Season 2, Episode 10: Giving Cash to Those in Need

Paul: All the data say that poor people have a higher return to capital than we do. So, we should be trying to get money out of our bank accounts and into their hands as quickly as possible.

Grace: Welcome to *Giving Done Right*, a podcast on everything you need to know to make an impact with your charitable giving. I'm Grace Nicolette.

Phil: And I'm Phil Buchanan.

Grace: Today I'm so thrilled that we're talking with Paul Niehaus, co-founder and chairman of GiveDirectly. GiveDirectly is this pioneering nonprofit in the area of direct cash transfers to the poor, and it's premised on this idea that the poor are in the best situation to know what they need. And what's fascinating is that they are the top-rated nonprofit by GiveWell, which is this site that ranks nonprofits by certain metrics of impact and Fast Company has named GiveDirectly among the 10 most innovative companies in finance.

Phil: Paul is an obviously brilliant guy and his perspective, I think, will challenge our assumptions about what it means to give effectively and whether that requires giving through an intermediary or not. We really get into some of the vexing questions about when do you need to maintain control and when do you just let others decide?

Grace: And also do you give domestically versus internationally? And how do you decide the mix of that? Especially with universal basic income being more in the news—with folks like Andrew Yang, who ran for president and mayor of New York—direct cash transfers are very much a topic of hot conversation that I know a lot of you are interested in.

Phil: Yeah, we cover a lot of ground, including the spreadsheet that made Paul cry and much more. So, I'm looking forward to this conversation. Here's Paul.

Grace: Welcome to the podcast, Paul.

Paul: Thank you so much, Grace, Phil. It's great to be here.

Grace: So, what is GiveDirectly, can you tell us a little bit more about the model?

Paul: GiveDirectly is today, I'd say, the leading international NGO that specializes in direct transfers to people living in extreme poverty. And GiveDirectly started, we started back in 2009 when the co-founders and I were in grad school doing PhDs in development economics. At that point, it was a crazy idea. I think a lot of people's initial reaction to what I just said to you was, “that’s nuts” or “we know that that's not the right thing to do.” And so, we've been on this incredible journey over the last 10 years of convincing a lot of people that actually that's wrong and that this is a great idea.

Phil: And, Paul, I'm so glad that you're, here with us. How do you know that it's working? How do you know that it's a great idea?

Paul: Yeah. So there, I mean, there's some context for this that I think would be helpful to talk about, get into a little bit, in terms of how do we know anything about, international development, extreme poverty alleviation, and that big picture of it? And as a professional development economist, I guess I think it's a bit embarrassing that, you know, for 50 years or so that we've been doing this starting in the 1950s, the 1960s, a lot was done, but there was very little testing of it. And so it wasn't really until the early 2000s, with the advent of this experimental movement, the RCT movement, that we started testing the impact of things in a rigorous way to see what worked and what didn't. So there's a lot of important lessons that came out of that. But one of the big ones was that we started for the first time to get actual, high-quality scientific evidence on what happens when you give money to people living in extreme poverty, what do they do with it and what are the consequences?

I think that the big picture from a lot of these studies across a lot of different countries has been that, A: people generally use money in reasonable ways that benefit their families—it varies a lot from place to place, and that's part of the point, which we'll get into, is that when you give money to people, they have the flexibility to do what they want with it. And so different people are going to do different things depending on what they see as a priority, as a goal. So, there is no one story. But you know, the second thing is that I think a lot of the negative things that we were worried about, people are afraid of, didn't happen, right? So, we have these concerns that maybe you give a lot of money to people, they're just going to spend a lot of it on alcohol, tobacco, things like that. So, systematically across a lot of these studies, we haven't been seeing that. I think there's this big question of where some of these doubts or fears came from, but that hasn't been what we’ve seen in the data. And then the third thing I'd emphasize is that you see people spending on things that they need today, but you also see people investing in tomorrow. You see people starting businesses, acquiring assets, doing things that are going to pay off over a longer time period. And so, it's not as if we're the only people who care about the future and other people don't, they care about their futures as well. And so, they're balancing those things as well.

Grace: For those who may be less familiar with how direct cash transfers work, can you kind of walk us through what is like a typical project? You could pick either an international or domestic example, but for someone who's hearing about this concept for the first time, can you walk us through, what does it entail?

