

Alternatives

In collaboration with  centre for alternatives

'Yunusonomics': A Paradigm in the Making

From the *Alternatives Desk*

HERE were two good reasons as to why the Centre for Alternatives decided to take up the issue of 'Yunusonomics' (i.e. the economics and developmental practices of Muhammad Yunus). Firstly, the CA has been advocating for quite sometime the need for democratizing developmentality. This has come in the wake of a widespread criticism that the international development community (IDC), while providing foreign aid to Bangladesh prefers to impose its policy prescriptions or more literally, its pride and prejudices. If donors go on to finance the entire Annual Development Plan and a part of the revenue budget, this is something that is not unnatural. What is less understandable is the insistence on the part of many that there is one single meaning of development circulating in the whole of IDC and it is this single meaning that the IDC is interested in implementing in Bangladesh. Yunusonomics in more than one important way challenges this assumption and opens up the space for a plural discourse to flourish. CA, with its commitment to alternative ideas and development practices, could not let this noble effort pass by silently.

Secondly, in so far as Bangladesh development is concerned, the mainstream economics (indeed, like other 'mainstreams') is in serious crisis. Indeed, economists are increasingly looking towards non-economic categories like, 'politics,' 'governance,' 'ethics,' 'institutions,' etc., as ways to overcome the lack of economic growth and the state of maldevelopment in Bangladesh. Indeed, in quite an interesting way Foucault's genealogical reading of the sixteenth century 'economy' (that is, 'the art of properly governing a family,' courtesy to Francois de La Mothe Le Vayer) as one of the forms of 'government', the other two forms being 'morality' (the art of self-government) and 'politics' (the science of ruling the state), seems to have found an entry in the country's economic and developmental discourse. 'Economics,' for that matter, can no longer be understood in the modernist/positivist/neo-classical parcellization of ideas, realities and disciplines. Yunusonomics, more on the basis of its experiences, if not for sheer logic, provides ample scope for a well-founded holistic approach to emerge.

There are at least six areas, which forms the basis of Yunusonomics. One, the recognition and reproduction of self-employment. Two, the human claim to entrepreneurship or, to put it more simply, 'All women and men are entrepreneurs.' Three, credit as a human right. Four, the role of women and family in business. Five, the rapid organization and reproduction of social-consciousness driven enterprises. And six, the power of institutions in fashioning minds and activities. Taking them singly the six areas mean very little. But then, the six areas together also remain partial as these can only partially attend to the economic ills the country is now facing. What's, however, important is the entry of the sixth area, one which calls for new institutions for refashioning minds and activities. It is no surprising that Muhammad Yunus is now increasingly finding the need for 'new politics,' 'new structures,' 'government based on new ideas,' and the like. The challenge, of course, would be to innovate and implement things arising from the sixth area, indeed, in a way that would help develop further the other five, more solidly based, areas of Yunusonomics.

A paradigm cannot flourish without critics. Yunusonomics is no exception. But let such critics match up their critique with a well-founded 'contribution.' Only then we can say we are blessed with a healthy debate and a genuine mark of scholarship. Will the critics now stand up and respond?



Professor Yunus Speaks ...

"Mainstream Economics Has Created a Damaging Mindset ..."

By Alternatives Correspondents

VERY few individuals become institutions in their life times. Very few names have evoked as much controversy as well as praise as that of Professor Muhammad Yunus. The fabled, the icon Professor Yunus, if one may say so has indeed brought much honour and pride to this distressed land. At a time, when education, more specifically 'specialized formal education' is fast acquiring a dehumanizing and oppressive character, Professor Yunus has the moral and intellectual strength to challenge the established paradigms and boldly speak out to "unlearn what one has learnt in the text books", and to take lessons from life. In an attempt to gain some insights into the thoughts and vision of this man, the Alternatives team met him in his office on 18.8.98. Following are excerpts from the conversation that followed.

