

CHAPTER 9

The End of Poverty

The Time Is Here

Since the end of the Second World War, we have witnessed the triumphant advance of the capitalistic system. The economies of North America, Europe, and Japan prospered to an unprecedented extent, and millions of individuals became extremely wealthy. But at the same time, billions of people around the world were left behind.

Determined to reduce the tragic gap between the Global North and the Global South, the peoples of the world came together at the United Nations in New York in 2000. They agreed on eight important goals they wanted to achieve by 2015—the so-called Millennium Development Goals. The most important of these was to cut the rate of poverty in half.

Bangladesh is one country that has made tremendous progress toward achieving the Millennium Goals. Its poverty rate has fallen from an estimated 57 percent in 1991 to 40 percent in 2005. Though still too high, it continues to fall by around 2 percent a year, with each percentage point representing a meaningful improvement in the lives of millions of Bangladeshis. The country is on track to achieve the goal of halving poverty by half in 2015. Even more remarkable, Bangladesh's rapid economic growth has been accompanied by little increase in income inequality (as revealed by such statistical indicators as the Gini

coefficient, a measure of "statistical dispersion" commonly used to define degrees of inequality within a given population).

For a number of years, many other countries in Asia showed similar success to Bangladesh. In general, in many countries around the world, things slowly started to improve. The number of people who live on less than \$1.25 per day decreased from an estimated 1.8 billion to 1.4 billion from 1990 to 2005—though this still represented some 25 percent of the world's population.

But since then, the little blaze of hope lit by the Millennium proclamation has been extinguished by a complex global crisis—economic, financial, environmental, agricultural, and social. Recent estimates suggest that some 55 million to 90 million people have been added to the extreme-poverty rolls, all due to a global crisis that was certainly not of their making.

This crisis first hit us in 2008 in the form of a food crisis. Food prices, especially those of staples such as corn and rice, became unaffordable for poor people all over the world. Wheat alone has risen in price by 200 percent since the year 2000. This is causing enormous hardship and even starvation for additional millions of people.

The causes for that tragic development were various. On the one hand, the constant growth of the world's population accompanied by a decline of the total amount of arable land was responsible for escalating food prices. In addition, millions of people who are coming out of poverty and many more who are improving their economic condition are consuming more food than before. At the same time, distorted global markets raised prices, and even destroyed national and regional agricultural systems that once boasted enormous food surpluses.

Subsidies for ethanol in countries like the United States are one example of this problem. Intended to encourage the growth of corn and soy to partially replace fossil fuels in gasoline, they made it economically viable to use biofuels as a partial substitute for oil. But these kinds of subsidies led to unintended ecological, social, and economic

consequences, including upward pressure on the price of basic foodstuffs thanks to the diversion of farmland and other agricultural resources to the production of fuel rather than food. In the interest of global food security, it is obvious that such subsidies should be withdrawn as quickly as possible.

In addition, speculators drove up the prices for raw materials. I'm referring to big investors, mostly in the developed world, who used futures markets in wheat, corn, soybeans, and other commodities merely as trading tokens. These speculators did not have a real interest in the raw materials they traded and never intended to actually use them. Instead, they bought and sold contracts in these commodities simply to realize monetary profits. Thanks to today's electronic trading systems, modern financial markets allowed speculators to trade unbelievably large amounts of raw materials within seconds with just a few clicks on their computers. The speculators may have profited from these deals, but people whose lives depended on access to the underlying commodities suffered.

It's a tragic, yet obvious, illustration of how our economic system fails in its mission to serve the needs of *all* humanity. Millions of people around the world are suffering because a few speculators blindly grasp at profits.

All of these economic problems are growing worse just as global environmental trends threaten the future of agriculture around the world. Climate change, drought, and deforestation are turning vast areas that were once fertile farmlands into deserts. The UN reports that every year an area equivalent to the entire country of Ukraine is lost to farming because of climate change. What's more, if current global warming trends continue, over the next century, rising sea levels can be expected to flood almost one-third of the world's farmland. It is easy to imagine what will happen to Bangladesh, the world's most densely populated country, which is a flat country with 20 percent of its land less than three feet above sea level. It is an emerging case of environmental disaster immediately turning into human disaster.

