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The Guggenheim Effect

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The Guggenheim Effect

A single building can change an entire cityscape. Frank Gehry's Guggenheim Museum, for example, put Bilbao on the world map. The same occurs with academic institutions. For several hundred years now, two small English towns—Cambridge and Oxford—have been world-renowned as a centres of scholarship. More recent but equally spectacular examples are furnished by MIT and Harvard, putting Boston at the heart of world knowledge creation and innovation. These two academic institutions headed the 2010 ranking of the world's best universities (unfortunately, no Spanish university featured among the first 200).¹

Can one imagine a similar effect in a Spanish city? Some talk of culture and history and others of economics and finance to explain why such a phenomenon is impossible in Spain. Yet a museum put Bilbao on the world map as a centre of excellence. There are people in Spain with vision, talent and energy, such as Andreu Mas-Colell who, since his return to Barcelona from the US, has helped establish Pompeu Fabra University (UPF) and its CREI² research unit as centres of excellence in the field of economics. Vision, resources and a great deal of effort and dogged determination lie behind such successes. One might also add that Spain is home to no fewer than three world top-ranking business schools.

Even so, there is still no Spanish university in the world top league and nothing even remotely like MIT or CalTech. Is it a pipe dream to hope that two institutions of this calibre might emerge in Spain? Indeed, a project of this nature could exploit the fierce rivalry between Madrid and Barcelona. In the

¹ For example, see <http://www.webometrics.info/>. Also see <http://easy.bibref.com/ESADE-0020-AAA>. Cambridge and Oxford are the leaders—ranked fifth and tenth, respectively in 2010 by the *Academic Ranking of World Universities* (ARWU).

² He is also the author of various articles on the need to give European universities in general and Spanish universities in particular, greater freedom in managing their affairs. See Philippe Aghion, Matthias Dewatripont, Caroline Hoxby, Andreu Mas-Colell and André Sapir. January 2010. <http://easy.bibref.com/ESADE-0021-AAA>, *Economic Policy*, Vol. 25 (61): 7-59. Available at <http://easy.bibref.com/ESADE-0022-AAA>; y en <http://www.economic-policy.org/>

same way as both cities field world-class soccer teams, so too might they spawn top-ranking universities. Is it just a flight of fancy that Spain might get its own MIT in the guise of a 'Madrid Institute of Technology' and a CalTech in the form of a 'Catalan Institute of Technology'? In addition to their main campuses, they might weave a global net of satellite centres in key emerging nations such as Brazil, China, India and Russia.

Obviously, resources would need to be found and once again, many in Spain would scorn the notion. Yet the truth is that what is often lacking is the will rather than the money. One should recall that the resources can always be found for a worthy project. The initial budget for Valencia's City of Arts and Science was €175 m and in the end, over €1,100 m was invested—with that kind of money, one could start a decent endowment fund.

MIT's annual budget runs to just short of US \$ 600 m. Its endowment fund amounts to some \$ 8,000 m (CalTech's comes to US \$ 1,400 m, equivalent to the investment in Valencia's City of Arts and Sciences). MIT currently houses some 4,500 teachers and researchers. Its alumni (currently 110,000) include no fewer than 25 Nobel Prize winners. Its contributions to the fields of politics, business and innovation are equally impressive: the current UN Secretary-General and the Chairman of the Federal Reserve are both alumni, as are the founders of Intel, Texas Instruments and 3Com. These would be remarkable achievements for any European institution yet there are various indications that such things do not lie beyond Spain's reach.

First, Spain already has various wealthy individuals whose fortunes run into the billions. These people have forged world-class companies, sometimes in the most unlikely sectors (Inditex being a case in point). The fortunes of Spain's ten wealthiest individuals come to US \$46.8 bn. According to Forbes, Amancio Ortega's fortune came to over US \$25 bn in 2010. Put another way, the founder of Inditex could found three MITs, providing each with an endowment equalling that of the Boston University. The Forbes list also shows another twelve Spaniards whose combined fortunes come to a further US \$25 bn. If these

Spaniards were to donate half of their fortunes, they could still create endowments for one MIT and various CalTechs in Spain.

