Creating a World Without Poverty: Social Business and the Future of Capitalism
By Muhammad Yunus
Book Review by Cheryl Eaton
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Despite his even-handed writing style and quite voice, Muhammad Yunus puts forth a bold vision in his book, *Creating a World Without Poverty*. His boldness is not captured in his statements concerning global inequality and financial imperialism. No, the depth of his boldness is best captured in his belief that the poor themselves are agents of the economy not objects, and that we need to make a place in our capitalist world economy for companies that do not intend to make a profit. In this way, he challenges some core tenants of capitalism as we know it today.

Yunus is best known for his work in microfinance, especially microlending in Bangladesh, his home country. Inspired to help reduce poverty after witnessing intense pain during the famine of 1974, which killed more than a million people in Bangladesh, he first experimented with microlending by making a USD 27 loan to 4 women making bamboo furniture in the village of Jobra, Bangladesh. This was the first step that led to the creation of Grameen Bank. In 2006, both Yunus and Grameen Bank were rewarded with the Nobel Peace Prize for their innovative work to fight poverty.

Given this history, Yunus is no stranger to poverty. Therefore, he makes no apologizes as he calls attention to the embarrassing underbelly of the seemingly successful world economy: the incredible global inequity of wealth. This inequity, he asserts, is a result of “financial imperialism” and free market failure. Financial imperialism, he claims, is a result of an established rule of capitalism - that the “strongest takes all.” With this rule in place, those who are strong become stronger, while those who are weaker (financially and politically) become weaker and the gap of inequity grows. In this way, Yunus challenges the invisible hand of the free market. Though the popular assumption is that the free market will tend to the common good thanks to the invisible hand, Yunus suggests that without an actual mandate that wellbeing be tended to, capitalism will make no place for this value:

In a world where the ideology of free enterprise has no real challenge, why have free markets failed so many people?... The reason is simple. Unfettered markets in their current form are not meant to solve social problems and instead may actually exacerbate poverty, disease, pollution, corruption, crime and inequality. (5)

In his critique, Yunus pays specific attention to globalization. He supports globalization as a concept, and, in fact, believes that global markets can bring many benefits to the world’s poor – more than any alternative. However, global capitalism, he says, has failed in this. Yunus uses a simple metaphor to illustrate how and why, one that most of us can relate to - a multi-lane highway:

Global trade is like a hundred-lane highway criss-crossing the world. If it is a free-for-all highway, with no stoplights, speed limits, size restrictions, or even

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Yunus is a believer of regulated capitalism, and thinks the invisible hand should be replaced by an international regulatory scheme. However, this is not the beginning and the end of his vision. In fact, he believes that if the fix could be found in economic regulations alone the problem would have been solved already. Governments, he offers, are too slow and bureaucratic, and sometimes corrupt, to rely on. Other actors on the global economic stage have their own problems. Multinational NGOs can also be bureaucratic and siloed. They also depend on philanthropic giving, which can suffer during economic downturns - just as the world’s poor needs more help. Multilateral institutions are also failing to provide the solution. Though they name the elimination of poverty as their goal, their means of addressing this problem by focusing mainly on large-scale economic development. As long as the GDP of a poor nation is growing, they are meeting their goals. However, this growth may not benefit the nation’s poor at all.

So, beyond adding regulations to the global economy, what are the pillars of Yunus’ vision? Essentially, Yunus is calling for a fundamental shift in how we conceive of capitalism. The first bold shift needed is to consider the poor not as objects but as agents of the economy. In an economic context, the poor are conceived of as workers, or as an unemployment figure, or, in the best-case scenario, people who must be helped out of their situation. This, according to Yunus is limiting thinking. He considers the poor not as victims that must be helped, but as the essential active agents of eliminating poverty. This, in Yunus’ mind, is a missed opportunity:

...the poor people are looked at as objects. In this frame of mind, policymakers miss the tremendous potential of the poor, particularly poor women and the children of poor families. They cannot see the poor as independent actors. They worry about the health, the education, and the jobs of the poor. They cannot see that the poor people can be actors themselves. The poor can be self-employed entrepreneurs and create jobs for others.