But it is not just the food crisis and the environmental crisis that have worsened conditions for the world's poor people. The financial crisis has also done terrible damage. When credit markets seize up, when banks stop lending, when businesses by the thousand fail, and when government aid programs collapse due to falling revenues, it is the poor who suffer most.

The financial crisis has shown us more clearly than ever where capitalism fails. Originally the credit market was designed to serve people's needs. It was designed to provide businessmen with capital to found or expand companies. Thanks to home mortgages, people were able to buy homes and pay the costs over a long period of time. Student loans funded education for millions. Banks that provided the credit earned a reasonable profit. Everyone benefited.

But traditional capitalism demands ever-increasing profits, and it creates powerful incentives for smart people to use their creativity to make that possible. Over time, competing financial institutions aimed for higher and higher profits in the credit market using clever feats of financial engineering. They repackaged mortgages and other loans into sophisticated instruments whose risk level and other characteristics were hidden or disguised. Then they sold and resold these instruments, earning a slice of profit on every transaction. All the while, investors eagerly bid up the prices, scrambling for unsustainable growth. Blinded by these unrealistically high rates of return, they never made an effort to question the risks hidden inside those financial instruments. They gambled that the system's underlying weakness would never come to light.

But it did. With the collapse of the housing market in the United States, the whole house of cards tumbled down with such momentum it surprised even those of us who had been skeptical about the financial system all along. Millions of people around the world who did nothing wrong are suffering. As always, the ones who are hit the hardest are the poor—especially the “bottom 3 billion,” who were already living at a bare subsistence level. They are being hit hard by the com-

combined effects of the food crisis, the environmental crisis, and the financial crisis. In its current, incomplete form, capitalism has badly failed its social responsibility.

However, as wise people throughout history have known, a great crisis offers great opportunity. Sadly, the world is not yet paying attention to this aspect of the crisis.

So far, governments struggling to alleviate the combined crises of 2008–2010 have kept themselves busy coming up with super-sized bail-out packages for the institutions responsible for creating the financial crisis. Unfortunately, no bail-out package of any size has even been discussed for the victims of the crisis: the bottom 3 billion and the planet itself.

Today's crisis has been a valuable reminder that all people around the world are undeniably connected. The fate of Lehman Brothers and that of the poor women working in a garment factory in Bangladesh are linked. Therefore, I have repeatedly urged that this mega-crisis be taken as an opportunity to redesign the existing economic and financial systems. This is the time to bring the world together and to change our economic architecture so that this type of crisis never occurs again. Social business can be a key element of this change.

The most important feature of this new global economic architecture will be to complete the half-built theoretical framework of capitalism by including a second type of business, social business, in the global marketplace. Once social business becomes a recognized element in the framework, it can play a very important role in solving the financial crisis, the food crisis, and the environmental crisis. Furthermore, it can provide the most effective institutional mechanism for resolving poverty, homelessness, hunger, and ill health. Social business can address all the problems left behind by the profit-making businesses and at the same time can reduce the excesses of the profit-making businesses.

The new economic architecture I propose would not turn back the clock on globalization. It will support and enhance globalization by

making sure that it works for the poor people and poor countries by introducing social businesses into the global framework.

Globalization can be a great force for good, one that can bring more benefits to the poor than any alternative. Global trade, for example, has played a major role in the economic growth of the past decade that has lifted millions of people out of poverty in China, India, and Bangladesh.

But it must be the right kind of globalization. The rule of "strongest takes all" must be replaced by rules that ensure that the poorest have a piece of the action, without being elbowed out by the richest. Globalization must not become financial imperialism.

Improved systems of national and international regulation of business are necessary and important. But to provide an alternative to the old-fashioned imperialist form of globalization, let's also use the creative potential of social business. In the years to come, powerful multinational social businesses can be created that will multiply the benefits of globalization for poor people and poor countries. Social businesses will bring ownership to the poor and keep profits within poor countries rather than draining them away to further enrich the wealthy. Building strong economies in the poor countries by protecting their national interest from plundering foreign companies will be a major area of interest for the social businesses of tomorrow.

Most important, our new international economic structure must build on the realization that we already have all the necessary tools to overcome our social problems.

