

## BANKER TO THE POOR by Muhammad Yunus

Reviewed by Del Olsen

Muhammad Yunus is an outstanding human being! At the end of the book I was amazed at what he had accomplished. He was born into an upper middle class family in Bangladesh where hard work and education were prized. He was educated in Bangladesh and in 1967 got a Fullbright scholarship to study in the United States at the University of Colorado and Vanderbilt. Here he met his first wife and got his first professorship at Middle Tennessee University. After the Bengali war for independence from Pakistan he returned to Bangladesh and became head of the department of economics at Chittagong University. Here his endless curiosity, trained eye and creative mind turned to the village near the University. Here the question was formed that was to guide the rest of his professional life, “What is the value of economic knowledge if it cannot help the poor?”

Yunus and his students surveyed the village and interviewed the people to get to know them, find out what they did and what they needed. They asked questions about the farm land that was used half of the year and the perfectly good deep well that no one used. The farmers were locked a dispute over the well—who should maintain it, who got to use it and how to pay for the well’s operational expenses. They got the farmers together, listened to their concerns and proposed a sort of farming cooperative that would solve the well problem and also the unused farm land (for lack of water during the dry season). Here we see Yunus’s style, study the problem and help the poor to develop their own solutions—echoes of Bill Easterly.

As the study of the villagers continued he saw two types of poor people, those who had land and those who did not. The landed were hurting but the landless were desperate; they could never get ahead under the existing system of working for a pittance at the most menial of jobs. From here on his efforts were focused on the landless poor; all international agricultural aid was directed to the landed poor, the landless were Invisible.

The stool maker of Jobra village really got Yunus’s wheels turning. She worked long hours making bamboo stools for two cents a stool. Since she could not buy her own bamboo, she was at the mercy of the money lender who bought the stool for repayment of the loan plus two cents. Yunus sent the students back to the village to see if there were other women in Sufiya’s situation. They found forty-two people who borrowed less than twenty-seven dollars a day, so he loaned them the money so they could cut out the middle men and make a better living. “When will we have to pay you back?” the women asked. “When you can”, Yunus answered. He believed that the poor were not just credit needy, they were credit worthy and this belief has been justified in the history of the Grameen Bank.

The real cause of poverty, according to Yunus, is not laziness or lack of skill, rather it lies in the inability of the poor to retain the proceeds from their labor. They lack the capital that would allow them maximum return on their labor, and there were no institutions that could provide it. One had to be built from the ground up and here the creativity and heavy lifting began. "Poverty is created by the structures of society and policies pursued by society."

The story of what they had to learn, how they learned it and the opposition they faced from the culture and financial institutions is fascinating. The model they developed starts with five people who form a borrowing group, ninety percent women, who meet weekly. At first only two loans are made and until they are paid in full no other loans are executed. At the weekly meetings they discuss problems they are having with their businesses, get advice on their projects and make the weekly payments. Low interest is charged but this varies from culture to culture and project to project (house loans and cheaper than business loans). They also discuss the fourteen principles that guide the Grameen bank and its borrowers.

The growth of the bank has been phenomenal all over the world. The bank started in the seventies in rural Bangladesh and it was not until the early nineties that they loaned their billionth dollar; it took them two years to loan the second billion. In addition hundreds of organizations have been formed to engage in micro credit missions to aid the poor.

The United States has not been hospitable to the Grameen way. He is withering in his criticism of our welfare system and our economy's emphasis on jobs not entrepreneurship. The American poor are looking for a check, not to start a business (he shares Benjamin Franklin's vision of America as a nation of small businesses). He is highly critical of government, ours and others, and extols the virtues of the free market. He thinks government should be small and business large. In this I think he is naïve and underestimates the power and evil of predatory capitalism and fails to appreciate the essential importance of legal, regulatory and enforcement powers of government to keep capitalism civilized and non-destructive. He does have a visionary concept of socially responsible capitalism where social benefits weigh as heavily as monetary gain. That is a long way off, but not unreasonable or unattainable.

He has nothing good to say about the IMF, World Bank and other aid institutions and their development (anti poverty) programs. Only 25 % of aid dollars get out of the United States (hiring U.S. firms and consultants to work abroad) and that 25% goes to government officials and elites in the recipient countries; the landless poor are unaffected. Foreign aid benefits the developed world far more than it does the undeveloped world.

I think Muhammad Yunus is a genius who has developed a valuable tool for working with the extremely poor in under developed countries. They have had some success in moving from small to large projects in Bangladesh, but how they will fare when competing with macro economic companies remains to be seen. I don't know why

it is necessary for them to try. The genius of the Grameen bank is its astounding success in working with the poorest of the poor, and I think we should help them as much as possible and learn from them where ever possible. The man and the story are nothing short of inspiring.