Report of the 17th Käte Hamburger Lecture

Financialization of Humanitarian Aid

with Professor Susan Erikson

10th February 2016, Duisburg
The 17th Käte Hamburger Lecture addressed the topic of ‘Financialization of Humanitarian Aid’ with Susan Erikson, Associate Professor at Simon Fraser University in Burnaby, Canada. The lecture took place on 10th February 2016 and was organized by Käte Hamburger Kolleg / Centre for Global Cooperation Research (KHK / GCR21).

The lecture was introduced by Tobias Debiel, Co-Director of KHK / GCR21 and Director of Institute for Development and Peace (INEF). In his speech, he emphasized that Susan Erikson as a medical anthropologist brought a new perspective to the Centre and its research. The highly controversial topic of the lecture, he noted, is an important aspect of global cooperation and will bring a new angle to global cooperation research. The Käte Hamburger Lecture was moderated by Ansgar Belke, Chair for Macroeconomics, University of Duisburg-Essen.

Lecture

Referring to the picture of village life on the invitation flyer of the event, Erikson began her lecture with a remark that her anthropological research has incorporated talking to people working in global health on-the-ground in Sierra Leone as well as in places where humanitarian aid decisions are made. To fully comprehend global health today one must conduct research in both micro and macro locales. In her research, this led her to interview financial advisors, analysts and venture capitalists in New York, Vancouver and Seattle, the latter of which has recently become an ersatz ‘Mecca’ of global health since the Bill and Melinda Gates Foundation opened their headquarters there in 2000. Anthropological method is especially useful for studying complex systems, she explained.

Erikson presented a brief history of humanitarian aid. She distinguished three phases of development since the end of the Second World War. The first phase is characterized by bilateral government-to-government aid, which continues to this day. In the 1980’s, a push for more privatization occurred on a global scale, advocated by politicians like Ronald Reagan, Margaret Thatcher, and Helmut Kohl. This impacted the field of humanitarian aid and encouraged the growth of the non-governmental organizations (NGO) sector. Competition and collaborations worked in some cases, but also increased tensions between actors.

With the end of the Cold War, new forms of humanitarian aid developed. A third phase of postwar humanitarian aid is comprised of a wide range of actors and mechanisms. Local and global NGOs with different ideological orientations,
supranational institutions like the World Bank, and governments are all engaged in humanitarian aid. Not only did the range of actors multiply, but also the number of financing mechanisms and paradigms increased.

One of these developments is what Erikson coined financialization. She highlighted that financialization does not only concern humanitarian aid, but is in fact a global trend. In the case of humanitarian aid, the entry of venture capitalists as actors is fundamentally changing the ways humanitarian aid is financed. The shift to thinking in terms of ‘return on investment’ has broadly affected government, non-profit, and NGO organizations.

Notions of ‘shareholder value’ and ‘shareholder return’ have reconfigured what it means to help people. These newer notions exist alongside longstanding and conventional notions about wealthy nations’ obligations to assist poorer nations’ development. Business sensibilities in humanitarian aid are now pervasive. In her research on the use of data in global health, Erikson remarked that there is currently a dual-purposing: data is for accountability and increasingly data is used to assess ‘invest-ability’.

Erikson continued her lecture by presenting research on philanthropy in global health. The Bill and Melinda Gates Foundation, for example, has reconfigured global health priorities. Financial input has translated relatively quickly into political influence. In many ways, Erikson argued, Bill Gates operates as an unelected head of a state. Angele Merkel, for example, recently appointed Bill Gates as head of a task force designed to provide recommendations to the G7 on global preparedness for future epidemics, including their financing. The experts he convened were not named. The recommendations of the task force have not been made public.

Secrecy seems to be a general trend accompanying increasing financialization. While governments and international organizations have more or less transparent standards for accountability, philanthropic foundations and investors are largely self-governing; they decide what they will reveal about their financing schemes.