Paul: One thing that's important to know is that the prototypical person getting a cash transfer in the emerging markets is going to be someone getting it from their government, not from GiveDirectly. So, it's actually been governments in these countries building their own antipoverty systems and safety nets that have been the leaders and it has been we donors, I think, in the West who have been the followers in adopting this new way of doing things. That having been said, what's going to happen, say, in a typical GiveDirectly program is, you live in a low-income community, primarily an agricultural area in your country. GiveDirectly decides that this is an area that we're going to work in, and we decide because this is an area where there's a lot of poverty, and we'll come into communities and we'll register people in these communities—usually everybody, sometimes we'll target it based on certain criteria, we might try to identify people who are a bit poor than others—a lot of times we'll just enroll everybody in these villages, sign them up for the program. And typically, what that means is we're going to sign you up for a digital payment mechanism that will let you receive money. Most often it's mobile money. So that's a technology that's now widespread in a lot of developing countries that lets you get transfers on your phone, and then control them from there. And typically, what people will do is they'll get the money on their phone and then they'll go to the nearest agent, and that'll be, like, a shopkeeper in your village or in a nearby town who can convert that into physical paper money for you that you'll spend. So GiveDirectly will enroll you for this program and then at some point you'll get a text message that says, you've just received, whatever it is, you know, 1000 shillings from GiveDirectly, then you'll be able to go to this agent, withdraw whatever you want.

Phil: Can you quantify for us just the volume of what you're doing today?

Paul: Yeah, so we're at about three-quarters of a billion dollars raised to date, over a million people reached. So, you know, that's exciting. I think if you look at trajectories for NGOs, it's, you know, one of the fastest in recent history. There's actually a lot of stasis at the top. If you look at the big international

NGOs, it's been same guys for decades—very unlike the private sector where you see a lot of this churn and dynamism. So you know, in that sense, it's big and it's been growing quickly and it's exciting. But there's another sense, Phil, in which the numbers that we're talking about here are still small in the big picture of foreign aid. So, if you look at all the money that we're giving philanthropically, or all the money that governments are giving institutionally as foreign aid, cash transfers are very small sliver of that, a couple of percentage points. And so, I think a lot of the conversation that I hope we're going to be having is like, how much should that be?

Phil: Let's talk about—you call them the big guys—the organizations that have worked on issues of global poverty. Most folks come to the idea of charitable giving with a model in their mind that's about giving to an organization that in turn is helping folks. You talked earlier about the doubts and fears about giving directly to individuals and what that might be related to, and we've talked on this podcast over many episodes about why don't we trust more? Why don't we trust the people whose lives we're seeking to improve? Why don't we trust the organizations that are sometimes in between us and those folks? I guess a question I have is, how do you think about the role of direct giving and how do you think about the role of giving through organizations and when one makes sense and when the other makes sense?

Paul: Yeah, there's a lot in there. So I mean, let me first talk a bit about the status quo and why it is that way. And then we can talk a bit about those two different types of giving, as you said. So, you know, this for us was, when we were getting started, you know, one of the primary questions, which is, do you really need another organization to do this and what's happening already?

And indeed many of these organizations do do some cash transfer programs. We had some fascinating conversations; we reached out to talk with folks at some of the big, established players about the programming they were doing. And, essentially our question was, you're doing some of this, would you guys institutionalize it? Would you let us give money to you with a commitment that you're going to then give it to people living in extreme poverty so that they can be the ones who know what to do with it? I think what was very clear is that people working in some of the big, established organizations were excited about cash transfers, they thought it was a good thing, they saw the evidence. But that business model is sort of threatening when, at the end of the day, the reason your organization exists is to design programs, it's to allocate capital, to kind of decide what should happen. And cash transfers are this challenging idea that maybe sometimes it's better for the person at the other end to be the one who decides what should happen with the money. So, I think there's that.

And I think there is this psychology of mistrust as well that you put your finger on. And we've even seen that in some of our recruiting at GiveDirectly, where you know, we've gone out to hire people for some field roles and people initially will say, “I'm happy to have a job. That's great. But let me tell you, like, I don't think this is such a great idea because I come from these communities, and I know these people, and this might not end well.” Then over time, I guess they get to be a part of it and their opinions change. You know, I think it's very deep. I know you've probably seen some of these statistics in your area, you know, how overconfident we tend to be and how much we tend to assume that we're better at things than other people. And so, I think there's that element to it as well.

Grace: I'm curious, so with your programs, are you essentially lifting people completely out of poverty with the cash transfers or what is sort of the—the point A being in poverty—but what's the point B, typically, at the end of the intervention?

Paul: I think we're kind of at that moment right now, Grace, actually, where we can start thinking about that. When we started GiveDirectly and we were thinking about, how should we design this? Should we give people money for a long time? Should we just give them a bunch of money now and walk away? We went for the latter, and that's partly because we think there's just a very simple rate of return argument that all the data say that poor people have a higher return to capital than we do. And so, we should be trying to get money out of our bank accounts and into their hands as quickly as possible.

But I think it's also partly because there are these concerns about dependency. That if we start giving people money, they're going to do less on their own to earn, to improve their situation. And when you give people money once, it's sort of an easy question to answer, because there's nothing to depend on.

