

A Book Review on Making Capitalism Work for the Poor and Society *(Written by Yunus, Muhammad, and Karl Weber. 2007)*

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ABSTRACT

Professor Yunus and Karl Weber argue that neither the profit-maximizing business nor the other conventional approaches adopted by nonprofit organizations and multilateral funding agencies can provide a sufficient answer to the problem of persistent poverty and many social problems that we see in the world. The corporate social responsibility approach of profit-maximizing businesses will not work either.

1. Introduction

To complete the structure of capitalism and address these problems, they argue, that we need another kind of business—one that recognizes the multidimensional nature of human beings. Their suggestion is the concept of social business. The book defines this concept and explains why they think it could provide the answers to poverty and social problems. They conclude that when this concept becomes well-known and begins to spread through all the free-market economies of the world, the flood of creativity that this new business channel will unleash has the potential to transform our world. Is this a realistic expectation?

Most of us, knowingly or unknowingly, build walls around ourselves that prevent us from seeing the wider world. What we see within the walls profoundly shapes our views of society. Moreover, we have values which guide us in making choices every day. These values also shape our views, judgments, and actions. The values determine the lenses we use to look at issues. This book by Professor Yunus and Karl Weber is not just about elimination of poverty; it is also about the need to dismantle walls around us and the need to change values such that we see multitude of ways to eliminate poverty and address social problems that are rampant in the world. Like most of us, Yunus—cowinner with the Grameen Bank of the Nobel Peace Prize in 2006—admittedly worked within thick walls around himself for some time before getting deeply involved in microcredit in Bangladesh. He stepped out of the classroom where he was teaching elegant theories of economics because he felt the emptiness of those theories in the face of crushing hunger and poverty

so visible in the country. He wanted to do something immediate to help the poor around him. His extensive work with the poor, poor women in particular, in Bangladesh helped him dismantle the walls around him. He transformed what commenced as a small scale pilot village program of microcredit-funded with his own funds equivalent to about \$27- into a national industry initially and then a global industry. There is little disagreement within the development community about his tremendous contribution to the expansion of financial services for the poor around the world by setting in motion an irreversible process of financial democracy. In addition, his work in microfinance for the poor had a profound impact on his values. Now, this visionary and global development practitioner is on a much larger mission: a mission to make the structure of capitalism complete by introducing and developing a new business model, that is, social business.

In this book, Yunus (with due credit to coauthor Weber), discusses the limitations of the traditional capitalist business model based on profit maximization and elaborates the concept of “social business” that he referred to in his Nobel Peace Prize lecture delivered in Oslo Making Capitalism Work for the Poor and Society on 10 December 2006. Obviously, Yunus is not the first to discuss the limitations of free market capitalism. The drawbacks of capitalism that he draws our attention to are familiar to most of us. What is new is the solution that he proposes. Many others have discussed fundamental drawbacks of capitalism. John Maynard Keynes in his book, *The General Theory of Employment, Interest, and Money*, argued that free markets—left to themselves—do not always deliver the optimal good to society.

He also prescribed government interventions to address this fundamental deficiency. The Communists offered drastic solutions to address the structural problems of capitalism and attempted to create a different kind of society—a society that they believed would be better than what is produced by the capitalist system—under central planning. But empirical evidence from a wide range of countries, which tried such solutions for decades, provided convincing evidence that they do not produce better outcomes. In most cases, one could even argue that they have led to worse outcomes than what free market capitalism has produced. Not only the appalling conditions of East Germany at the time of the fall of the Berlin Wall but also the persistent poverty in North Korea illustrated the pathetic results of central planning and Communist approaches. It is not difficult to understand why not only the economies of the former Soviet bloc but also most other developing countries have embraced the ways of free market capitalism. Most would agree that the spread of capitalism has made the biggest contribution to elevating hundreds of

millions of the world population from poverty. The shift of the People's Republic of China to the rural household responsibility system in the late 1970s that allowed farmers to enjoy the fruit of their labor, by itself, elevated millions of poor people from poverty.

Poverty and social problems, however, are persistent and rampant. Some attribute their persistence, ironically, to capitalism itself. Many proponents of capitalism, however, argue that the dark side of capitalism that we see is often a result of true free market capitalism being absent. What has been operating is a “failed version” of capitalism. Nonetheless, owing to the negative social and economic outcomes of this “failed version” that restricts competition and equal access, many people tend to see capitalism “as a system of the rich, by the rich and for the rich” (Rajan and Zingales 2006, p. 2). Following this line of argument and logic, most economists then tend to suggest that measures be introduced to improve competition and equal access to make capitalism work for everyone. Or to put it in another way, “make markets work for the poor” as much as they work for the rich.

2. The Concept of Social Business

Yunus, in this book, suggests something fundamentally different to address the dark side of capitalism. He introduces the concept of “social business.” The main contribution of the book, in my view, is to introduce and define this concept and elaborate on not only how it could be made a significant component of the existing capitalist economic system but also on how it could help eliminate world poverty and address many other social and economic problems such as pollution and social inequalities. The book does not reject capitalism. The growth of social business, as envisaged in the book, very much depends on the surpluses generated by conventional capitalist businesses and their reallocation to social business through a range of mechanisms, including plain and simple philanthropic foundations.

2.1 Why Social Business?

To put the concept of social business in its proper place, Yunus discusses the limitations of major conventional approaches to address the economic and social problems of the poor. He argues that “unfettered markets in their current form are not meant to solve social problems and instead may actually exacerbate poverty, disease, pollution, corruption, crime, and inequality” (Yunus and Weber 2007, p. 5). Then can we rely on governments, nonprofit organizations, multilateral institutions such as the World Bank and the Asian Development Bank, or corporate social responsibility (CSR)? He points out

the typical problems associated with each and their limitations. Yunus points out that a major conceptual problem with capitalism is that it takes a narrow view of human nature, assuming that people are one-dimensional beings concerned only with the pursuit of maximum profit. In reality, however, people are not one dimensional.

According to Yunus, “mainstream free-market theory postulates that you are contributing to the society and the world in the best possible manner if you just concentrate on getting the most for yourself”(p. 18).

2.2 Grameen Danone—New Social Business of the Grameen Family

Part II of the book provides a brief account of the birth and evolution of the Grameen Bank and its reorganization in 2002 into a financial intermediary providing flexible deposit and loan products and services. But the most important and novel sections of Part II are chapters 6 and 7, which focus on the joint venture between Group Danone (a large French corporation) and a group of four Grameen companies. Given that this book focuses on social business, I shall confine myself to social business discussion surrounding Grameen Danone—“the world’s first consciously designed multinational social business” (p. 137).

2.3 Broadening the Market Place

Part III of the book consists of four chapters and the Nobel Peace Prize lecture delivered by Yunus on 10 December 2006 in Oslo. Chapter 8 outlines measures needed to spread social business and it discusses issues such as who will invest in social business and possible financing modalities. The author is of the view that once philanthropic foundations think about social business as a worthwhile target for support, they could become a great source of funds. He also points out that bilateral and multilateral funding agencies can create in each recipient country dedicated social business funds to provide equity, venture capital, and loans to social businesses

2.4 Excessive Optimism

Perhaps a disappointing aspect of the book is the excessive optimism that runs through the entire discussion of the concept of social business. As a result, the author seems to have overlooked the potential formidable barriers to making social business a major pillar in the envisaged new capitalist system.

3. Conclusions

The book articulates the concept of social business and explains how it could help in addressing persistent poverty and a host of social problems. It also suggests a possible architecture of a world where social business is a major phenomenon. Admittedly, a lot more work has to be done to refine the concept and spread it in the business world. I hope the development community such as academics, policy makers, practitioners, bilateral and multilateral development agencies, philanthropists, and business leaders—with a commitment to address the dark side of capitalism—will together build on the contribution that Yunus has made through this book and through Grameen Danone. As he argues, “poverty exists because of (our) intellectual failures.” It is our collective responsibility to leverage intellectual capital to eliminate poverty from this world. We should be grateful to Yunus for enriching not only the development literature but also the development practice aimed at addressing the problem of poverty and social issues. The concept of social business is worth not only debating on but also actively promoting it. We know from the successful case of Grameen Danone that the concept of social business is no fairy tale. The book, supported by the real-life example of Grameen Danone, has initiated a new process of socially-oriented development. The process hopefully will gather momentum over time as the concept is further refined and the development community thrashes out many practical issues relating to the modality of social business. Finally, many readers may wonder whether this book essentially challenges the bottom of the pyramid-market approach to poverty reduction that Prahalad and others have outlined in their work. My view is that it does not. Instead, the book reinforces the view that diverse approaches and partnerships between many different players are essential to address the stubborn problem of poverty and many social issues. Just as much as people are excitingly multidimensional, approaches to elimination of poverty and social problems of this world must be diverse. No single approach will do the job.

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