Second, there are foundations with large endowments and that have both the will and capability to act on this scale. Several individuals, such as Rafael del Pino, Ramón Areces, Pedro Barrié de la Maza and Juan March spurred remarkable initiatives, creating well-funded top-rank foundations and institutions. For example, *Fundación Barrié de la Maza* has assets of around US \$1.5 bn, which is greater than CalTech's endowment. *Fundación Rafael del Pino* has an endowment of a little over US \$100 m, which allows it an annual budget just under US \$20 m. Meanwhile, *Fundación Juan March* (which, unusually for a Spanish foundation, hosts a research centre) had a budget of a little over US \$14 m in 2009. Another model for foundations is one in which budgets do not stem from an endowment but rather from company funds. This is the case of *Fundación Marcelino Botín*, which has an annual budget of some US \$42.5 m.

A more favourable tax climate is needed to facilitate such individual initiatives and to offset the impact of inflation. This is particularly true in the case of individuals wishing to set up viable institutions through endowments. By the same token, the grants made should be tax-free, given that they are of vital importance in funding internationalisation in fields where young Spaniards excel.

Recently, America's two richest men—Bill Gates and Warren Buffett—gave away at least 50% of their fortunes, as did 40 other billionaires, including: Michael Bloomberg (Mayor of New York and founder of Bloomberg); Ted Turner (the founder of CNN); Larry Ellison (co-founder of Oracle). If all of them gave half their fortunes, which was the aim of *The Giving Pledge* initiative, it would mobilise almost US \$700 m. Can one imagine the impact of such an initiative in Spain for fostering world-class excellence? Throw in the patronage of Spain's Royal family for good measure and the results could be spectacular.

In addition to Spain's billionaires and their charitable entities, there are also the foundations of the nation's biggest companies, such as those set up by Telefónica, Mapfre, Santander and BBVA, each of which operates in a given field. The work done by these foundations is praiseworthy and has both raised the bar and greatly contributed to the public good. It is hard to find something similar in France or Britain (Germany bears closer comparison). In any event, initiatives by Spain's foundations are much smaller than those undertaken by its American counterparts.

In 2007, BBVA set up its *Fundación para Microfinanzas* [Micro-credits Foundation] with an endowment of US \$283.76 m. In 2009, BBVA bank spent nearly US \$113.5 m through its various foundations (the biggest of which dished out close on US \$32.6 m). Another Spanish bank—Banco Santander—spent over US \$177.35 on social projects, 70% of which focused on higher education. Its main foundation in Spain spent a little under US \$9.93 m in 2009. *Fundación Telefónica* dished out a little over US \$99.31 m in 2009. In the case of Mapfre, such expenditure amounted to close on US \$66.68 m in 2009. Together, BBVA, Mapfre, Santander and Telefónica earmarked over US \$425.64 m for philanthropic purposes in 2009. Many of these corporate foundations are funded by dividends from their parent companies. In Mapfre's case, its foundation's assets came to US \$3830.76 m at the end of 2009—almost half of MIT's endowment.

Then there are the savings banks' foundations. Of these, the biggest are those run by 'la Caixa' and by Caja Madrid, which are based in Barcelona and Madrid respectively—two cities where Spain's answer to CalTech and MIT could emerge. In 2009, 'la Caixa' spent US \$709.4 m and Caja Madrid a little under US \$435.64 m. With the profits made by Spain's savings banks in 2008—some US \$ 3 bn—this is on a par with the sum donated by the Bill and Melinda Gates Foundation. Given the current reform and re-organisation of Spain's savings banks, one needs to think about how these entities (which have done so much to foster social, cultural and academic initiatives) might best pursue their philanthropic mission.

Third, one can imagine innovatory funding schemes. For example, over 40 million tourists flock to Spain every year. A tidy sum would be generated if they were each to donate a Euro for every night spent at a hotel. The donation could be made explicit or not. This kind of programme might be carried out by entrepreneurs and large companies in the hotel sector, making a contribution to innovation in Spain.

Clearly, all three options (private fortunes, foundations and innovatory funding schemes) could be used in combination to achieve maximum impact. We believe this is not pie-in-the-sky but rather something that could harness Spain's creativity to great effect. Nobody could have imagined that a world-beating textile company would emerge from a tiny village in a far-flung corner of northern Spain or that the nation's soccer team would win The World Cup. The 'Guggenheim Effect' is possible in the academic world too if only we dare believe and act in consequence.

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