Capitalism conceives of both wealth and the ownership of industry as the realm of the “capitalist.” They go together like a hand and a glove. On the other side of the equation, far away from the captains of industry, live the poor. It is outside the realm of mainstream economic theory to conceive of the poor as entrepreneurs and employers. Yet, this, according to Yunus, is the way out of poverty for the world. The successes of Grameen Bank and other microfinance institutions in helping people lift themselves, their families, and their communities out of poverty is testament to this dynamic. Recipients of microcredit loans do not have to wait patiently for opportunity to someday trickle down in the form of abysmal production jobs with sub-poverty wages. They are able to earn a profit from their own economic activities and reinvest that profit into their own small businesses – while also providing their children with the head start of an education and proper nutrition, and often providing neighbors with jobs.

But Yunus is not willing to stop there. He believes that the fundamental framework of capitalism is ill conceived, and calls for an even deeper shift. To make his point he evokes the often assumed yet rarely discussed economic man. The idea of economic
man is based on the premise that each of us is fundamentally selfish, out only for our own good. Thankfully and conveniently, a core underpinning of capitalism assures us that communities and society will benefit in the best way possible by each of us pursuing our own selfish interests. Consequently, capitalism is built on the assumption that achieving personal profit is the best way to bring happiness to humankind. Growth, therefore is the ultimate objective. However, Yunus suggests that capitalism is only “half-developed” because it is built on the shoulders of this one-dimensional read on humanity.

There is more to humans than this selfishness and pursuit of more, says Yunus. We are multidimensional beings. We have the capacity to care about others, feeling empathy, and being moved to do good. This, too, brings happiness. Unfortunately, our capitalist construct dictates that the way we give back is to first make our millions (or billions) through pure old-fashioned pursuit of profits – letting nothing stand in our way, thanks to the rules of capitalism. Then we are able to retire and use a portion of our millions (or billions) philanthropically. Following this pattern, the Bill Gates and Andrew Carnegies of the world are, at least theoretically, spending their philanthropic resources correcting the ills they helped perpetuate while playing the role of economic man.

We need, according to Yunus, to make room for the other dimensions of humankind in the rules of capitalism. His suggestion is that we make room for “social business.” A social business is an entirely new breed of business. It is not a non-profit, as it is in business to make money and perpetuate its social efforts through the proceeds of its own operations, rather than donations. It is not a mission driven company, like Patagonia or Ben & Jerry’s Homemade, that makes a profit while doing business that is at least partially beneficial to society or the environment. Instead, it is a legitimate business created for the purpose of achieving specific social goals, and is meant to “make money” but not produce a personal financial gain for shareholders or private owners. Instead, any profit margin achieved through operations will be reinvested into the business to expand the social business’ ability to “do good.” The mantra of social business is “no loss, no dividend.”

By making a space for social businesses in the market, we are able to break the monomaniacal focus on PMBs, or profit-maximizing businesses. We would have as a force in the marketplace an alternative – the good-maximizing business. Make no mistake; Yunus is clear that social businesses need to be well-run businesses that recoup their full operating cost, and use the entire suite of management tools available to them. However, the pursuit of creating a well-run machine of a company is not for personal gain but for the benefit of society and the world. A sharper, more competitive business can invest more into making the world a better place. In this way, social businesses have the potential of acting as “change agents for the world.” (22)

Grameen Bank is an example of a social business in the purest sense. It was founded with the intention of helping eliminate poverty. It has achieved its goal of running without the need for philanthropy. And 100% of the interest from repaid loans goes back out as new loans. More loans means more women lifting themselves out of poverty, more interest being received by Grameen, which means more loans… it is a self-perpetuating
cycle of positive growth – with the growth being measure in women being helped not payments to shareholders.\(^3\)

Yunus believes that, as the concept of social business catches on and the social entrepreneur is enlivened in the hearts of capitalists, we will see PMBs launch their own social businesses. He offers Grameen Danone as an example. The leaders of Danone, inspired by the good work of Grameen Bank and Yunus, launched Grameen Danone to market highly nutritious “power yogurt” called Shakti Doi to children and families in Bangladesh. The price of the yogurt is just 5 cents, priced low enough for even the poorest families to afford. In line with the principles of social business, the company is run according to a “no loss, no dividend” principle.

A third type of social business breaks some of Yunus’ own rules – but for good reason. This is profit-maximizing businesses owned by the poor. Technically, Grameen Bank is an example of this, as its customers are also member-owners. The reason for this PMB allowance is clear when we consider the multiplier. A profitable company owned by the poor, where profits are paid to the poor, will have multiple benefit, in the form of local jobs available to the community, increased income flowing through the individual, family and community, and the benefit of that income being spent several times over as it stays in the local economy.

What Yunus is suggesting is radical. He is asking us to finally move away from money (income, profit, GDP) as a proxy for wellbeing. He is calling for the recognition of value that is something other than monetary value. I would characterize what he is calling for is the creation and recognition of social value, or capital. Audaciously, he is even suggesting we create the infrastructure for people to trade in social value. Even more audaciously, he is suggesting that people will want to do so.

How will social businesses get the funds to get off the ground, or to grow as needed? Through investors. According to Yunus, these social versions of venture capitalists will invest money into social businesses with the knowledge that they will gain back only the funds they invested in the first place. The gains on this investment are collected in social value – helping to facilitate good in the world. Yunus is also calling for the establishment of a parallel stock market where investors will trade in shares of social businesses, without an expectation of a dividend.

Yunus holds his line firmly on investment and the dedication to social value in the arena of social business. He does not accept the idea of a “hybrid” model, where, for example, investors cap their expectation of their monetary return. Yunus believes this sends mixed messages to managers. Inevitably they will slip into a habit of making decisions based on the need to produce a profit – especially when the two goals are in conflict, and because measurement of social value is so much more difficult. (171) In this way, he rejects the notion of a double- , triple- or quadruple- bottom line.

In the end, Yunus’ vision will require a whole parallel track of accounting practices, tax and regulatory policies, valuation and validation tools and standards, audit firms, banking partners, social venture capitalists, stock market and MBA programs. If this seems daunting, Yunus doesn’t seem fazed, suggesting that all is needed is, “the enabling

social and economic structure that will make it possible, to teach the necessary skills, and to encourage participation.” (184) He also offers his sincere hope that all these things will be in place soon.

For the more practical minded, such as myself, this seems a gigantic need. Faced with this infrastructure gap, as well as the colossal need to shift core, embedded capitalist concepts, Yunus’ vision is attractive and beaconing, yet it seems just out of reach. However, we cannot afford to leave it out of reach. Today’s inequity of wealth and tomorrow’s environmental disasters are both caused by our dogmatic focus on growth as the key to the happiness of humankind. Assuming for a moment, as many do, that growth is a necessary tool for reducing poverty we are in a double bind, which Yunus describes perfectly as “the conflict between the absolute need to improve the living standards of the billions of poor people in the world and the equally absolute need to prevent economic growth from accelerating the destruction of our global environment and producing devastating climate change.” (216) Faced with this dilemma we have no choice but to shift our tools, our technology, and our mind. If we do not, we in the “North” will soon feel similar fall out as the developing countries in the “South.” As Yunus reminds us, we are all in the same boat together – thanks to the global economy and the global environment – and we will all sink together.

Ever the optimist, Yunus holds out hope. Capitalism, remember, is only half-baked as it stands now. It does not yet reflect human intension in its full form. Social business can happen because it is an expression of our full selves: “…the core idea of social business is already embedded in every human mind, waiting to find expression – only our existing theoretical framework does not recognize it.” (215) Though it is sometimes hard to accept this, especially today as we are faced with immense greed and unconscionable actions on the part of the “capitalists” in power, I believe Yunus is right in his generous assessment of humankind.