

'Create social business funds in each country and city'

Nobel Laureate **Dr. Muhammad Yunus** talks to **David Bornstein** of *The New York Times* about the future of microcredit and social business

Q: There is much debate about microfinance today -- when and how and whether it works. How would you describe the state of the field?

A: Long before the crisis of 2008, when financial institutions were crumbling all over the world, many of us had been saying that we need to redesign the financial system [which] only serves the top one-third of the world; two-thirds are left out. Microcredit has shown how you can reach out to people that conventional banking cannot. It has demonstrated that it's a doable proposition.

When we designed microcredit, the purpose was to help people get out of poverty, but some people moved away from that motivation. Grameen is still the same. It reaches out to the poorest -- the women -- and has demonstrated that despite disasters it can work. The next generation of children in the Grameen Bank will have education and health. The Grameen Bank now has nearly a \$1 billion in savings accounts of the borrowers, and the institution is 97% owned by borrowers.

If others have tried to imitate it in a flawed way, it doesn't mean the whole idea of non-collateralised lending to the poorest people is flawed. The challenge is to get it right. You can debate which parts of it have impacted on this, and which parts have impacted on that.

Q: You often speak about the emergence of a new kind of business, you call it social business, which is different from what we usually think of as socially responsible business. Can you explain what you mean?

A: Capitalism has been interpreted as an exclusively profit-centric human engagement. Some have been saying to bring people and planet into the picture. This can be a good change, but it is still not fully operationalised. Are you putting people, planet and profit at the same level?

What I have been trying to promote is different. I dismiss personal profit, and focus exclusively on people and planet. That's what I call social business: a non-dividend company dedicated to solving human problems. You can go all the way, forgetting about personal profit, being single-minded about solving problems. The company makes profit, but profit stays with the company. The owner will only get back the original investment. Nothing more.

I'm not saying to get away from profit-making businesses. I'm saying keep these separate, run them in parallel. There is a toolbox to solve the problems of poverty, unemployment, the environment. All I'm doing is adding one more tool to the box. It's simply enhancing the capability of people to express themselves in another way to address the problems we have.

Q: Is it realistic to expect people to pursue this kind of business?

A: When we started microcredit, people asked if it was realistic to lend money without collateral. We demonstrated that it is.

The profit orientation is only one orientation of a person. The same people who are interested in profit making are also selfless. I am not saying that capitalist theory is wrong. I am saying that it has not been interpreted and practiced fully. The selfless part of human beings has not been allowed to play out. As a result, we created a concept of business based on money-centric, one-dimensional human beings. But real human beings are multidimensional.

Q: What do you say to people who say that business needs the profit incentive?

A: People climb to the top of Mount Everest. What's

their incentive? Making money is an incentive. But making other people happy is a super incentive. We haven't explored that part of it. I'm inviting you to have a taste of it. If you like it you'll make your own decision. I tasted it and I found it an exciting thing to do -- more exciting than making money.

Q: Do you think people will evolve from being profit-focused entrepreneurs to social business entrepreneurs as they go through their lives?

A: You're looking at what exists. Suppose, as you went to preschool and school, teachers were telling you that there were two kinds of businesses, one to make money for yourself, another to solve the problems we see around ourselves. And you can use your creative power either way. So you would have grown up with the idea that there are two kinds of businesses. You would make your decision what kind of business you would like to get involved with, and how much of each, if you want both.

We've used our creative power to focus on making money -- and we've done it like it's the only game in town. It's not. There's a more exciting game in town.

Q: What makes you confident the idea will grow?

A: There's a whole generation of young people coming up with social business ideas. Profit making doesn't interest them as much as it interested people before, particularly the postwar generation. Their main question is: What am I going to do with my life. What is the purpose of my life?

Q: Where will the investment come from?

A: Individuals, companies have foundations, charity organisations. There are billions of dollars locked up in them. We can reserve a portion of charity money for social businesses. It's a reorientation of the whole idea of charity, and in the process you can build self-sustaining companies and initiatives. Once people like the idea of social money they'll start diverting their business money into social business..

Q: What would you say to a person who asks, 'Where should I start?'

A: What are the problems you see around you? Sit down and make a list. Then put them in order of priority, [starting with] the things you hate the most. Then start with one and see if you can find a business approach to solve it. Suppose you put down unemployment. O.K., why don't you create a social business to solve the problem of five unemployed people? With microcredit, all I was trying to do was help a few people in one village so that they didn't have to go to loan sharks and lose everything in the process. That's how social business begins. Everything starts with solving a very tiny slice of a problem.

Q: What's the situation today with the Grameen Bank and government of Bangladesh?

