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Contents

Editors' Foreword

'Social Business and New Economics Paradigm'

One that places People at the Centre, not on the Periphery

MANY elegant economic theories exist to analyse traditional businesses. These place their full attention principally on an issue – how to increase the profitability of the firm; regardless of the costs this might impose on other parties such as employees, the environment or society as a whole. Real and sustainable wealth creation however can never be measured in terms of money profit alone.

Conventional economic theory focuses on a one-dimensional world. Prof Andrew Skinner, a pre-eminent scholar of Adam Smith, has argued that Smith, that great economist, would have had every sympathy with Professor Yunus' rejection of the economists' 'one-dimensional' treatment of human activity', and he joins Prof Yunus to say: 'people are exceedingly multi–dimensional in what Adam Smith explained as the multifaceted nature of human behaviour – while they have their selfish dimension, at the same time they also have their selfless dimension.' Capitalism together with technological advancement and the role of the market that has grown up around conventional theories makes no room for the selfless dimension of people.

> What improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which by far the greater part of the numbers are poor and miserable.
>
> Adam Smith (*The Wealth of Nations* 1776)

Despite Smith's observations and reasonable concerns, economists who have followed his ideas have failed to explore the impact of the selfless notion of people as a driver of behaviour for economic action.

As such, economic theory has so far failed to integrate these other drivers of behaviour in mainstream economic models.

Adam Smith rightly identified the importance of bottom-up entrepreneurial activity and of competition. However, his writings were seized upon by traditional economists to do something else completely: to argue that the 'invisible hand' of the market always creates the best of all possible worlds. This closed off investigation of the 'real' challenge of economics: the design of sustainable, win-win-win systems. The notion of entrepreneurship was distorted into 'top down', value extraction, as distinct from creating 'bottom up', win-win-win possibilities. The core challenge of innovation is to invent or redesign wealth-creating networks or systems in order that win-lose and even win-win relationships are transformed into win-win-win virtuous spirals.

The mapping of social business and initiatives directed at empowering communities while tackling poverty, disadvantages and inequalities in income, health, education, housing etc forces socially-conscious people to reinvent economics. Referring to the current inability of modern economics to solve societal problems, Nobel Peace Laureate Muhammad Yunus explains: 'things are going wrong not because of *market failures*. The problem is much deeper than that. The mainstream free-market theory suffers from a *conceptualisation failure*, a failure to capture the essence of what it is to be human.' – Yunus in his book *Creating a World Without Poverty* (2007, New York: Public Affairs).

Currently, the selfless dimension of entrepreneurial activity – even charity or philanthropic work – has no role in mainstream economics, yet these yield an important re-distributive function to improve fairness in economic outcomes. However, bringing 'social business' ideas into the crease of economic and business strategy theory would allow economists to better capture 'the essence of what is to be human'. Remarkably, the recent successes of Grameen-type microcredit and microfinance initiatives in addressing the critical needs of the people at the bottom of the global community, challenge economists to rethink assumptions about how poor households save, invest and build assets, and how institutions can overcome market failures.

The choice we face is to believe that human beings are not selfish, rational profit maximisers; they are social, reciprocal beings. Economics needs to be built on the foundation of humanity. The articulation of Social Business and the New Economics Paradigm will allow us to better capture 'the essence of what is to be human', and to focus on how to create sustainable social businesses in order to regenerate the most humanly purposeful society.

This paradigm shift has evolved out of a volume of research, culminating in a number of ground-breaking presentations at the Global Assembly Conference (held on 4th July 2010 at the University of Glasgow) on diverse community initiatives directed at tacking poverty, disadvantages and income inequalities in Scotland and elsewhere. These included Grameen's global experiences and Prof Yunus' timely presentation to encourage innovative ideas, and to provide poor people access to technology and entrepreneurial non-loss non-dividend activities which have social cause-driven purposes to deal with their apparently insurmountable problems from malnutrition, inadequate healthcare education and housing, as well as safe and secure alternative energy sources.

In an attempt to address the issue of 'Social Business and New Economics' as a *paradigm shift*, the Inaugural Issue of this new Journal includes a number of key articles which focus on these new dimensions of economics and business. For example, Prof John Struthers argues that the recent global financial crisis, in particular the banking crisis, gives an added impetus to economists to explore new ways of facilitating fairer banking and credit to help poor people. As he argues, this is a huge challenge for the profession and the *New Economics* approach is playing a central role in on-going debates. This is partly a theoretical challenge, since the old models are no longer 'fit for purpose'. It is also a practical and pragmatic challenge not just for economists, but also for bankers and others who work in the world of finance. Key theoretical, methodological, indeed historical contributions from Sam Daley-Harris, Jean-Luc Perron, Chris Macrae, Prof David Menasce and Prof Frederic Dalsace, Prof Francesco Perrini and Dr Clodia Vurro, and Prof Luisa Brunori extend the range of discussion on this paradigm shift away from a narrow economic perspective. The articles by Dr Ashir Ahmed et al, Prof Cam Donaldson et al, and Gordon Dryden, strengthen the case from their perspectives respectively of: poor-friendly technology, equality in healthcare, and the need for an educational and learning revolution. Interestingly, most of the authors made useful cross-references to Adam Smith and Muhammad Yunus in their pieces.

Poverty is still the gravest insult to human dignity. Poverty is the scar on humanity's face. As such, the issue of poverty alleviation demands urgency of appropriate action. Social cause-driven 'non-loss non-dividend' entrepreneurial activity, which Prof Yunus calls 'social business', aims at the elimination of poverty and enhancement of human welfare.

In his new book, *Building Social Business . . .* (2010, New York: Public Affairs), Yunus' vision for a new dimension of capitalism is seen as an approach for 'harnessing the energy of profit-making to the objective of fulfilling human needs.' In a small way, the launch of this new Journal may help in that process.

It is hoped that the launch of this exciting new Journal will be able to draw on new developments in theories of economics and business strategy, encourage scholarly research, but also lead to more effective practice and public policy in dealing with poverty. □

Vision 2050: A Poverty-Free World

Social Business – A Step Toward Creating A New Global Economic Order

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Introduction

THE idea of small, collateral-free loans for poor, now widely known as 'microcredit', has spread around the world. Indeed, I launched the 'collateral-free' microcredit project in 1976 and founded the Grameen Bank in 1983 to provide banking services targeted at the poor, especially poor women in Bangladesh. After more than 25 years, Grameen Bank (village bank) has become an international organisation and 'microcredit' has become a worldwide phenomenon. I never imagined what I started out in the village of 'Jobra' to solve a local problem would become a global movement. There are now Grameen-type programmes in almost every country in the world including America.[1] Its continued success explains that, even in the richest country in the world with the most sophisticated banking system, there is a huge need for a bank dedicated to serving the unserved and underserved millions.

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[1] We even run a programme named 'Grameen America' in New York City with the first branch opened in Queens in 2008, followed by Brooklyn and Manhattan, and in Omaha, Nebraska in 2010. It is now branching out to Tampa in Florida, Atlanta in Georgia, Virginia, Indianapolis in Indiana, Pennsylvania, New Hampshire and San Francisco.

In 1974, I found it extremely difficult to teach elegant theories of economics in the university classroom while a terrible famine was raging outside. Suddenly I felt the emptiness of economic theories in the face of crushing hunger and poverty all over Bangladesh. I wanted to do something immediate to help people around me, even if it was just one human being, to get through another day with a little more ease.

> 'In trying to discover what I could do to help, I went out of the campus to the nearby village know as 'Jobra' where I learned many things – about the poor people and their helplessness. I soon came across the struggle of poor people to find the tiniest amounts of money needed to support their efforts to eke out a living. In a desperate attempt to make me familiar with the scope of informal rural money-lending practice, I was shocked to meet a woman who had borrowed just Five Taka from a moneylender-trader under a condition that she would have to sell all her (bamboo/cane) products to him at a price he would decide – a Five-Taka (US$0.02) loan transformed her into a virtual slave. Quickly I finalised a list of 42 people who had borrowed a total of TK 856 (US$27) from the local moneylenders. To free these 42 people from the clutches of the moneylenders, I gave them the money to repay their loans. The excitement I saw in the village from this small action touched me deeply. I thought, 'If this little action makes so many people so happy, why shouldn't I do more of this?' '

In disaster situations, most of us take up our social roles unhesitatingly. But in my case what began in a time of 1974-crisis became a life-long calling. I gave up my academic position and founded a bank – a bank for the poor which has now become a global name 'Grameen'.

I became involved with poverty because it was all around me, and I could not turn away from it. That's what I have been trying to do ever since. However, much is needed to be done to solve the problems of poverty created by the existing economic architecture and to put poverty into museums by 2050 through giving shape of a new global economic and social order.

Poverty is An External Imposition

In rural Bangladesh, as is common with Grameen Bank borrowers, some mother-daughter and mother-son pairs who I often met, the mother was totally illiterate, while the daughter or son was a medical doctor or an engineer. A thought always flashes through my mind: the mother could have been a doctor or an engineer too. She has the same capability as her daughter or son. The only reason she could not unleash her potential is that the society never gave her the chance. She could not even go to school to learn the alphabet.

The more time one spends among poor people, the more he/she becomes convinced that poverty is not created by poor people – it is an external imposition. It is created by the theoretical framework and concepts we have formulated and by deficiencies in the system we have built and the institutions and policies we have designed. For example, financial institutions – they refuse to provide financial services to nearly two-thirds of the world's population. For generations, they claimed that it could not be done *because the poor are not creditworthy*, and everybody accepted that explanation. This allowed loan sharks to thrive all over the world. Grameen Bank questioned this assumption and demonstrated that without collateral lending money to the poorest in a sustainable way is possible.

During the current financial crisis, the falsity of the old assumption became even more visible. While big conventional banks with all their collateral were collapsing, microcredit programmes, which do not depend on collateral, continued to be as strong as ever. The financial institutions would essentially demand a redesign, recast and rebuild. It's now the time to convert them into inclusive institutions: nobody should be refused access to financial services which are so vital for a variety of requirements of people, and access to credit should be given the status of a human right.

Poverty Belongs in Museums

Every human being is born into this world fully equipped not only to take care of himself or herself, but also to contribute to the well-being of the world as a whole. Some get the chance to explore their potential, but many others never get the chance to unwrap the wonderful gifts they were born with. They die with those gifts unexplored, and the world remains deprived of their contributions.

Grameen has given me an unshakeable faith in the creativity of human beings and the firm belief that human beings are not born to suffer the misery of hunger and poverty. We can create a poverty-free world if we collectively believe in it – a world in which the only place the future generations would be able to see poverty is in poverty museums.

To me, poor people are like *bonsai* trees. When we plant the best seed from the tallest tree in a tiny flower pot, we get a *replica* of the tallest tree, only inches tall. There is nothing wrong with the seed we planted, only the soil-base that we gave it is inadequate. Poor people are *bonsai people*. There is nothing wrong with their seeds, but society never gave them the proper base to grow on. All it takes to get poor people out of poverty is for us to create an enabling environment for them. Once the poor can unleash their energy and creativity, poverty will soon disappear.

Free Market Economy: A Rational Awakening!

We are living in a time of unparalleled prosperity, fuelled in part by revolutions in knowledge, science, and technology – information technology, in particular. This prosperity changed the lives of many, yet billions of people suffer from poverty, hunger and disease. The twenty first century dawned with high hopes and idealistic dreams encapsulated in the UN initiative known as Millennium Development Goals. Many of us were hoping that the coming decades would bring unprecedented wealth and prosperity, not just for a few but for all people on this planet. And now, several unprecedented major crises such as high food prices, energy crisis, financial crisis and ever-worsening environmental crisis have combined forces to bring even greater misery and frustration to the world's bottom 3 billion people.

Few people foresaw these crises which are practically causing a profound loss of faith among people who thought they had full understanding of and control over the global system. Even if we can overcome the current crises we face, we will still be left with fundamental questions about the effectiveness of the global (capitalist) system in tackling such unresolved problems as persistent poverty, lack of access to healthcare and education, epidemic diseases and environmental disasters. Sadly, however, 2008–2010 will go down in history as the period of a wake-up call about the gross weaknesses in the free market capitalist system.

Adam Smith provided the conceptual framework of capitalism: *the freer the market, the better is the result in solving the questions of what, how, and for whom*.[2] It has been improved and elaborated along its

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[2] If given a free rein, individual search for personal gains brings collective optimal result.

long history. In the meantime the world has changed enormously. The need for reviewing the basic structure of capitalism has been felt on many occasions. But it has never been felt as strongly as it is being felt today. Capitalism is in serious crisis: free-market capitalism cannot allocate all resources efficiently and individual profit maximisation does not lead to collective happiness, eventually 3 billion people are badly suffering though poverty, hunger and disease. Even so, no-one is calling for it to be abandoned and move on to some other system, such as socialism, because everybody is convinced that with all its weaknesses capitalism is still the best economic system known to humanity. Given the miseries from current financial crisis, now there is a strong support for a major overhaul of the system. In my *Adam Smith Lecture* at the University of Glasgow on 01 December 2008, I explained why I think one major change in the theoretical framework of capitalism is necessary to address the basic weakness of the system. It's a change that will allow individuals to express themselves in more human way and address the problems left unsolved or even exacerbated by the existing socio-economic framework. Although my proposal may be viewed as a significant change in the structure of capitalism, it is indeed consistent with what Adam Smith explained so brilliantly 250 years back in his *Theory of Moral Sentiments*.

Adam Smith's thesis in *The Wealth of Nations* is generally summarised as an argument that all will be well if people are allowed to follow 'self-interest'. The world has interpreted self-interest as equal to profit maximisation. But with human beings as they are, driven by conscience and sympathy as well as the desire for profit, we see that 'self-interest' includes both profit maximisation and social contribution. In my view, the existing theoretical framework of capitalism prevents Adam Smith's 'invisible hand' from operating what he believed it should. In a sense, we have chosen to disregard half of Smith's message. His seminal work *The Wealth of Nations* has drawn all the attention while his outstanding *Theory of Moral Sentiments* (TMS) has been largely ignored. The TMS could have provided the foundation for the selfless notion of the market that caters to the moral dimension of the social consciousness of the people.

The Theory of Moral Sentiments begins with the following assertion:

> 'How selfish so ever man may be supposed, there are evidently some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it. Of this kind is pity or

> compassion, the emotion we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrows of others, is a matter of fact too obvious to require any instances to prove it; for this sentiment, like all the other original passions of human nature, is by no means confined to the virtuous or the humane, though they perhaps may feel it with the most exquisite sensibility. The greatest ruffian, the most hardened violator of the laws of society, is not altogether without it.'

Smith asks that most fundamental question: why do we regard certain actions or intentions with approval and condemn others? At the time, opinion was divided: some held that the only standard of right and wrong was the law and the sovereign who made it; others, that moral principles could be worked out rationally, like the theorems of mathematics. Smith took the view that people are born with a moral sense, just as they have inborn ideas of beauty or harmony. Our conscience tells us what is right and wrong: and that conscience is something innate, not something given us by lawmakers or by rational analysis. And to bolster it we also have a natural fellow-feeling, which Smith calls 'sympathy'. Between them, these natural senses of conscience and sympathy ensure that human beings can and do live together in orderly and beneficial social organisations. That's what Adam Smith elaborated in his *Theory of Moral Sentiments,* which attached great importance to justice and other moral virtues, perhaps to clarify the boundaries of 'self-interest'.

A Fundamental Conceptual Flaw

Now I return to the point of the current financial crisis: governments have come up with super-size bail-out packages for the failed financial institutions which were responsible for the financial crisis. Whereas no bail-out package of any size has been offered for victims of this crisis – the 3 billion bottom people and the planet that sustains us all. Unfortunately, media coverage gives the impression that, once we fix this crisis, all our troubles will be over. We forget that the financial crisis is only one of several crises – a global food crisis, an energy crisis, an environmental crisis, a healthcare crisis, and the continuing social and economic problems of poverty which have not received as much attention. Furthermore, the media coverage may give the impression that these are disconnected crises that are taking place simultaneously, just by accident. That's not true at all. In fact, these crises grow from the same root – a fundamental flaw in our theoretical construct of capitalism.

The biggest flaw in the present interpretation of capitalism lies in its misrepresentation of human nature: human beings engaged in business are portrayed as one-dimensional beings whose only mission is to maximise profit. This is a much distorted picture of a human being since this interpretation denies any role to other aspects of life – political, social, emotional, spiritual, environmental, etc. The essential fact about human beings is that, as Adam Smith saw 250 years back, they are *multi-dimensional* beings – not 'one-dimensional' money-making robots; their happiness comes from many sources – not just from making money. While they have their selfish dimension, at the same time, they have also their selfless dimension. The theory of capitalism and the marketplace that has grown around the theory, make no room for the selfless dimension of the people.

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, which are mutually exclusive, but equally compelling – 'maximisation of profit', and 'doing good to people and the world'. Each type of motivation will lead to a separate kind of business. Let us call the first type of business – *profit-maximising business,* and the second type of business, built on the selfless part of human nature – *social business*. This is what our economic theory has been lacking.

Social Business in Real World

'Social business' is a non-loss, non-dividend enterprise – dedicated entirely to achieving a social goal – where an investor aims to help others without taking any financial gain him or herself. At the same time, the social business generates enough income to cover its own costs, any surplus is invested in expansion of the business or for increased benefits to society.

While I was wondering whether the idea of social business would make any sense to the corporate world, I had an opportunity to talk to the chairman of Danone Group, Franck Riboud about this subject. It made perfect sense to him right away. The first joint-venture social business was created in 2005 with the multi-national French dairy company Danone, aimed at reducing malnutrition among the children of Bangladesh. The Grameen-Danone company produces a delicious yogurt for children and sells it at a price affordable to the poor. This yogurt is fortified with all the micro-nutrients which are missing in the children's ordinary diet – vitamins, iron, zinc, iodine, etc. If a child eats two cups of yogurt a week over a period of eight to nine months, the child gets all the micro-nutrients he or she needs and becomes a healthy, playful child.

As a social business, Grameen-Danone follows the basic principle that it must be self-sustaining, and the owners must remain committed never to take any dividend beyond the return of the original amount they invested. The success of the company will be judged each year not by the amount of profit generated, but by the number of children getting out of nutrition deficiency in that particular year.

We have created a joint-venture social business with Veolia, a large French water company. The Grameen-Veolia Water Company was created to provide good quality drinking water in a cluster of villages of Bangladesh where tubewell water is highly arsenic-contaminated, surface water is polluted. Villagers are buying water from the company at an affordable price instead of drinking contaminated water. This social business water company will be a prototype for supplying safe drinking water in a sustainable and affordable way to people who are faced with water crisis. Once it is perfected, it can be replicated in other villages, within Bangladesh and outside.

Intel Corporation created a social business company called Grameen-Intel to bring information technology-based services to the poor in healthcare, marketing, education and remittances. In two of the clinics in Savar, about twenty miles away from the Dhaka City, mobile healthcare workers equipped with smartphones are using poor-friendly technology to assess the risk profile of pregnant mothers who have limited access to medical care at the villages. Mothers at risk are then referred for further diagnostics, bringing the mother into the formal service for basic healthcare.

The Grameen joint-venture with Adidas aims at producing shoes for the lowest income people at an affordable price. The goal of the Grameen-Adidas social business company is to make sure that no one, child or adult, goes without shoes. This is a health intervention to make sure that people in the rural areas, particularly children, do not have to suffer from the parasitic diseases that can be transmitted through walking barefoot.

Another shoe company, Reebok, is now test marketing the products for its social business to make sure that nobody goes without shoes.

BASF – *The Chemical Company* of Germany has signed a joint-venture social business agreement to produce chemically treated mosquito-nets to protect people in Bangladesh and Africa from malaria and other mosquito-borne diseases. The BASF-Grameen company will sell these mosquito-nets as cheaply as possible to make it affordable to the poorest. The company will have to be self-sustaining, but there is no intention of taking any profit out of the company beyond the amount invested.

Grameen has recently signed an agreement with the Japanese retail chain UNIQLO. The goal of the joint-venture social business company is to produce reusable sanitary napkins for women to address the issue of women's health.

Grameen Krishi (Agriculture) Foundation (GFK) has tied up with a leading Japanese agro-company, Yukiguni Maitake Company (YMC) Ltd in October 2010 to produce 'mung' beans in Bangladesh. This joint-venture social business company will work actively to expand bean production in Bangladesh for local consumption and open up export markets for it. The company will purchase mung beans (moog dal/lentil) produced by local farmers who are affiliated with GFK.

Grameen has set up an eye-care hospital specialising in cataract operation, with a capacity to undertake 10,000 operations per year. This hospital was set up with the money from the Green Children Foundation, created by two singers in their early twenties, