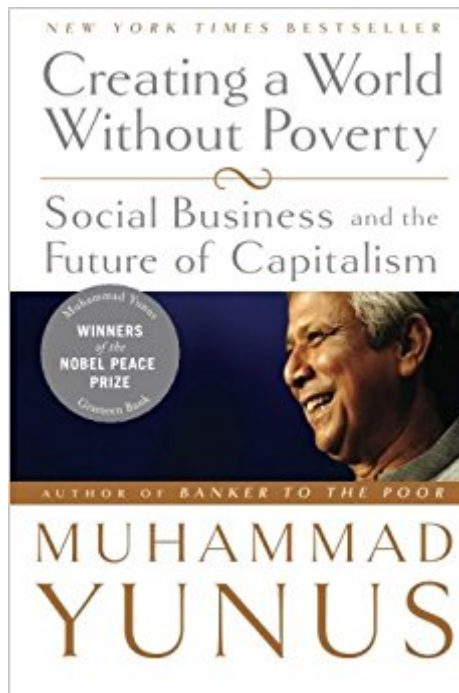


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# Creating A World Without Poverty: Social Business And The Future Of Capitalism



## Synopsis

In the last two decades, free markets have swept the globe. But traditional capitalism has been unable to solve problems like inequality and poverty. In Muhammad Yunusâ™ groundbreaking sequel to *Banker to the Poor*, he outlines the concept of social business—business where the creative vision of the entrepreneur is applied to todayâ™s most serious problems: feeding the poor, housing the homeless, healing the sick, and protecting the planet. *Creating a World Without Poverty* reveals the next phase in a hopeful economic and social revolution that is already underway.

## Book Information

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## Customer Reviews

*Creating a World Without Poverty* should be read by everyone who is concerned about helping the poor and those whose needs are ignored. If I could give this book one hundred stars, I would; that would still be too few. Books have the potential to advance and create discussions about ideas, concepts, and practices that can reform everything we do in needed directions. *Creating a World Without Poverty* is one of the few books I've ever read that fulfills that potential. Professor Yunus (co-winner with the Grameen Bank of the Nobel Prize for Peace in 2006) has written an extremely thoughtful and thought-provoking work that successfully argues for a new type of organization to serve the unserved among the poor, the social business. A social business seeks to optimize social benefits rather than profits. In defining its purpose, a social business begins by defining a social need that wouldn't otherwise be served. Profits are kept at the minimum level needed to keep the enterprise viable. Ideally, no dividends are paid to owners. The original investors get a return of their

capital, and then the organization is purchased by the poor . . . using microcredit from organizations like the Grameen Bank in Bangladesh. The Grameen Bank is a model for such an enterprise, and in the book Professor Yunus describes several other ventures that the Grameen Bank has initiated with partners steeped in expertise related to the needs of the poor. Professor Yunus describes his experiences in founding the Grameen Bank and the lessons he learned from this work:

1. The poor are very capable of solving problems -- survival needs have honed their skills.
2. Poor people often need very few resources to pull themselves out of poverty. They are used to making do with little and will frugally expand a small farm or business.
3. Many poor people are poor because they are exploited by those who loan them money, provide supplies, and purchase their offerings. By providing inexpensive microcredit, poor people can escape from that exploitation.
4. By helping the whole family make progress, you can lift a family out of poverty permanently through more income, savings, capital, improved living conditions, and education.
5. By focusing on helping poor women, the resources are used most effectively.
6. Poor women are good credit risks.
7. Some needs cannot be met without adding expertise that the poor don't have (such as developing more nutritional, low-cost snacks for youngsters) but which those in profit-making companies often do have.
8. Some leaders of profit-making companies are moved to make a difference for the poor and can assist in establishing new enterprises to solve important problems that plague the poor (blindness, malnutrition, and lack of communications).
9. Creating social businesses uses a lot fewer resources than charity or government initiatives and leads to better results for the poor.