The Alternatives team wanted to know his main objections to mainstream economics, and his major points of departure from that approach. To this Professor Yunus responded by raising a number of points. These are:

Conceptualization of human beings: He pointed out that he has fundamental problems with the way human beings have been conceptualized in economics. According to him human beings have tremendous creative capacities, but economics has not given us the scope to treat human beings as creative beings. In economics there are two kinds of human beings, one is the labour and the labour performs a repetitive function. He is almost like a robot not a creative human being. Another rare type is the entrepreneur. Entrepreneur is a creative person but is very rare and the relationship between the labour

and the entrepreneur is also very strange that one must serve under the other. This according to Professor Yunus is a very unacceptable situation. He pointed out that human beings are not born to serve under others, nor are they fated to be so. But the above understanding in mainstream economics has created a very damaging mindset. There is a need to redefine the idea of labour and restore the human being, the creative being in him.

Credit: Credit is the lubricant of economic forces, yet it has been very badly handled in economics. Mainstream economics has missed the point that credit is a social power. So much has been written on land reforms, yet nobody ever raised the question as to the amount of credit being held by individuals. Credit is a liquid asset, and if one has access to it there is no need for land. Institutions offer credit to individuals who have money and power. The more one has the more credit one gets. The poor remain deprived. In this way we have institutionalized poverty. This is intellectual apartheid. The Grameen experience has shown that everybody is credit worthy.

Gender: Mainstream economics has not recognized the gender differences. In economics all we have is a labour, which is neutral. In Bangladesh when one talks of a man because labour has accumulated its own image as a man. But in society there is a woman labour as well as man labour; and there is an economics of women and economics of men but economics does not recognize these differences. Again this discipline, being a social science, does not take into account the socially constructed category called 'family.' In economics there is the economic category of household which is a con-

sumer category. In economics there is no concept of family. In a family we have man, woman and children. In the entire discourse of economics there is no concept of children. Children are very important for development, in fact they represent development. If children could be integrated within this discourse then the very idea of development would have changed. One could then talk of their capacity building, education, skill development, etc. These things only come as side topics. By missing out the gender and family perspective, economics has missed out a very important point.

Social consciousness driven enterprises: In economics one is given the impression that greed is the main motivating factor behind capitalism. It is the fuel that keeps the mechanism moving. Professor Yunus pointed out that there could be social consciousness driven enterprises as well. Free market could be equally rewarding for the above projects. Even banks can be set up with the above motive. History is full with examples of dedicated people. It is important to keep in perspective the achievements of those people. Dedicated people can come into business, there can be open competition. Their objective could be to benefit the people. They also want to get their returns and make a profit; but not necessarily enormous amount of profit. Economics does not encourage it. This according to Professor Yunus is a very wrong way of looking at free market enterprises.

The Alternatives team then wanted to know from him as to what or which areas he considered being his major successes. Professor Yunus quite categorically pointed out that the pro-

gram of micro credit is one of his major successes. The program is based on what one can be not on what one has. The objective is to change the traditional idea of credit. He believes that all human beings have skills. The basic skill is survival. If one could survive then they have other skills as well. One needs to tap those skills. They need institutional support for it. Grameen Bank is providing them with that institutional support.

He considers the induction of women into the program as another of his major achievements. Professor Yunus went into details on the hardships and obstacles that they had to face initially on this count. He personally had to go and motivate women. Though they were hesitant in the beginning but after five years they emerged as self confident persons. It was like discovery of the inner self for those women. Professor Yunus pointed out that women are better managers and they also pay back their dues regularly. He then went on to explain that the idea of self-employment does not exist in the economics framework, but this is a fact of life and Grameen has proved it to be so.

Professor Yunus insisted that Grameen Bank is a social consciousness driven enterprise. Its objective is to do maximum good to the people, not to hoard up its returns. He agreed that they want returns for they are in a competitive economy, but the money then is reinvested on people.