What we've been doing up until now has largely been these one-time transfers. They're pretty big. It's typically about a thousand dollars per household, that's maybe about a year’s income for a typical household that we're giving money to. And it lets them do various things, you know, some people do invest it and you see some income gains that come with that. Some people are paying for school fees, things like that.

But, you know, we have been sort of looking at it and saying, what would it take to get everybody permanently out of poverty or close to permanently above the extreme poverty line of a $1.90 per person per day. But now I think we're kind of at the point where we can do that, and that's partly because we've started looking at new models that look more like basic income. So, we have a trial with universal basic income, it's very large-scale. It's the longest term and the largest scale that anything like this has been done before.

And we're seeing that even there, when you make this very long-term commitment to people that you're going to be given a chance for, in this case more than a decade, you're not seeing that they work less or earn less. They are working differently, by the way, which is interesting. So, they're switching the kinds of things they do and they're working less for other people and more for themselves and things like that—but not less. So, to me, what that lets us do is now sort of think really big, where we can say, let's look at the income distribution in Kenya, in Liberia, in Rwanda, in these countries and say, if we did a pretty good job of targeting aid, what would it take to get everybody below the line, over the line. And I think you could put a number on that now, and that it's a number that we'd be excited to pay in terms of how much we have to give up to really end extreme poverty. So, to me, that's the future. That's the direction now.

Grace: In your opinion, where do cash transfers fit into a donor's portfolio? I probably guess that you might say, oh, well the whole donor's portfolio should be to programs that give directly, the kind of programs that you do. To Phil's earlier point, right, the traditional model being giving to nonprofits—in your mind, do you have a sense of, sort of, other buckets of giving that are also effective or really, like, this is, dollar for dollar, the most impact that, in your mind as an economist, that you would recommend.

Paul: Yeah, yeah. Well, to me, the key word, I think, is that what should cash transfers be in your portfolio? I would say they should be the default. And so, what I mean by that is that when you start your thought process of, like, how can I do the most good for other people? You should start with the assumption that—working hypothesis—they're going to know best. And then, from there, think about whether there are cases where you might be able to do better.

And I think there are, and so this comes to the question that Phil asked about how to strike that balance. I think that the cases where we might be able to do better by coming in from the outside and doing something at a larger scale or something through institutions are going to be cases where there's some sort of collective problem that's bigger than any one person; we call these public goods problems or problems of externalities. But it's going to be things like paying for vaccine research. Simply giving money to people who are living in extreme poverty is probably not going to generate the research on that that we need. There could be bigger picture things, like infrastructure, probably the role of government to do a lot of that, but that might be something that we could get involved in. You know, what I think this default framing pushes us towards is asking those questions. Where are these problems of scale that are bigger than a few people, a few families, where, you know, doing something from the outside might be able to get you outsize return rates.

But there's sort of different ways you could actually operationalize this and, actually, some people are doing this, which is kind of neat to see. So, we have one of the first family foundations that backed us that did exactly this, where they said, “every year we have an amount that we have to pay out and we're going to try to find as many things we can that are more effective, we think, than cash transfers to people in extreme poverty. But then whatever's left at the end of the year is going to go to GiveDirectly.” And so, it sort of imposes that discipline on the decision-making process that you're always thinking of that as an alternative.

Grace: Hm.

Paul: So, there's different ways that you could kind of operationalize this depending on who you are as a funder and what your institutional constraints are. But I think that basic mindset is one I'd advocate.

Phil: We're in this, like, interesting area of just having to think through, right, when do people know best what they need? And then when, actually, can somebody else help someone know something they might not know, right? I mean, this is what I'm—is going through my mind as you're talking. So for example, I always use this example of a major donor that embarked on this effort to give chickens to poor people in developing countries, because there was some analysis done in this foundation, and they decided that's the best way out of poverty and it didn't go that well because you had various folks saying, “I don't want chickens,” right? And, and so that speaks exactly to your points trust and about people knowing what they want. And that makes a lot of sense.

But what about the frontline community health organization that’s serving poor people, and part of what they're doing is interacting with them to figure out “oh, you're not signed up for that county benefits program you're eligible for, let me sign you up.” Or “you just mentioned that you're in a situation with a domestic abuser. Let me get you the help that you need from a professional social worker who can help you to make sure that you're safe.” So, I'm trying to sort for, like, what is the, what is the set questions you ask? And there is something here that there are moments when people actually need the expertise of others, right? Do you agree that that's case?

Paul: Yeah. I mean, absolutely. And I absolutely agree with your first point as well, which is we tend to assume that our own expertise is more useful to other people than it actually is. It's funny you mentioned chickens, because I actually had a chicken experience myself when I was an undergrad, halfway through finishing a degree in economics at Harvard. And so, you know, I thought I knew a few things about the world. I took some time off to go and help work on a farm in a developing country and quickly realized within a few days that I knew nothing at all that was relevant or useful for building a productive, profitable farm, and sort of had to start from scratch. So, I think that a note of humility is an important place to start.