A: Two years back, a very aggressive campaign began against me, against Grameen Bank, and against microcredit. It looks like the government's objective is to take over Grameen Bank.

A commission has been appointed. They have proposed that the shares of the borrowers, who own 97% of



the bank, do not give them actual ownership of the bank. It is owned by the government. I don't understand how it corresponds to reality, but this is the position they have taken.

Legally, the bank's board has the power to make decisions for the bank. It has three representatives of the government and nine representatives elected by the borrowers. But the commission is saying that the board election rule is flawed, so the nine elected members should be dismissed. We don't know what will happen.

Q: What do you expect will happen?

A: Grameen Bank is owned by the people, and my faith is that the people will ultimately win. With eight and a half million borrowers, with five people on average in a family, it's over 40 million people involved. I don't think 40 million people will be beaten. They will prevail.

The implementation of the recommendations of the government commission has not yet taken place, so Grameen Bank is still O.K. But if the government suddenly starts to implement the recommendations, it will cause fundamental damage to the institution.

Q: Looking back on your life, what's the best decision you made?

A: I jumped at what I felt was right. I was just a university teacher. I had no business getting involved with the poor people in the village next door. But I jumped in at solving the problem. I had no idea if it was going to work or not. I wasn't worried about being a failure. I started lending money from out of my own pocket. And the whole world was telling me that it won't work. It's a utopian idea; it won't survive long. But I didn't listen to them. I listened to myself. That I think is very important. And I stayed on my course.

Q: What would you have done differently?

A: When people from other countries invited us to help them set up microcredit, we encouraged them, provided advice, sometimes we supported them financially, without getting closely involved. I think if I did it today, I would have gotten more involved. All the mission drift -- people moving away from the concept of microcredit as a tool to help poor people to making money for themselves -- that might not have happened as much if we had stayed more involved.

Q: What's something you would like to see happen in education?

A: The creation of departments that offer social M.B.A.'s.

Q: What would they teach?

A: How do you solve problems in a business way? What types of problems are there to be solved? How do you address them? How do you monitor it? How do you measure it? How do you report on it? How do you lower costs and make it more efficient? How to bring in technology in social problem solving? Can we improve on existing social businesses? When you do a partnership between a social and conventional business, what are the dos and don'ts? How to make sure that you don't drift away from your mission? All these questions.

Q: How do you feel about receiving the Congressional Gold Medal?

A: It's very emotional. It's not only an endorsement, but it's an inspiration for everybody who has supported us -- colleagues and friends, all the staff and borrowers of the Grameen Bank, all the people who participate in social businesses. I'm grateful to the U.S. Congress that it paid attention. Many people do good things that are never recognised. I'm very blessed that way.

Q: What do you imagine will happen with poverty in the coming decades?

A: People dreamt of going to the moon when they couldn't even fly. They put the idea in science fiction. People always love science fiction. Look at the popularity of TV shows like "Star Trek"; it lets you feel the sensation of going to other galaxies. Then science always followed science fiction. Although it was fiction, somehow it inspired people. So I encourage people to write social fiction: imagine society where all our present problems remain totally unknown. All the impossible things of today's world are routine there. At this moment that society looks impossible. It seems there is no way we will ever get there. But our minds will open. If we can imagine, it will happen. If we cannot imagine, it will never happen.

Removing poverty is one of those social fictions which can be visualised now. Already with the Millennium Development Goals, the world has promised to reduce poverty by half by 2015. And many countries, including Bangladesh, will achieve it. If we can reduce poverty by half by 2015, when will be the time to reduce poverty to zero in Bangladesh? I say by 2030.

With the creative power we have today, this is a doable proposition. We can create a world where poverty doesn't exist. In order for the next generation to see poverty, we'll have to create poverty museums. That's where poverty belongs, not in human society.

So let's put this on the list of impossibilities that we want to make possible within the next 20 years. That's the way change takes place.

Q: What would you say to a young person today who wants to change the world?

A: First, you have the creative power, alone yourself, to change the whole world. Start believing in it. When you believe in it, you start finding out how you're going to make it happen. And always start small. Nothing will change overnight. But you start the process. In order to solve global problems, you have to solve the problems of individuals. If you bring it down to the individual, you'll see how doable it is to solve it. We always think of global problems, and we get stuck. It's overwhelming. So this is the way to proceed. Solve one person's problem, then five people's problem.

Q: What would you like to see in the next five years?

A: At least 1% of the world economy be made up with social business. If we can make that 1 percent happen, I think the world will be completely different. People will see how exciting it is, and soon the level will rise from 1 to 5%. Pave the way to get to 50%.

Q: How to begin?