Lack of transparency also invites actors who have very different perspectives on the definition of philanthropy. Philanthrocapitalisms as an organizing theory is largely self-congratulatory (‘How the rich can save the world’ is the subtitle of a popular book) and includes many people with very little use for government’s regulatory obligations. Philanthrocapitalism has introduced new tax havens for wealthy citizens throughout the world.
In another example of new excesses of capitalist practice that disadvantage poor and sick citizens, patents are bought for legal and hence financial advantages. Erikson referred to what are sometimes called ‘patent trolls’: patent acquisition companies that buy patents and sometimes bundle them to sell as packages to scientists and investors. Some such companies buy up patents with the exclusive intent of pursuing patent infringements as the primary way they will make money.

One extreme example of how patent control can go wrong is exemplified by Martin Shkreli in his capacity as CEO of Turing Pharmaceuticals. Under patent protection, the company increased the price of a medicine used for patients with diseases like AIDS by 5000% to $750 per pill. The conventional business model for pharmaceuticals is a tiered schema, where medical products are sold differently priced depending on the income level on the country where they are sold. The concept is that profit for a medicine comes primarily from rich, developed countries while in the same time selling it more cheaply in poorer countries. However, as Erikson pointed out, the tier design is not an answer to the problematic situation in which medicine is primarily needed in poorer countries.

While Erikson acknowledged that privatization and financialization introduce and free up money’s liquidity, she reminded her audience that new forms of financing also introduce different opportunities for abuse, and, again, there remains the issue of secrecy. How will we know? The volume of financial instruments is steadily increasing new ways to ‘make money out of money’, and increasingly global health products are attracting investors uninterested in improvements in health outcomes.

While **investors are playing an increasing role in global health, institutions that have historically led humanitarian aid efforts are changing the nature of their assistance.** The World Bank’s share of humanitarian aid, for example, has dropped from 20% to only 6% in the last 20 years. The Bank is shifting from providing financing and funds to offering financial services as a central pillar of their post-2015 agenda. As such, they are advocating new products like the colloquially named, Ebola bonds.

How will investors make money on Ebola? Erikson explained that the World Bank is advocating insurance bonds as a financial mechanism to offset the risk of epidemics. Ebola bonds – the terms of which are currently being negotiated – will likely be short term bonds with shares purchased by investors who are willing to ‘hold’ the chance that an insurance company will pay out claims if an epidemic hits. Investors would make money when an epidemic does not happen.
Extreme mortality itself has similarly been made into a trade-able commodity, one that is made into a financial instrument with monetary value. Extreme mortality bonds makes money for investors when they buy and hold the insurance risk on the chance that payouts in some geographies will not be needed. As for Ebola bonds, it has not yet been decided what exactly will be insured: a person’s life, their continuing health, a country’s GDP or something else all together.

Erikson concluded her lecture by noting that we are at the beginning of this shift toward a financialization of humanitarian aid. Stakeholders in various locales are not yet certain whether the outcomes will be beneficial or detrimental. There is a need to analyze outcomes in a locale-specific way, and for this, anthropological theory and method has much to offer future foreign policy-makers and humanitarian development collaborators.

Comments

In his comments, Sung-Joon Park, Postdoc at the Department for Anthropology and Philosophy at Martin Luther University Halle-Wittenberg, challenged the notion of financialization as a broad and fundamental shift and wondered how radical and how new the developments Erikson presented really were. Additionally, he questioned the role of actual products. According to him, the goal of shareholder return and desired outcomes of global health are hard to combine. Erikson responded by arguing that it remains important to ask the question of who is deciding about the financing for any given humanitarian project in any given locale. Ebola bonds, for example, are in fact new forms of humanitarian financing and introduce new forms of vulnerability, forms which Sierra Leonean public health practitioners and politicians may be unable to reject or modify to Sierra Leone’s better advantage. On this point, Erikson concurs with Park’s point that these new financial forms have some similarities with the conditionalities imposed by earlier financial forms like Structural Adjustment.

In the Q&A session, discussion revolved around on the normative meaning of financialization, the motivation of Bill Gates, and questions of taxation of foundations.

Report written by Patrick Clasen

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