

Pandemiconomics

Giving can be a win-win

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A study on experimental psychology reported in a recent publication of the Harvard Medical School compares various ways of enhancing happiness or emotional well-being. For instance, physical exercise secretes a kind of hormones from our brain that can give a sense of 'feel good' and relief from stress for a while. Purchase of favourite things make people feel happy for some time while personal accomplishments such as promotion in job or business success can result in a mood of jubilation for a few days.

But, a longer lasting and deeper feeling of happiness is found to come from acts of giving which makes other people happy. This does not necessarily require spending a large amount of money on philanthropy, but can happen from making someone happy by simple acts of kindness and generosity within one's means. Such acts are often habit-forming and can give a feeling of satisfaction that not only lasts long but also have many health benefits and can thus be part of living a healthier life. Prayers or meditation, which can be other ways of achieving mental peace, were not included in this particular experimental study.

We can instantly test the above research findings on human psyche by helping families that we know to be in distress due to the current COVID-19 lockdown. We can send them some money through mobile phone's cash transfer facility such as bKash; and we can do this from our home by using our credit card. We can even scale up this activity by forming a network of friends and sharing a list of vulnerable families.

We know that a large number of families, whose livelihood depends entirely on their daily earnings and have little savings to lean on, are on the verge of starvation due to the on-going lockdown; they will remain vulnerable for some time even as the economy restarts in the aftermath of the lockdown. However, we can take heart from the fact that keeping all the vulnerable families out of distress is easily within the means of our society. The results of the latest official household income-expenditure survey of the Bangladesh Bureau of Statistics show that it will take only slightly more than one percent of the income of the richest 20 percent families to be redistributed to eliminate extreme poverty in any year, provided the redistributed money goes to the poor families in a way so as to lift each of them to the poverty-line income. For the richest 40 percent, the income required to be so distributed is even less than one percent of their income. In these estimates, extreme poverty is defined following the World Bank as having income below 2 US dollar per person per day.

It is of course true that the number of people currently living under the poverty line will have by now swelled far beyond that at normal times because of the lockdown and the loss of livelihoods. But we are considering here supporting their livelihoods for a few months, not hopefully for an entire year. Moreover, the distribution of accumulated wealth is far more unequal than that of annual income which is the basis of the above estimates; thus the wealthy people should have far

more capacity to help the poor than is indicated by the above estimates. Note also that we are here considering the role of private philanthropy as supplementing the efforts of the government in this respect. Needless to say, supporting the poor in such a crisis period is mainly the responsibility of the government, which should be able to mobilise enough budgetary resources to substantially scale up the official safety net programmes both in terms of help per family and the number of families covered. In recent years, the government has been spending slightly more than one and a half percent of GDP on the safety net programmes, excepting the pensions of retired government officials which are wrongly included in this spending category; these programmes, however, fail to achieve the desired goals because of large-scale leakage and mis-targeting.

Note that the above finding of experimental psychology is about a win-win situation in a transaction where both parties can gain in satisfaction through an act of giving. This is contrary to a basic assumption of economic theory, that is, an income transfer (redistribution) makes one person happier at the cost of making another person less happy. This assumption can very well explain many of our daily economic activities, such as the fact that we often bargain hard even with a poor street vendor. Fortunately, our behaviour beyond business dealings are often motivated, not by selfishness, but by higher human qualities. That is what makes the world liveable.

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