

Dollar Billionaires in Poor Countries: India's "Philantrocapitalism"

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In this time of global financial crisis, when so many are suffering financial hardship, most countries have witnessed increases in their number of dollar millionaires. These 'High Net-Worth Individuals' (HNWI), according to a report by Capgemini and Merrill Lynch Wealth Management, have in recent years more than doubled in India. In 2008-09, India had 84,000 HNWIs. By 2010, it had risen by 50 per cent (126,700), the biggest increase of all countries.

In the worldwide list of dollar billionaires for 2010, India ranked third with 69, behind China (128) and the US (403). Forbes states, however, that the wealthiest 100 Indians are collectively worth \$276 billion, while their top 100 Chinese counterparts are worth \$170 billion. The three richest Indians together had more wealth than the top 24 Chinese billionaires combined.

You don't have to look very far for evidence of their wealth, with more than 30 luxury skyscrapers springing up in Mumbai. For the rich occupants, the taller, the better, to escape from the reality of India below — the railway tracks, low-rise tenements, choking traffic and the 55 per cent of the city's population who live in slums. People are paying nearly two million dollars for a designer apartment, built in complexes with private cinemas, swimming pools, floodlit tennis courts and high-level security. Developers believe each year Mumbai can absorb between 30,000 and 40,000 more homes in the one million dollar-plus category. (Another housing bubble in the making?)

Such extreme wealth doesn't go unnoticed. In the UK, people are questioning the decision to keep giving India some \$460 million of aid annually, which makes India the largest single recipient of British aid. Many ordinary Brits are asking if it can be right that the downtrodden British taxpayer gives such sums to a nation that boasts such wealth (albeit highly concentrated).

Siphoning off the country's wealth

Some of the most damning comments about India come from French author Dominique Lapierre, whose book royalties from 'City of Joy' fund projects for the underprivileged in India. He is frustrated by the greed and corruption that he encounters.

Lapierre's non profit organisation, City of Joy Aid, runs a network of clinics, schools, rehabilitation centres and hospital boats. It operates 14 projects in India, most in the Sunderbans area. However, 90 per cent of free medicines get stolen in the journey from Delhi to Kolkata, and the project is thus forced to buy them at high prices from the market.

A few years ago, Lapierre set up in Delhi a trust which offers a tax-deductible certificate for

all donations. With more than a hint of disappointment, he notes the foundation still does not have any funds from affluent Indians who seem reluctant to help their fellow country-folk.

Quite the opposite, it seems. Much of India's wealth has been creamed off into Swiss banks, robbing ordinary folk of a quality of life they can now only but dream of. According to some estimates, it could be over Rs 7,280,000 crore (around \$1.6 trillion). Data from the Swiss Banking Association in 2006 indicated that India had more black money than the rest of the world combined, or 13 times India's total national debt. Global Finance Integrity notes this siphoning of wealth has served to widen the gap between rich and poor and asserts the main guilty parties have been private organisations and High Net Worth Individuals.

By contrast, Global management and consulting firm Bain notes philanthropic donations amount to just 0.6 per cent of India's GDP. This is not too good when compared to giving in the US and UK, for example, but is better than rates in other developing countries like Brazil and China. In the US, individuals and corporations are responsible for 75 per cent of charitable gifts, whereas in India individual and corporate donations make up only 10 per cent of charitable giving. Some 65 per cent comes from India's central and state government, and the remaining gifts are provided by foreign organisations.

In India, giving does not rise with income and education. As a percentage of household income, donations by the wealthy actually decrease. From an analysis of 30 HNWI's in India, Bain noted that they contribute, on average, just around one-fourth of one per cent of their net worth to social and charitable causes.

All of this is not meant to imply that philanthropy is absent in India. Far from it. Vineet Nayyar's Rs 30 crore gift (just under \$7 million) to the Essel Social Welfare Foundation is a high-profile example of philanthropic giving. Over the years, Rohini Nilekani has donated \$40 million to numerous causes that try to tackle the root causes of social problems and not merely the symptoms. Her biggest contribution has been to Arghyam, a Bangalore foundation that promotes clean water and hygiene, which now has projects in 800 villages. Philanthropy can and does positively impact people's daily lives.

Philanthrocapitalism: a plaster on a gaping wound

What is really required, though, is a proper redistributive system of taxation, effective welfare provision and genuine economic democracy through forms of common ownership to help address inequality and poverty. In the absence of such things, wealthy philanthrocapitalists will have a major say in deciding which problems are addressed and how, and some will be highly selective.

For instance, critics of Bill Gates say his foundation often ends up favouring his commercial investments. Instead of paying taxes to the state coffers, he donates his profits where it is favourable to him economically, such as supporting GM crops in Africa or high tech patented medicines. 'Giving' often acts as a smokescreen for channeling funds into pet projects and 'business as usual', with rich corporations receiving money to shape the world in their own image and ultimately for their own benefit. Apparent benevolence can have sinister motives, just like certain governments which provide money in the form of 'development aid' that is intentionally used to fund actions that serve geo-political self interest and ultimately undermine the recipient state.

Philanthropy isn't necessarily opposed to capitalism; it's very much part of it. Capitalism is designed to ensure that the flow of wealth goes upwards and remains there via, among other things, the privatisation of public assets, deregulation of the financial sector, the use of subsidies and tax policies that favour the rich, the legal obligation to maximise shareholder profits and the consistent downward pressures on labour costs.

Professor Ha Joon Chang of Cambridge University says that economics isn't a social science anymore, but adopts the role the Catholic Church played in medieval Europe. Essentially, economic neo liberalism is secular theology used to justify the prevailing system, with the hope that some drops of wealth will trickle down an extremely thin funnel to placate the mass of the population. Widening the funnel slightly by making benevolent donations will not address the underlying issues of a failed system.

For example, consider that one in four people in India is hungry and every second child is underweight and stunted. Environmentalist Vandana Shiva argues that hunger is a structural part of the design of the industrialised, globalised food system and of the design of capital-intensive, chemical-intensive monocultures of industrial agriculture. The long-term solution for hunger lies in moving away from and challenging the centralised, globalised food supply controlled by a handful of profiteering corporations.

This type of built-in structural inequality, whether it concerns hunger, poverty, housing, income or health, is part and parcel of a development process that is skewed by elite interests in India and at the World Bank and by the corporations that pull the strings at the World Trade Organisation, who have all succeeded in getting their 'globalisation' agenda accepted. No amount of philanthropy, regardless of how well meaning it may be, will remedy the overall destructive effects of the type of capitalism (and massive corruption) being embraced by India's economic and political leaders.

Originally from the northwest of England, Colin Todhunter has spent many years in India. He has written extensively for the Bangalore-based Deccan Herald, New Indian Express and Morning Star (Britain). His articles have also appeared in many other newspapers, journals and books. His East by Northwest site is at: <http://colintodhunter.blogspot.com>

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