A: One: Create social business funds in each country and city. Banks can create them, governments can create them, foundations can create them, individuals can create them. Two: Encourage young people, businesspeople, retired people to come up with business ideas to solve problems, so social business funds can invest in them. And three: Show how it works.

Forward-looking macroeconomic policies for Asia and the Pacific

NOELEEN HEYZER

The recently-launched 2013 Economic and Social Survey of Asia and the Pacific of ESCAP is forecasting subdued growth of 6% for the region in 2013 -- up from 5.6% in 2012. Although highest amongst regional growth rates, this is considerably lower than the pre-crisis level and the level achieved immediately after the crisis in 2010.

ESCAP fears that this subdued growth may become a "new normal" if uncertainty in the developed economies continues. This may translate into an estimated output loss for the Asia-Pacific region of \$1.3 trillion by 2017.

The 2013 Survey also shows that the region's structural impediments have added to the problems arising from the economic and financial difficulties of developed countries. The rise in inequality, especially in larger countries of the region, has not only significantly reversed economic and social gains, but is also holding back domestic effective demand.

Endemic extreme poverty, vulnerability and economic insecurity in the region are detrimental to drivers of domestic growth. The regional growth is also hampered by significant shortages in infrastructure and high resource intensity of its production system.

Most of these structural impediments are due to past policy failures. For too long, macroeconomic policies focused on aggregate debt, deficit and inflation and neglected their developmental roles. It has been

assumed that managing aggregate public debt and keeping inflation at some predetermined low levels would deliver development. However, many countries have achieved them at the cost of development, for example, by cutting public investment in key areas and expenditures on education and health.

The 1997-98 Asian financial crisis and the ongoing crisis in developed countries, reveal that while aggregate debt and inflation are useful indicators, their stabilisation does not necessarily produce the desired development outcomes. Rather, excessive focus on these aggregate nominal targets has made macroeconomic policies pro-cyclical and intensified the crises.

Where such policies delivered economic growth, it has not been inclusive enough and has not always translated into increased security of jobs and livelihoods. Instead, growth has been mostly jobless, without corresponding growth in decent and productive employment in the formal sector. As a result, livelihood insecurity and disparities of opportunities and outcomes, including income, assets and wealth, are on the rise and reinforcing one another, especially due to a lack of a decent social protection system in the midst of jobless growth.

The Survey argues therefore for a shift in macroeconomic policy paradigms. In light of the huge developmental challenges of Asia and the Pacific, associated with the region's high degree of economic insecurity, large development gaps, significant

infrastructure shortages and unsustainable environmental impacts, there is clearly a need to find a better balance between the stabilisation and developmental roles of macroeconomic policies.

Such balance could entail changing the way fiscal and monetary policies are designed and implemented, and how issues of public debt or inflation are viewed. In particular, there has to be greater emphasis on the quality and composition of public expenditure, rather than on aggregate budget deficits and public debts, as argued in previous editions of the ESCAP Survey.

A 6-point agenda is proposed to enhance the region's resilience and inclusiveness. These include the provision of an employment guarantee for a limited number of days (100 days) in a year; basic social services in education and health; income security for older persons and persons with disabilities; and ensuring modern sources of energy for all by 2030.

The Survey also estimates, as illustrative examples, the public investment needs to deliver this package of policies in ten Asia-Pacific countries: Bangladesh, China, Fiji, India, Indonesia, Malaysia, Philippines, Russian Federation, Thailand and Turkey, accounting for about 90% of the population in the region.

The good news is that this is actually achievable and even affordable for most countries in Asia and the Pacific. Total investment for the above package of policies in China, for example, would amount to 2.6% of GDP in 2013, increasing to 3.3% in 2020 and 5.2% in 2030. Estimates for Indonesia, Malaysia, the Russian

Federation, Thailand and Turkey, range between 5 and 8% of GDP.

While the amounts are not trivial, these could be self-financed by most governments through the broadening of tax bases, making tax regimes more progressive, and tax administration more efficient -- including tighter regulation of tax fraud, as well as reducing non-development expenditure. However, least developed countries and small island states would require development partnership and cooperation, especially to prevent the illicit transfer of funds.

Our analysis also shows that such investment would not significantly jeopardise fiscal sustainability or price stability. In other words, people and planet-friendly growth is affordable and economically sustainable, making this a win-win development agenda for our region. This is greatly encouraging.

These are examples of forward-looking macroeconomic policies because they can both promote sustainable development and lead to sustained, inclusive and equitable economic growth, the importance of which has been recognised in key United Nations documents such as the outcome document of the 2012 Rio+20 conference. ESCAP expects that 2013 Survey will contribute to policy debates about how to achieve the goal of inclusive and sustainable development in the Asia-Pacific region.

The writer is UN Under-Secretary-General and Executive Secretary of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).