Duflo

320 pages, PublicAffairs, 2011

The core of Abhijit Banerjee and Esther Duflo's new book, *Poor Economics*, can be summed up by a single sentence in the foreword: "[W]e

have to abandon the habit of reducing the poor to cartoon characters and take the time to really understand their lives, in all their complexity and richness."

The next 250-plus pages do exactly that, describing and analyzing the choices that people living on less than \$2 a day make.

Those choices tend to make a great deal of sense after some illumination and contemplation. For instance, it's common for poor families to invest their entire education budget in just one child, usually a son, hoping that this child will make it through secondary school, while short-changing the other children. Why? Many families think the value of schooling comes from getting the local equivalent of a high school diploma, not from attending another semester of school. It would be a waste of resources to spread the family's educational budget among all the children rather than trying to make sure that one child reaches the brass ring. Yet the value of education, it turns out, is linear—each additional week brings additional value. Helping parents understand this, the book explains, has far more impact than building schools; it rapidly changes their educational choices.

Or consider why it is so difficult to get peasant farmers to use improved agricultural methods—such as fertilizer, irrigation, and improved seeds—that can double or triple yields. Each of these methods requires

an investment up front, but farmers often decline them even when they can afford them (through either subsidies or low-cost loans). Why? Because peasant farmers know how risky agriculture is. The cost of crop failure—whether by act of God or unfamiliarity with new practices—when you've committed all your resources or borrowed is more devastating than the cost of barely getting by with low yields.

In another startling insight, the authors explore how a program designed to reduce AIDS prevalence, which encouraged monogamous marriage among Kenyan teenagers, likely led to an increase in school drop-out rates and exposure to sexually transmitted diseases, including HIV. The problem isn't that the program didn't work; it's

that it worked quite well. The girls did marry, but the only men with the financial resources to marry were older and, as a result, more likely to be infected and to expect the girls to drop out of school and raise their children.

The book offers such insights on nearly every page, covering topics on finance,

food, health, education, and family planning. Unfortunately, the authors' primary approach to finding such insights—the randomized controlled trial (RCT), the method used to test pharmaceuticals for safety and efficacy—often is given more attention than the insights themselves. Although methods are important—the unique insights would not have been possible without them—the debate over the pros and cons of RCTs obscures not only the insights but also the authors' underlying theory of change, which deserves far more consideration.

This theory of change mirrors the education example above. Social impact is often conceived as a step function, requiring big changes to reap rewards. Banerjee and Duflo conceive of it as far more linear. That means that a series of small adaptations and tweaks drives impact and its rewards.

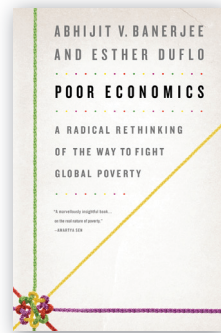
Humans have a bias toward believing in

big changes for big results. But the authors believe, as Banerjee told me a few years ago, that "there is no evidence that big changes are the result of big levers." That's a view that's taking hold in a wide variety of areas. It's on display in Malcolm Gladwell's recent writing about innovation and Tim Harford's new book *Adapt*. It's also evident in the background of Charles Kenny's *Getting Better*.

In other words, much of the whole enterprise of attacking poverty is built on the wrong foundations: the idea that big changes are necessary to create the world we want. This foundation is shared on both sides of the political spectrum. For want of better descriptors, the "interventionists" want to invest large sums to remake the context of the poor all at once; the "libertarians" want to drastically change the structure of poverty interventions and social safety nets; and the "social impact investors" are hell-bent on brand-new ideas that scale up rapidly. All advocate big change.

One of the common critiques of Banerjee and Duflo's work is that they don't appreciate how hard it is to alter policy to implement the kinds of changes their insights into the lives of the poor suggest. But they do appreciate exactly that—and therefore they disdain those big changes entirely. They believe that the path forward is not better "big thinking" but thinking small. Improving the lives of the poor measurably and consistently is primarily a matter of making a series of small changes in lots of different domains, changes that don't require major political battles or dramatically changing funding structures.

