

Microlending and World Poverty

Pollution and immigration will not fix the problem

BY BRENDA WALKER

The work of microloan creator and 2006 Nobel Peace Prize recipient Muhammed Yunus continues to offer opportunities to show that immigration restriction does not require kicking the world's destitute off the ladder of progress. On the contrary, his strategy for economic empowerment in the poorest places on earth makes it possible for millions of impoverished people to earn a better income within their home cultures and improve their standard of living without the stress of immigration.

Furthermore, Mr. Yunus has stated that his system of local economic development through small business among the poor is a better solution to worldwide poverty than culturally wrenching immigration.

Microlending was the result of combining a high degree of economic expertise with practical recognition of the needs of poor people. After receiving a Ph.D. in economics at Vanderbilt University, Yunus returned to his home country of Bangladesh to put his first-world education to work. He developed the idea of microloans based on his personal communication with local poor. The program grew from a single loan of a few dollars out of his own pocket to a woman who made bamboo stools but could never get ahead because of usurious loans she took out for materials. With a reasonable rate of interest, she could begin to make a better living. That was the beginning.

In time, given trial and error, a larger strategy evolved in providing small loans to poor people for the purpose of business formation. Women are now the principal borrowers (around 95 percent) because they proved to be more responsible than

men with the money. The loan recipients were organized into mutual support groups because in countries like Bangladesh, some borrowers were illiterate and didn't know even rudimentary math. The lender, which was organized into the Grameen Bank, provided basic guidance. All loans within the group had to be fully repaid before additional lending was permitted, so helping each other was positively reinforced.

On January 17, I attended a lecture in San Francisco where Mr. Yunus discussed his most recent book and what is new on the microlending front. As a speaker, he is appealingly good humored and down to earth. He appeared courtesy of the Commonwealth Club in front of a sold-out room of around 500 people.

Fortunately, the speech was played on the radio and was available online, so I could transcribe my query and Yunus' answer (here with a little clean-up editing):

Creating a World without Poverty

by Muhammad Yunus
Perseus Books Group, 2007
296 pp, \$26.00



COMMONWEALTH CLUB: A member of the audience asks this question. With five billion people living in countries poorer than Mexico, don't you think microlending is a better strategy for tackling poverty than massive immigration?

YUNUS: People seek their opportunities. If you can attract people with microcredit, keep them in their places, of course they will love that.

[Immigration] is no fun. They do it out of desperation because life is so difficult there. So if we can all make life better where people live, where they were born, where their forefathers lived, then nobody will leave their place.

That's what we're talking about. Wherever we are, we should be able to get a better life

for ourselves. Desperation will push us to do desperate things even at the risk of our own lives.

There you have it. One of the best-known, most honored humanitarians on the planet agrees with me that microlending is a far better solution to relieving worldwide poverty than immigration.

Furthermore, he alluded to the cultural dimension, that people would prefer to remain in their forefathers' country rather than undergo the shock of adjustment to a different society, as long as they can make a decent living and have hope for their children.

This argument does nothing to lessen the economic forces that attract cheap labor, but should get the attention of the liberal do-gooder contingent if they genuinely care about ending poverty with the least social cost.

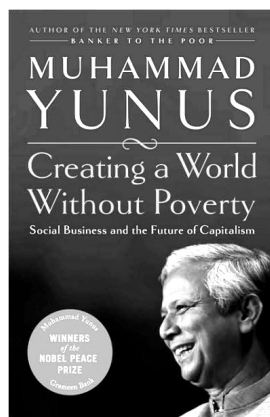
Muhammad Yunus' new book, *Creating a World without Poverty*, systematically expands the idea of microlending into a bigger picture of economic development. If loans to six million Grameen borrower families have been largely successful in improving lives, then why not kick it up a notch to the concept of social business?

No one could accuse Yunus of thinking small. He is calling for another variety of capitalism to be organized as a kind of third way, different from business for shareholder profit and charities. The idea is simple enough: the profits from social businesses would be plowed back into the enterprise as well as used for the improvement of the community. One example is his partnership with the French food company Danone to produce affordable and nutritious yoghurt for malnourished children in Bangladesh. The milk comes from local cows, many of which were originally purchased with Grameen Bank loans.

Social business is a natural evolution from the small entrepreneurialism of microcredit to larger operations, including a stock market, banks, and social mutual funds. Those institutions would help support social businesses to continue and expand as self-supporting enterprises over time.

What's refreshing about Yunus is his practical optimism and his belief that poverty can be solved.

In that attitude, he is more hopeful than Jesus, who said "You have the poor with you always." Yunus lives and works in one of the poorest nations on earth, yet believes that poverty can be not just reduced, but ended. At his Nobel Peace Prize ceremony he stated, "Poverty does not belong in civilized human society. Its proper place is in a museum."



He calls capitalism a "half-developed structure," meaning that it does not reflect humanity's deep desire for community and progress. He doesn't think

much of corporate efforts at social responsibility and wants to take the parts of the market that work very well and rejigger them for the betterment of mankind.

In addition, the recent uptick in oil prices makes Yunus' inherent localism look far more sensible than the globalization of many areas of business. The one-world economy has depended on inexpensive shipping along with cheap overseas labor, for example, flying perishable fresh roses from Peru to California, which once had an abundance of nurseries for cut flowers.

The important message is that there is an alternative solution for the world's poor, and it beats immigration hands down. Microlending avoids the fracture of a painfully exaggerated generation gap when families move from the third world to the first, where elders often become estranged from their grandchildren because of differing cultures. Of course the home countries benefit also when productive young people don't leave. Countries with an immigration dependency problem would be helped if millions stayed home and demanded political reform. It's not a healthy situation for the less developed world to be addicted to remittances rather than building their own societies. The nearly seven billion souls on this little world cannot all move to the first world to upgrade their lifestyles. Microlending is a reasonable alternative for them and for us. ■