And then in terms of how do we assess, to your question, I think what's missing are the feedback loops, right? So, the sort of the signals that tell us, your expertise is helping, and it is making a difference and here's how much it's worth, right, in dollar terms relative to the cost of providing it.

The big issue in the sort of international development philanthropy, in general, we're giving things away for free and so people aren't going to say no to them, but we don't have a sense of how much they're worth to the people we're providing them to. And that's what you want. You want some way of understanding this service that costs me $10 to provide was worth $20 to the person who got it, and so that was a good thing that we did that. Or maybe it was only worth $5, and so in that case, it wasn't and we need to change. So, sort of about moving the bar from, like, is it doing some good to is it doing more good than it costs to provide?

Grace: I want to double-click on, sort of, the issues of trust because I think, right, like you've said, at the core of some of the skepticism, I think, around this model are, you know, the idea that how can we trust folks to make the right decisions? And, as we were preparing for this, we were talking about how, like, each us can think of people in our lives or family members that may not be smart for us to give them money because it may not be used wisely. And so, obviously those are individual examples, but I imagine that, scaled, that those concerns may still exist. You have said that, you know, the research shows that folks do use the money wisely; pretend that I'm like the largest critic of this model, like, what do you say? The studies are one thing, but how do we get, you know, our cousin Ned out of our head, basically?

Paul: Well, I think part of the reason there is that cognitive dissonance, right, between the studies and our cousin Ned, is that there’s sort of a very different process by which people end up experiencing poverty or having troubles in their life—you know, your cousin Ned's case and somebody who just happens to be born into an area where people are very poor and where not many people get to go to school. So, in your cousin Ned's case, he probably had a lot of great opportunities, you know, similar to the ones that you had, and there's some other reasons—maybe it was a mental health issue and maybe it was a substance abuse issue or something like that—that were the core reasons why he ended up in that situation. And so, that's a problem throwing money at is not likely to fix it. I think the basic point is that we don't want to extrapolate from those sorts of firsthand experiences we've had and assume that extreme poverty in a different part of the world is like that, right? Because actually, most of what it seems to be is just ordinary people who happen to have born in a setting with a lot fewer opportunities and resources than we have. So, it's not that there aren't some cousin Neds there as well, but it's just that, statistically speaking, that's not the main story.

Phil: And almost the flip side of that story, it seems to me, is the story I've heard you tell in a talk I found online you were doing about gift giving in the holidays. And that was a powerful analog, I think, how we can't ever quite get it right. And you talked about the amount we spend on a gift for somebody we love compared to how they really value that. Can you just say a little bit about that?

Paul: Yeah, so, there's this, sort of, very crotchety line of work in economics about how much value gets destroyed every Christmas. So, there's a book *Scroogenomics* about this by Joe Waldfogel. And, you know, essentially, he says that if you look at how much we spend on Christmas presents and then ask the people who got them, how much would you have paid for this? It looks like we're destroying a lot of value every Christmas. And so, I mean, I think there's more to Christmas than that, so we want to be a little bit careful about that, but it's. But then maybe it's a data point that sort of pushes us to think and say, boy, if it's this hard with people that we know well, and that we spend lot of time with, to give them gifts that they really value, how much harder is it going to be to help people living on the other side of the world, that we have no firsthand experience or interaction with? And then maybe it pushes us to approach those interactions with a real sense of humility, in a sense, that we're going to need a lot of data and feedback because our intuitions are going to be wrong.

Grace: I was telling Phil that I actually had Joel Waldfogel as my econ Professor in college, so the dead weight loss of Christmas has always stuck with me as well.

Phil: Should we talk about effective altruism? Effective altruism, for listeners who don't know, I think Peter singer is sort of the godfather of the concept and the notion being—and it really goes to a phrase use before you said that you would want to ask yourself "how do I do the most good for the most people"—and that's kind of, like, the animating question, I think, of effective altruism. If taken very literally—and please push back if you think this is wrong—it would mean, for an American donor, that they would give primarily outside of the country because their dollar can go further in terms of helping a human being, whether that be saving a life or significantly quality of life. Another implication of sort of a literal reading of effective altruism would be probably that you don't give to arts and culture institutions. And so, I really wrestled with this concept because on the one hand I think it's very important to challenge yourself with that question, not to just default to giving locally or to what's right in front of you. And then on the other hand, we are wired to care about the communities we live in and arts and culture and things that might not directly impact the saving of a life are vital to a vibrant society and to human happiness. So, help me out with this. Do you consider an effective altruist? How would you advise a donor to think about the questions that effective altruism poses?