Banerjee and Duflo, then, are radically small thinkers. *Poor Economics* is perhaps the most thorough indictment of big thinking in social policy since Jane Jacobs's *The Death and Life of Great American Cities*. That's why *Poor Economics* is vital reading for anyone serious about confronting poverty. You may not agree with Banerjee and Duflo's conclusions, but the poor will be poorer if you don't wrestle with the logic that informs them. ■



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Supplicants No More

Review by David Simpson

THE END OF FUNDRAISING: Raise More Money by Selling Your Impact

Jason Saul
240 pages, Jossey-Bass, 2011

With a title like *The End of Fundraising*, Jason Saul's book is not intended to be a balanced, nuanced treatment of the economics that underpin today's nonprofit ecosystem. Rather, it's a quasi-polemical indictment of the current modus operandi among funding sources and nonprofit "supplicants." It's also a much needed, critical look at the inherent—and very significant—drawbacks to how nonprofits support their work. Any nonprofit executive seriously interested in extricating his organization, even if only partly, from the current unbalanced and inefficient system would be well served to read this textbook-like study and seek to apply some of its practical advice.

Under the current system, argues Saul, are donors who, largely motivated by emotion and the "pleasure associated with giving" write checks without any real understanding of the impact of their support. "Only 3 percent make donations based on relative performance," he writes, referencing the May 2010 *Money for Good* study, one of the many citations in the book. Donors—particularly larger institutions—are not subject to, nor terribly interested in, any serious and regular review of their performance. Without any consistent feedback, or a process that weeds out those making ineffective grants, the world of philanthropy enjoys a quasi-protected status. Hard questions are rarely posed or answered.

On the receiving end, Saul argues, are nonprofits caught up in the process of spending 20 percent of their funds on raising capital, a rate five times higher than in the private sector. Moreover, because of pressure from donors, nonprofits are too focused on traditional accountability.

Nonprofits, he urges, should act quickly to remove themselves from this unbalanced

world of donors and supplicants and instead understand and measure the impact of what they do. They then should find stakeholders who not only attach economic value to these impacts, but also have the ability and desire to pay for them. Nonprofits must learn, he argues, to succeed in the huge and fast-growing "social capital market," which is approximately 20 times the size of the \$300 billion philanthropic market. Shift your focus, he urges, from begging for funds from people and institutions that are donating on a purely volunteer basis, to engaging with stakeholders who want to pay for the socially beneficial impacts you are creating.

Saul's prescription is immediately followed by examples that reflect both his agile thinking and his desire to empower those willing to try to take advantage of the social capital market. The amount of money in play, Saul calculates, is in excess of \$6 trillion for every US nonprofit—including nearly \$3 trillion in socially responsible investment vehicles, \$500 billion in government spending on education, and \$2.5 trillion on health care.



Saul details four steps for nonprofits to follow. First, he advises them to get a deep understanding of the impact they have and express it in clear terms. Second, they should identify those who want and can pay for impact, pointing to a growing coterie of corporate partners, social and impact investors, and service providers. Third, he instructs nonprofits to understand their impact on buyers' specific needs. And fourth, he counsels nonprofits to ensure that their value proposition is clearly defined. (One interesting example comes from Minnesota, where a residential correction facility for adolescent boys is providing job training for the state's growing bicycle industry.) With these four steps accomplished, nonprofits must then package and sell this "bundle" to the appropriate impact buyers. Again, Saul's book lays out a step-by-step approach to the sales process and provides numerous examples.

Undoubtedly, *The End of Fundraising* will not appeal to all audiences, particularly those comfortably entrenched in the old donor-suppliant paradigm. And, given some of its bluntness and what could be considered oversimplification, the book is not

above criticism. For example, Saul writes that the culture of nonprofits "doesn't value knowing about impact; people don't believe it's possible, so they don't even bother." But Saul has painted a compelling and troubling portrait of mainstream philanthropy and an engaging analysis of the new social market. Most important, he has provided a comprehensive and comprehensible road map for nonprofits that want to take advantage of the tectonic change in today's economy, where social benefits are increasingly understood to be an inherent part of all economic activity. ■

Scaling Play

Review by Paul Connolly

KaBOOM! How One Man Built a Movement to Save Play

Darell Hammond
320 pages, Rodale Books, 2011

"We don't stop playing because we grow old, we grow old because we stop playing," observed George Bernard Shaw. But what happens when children themselves play less? Today, electronic media dominate kids' attention, helicopter parents curb exploratory free-range play, and space for outdoor play is diminishing. Darell Hammond founded KaBOOM!—a national nonprofit that provides communities with resources and guidance to build playgrounds—to reduce what he calls the "play deficit." His book tells an uplifting story about how he took the organization to scale and matured as a manager, advocate, and leader.

