

(Un)Charitable Donations

Mary worked a few extra hours this month and so has a bit more money than usual. She recently read a paper in her philosophy class arguing that she has an obligation to save lives by donating to charity. She decides that she'd like to donate her money, and selects [Kiva](#) as a charity she'd like to support. Kiva is a non-profit that provides microcredit—small loans—to very poor entrepreneurs in the Global South, especially women, to start their own businesses. The idea is that Kiva lends the money to entrepreneurs who then start businesses and, with their new stream of income, are able to repay the loan. The money can then be lent to another entrepreneur who will start a business and then repay the loan.¹ Mary loves the idea of her money helping many women start businesses to support their families.

Before she donates her money to Kiva, Mary tells her friend Sam about her plan. Mary had thought that Sam would be enthusiastic about her donating to Kiva. But instead he tells her that she should reconsider. In many parts of the world, he tells her, microcredit is actually associated with worse outcomes for the poorest. Microenterprises (the businesses started from microloans) often fail and the lenders often fail to repay their loans—leaving them with unmanageable debt. Most importantly, the emphasis on microenterprises means that microcredit has sometimes stifled the growth of larger businesses. When microcredit organizations like Kiva have become very active in a region, unemployment has often risen in that same region. Finally, microcredit organizations have often imposed high fees on microloans—in essence, some argue, driving a profit off the desperation of some of the world's poorest people.²

Sam can tell that Mary is disappointed to hear this so he suggests an alternative: [GiveDirectly](#). Unlike most charities, GiveDirectly gives cash to the disadvantaged with no strings attached. Rather than dictating how their gifts are used, they let people decide on spending priorities for themselves. This approach is fairly new, but some studies are already showing its effectiveness.³ Furthermore, Sam argues that allowing the poor to choose how to spend relief funds does a better job of respecting the dignity of people who are often shunned or even shamed for their poverty.

Mary reflects on her choices. She still likes the idea of Kiva more than the idea of GiveDirectly—she wants to be able to help a woman start a business. After all, with GiveDirectly, she would have no idea who will get her money or how they will spend it. In addition, she knows that a lot of people believe in the mission of Kiva. She's no expert in economics so she can't determine for herself whether Sam is right. But Sam's advice gives her pause.

DISCUSSION QUESTIONS

1. Where should Mary send her money? What kinds of things should she consider before she makes her decision?
2. Are people who donate money to charity responsible for the consequences of the donation (even the bad consequences)? Do people have an obligation to do research before donating to a charity?
3. Would Mary be less responsible for donating to a harmful charity if she didn't know about the possible harms?
4. Should people try to maximize good outcomes with their charitable donations, or does personal connection to a charitable donation matter as well?

¹ Vox, "Microcredit, explained: how microcredit can help the world's poorest"

² The Guardian, "Microcredit has been a disaster for the poorest in South Africa"

³ NPR, "Is Giving Out Cash With No Strings Attached The Best Way To End Poverty?"