At a glance, the most urgent problems in our world appear overwhelming, perhaps insoluble. But consider: Problems like hideous infectious diseases, rampant malnourishment, contaminated water supplies, lack of access to healthcare and education—all have been solved somewhere in our world. In fact, hundreds of millions of people take the solutions for granted. You, my reader, may be among them. The relatively privileged lives so many of us enjoy offer powerful proof that we *know* how to provide good education and health

care; we *know* how to provide pure drinking water and healthful foods; we *know* how to cure or prevent most of the diseases that afflict the world's poor.

What's more, the tools for extending those solutions to every nation on Earth are readily available. Pharmaceutical companies hold patents for countless drugs that have the potential to help millions of people. Technology companies have IT and communications tools that could transform the lives of the world's poorest people. The agricultural experts of the world's great universities and research labs have techniques that could easily produce plenty of food for all. And even the economic resources are available, if we choose to use them wisely. In combination, the rich nations of the world give out over \$60 billion each year as foreign aid to fight poverty. The problem is not lack of resources—it's the failure of our economic system to make those accessible to the people who need them most. Social business can make them accessible.

Everyone has a strong selfless impulse—a desire to help others that is just as powerful as the desire for personal gain. But traditional capitalism has never cared to make use of this strong urge in human beings. As a result, the world economy has continued to grow in a lopsided way, and the imbalance becomes worse as it grows.

Imagine a world without poverty, a world in which the imbalance has been corrected. Not only will it be a much better world for those who used to be poor, but everyone else will benefit, too. The economy will hit incredible new heights, as the market size for every product will double and triple. When everyone has access to excellent healthcare, the demand for highly trained doctors and nurses will skyrocket. When everyone can afford a nice house, construction companies and architects and furniture makers will be working overtime. Government expenditures on welfare programs will be unnecessary.

Everyone on this planet suffers personally when anyone's life is wasted. After all, the life that is wasted might have the potential to grow up and become the doctor who saves the life of my own grandchild, or

the scientist who invents a device that will save the planet from global warming, or the artist who creates a magnificent work of art that will enrich my old age. Why should we waste that opportunity?

Some people seem to believe that if there are rich people, there have to be poor people. This is an outdated and inaccurate idea. It assumes that the rich get rich by taking away from the poor. It assumes that the total pie of wealth is of fixed size. If a few powerful people take away a big slice, the mass of people must end up with very little.

In reality, the economy is—or should be—an ever-growing pie. The rich can get richer and the poor can get less poor at the same time; there is no conflict. It is a question of the conceptual framework within which we view the economy. The present framework, which imagines an economy operated by one-dimensional human beings, gives enormous power and incentive to the rich to accumulate wealth without limit. That framework provides only one measure of success—the amount of money one possesses.

In a world of multi-dimensional people, everything changes. In this framework, success will be measured primarily by the contribution one makes to the well-being of the world.

To reduce the misery of poverty, we traditionally resort to the redistribution of income, taxing the rich and making the proceeds available to help the poor. In an economy populated by multi-dimensional people, a self-induced redistribution will take place when the rich undertake social businesses to eradicate social problems. Governments may find it easier and more effective to give incentives to the rich to solve social problems through their own initiatives by undertaking many kinds of social businesses, rather than using tax revenues just to run safety net and other inefficient public service programs.

In order to ensure that the poor benefit from economic growth, we need to ensure not only that the pie grows but also that the portion of the pie that goes to the poor grows even faster. Many argue that in a world of two types of businesses, growth will slow down because social businesses are not intended to produce large surpluses. I don't see

this as a valid argument. When large numbers of people come out of poverty thanks to the successful operation of social businesses, profit-making companies will have larger markets and increased profits, while more people will have the capacity to consume and save. This will fuel the economy and help the poor move gradually into the world of the middle class.

In a world of one-dimensional people, the natural workings of the free market do not address social problems at all. Instead, the free market has a built-in tendency to create social and environmental problems. It's true that overall economic growth can ultimately benefit poor people. But the trickle-down effect that business-as-usual can have on poverty is an unreliable and agonizingly slow process. When the economic system creates barriers that reduce the opportunities available to the poor, as today's system does, then income disparities actually increase rather than shrink, since the pie grows faster on the rich people's side than it does on the poor people's side.

Social business has the potential to reverse this disparity because it addresses the poor directly and deliberately. By bringing the poor into the mainstream economic system, it helps their piece of the pie to grow independently.