KaBOOM! connects dollars and volunteers from corporations, such as Target, Snapple, and Home Depot, with communities in need to rally around a single tangible goal: the building of a kid-designed playground in one day. Community members and volunteers get to see the fruits of their labor right away (hence, KaBOOM!), creating an "achievable win," as Hammond calls it, and a vivid sense of potential. During the past 15 years, KaBOOM! has been one of the fastest growing nonprofits in the United States. It now has an annual operating budget of more than \$20 million. It has raised more

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than \$200 million and harnessed a million volunteers to create more than 2,000 playgrounds primarily in low-income communities, a remarkable track record.

Hammond's account of his emergence as a passionate and visionary social entrepreneur is inspiring. After growing up in a group home and dropping out of college, he describes how he found his calling in the service movement. He developed KaBOOM!'s innovative program and business model, established an upbeat organizational culture, instituted quality control standards for program replication, and nurtured the organization's expansion. He reveals how he learned to delegate, and he refreshingly admits to just "winging it" at times and making some pretty big managerial mistakes. Hammond describes how he "turned a mission into a movement" by increasing advocacy efforts and freely sharing tools and expertise through online social networks to enable others to construct more than 1,600 do-it-yourself playgrounds.

Hammond identifies "cascading transformative change" in communities as KaBOOM!'s intended impact and writes that "we measure our success by looking at what happens after we leave." He notes that an impressive 86 percent of the sites are maintained and that the planning and building process helps foster stronger communities. His point is that it matters how children use the playground and how community members continue the momentum and join forces to organize other efforts. Yet most of the evidence in the book about KaBOOM!'s long term social impact is anecdotal. The statistics on outputs and the stories about positive community change are compelling, but the book would be even richer with more thorough documentation.

Hammond writes that "no single individual or organization can do enough on its own" and praises his senior team, board chairs, and other groups. Nevertheless, the story would have benefited from more detail about and insights into how the board and executive staff shared leadership and worked to make tough decisions, set priorities, and allocate scarce resources. Likewise, Hammond says little about co-founder Dawn Hutchison, the unfolding of their respective

roles, and her departure from the organization. More also could have been written about how KaBOOM! has participated in coalitions with other leading organizations in the field, such as Playworks, which sends trained play coaches to urban low-income schools. The book's subtitle—*How One Man*



Build a Movement to Save Play—is individualistic, not collective.

Hammond makes a strong case that play is a necessity, not a luxury. While reading the book, I took a walk in a neighborhood outside of Detroit at sunrise, while children were still asleep. I noticed a nice playground that had a sandbox full of shovels, pails, and toy trucks. The kids in the community had not taken their playthings home, but left them there as a shared resource—the essence of social capital. Later that day, the playground was bustling with children who were exploring, sharing, refereeing, engaging, and inventing. Hammond explains how play teaches children how to practice adult roles. It enhances cognitive and physical development, creativity, and cooperation. And it helps prevent childhood obesity.

This book goes beyond children's play. By reading it, social entrepreneurs and nonprofit leaders, along with the funders, investors, and advisors who support them, will get some solid, practical advice about how to grow a social enterprise, adapt programs and operations along the way, and amplify impact. ■

Transformational Networks

Review by Patrick McNamara

**GLOBAL ACTION NETWORKS:
Creating Our Future
Together**

Steve Waddell
244 pages, Palgrave
Macmillan, 2011

provides an outstanding framework for addressing today's complex social and environmental issues. Author Steve Waddell cites

"The old ways of doing things are not up to the global challenges we are facing." So begins *Global Action*

Networks, a book that

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globalization, system complexity, and the disruptive impact of new technology as factors that contribute to our inability to resolve today's issues with traditional strategies and our need to find new approaches. By using whole systems thinking—the process of understanding how things influence one another within a whole—and involving stakeholders from business, government, and the social sector, he argues that we can craft effective, locally applicable, and timely solutions to problems as diverse as climate change and community health.