Reflecting on his weaknesses and major obstacles, Professor Yunus agreed that he had not been much successful in changing the mindset of the people. He pointed out that it had not been possible on his part to put his thoughts and works within a structure and



Yunus Versus Neo Classical Theology

by Syed M Hashemi

A few months ago Professor Yunus made a major presentation at a joint conference of the Bangladesh Economics Association and the International Economics Association, castigating traditional economists. This in turn led to some interesting attacks on Professor Yunus that were published in the Daily Star. These attacks were interesting not because of their criticism of Professor Yunus but because of the criticisms being situated within the paradigm of neo classical economics. In fact what is most interesting is that there were not more attacks, because what Professor Yunus challenges is the very ideology of neo classical economics, an ideology that is pervasively shared, knowingly or unknowingly, by most academic economists and indeed by many of the microcredit practitioners, that profess to draw inspiration from Professor Yunus himself.

What is it that makes these critics uncomfortable? It is that Professor Yunus points out the irrelevance and indeed the disregard of conventional economics vis-a-vis issues of poverty and the poor; Professor Yunus strongly states that poverty is not created by poor people; poverty is created by institutions and the ideology (neo classical economics as an integral element of such ideology) that helps in reproducing these institutions. This ideology and the mindset that it creates are a fundamental barrier to a poverty free world. The time has come to discard such conventional theoretical frameworks and rewrite textbooks that put people at the centre of the analytical framework. The apologies in favor of neoclassical economics that appeared in

the Daily Star, for example, are couched in terms of familiar statements, that economics deals with the maximization of production and consumption and efficient allocation of resources where everyone benefits. The market mechanism is a neutral arbitrator ensuring optimal allocation of resources thereby promoting efficiency and prosperity for all.

The fundamental problem with neo classical economics stems from precisely this categorization of reality where supposedly the market is neutral between actors. It assumes the division of the economy between households and firms that Bill Gates and the Bangladeshi immigrant in New York wield equal power (as households) and General Motors and the corner grocery store are both firms. It assumes that in the market, competition prevails and that each actor engages in "fair" transactions and get what they deserve, be it wages in exchange of their labor power or prices for their products. The fact that people come to the market with unequal resource endowments, with unequal power, is conveniently forgotten.

Professor Yunus' criticism of neo classical economics has been branded as the 'verbalage of an exchangeist, utilitarian, individualist, and materialist' ideology, that forms the basis of the university education that generations of Bangladeshi students receive and that which is considered so scientific by so many teachers, has actually been proven to be logically inconsistent and based on faith. The three fundamental tenets of neo classical ideology (as described by E.K. Hunt), "the faith that the invisible hand of the competitive market harmo-

nizes all interests through free exchange, creates rational prices, and leads to an efficient allocation of resources; the faith that the free market will automatically create a full-employment equilibrium; and the belief that the wage rate is equal to the value of the marginal product of labor and that the profit rate (or interest rate) is equal to the value of the marginal product of capital; hence, by implication, each social class gets the value created by the factors it happens to own," have all been proven to be logically inconsistent.

Neo classical welfare economics based on Walrasian equilibrium and Pareto optimality with the vision of society achieving a "bliss point" has been riddled with acute contradictions and proven to be a normative ideal based on implausible and unrealistic foundations. Keynes effectively negated the neo classical faith in the market to bring about full employment equilibrium. Instability and unemployment are the reality of the market economies. Piero Sraffa's seminal work "Production of Commodities by Means of Commodities" published in 1960, by proving that reswitching of techniques (of production, using different ratios of capital and labor and varying production periods) can take place, provided a decisive critique of neo classical capital theory and distribution theory, which were used to protect the capitalist system from any suggestion that the system may be unjust and that labor may be exploited.

Radical economists have over the years pointed out that neo classical economics has very little to say about intra household transactions, about the allocation of resources, about the power, Professor Yunus notes very strongly how the invisibility of gendered relations within the household from the conceptual framework of neoclassical economics inhibits its analytical ability to understand a major dimension of the process of poverty. Yunus asserts that the problematic of the neo classical paradigm is increasingly visible.