The book goes into some detail in describing the development of the Grameen Bank (which makes small loans -- usually around \$100 -- to poor people who lack collateral to qualify for loans at traditional banks) and a recent social business start-up by Groupe Danone and Grameen Bank to provide a nutritional yogurt snack in Bangladesh. There is also a description of plans for a social business venture to provide eye care sponsored by Grameen Bank that is being helped through training at Aravind Eye Hospital in India (you can read about Aravind in *The Fortune at the Bottom of the Pyramid*). The book's vision is wider than what I have just described. Professor Yunus has considered how the world might be filled with such social businesses and how they might operate (competitive salaries for employees, engaging poor people as suppliers, distributors, customers, and employees as much as possible, stock markets for the shares in such firms, and ways that more initial capital might be generated by foundations, governments, investors, and for-profit businesses). He has also done some fine thinking about the governance challenges of such enterprises. I think what he is describing will work. I've seen partial prototypes operating in the United States. In major cities in the United States, some hospitals that serve the poor have added high-profit surgery centers to earn

funds to pay for the medical care given to the poor. Aravind charges those who can pay full price for cataract surgery and uses the profits to provide free surgery to poor people. Some companies been left to charities by their founders at death with the dividends of the companies used to help the poor (Hershey had such an origin in helping orphans). But remember that Professor Yunus's model is broader than that . . . the social business should develop a new business model that innovates in serving the poor in new ways, not just subsidize serving the poor in old ways. I have been writing about continuing business model innovation since 2003 and can assure you that Professor Yunus is on the right track with his prescriptions. In a world where we often make fun of economists, it's nice to know that there's one who can climb down from the ivory tower to appreciate the potential of applied microeconomics to the causes of problems for poor people. I particularly liked the concept of having poor people be part of the solutions. Poor people know what they need better than anyone else does. Their solutions are going to be the most effective ones. Lest you think this is all over optimism, Bangladesh has seen the level of poverty in the country transformed by these kinds of changes. The day is not too distant when Bangladesh will know about poverty only through visiting museums that describe what it used to be like. The poverty rate has fallen from 74 percent in 1974-75 to 40 percent in 2005. That's still too high, but it's a huge reduction in only three decades in a country without natural advantages other than the ingenuity and hard work of its people. It is Professor Yunus's wish that poverty only be seen in museums throughout the world. He also points out that global environmental problems need to be solved or low-lying Bangladesh will be under water from global warming that melts the polar ice. It's a sobering thought. Bravo, Professor Yunus!

The author has proven that capitalism, if it accepts a social conscience out of self-preservation, can eventually develop a world where poverty is on the decline. Yunus is one of the most deserving of recipients of the Nobel Prize. He has been recognized by many, including former president Bill Clinton, as a financial reformer of very high order. The author is not a revving socialist but a reasonable person who believes the responsibility of every individual is to leave the world a better place for those to whom we will leave it. Instead of depending entirely on charity to combat poverty and ease the suffering of those who don't have the material benefits needed for survival, they should be given an opportunity to make their own way in the community. This is a book that should be carefully read by every person who is interested in a more secure world, in easing human suffering, in providing opportunity to every individual to meet his or her potential, and certainly every politician world wide who has the courage to do what is right and not just politically expedient. I have given this book five stars. In the past many others have gotten this rating, and this is the most deserving.

Let me say that I assign Yunnus' earlier book to my classes to read. He and the story of microcredit while controversial have clearly inspired much good work in the world. I expected to enjoy this book. Unfortunately I found this book to be far too simplistic on the business side. The hypothesis boils down to "Businesses make money, and then some rich people profit. Why not give the poor ownership so that they profit?" This would be fine if every business succeeded, but they don't.- Starting a business takes risk capital. Someone is on the line to lose money. Whoever is on the line to lose money puts their money there because they are gambling they will make money. You can't ask people to risk losing their money without any hope to make more.- The average new business does not make money. Venture capitalists on average return negative interest to their investors. Investors put their money there because they are gambling that they will win big.- Yunnus is not an average guy, he can negotiate deals others (even business leaders) can't.- The Dannon deal does not appear to actually be good business for Dannon, it appears to be good CSR public relations. All this doesn't take away from the fact that I think Social Business is a good idea. But I find the strict interpretation which completely removes a profit motive to be unrealistic. You need to get your startup capital from somewhere and that person has to want to give it to you. Despite my lukewarm review, this is an important point in the overall debate about how to get social work done: pure non-profit, for-profit business without profit motive (this book), for-profit startup funded by a Foundation with no expectation of positive return (so far the Foundations aren't too excited to do this, but there are some), for-profit startup funded by a social VC with expectation of return (there are a growing number of these), pure for-profit (most business leaders think their business is producing social good and economists generally would agree with this, but most non-profits wouldn't really agree), joint 501c3 and for-profit in partnership. The jury is still out and I think over the next 10 years we'll start to get enough data points to see what really works.

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