

Poverty

# How to create a poverty-free world



By Muhammad Yunus

*Globalisation can be a force for good — but it needs new rules if the poor are to benefit from it*

**T**HE stability and prosperity of the world are at risk. They are at risk because 60 percent of the world's population lives on only 6 percent of the income. German Chancellor Angela Merkel should be commended for her leadership in ensuring that poverty remains at the top of the G-8 agenda. Germany, in its presidencies of the G-8 and of the European Union, is rightly placing great importance on fighting poverty, hunger, and disease around the world - especially in Africa.

The Africa Progress Panel, which tracks the G-8's pledges to Africa, and of which I am a member, recommends that Africa does not need more new initiatives. Africa needs the delivery of those commitments already made. Delivery on existing commitments is crucial to ensuring the success of the development partnership between the G-8 and Africa. African governments and institutions must lead their own development. G-8 support for this ownership and process is welcomed.

I support globalisation and believe it can bring more benefits to the poor than any alternative. But it must be the right kind of globalisation. To me, globalisation is like a 100-lane highway criss-crossing the world. If it is a free-for-all highway, its lanes will be taken over by the giant trucks from powerful economies - Bangladeshi rickshaws will be thrown off the highway.

In order to have a win-win globalisation, we must have traffic rules, traffic police, and a traffic authority for this global highway. The rule of "strongest takes it all" must be replaced by rules that ensure that the poorest have a place and piece of the action, without being elbowed out by the strong. Globalisation must not become financial imperialism.

Many of the problems in the world today, including poverty, persist because of a too narrow interpretation of capitalism. Our idea of capitalism centers around the free market: It says that the freer the market, the better the result of

capitalism in solving the questions of what, how, and for whom. And that the individual search for personal gain brings collective optimal result.

This theory of capitalism assumes that entrepreneurs are one-dimensional human beings, who are dedicated to one mission in their business lives - maximizing profit. Many of the world's problems exist because of this restriction on the players of free market. This interpretation of capitalism insulates the entrepreneurs from all the political, emotional, social, spiritual, environmental dimensions of their lives.

We have remained so impressed by the success of the free market that we never dared to express any doubt about our basic assumption. We worked extra hard to transform ourselves, as closely as possible, into the one-dimensional human beings as conceptualised in the theory, to allow for the smooth functioning of the free market mechanism.

## Changing the character

Almost all social and economic problems of the world could be addressed through social businesses. Peace is inextricably linked to poverty and poverty is a threat to peace. And we cannot cope with the problem of poverty within the orthodoxy of capitalism preached and practised today

**of capitalism:** But in reality, this is only half the story. By defining "entrepreneur" in a broader way, we can change the character of capitalism radically, and solve many of the unresolved social and economic problems within the scope of the free market.

Let us suppose an entrepreneur, instead of having a single source of motivation (such as maximising profit), now has two sources of motivation: maximizing profit and doing good for people and the world. Each type of motivation will lead to a separate kind of business. Let us call the first type of business a profit-maximizing business, and the second type a social business.

Social business will be a new kind of business introduced in the market place with the objective of making a difference to the world. Investors in a social business could get back their investment money, but will not take any dividend from the company. Profit would be ploughed back into the company to expand its outreach and improve the quality of its product or service. A social business will be a non-loss, non-dividend company.

Once social business is

recognised in law, many existing companies will come forward to create social businesses in addition to their foundation activities. Unlike the non-profit sector where one needs to collect donations to keep activities going, a social business will be self-sustaining and create surplus for expansion since it is a non-loss enterprise.

Young people all around the world, particularly in rich countries, will find the concept of social business very appealing since it will give them a challenge to make a difference by using their creative talent.

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With the failure of many Third World governments in running

businesses, health, education, and welfare programmes efficiently everyone is quick to recommend "hand it over to the private sector". I endorse this recommendation whole-heartedly. But I ask the question: Which private sector are we talking about? The personal-profit based private sector has its own clear agenda. It comes into serious conflict with the pro-poor, pro-women, pro-environment agenda. Economic theory has not provided us with any alternative to this familiar private sector.

The challenge is to innovate business models and apply them to produce desired social results cost-effectively and efficiently. We can create a powerful alternative: a social-consciousness-driven private sector, created by social entrepreneurs.

At the G-8 summit, let us think about creating social businesses, including multinational social businesses that work on behalf of the poor. I believe that we can create a poverty-free world because poverty is not created by poor people. COURTESY SPIEGEL ONLINE

Muhammad Yunus is a Nobel Peace Prize winner

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