It is very clear that policy prescriptions emanating from the neo classical paradigm is woefully inadequate in addressing issues of the poor. Why else could a trillion dollar GNP in the US coexist with thousands of homeless and 40% of the population without adequate health insurance. In our own country the flow of foreign aid has contributed very little to the alleviation of poverty. In fact Professor Rehan Sobhan has consistently pointed out that foreign aid has only contributed to donor dependence and the reproduction of a class of unproductive rent seekers.

The fact that the World Bank in assessing the failure of their structural adjustment policies in Sub Saharan Africa, for example, are talking of governance issues, imply very strongly that the paradigm of the optimizing world of neo classical economics is grossly inadequate. This is reminiscent of Kuhn who in his "Structure of Scientific Revolutions" clearly indicate that when a paradigm becomes inadequate issues start emerging as riddles that can not be solved within the prevailing paradigm. Professor Yunus, in calling for new textbooks to be written, is pointing to the need for burying neo classical economics and creating a new paradigm.

Professor Yunus, in working at the grassroots level, in talking to people, in understanding the rationality of the poor, realized very clearly the limits to conventional economics in understanding poverty, let alone resolving it. The fundamental problem with conventional economics, asserts Yunus, is that human creativity is denied in the conceptual framework;

humans are presented as alienated, estranged labor. Yunus also insists that solutions would not stem from the prevailing mind set but in turning such views on their head; as he would say, by moving from a "bird's eye view" to a "worm's view".

Professor Yunus in calling for new textbooks to be written also clearly indicates certain elements of this new paradigm. He categorically points to the need to place the central emphasis on people, on poor people, on the dispossessed and disenfranchised, rather than some mystifying market that neither provides for economic welfare nor can create more humane conditions. Grameen's experience with collateral free banking, defying conventional wisdom, proves how (over two million) poor women can organize themselves, engage in self employment, increase their incomes and economic welfare (a third have moved above the poverty line and another third are close to doing so), and become more assertive and confident in challenging the structures of patriarchy. It also proves how poor women themselves can run such major organizations (94% of Grameen shares are owned by Grameen women and they comprise nine of the twelve members in the board of directors), in a self sustaining and cost effective way (Grameen runs at a profit and operates its loan operations with borrowings from money markets at commercial rates of interest, i.e., without donor subsidized funds). Grameen's contribution to GDP has been estimated to be between 1% and 1.5% over the last three years. For Professor Yunus this makes Grameen Bank and microcredit a necessary condition in the new development paradigm; necessary because it allows for poor people to then effectively attack monopolistic structures in other markets, in other spheres. The sufficiency condition is dependent on transformations at other levels, at other structures of power. Professor Yunus' efforts in this have led to bringing the most sophisticated technology to the poorest (through mobile phones), linking small producers with the world market (Grameen Check), seeking environmentally friendly methods of increasing agricultural productivity (Krishi Foundation), health insurance for the poor, etc. The articulation and effective implementation of these "sufficiency conditions" form the elements of the alternative paradigm. It is this task that lies before us.

In humanizing economics and the economic world, Professor Yunus strongly wants to move away from the pervasive alienation in modern society stemming largely from the production of commodities and the prevalence of wage labor. It is this challenge of creating a new paradigm, of a radical rupture from the epistemological basis of neo classical economics, that Professor Yunus points to. It is our task as intellectuals, as people committed to the creation of a poverty free world, to take on this challenge, to bury the old and articulate the new paradigm. At the very least let us discard the first principles of neo classical economics, the individualistic, egoistic, profit maximizing man, Robinson Crusoe, the homo economicus par excellence, and substitute it with the interests of the poor. Let us not remain with the mindset of the old clinging on to neo classical theory, let us initiate the struggle for a new paradigm that can intellectually assist in ushering in a poverty free world.

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