What are global action networks? They are basically multi-stakeholder networks that span geographical, institutional, and sectoral boundaries to effect systemic change. Because they involve systems thinking and are designed to build connections and trust, Waddell argues that they lead to superior results. He says the networks help shift perspectives because they create a collective understanding of a problem, take into account impacts on multiple parties, and operate from a place of future possibilities. The solutions tend to be breakthroughs that change the rules of the game.

Examples of global action networks include the Global Fund to Fight AIDS, Tuberculosis, and Malaria, which has increased access to effective treatments, saving 3.5 million lives; the Forest Stewardship Council, which has certified 300 million acres of forests and engaged 16,000 businesses in 100 countries to sell certified products; and the Principles for Responsible Investment, which is changing the logic of the global finance system through a set of principles supported by 850 signatories representing \$20 trillion in assets.

Waddell both articulates the phenomenon of these networks, surveying more than 80 of them, and helps us understand how they are formed and develop. He shows how networks that embrace diversity, build trust, and foster entrepreneurial action are able to take action to a global level while responding to a wide range of local conditions. These networks go beyond "scaling up" to "scaling across" geographies and reconceiving systems, so that change is both meaningful and transformational.

Waddell's focus is on the power of citizens to master collective change. He proposes four strategies that range from the individual to the collective and the interper-

sonal to the systemic, underscoring that for change to be lasting it must include personal and structural transformations. Waddell draws on the ideas of many systems change thinkers, including Otto Scharmer, Peter Senge, Malcolm Gladwell, Margaret Wheatley, Ken Wilber, Barbara Bunker, David Bohm, and Bettye Pruitt, to demonstrate the power of a whole systems approach and what Scharmer calls “leading from the future as it emerges.” One of the most helpful chapters outlines eight competencies required for the success not only of global action networks but also of any leader working with complex issues, uncertainty, and change. They include knowledge, skills, and behaviors in leadership; network development; measuring impact; conflict and change; communications; learning systems; policy and advocacy; and resource mobilization.

Waddell’s model is part of a growing body of work that explores how social change can be implemented through net-

works that exist at the international, national, local, and individual levels. In the United States, the Interaction Institute for Social Change is probably the leading pioneer of this approach. Another is the United

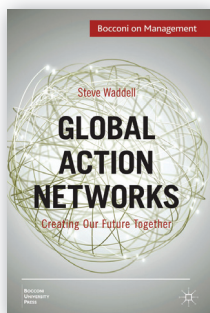
Nations Development Programme’s Leadership for Results Programme, which builds on-the-ground, multi-stakeholder partnerships and transformational leaders to work on global problems like HIV and climate change. Waddell’s book would have been even stronger had he shared his assessment of what these pioneers learned in the

early stages of forging their networks. The book provides many remarkable success stories, but not enough analysis of the challenges that went into network creation.

Waddell asserts that global action networks represent a 21st-century global governance model that stems from two main sources: the positive impact of technology on how work and society are organized; and the weaknesses in post-World War II interna-

tional institutions. Several authors have examined these issues. Anne-Marie Slaughter’s *A New World Order* shows how networks of professionals are sharing practices across national boundaries. Parag Khanna’s *How to Run the World* explores how to harness technological connectedness to create new multi-sectoral networks where “no one is in charge.” Jeff Howe shows how work is shifting in *Crowdsourcing*. And Manuel Castells describes a new historical paradigm equal in magnitude to the industrial revolution in *The Rise of the Network Society*.

Global Action Networks contributes to this articulation of what’s next in governance by showing how we can envision and work collaboratively to create a better future. With grounded examples and clear logic, Waddell presents a concise, effective, and useful model for local and global approaches to developing networks that are change agents. The book will help any social innovation practitioner assess her competencies, learn network approaches, and find new ways to discern and navigate our most complex problems. ■



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