Paul: So, I mean, I'm happy to be called an effective altruist, and I'll tell you both what I love about it and what I think the movement could benefit from more of.

And maybe just first, a word about the role that it's played for us at GiveDirectly. And then we can get into your question about where do we give, right? I mean, it was really, I think, critical for GiveDirectly and especially GiveWell, right, who's consistently rated GiveDirectly as one of the most effective ways to give, that those were growing up alongside of us. Because, you know, here we come with this idea, which is, you know, it's totally mainstream and accepted now among development practitioners, but for donors here in the U.S. it's this very radical idea, especially at the time. All the initial reactions we get—first New York times story was "is it nuts to give money to the poor with no strings attached?" And the first person that wrote us a six-figure check, they were like, you know, throwing it into the trash. And then somebody said, "well, wait, I like crazy ideas. Let's have another look at that." The first person that wrote us a seven-figure check, they took it to the principal and she said, you know, "this is a crazy idea." So, all of this initial skepticism that we had to overcome. And so, you have this community that I think, two defining things, one: there's real debate about what is "good." And when you say "the most good you can do," how to think about that, and openness to the idea that it might not be defined just by what I personally am passionate about, but by some sense of what other people value and prioritize, you know, that we want to be very thoughtful about that.

And so that obviously aligns well with the way, you know, at GiveDirectly we're saying, you know, let's take seriously other people's agency and let's see intrinsic value in that.

And then second, there's the quantification of saying, okay, once we've decided we want to do the most good, how do we measure that and really be open to using data to test our assumptions and discovering that we were wrong and that there are things we can do better? And so having GiveWell sort of look at the numbers and say, "yeah, we think this is right up there with some of the most impactful ways to give in the world. And in fact, we're going to go out every year and try to find charities that we think do better and use this almost as our benchmark try to beat," I think was incredibly important validation for us.

Then, you know, I guess, coming to this issue of where to give, one of the things that I think is very hard to get away from, if you start to try to quantify this in any reasonable sense, is that if you have people that are living on 50 times less, or 100 times less overseas than people are here, that's just a huge opportunity. It's a huge opportunity for very small sacrifices on our part. Giving up the cost of a cup of Starbucks every day—that could triple what somebody in an emerging market is living on, their standard of living. Opportunities like that are just really amazing.

And so I view that in a very positive sense. Like, that's something we should all be very excited about. And then yeah, there are people who also feel this connection to community causes and to the arts and things like that. And saying, "well, how do I strike the right balance? And I do want to do some of both of these, but I don't want to totally ditch this other thing." And I'm totally sympathetic to that, and I think part of this is we shouldn't be beating up those people, right? Like the people we should be going after are not the people that are giving to like poverty alleviation in the U.S., et cetera, hitting them over the head and saying, "why aren't you doing poverty alleviation in Africa?" But it's the people that aren't giving at all, right? Like, those are the bad guys in this story. You want to get them into the game.

One way that I think about it is, how can we define a level of giving to these international causes at which people can feel like they've done their bit? So, I think Peter singer does a nice job of that, thinking a bit about—I'm not saying you should give to go to 90 or 95%, here are some ways to think about it that might seem a little bit more attainable and reasonable. And I think there is incrementalism to it, you know, not saying, like, feel like you have to change everything today, but take a step in that direction, give a little bit more overseas now.

Phil: Yeah. That's very helpful because there are folks in that movement who, it seems to me, take a more moralistic or even shaming sort of tone than you did. Yours was a very, kind of, welcoming and measured description of effective altruism and how to think about it. And I find that helpful.

Grace: And it strikes me that for all the strengths of the direct cash transfer model that one potential downside is that it could be more transactional, right, and less relational because it's not possible for me, Grace, sitting here in Cambridge, Massachusetts to know personally the person that is benefiting in Kenya. And so can you talk a little bit about that? Because it does seem like there is, sort of, like, a barrier there, right? So how can a donor kind of stay involved and how do you address, sort of, like, the heart connection the communities?

Paul: You know, I've thought a lot about this, Grace. I just want to start by saying that I totally buy the premise that relationships are absolutely essential. For me I think it comes from a spiritual perspective on life, but even if you take a purely materialistic, evolutionary view of things that we are, like, social animals, that we are designed for relationships, that we thrive and are happiest and most productive in relationships. So, I think that's absolutely essential and it's really in tension with cheap cultural memes we have of, sort of, "you do you," with the sort of very individualistic American society that we live in.

So, at the same time, I think that money can be very distorting in relationships and the kinds of power dynamics and strange things that happen when you have a relationship in which one person is giving money to the other. I think that it's really good to give in a way that's conscious of the central importance of relationships, but that that might also be outside of the context of relationships, if you will. For example, if you look at what happens with cash transfers, you know, one of the things we see in studies is you often see, sort of, improvements in marital relationships—so, like, reductions in domestic violence, for example—when households have a bit more money. And so it's interesting when there's a bunch of discussion and debate over how and why that is and do get more of it if you transfer money to moms as opposed to dads? But I think that's an example of a way of thinking about how you can give in a way that's, sort of, sensitive to this really central importance of relationships even though it's not necessary in the context of one.

All that having been said, I do think there's, like, a lot more of that GiveDirectly can do to just help you get some sense of who these people are and to have some connection to them—and we've done some things in that direction. We've built little products on the website where you can get real-time feed from recipients to get a sense of the things that they're doing and the things they see as challenges. We're right now, sort of, building a product that will let you build that one-to-one connection, right, where you can actually see the individual person who's receiving the money that you gave and follow along and see what they do with it and get some sense of the impacts. We're now at the point technologically where you can do video calls with people in the field as they're enrolling in the program and starting to receive money and talk to them. So, you know, there's, sort of, lots of difficult issues that come up in terms of translation and cultural boundaries and so forth and those kinds of interactions, but I think it's good, and I think it helps with a sense of these are real people at the other end of the line.

Phil: It's making me think about whose needs we prioritize, right? And I worked years ago for a couple of different college presidents, and I watched the way they cultivated relationships with donors. And honestly, pretending to enjoy a long hike with a donor when the people I worked for didn't much care for hiking, right? But the things that we do to make the donor want to give—I have talked to so many folks who say, "well, I don't want to just give to this organization. I was a consultant that XYZ firm, and I could really offer my marketing expertise." And there isn't always necessarily this sort of appropriate pause to reflect, do they want that expertise? Is that expertise even relevant? But sometimes the whole charade happens anyway, of the nonprofit saying "oh yeah, Grace, please help us with our marketing" because what I know will happen is you'll get connected and you'll be more likely to give. It's this balance, it seems to me, between, like, recognizing the reality of where human beings are and what they might need, but also, we're to shift it and to say to donors "it's not about you," you know? And that's a tricky thing to balance.

Paul: Yeah, and Phil I think, too, like, there's this really valuable willingness to separate, to say that that desire to, say, have my marketing skills employed in a way that is fruitful and that helps other people is valid and that's a good thing, but you might want to separate that from the giving and say that's something that might be actualized or fulfilled in another part of my life. The sort of willingness to unbundle these, as opposed to expecting to find fulfillment of certain specific desires—I think that's what can be really helpful.

Grace: I want to ask you a question about feedback loops. So, we've touched upon the fact that people are in the best situation to know what they need, people in the communities that you serve, as well as the fact that we need to trust them, and then you also collect a lot of data the impact of your interventions. Tell us more about how you collect that feedback and communicate it back to the donors.

Paul: You know, first, just to, like, frame the problem, even if we were all, like, perfectly unbiased information processing machines, like, we need information to learn and to be effective. Add to that this problem we talked about that I think we tend to be very overconfident when there's space to be overconfident, when there isn't sort of built-in feedback, we tend to start assuming that what we're doing is working and everybody loves us and we're the best drivers and all these sorts of things. Add to that this problem with the distance, right, that we're working in places that are far away, economically very different, culturally very different. And then add to that the problem that, sort of, organizationally non-profits and agencies aren't getting the built-in feedback that for-profit companies get, right? Because if you're building a company and people don't like your product, you see that immediately in the sales. If you're building a nonprofit and people don't really value your product, you know, they'll still take it because it's free. So, you put all those things together, and I just think it's, like, so incredibly hard, and so we have to really lean in and be very intentional about getting that feedback from people.

You know, and of course, in our case we're dodging part of the problem by saying we're not even going to try to pick what you guys need, we're going to let you pick for yourselves, and so that's a big first step. But we feel like there are still many ways in which we need to be getting feedback and we need to be accountable to people to make sure that the process we're running is treating them well and treating them fairly, and that we're doing a good job of explaining our programs and the things are working, that the money is actually getting through to them. And so, one of the very simple things we've done, but one thing that's been very powerful, has been to do really large-scale, systematic outbound phone calling. Sounds really obvious, right? But in some ways I think that the big power of the mobile phone for us has been even less the mobile money and more the fact that we can call just about everybody that we send money to and say, "hey did you get the money? And did somebody ask you for some of it or pressure you to share some of it?" but also, you know, "when you met somebody from GiveDirectly, what was that like, and did they explain things in a way that made sense?" And then a lot of that can feed back into the way we self-evaluate. It feeds back into performance evaluation, for example, for our field staff because we have quantitative metrics of how well they're doing their frontline job of explaining things to people.

Phil: Paul, on this point of hearing from people, I mean, you're obviously a super data-driven guy but stories are really powerful for people, and you're motivated by the desire to help, the desire to see people able to have better lives than they would otherwise. Is there a story or two of individuals who've been helped through GiveDirectly that sticks with you or that you'd like to share with people?

Paul: I mean, I'm going to be totally honest with you, the first thing you said is true that I'm a sort of weird quantitative person. I think the most emotional I've felt about GiveDirectly was when we got, like, some of the first results back and there were, like, fewer kids going to bed hungry, and so I, like, cried over that Excel spreadsheet. I think that was the most emotional that I've been in the whole thing. My experience of going out and meeting with people who are receiving these transfers, you know, I thought it was really powerful in the sense that they kind of just struck me as, like, other people. Like, there were some that I liked and there were some that I didn't really like very much and that's kind of the same as people that I meet over here. And I think that's important, right, because, on the one hand, you don't want to be depicting people as desperate victims that need of our help and, on the other hand, we don't want to be romanticizing them and telling these stories that everybody's an entrepreneur just waiting to start a business or any of these sorts of things. I think the stories that have stood out to me over the years have been some of the ones that just really highlight the variety in terms of what it is that people are interested in doing with their lives. There's one that we all talk about, there was one guy who received transfers and used them to buy instruments and start a band and sort of started touring and recorded a song about GiveDirectly so that, you know, that was the hold music on our conference call line for a while.

Grace: Awesome.

Phil: I love that, yeah.

Paul: We've had people who have been pretty candid about, like, they had to pay bail, had to get out of jail—pretty raw, right? I mean, you don't typically hear people talking about that as development growth, things like that. So, I like that variety. One that was interesting, so, in the basic income project, we think a lot about whether people will move—if you have this basic income, will you leave where you are and go someplace else in search of opportunity, which might be risky. And so, I went in with this prior that maybe we'll see some of that. And then I read this interesting story of someone who had done the opposite, of someone who had been working as a security guard in town, away from his family, and then once they started getting these transfers, moved back. And, you know, essentially the reasoning was that they could now afford to pay school fees without him having to be away from his family. They could spend more time together as a family. So, to me, it's sort of little things like that, that make a lot of sense once you think about them, but that just illustrate how my simplified models of the world and of what people are likely to do don't capture the reality and the richness of life.

Phil: That's great, I mean the powerful improvement in life for that man and his family for them to be able to have dinner together every night.

Paul: Yeah, but by the way, if we went out to measure the impact on income, it would actually be negative, right? Because we'd see that they're earning a bit less.

Phil: Right.

Grace: In your view, Paul, what is the profile of a good donor—the folks that you've worked with, what's gone really well in terms of the kinds of donors that are the most supportive of your work?

Paul: I mean, first of all, I'll just say, like, I think that that's been one of the best parts of the whole experience has been some of the folks that we've met, some of the donors, because there are just some really wonderful people. We've had people who have, sort of, anonymously wired in billions of dollars of stock that we've never met before. And so, when people, sort of, give anonymously like that and unconditionally like that, to me, it's so touching and inspiring to see that. And then, you know, sometimes you get a chance to talk to those people as well. You know, there's this just incredible groundedness and sort of appreciation for how fortunate they've been and openness to not trying to control what's happening in other people's lives, but to contribute to it. I think that's really been wonderful.

You know, when we got started, there was sort of a type that tended to be like really quantitative working in tech or in finance that kind of initially gravitated to it. But I think over time, there are just very different things about this that appeal to different people. For some people there is that analytical piece of it, that sort of doing the careful analysis and seeing what GiveWell thinks and seeing all the evidence. I think for some people it's the essential idea of autonomy and of respecting and promoting the autonomy of other people and expanding that that's really powerful. I think for some people there is just a frustration with the bureaucracy and the overhead and the opacity of the way things currently work, where they say "yes, like, this needs to be changed. We need to disrupt this and streamline it and cut out the middleman" and all that sort of thing. So, especially people who may have been around the international aid sector for a while and have experienced some of the frustration, it's more that bit. I think there's this common element across all of that, maybe of what I'd say is like emotional maturity, of having reached a point in life where you don't feel like you need to be controlling things, you're open to influencing and contributing.

Grace: We always ask our guests at the end of the show giving done right to you means: fill in the blank. How would you answer that?

Paul: I think the concept of philanthropy, of the love of others. There's a version of that which is about helping people with the things that I also like, but I think there's a very deep level of that, which is willingness to endorse, help people with things that are different from my vision of what a good life is like. And I think there's, like, a deep sense of love of others that kind of gets to that level, to that point where you're open to that, and so I think giving done really, really right looks like that.

Grace: That's so profound. Paul, thank you so much for joining us today.

Phil: Thank you, Paul.

Paul: Thanks a lot, Grace, Phil, it's really a pleasure to be with you.

Grace: So, Phil, I'm curious your reflections on our conversation with Paul?

Phil: I love the way Paul challenges our assumptions about how we should even go into the process of thinking about giving, the notion that you would default to direct giving on the theory that you should trust those who are living their lives to know what is best for their lives and that that's sort of a high bar to give in a way that is different than that. And, what I liked is that he acknowledged that there are times, of course, when you need the expertise of an organization, when it doesn't make sense to give directly, but the idea of challenging yourself for that to be the default and for giving through someone else having to be better, value added beyond that—I think that's a very provocative and helpful kind of mental discipline.

Grace: I also thought it was provocative when he talked about the downsides that can exist when donors have close relationships with beneficiaries. You know, we've been proponents this whole time of: that relationship is very core, right? It allows a donor to fully understand who they're trying to help, and that does increase the impact that they can have. He wisely points out that there are also downsides to that—ultimately, we cannot make it about ourselves. And I guess that distance of the direct cash transfer, disaggregating that relationship does get rid of some of those more negative externalities when it comes to the power dynamic between donors and beneficiaries.

Phil: Yeah, exactly. It's like, we've talked so many times about how important it is to be humble as a donor, to learn, not to believe that you know best, but then a really easy way to avoid the hard work of having to know anything is to give the money directly to people who do, because they're living their lives. So, I think that's also, again, like, a provocative framing. Now we touched on effective altruism in this conversation and, Grace, I know, I mean, you and I have had many conversations about the idea. And you're a skeptic. You have been a skeptic of the utility of that framing. Did Paul change your mind?

Grace: I wouldn't say that he changed my mind, but I do find him a very winsome proponent of effective altruism. It's very powerful when he says that a cup of coffee at Starbucks here can contribute to the flourishing of someone overseas in ways that are really hard for us to imagine. And so, I think that I come away challenged to actually think about direct cash transfers to be more a part of my personal giving portfolio, and I'm much less skeptical about effective altruism. And it sounds like he also believes that things like the arts and other giving locally, are not bad things or not valuable in themselves.

Phil: He seems to see it as less of a binary. I mean, sometimes I've read some stuff by effective altruists, and I don't mean to make light of it here, but not everyone's going to donate all their vital organs and live in a tiny house, right? How do we welcome in people who maybe aren't going to go all the way, right? And I think what Paul did is gave us a way to think about that, about incremental moves toward doing more good for more people, even as you might also support some things that perhaps Peter Singer would tell you not to or see as trivial, but that are really, really important to you or to me, like arts and culture or poetry or music or whatever it is.

Grace: Yeah. And I love how we really dug into what are those intractable beliefs that we have, ways that we don't trust other people to spend money? And I think that, those are so deeply ingrained, they are the backdrop of so many conversations that we have with donors. And so, I loved that we dove in and, he separated that it's like, you know, again, my imaginary cousin, Ned, is very different than people living their lives in an impoverished community who could really benefit from this kind of intervention.

Phil: I mean, so much of the conversation really came back to power and control and so much of what we've seen in terms of mistakes in charitable giving and problems have been about power and control. And so, there is something about just believing in other people to make their choices, empowering them to do that that is powerful.

Grace: I love what he said at the end, that challenging ourselves to see love of other people, taking that to a step where we admit that we don't have the answers and that we may not even know what's best for them. That kind of letting go, I think, is so counter to a lot of the way that donors make money and certainly the way that we operate, as Americans. And so that kind of love, letting go, is not counter to good stewardship. And that's a very powerful idea.

Phil: That's so well said. I couldn't agree more.

Grace: So, Phil, where can people go for more information about effective giving?

Phil: Well, there are more resources about effective giving of course on the CEP website, cep.org, as well as givingdoneright.org, where you'll find all our podcasts episodes and show notes.

Grace: You can also find us on Twitter—I'm @gracenicolette and Phil is @philxbuchanan. You can send us a note with any suggestions or comments at gdrpodcast@cep.org.

Phil: I want to thank our sponsors, as always, the Walton Family Foundation and the National Philanthropic Trust. If you liked the show, please leave us a review on Apple Podcasts. It really helps.

Grace: Thanks again to Paul Niehaus for joining us today.

Giving Done Right is a production of the Center for Effective Philanthropy. It's hosted by me, Grace Nicolette, and Phil Buchanan. It's produced by Sarah Martin with mixing and engineering by Kevin O'Connell and additional editing by Isabel Hibbard. Our theme song is from Blue Dot Sessions, and original podcast artwork is by Jay Kustka. Special thanks to our colleagues, Molly Heidemann, Sae Darling, Naomi Rafal for their research, writing, and logistical support.