Social business must be an essential part of the growth formula because it benefits the mass of people who would otherwise be disengaged. And when people are energized, so is the economy. Through access to credit, improved health services, better nutrition, high-quality education, and modern information technology, poor people will become more productive. They will earn more, spend more, and save more—to the benefit of everyone, rich and poor alike.

Social business can transform society very quickly because it will apply the amazingly powerful, rapidly-growing power of technology to improving the conditions of the poor and the environment. It will also liberate and harness the power of creativity, the sense of commitment of the new generation of young people of this new century, and

the power of selflessness which defies all previous notions of human behavior in the economic world.

A Door to a New World

What will the world be like twenty or fifty years from now? It's fascinating to speculate. But I think an even more important question is: What *do we want* the world to be like twenty years or fifty years from today?

The difference has great significance. In the first formulation, we see ourselves as passive viewers of unfolding events. In the second, we see ourselves as active creators of a desired outcome.

I think it is time to take charge of our future rather than accept it passively. We spend too much time and talent predicting the future, and not enough on imagining the future that we would love to see. And even so, we don't do a very good job of predicting the future. With all our wisdom, expertise, and experience, we repeatedly fail to imagine the amazing changes that history continues to throw our way.

Think back to the forties. Nobody then predicted that within fifty years Europe would become a borderless political entity with a single currency. Nobody predicted that the Berlin Wall would fall, even a day before it happened. Nobody predicted that the Soviet Union would disintegrate and that so many independent countries would emerge out of it so quickly.

On the technology front, we see the same thing. In the sixties, no one predicted that a global network of computers called the Internet would soon take the world by storm. No one predicted that laptops, palm-tops, BlackBerry's, iPods, iPhones, and Kindles would be in the hands of millions. Even twenty years ago, no one was predicting that mobile phones would become an integral part of life in every village of the world.

Let's admit it: We could not have predicted the world of 2010 even from 1990—a span of only twenty years. Does this give us any credi-

bility in predicting the world of 2030 today, given that each day the speed of change in the world gets faster and faster?

If we have to make predictions, there are probably two ways to go about it. One would be to invite the best scientific, technical, and economic analysts in the world to make their smartest twenty-year projections. Another would be to ask the world's most brilliant science-fiction writers to imagine the world of 2030. If you ask me who has the best chance of coming closer to the reality of 2030, without pausing for a second I'd say that the science-fiction writers would be far closer than the expert analysts.

The reason is very simple. Experts are trained to make forecasts on the basis of the past and present, but events in the real world are driven by the dreams of people.

We can describe the world of 2030 by preparing a wish list to describe the kind of world we would like to create by 2030. It might include:

- A world without a single person living in poverty
- A world whose oceans, lakes, streams, and atmosphere are free of pollution
- A world where no child goes to sleep hungry
- A world where no one dies a premature death from an avoidable illness
- A world where wars are a thing of the past
- A world where people can travel freely across borders
- A world where no one is illiterate and everyone has easy access to education through the application of new miracle technology
- A world where the riches of global culture are available to all

You can probably add dozens of beautiful wishes of your own. Whatever your personal wish list contains, that's what you should prepare for.

Dreams are made out of impossibles. We cannot reach the impossibles by using the analytical minds trained to deal with hard information that is currently available. These minds are fitted with flashing red lights to warn us about obstacles we may face. We'll have to put our minds in a different mode when we think about our future. We'll have to dare to make bold leaps to make the impossibles possible. As soon as one impossible becomes possible, it shakes up the structure and creates a domino effect, preparing the ground for making many other impossibles possible.

We'll have to believe in our wish list if we hope to make it come true. We'll have to create appropriate concepts, institutions, technologies, and policies to achieve our goals. The more impossible the goals look, the more exciting the task becomes.

Fortunately for us, we have entered into an age when dreams have the best chance of coming true. We must organize the present to allow an easy entry to the future of our dreams. We must not let our past stand in the way.

Do our dreams sound impossible? If they do, that means they are likely to come true if we believe in them and work for them. That's what the past fifty years have taught us.

So let's agree to believe in these dreams, and dedicate ourselves to making these impossibles possible.

If you are willing to share these dreams with me—and to join the people around the world who are already beginning to transform their dreams into reality through social businesses—let's undertake this exciting journey together.

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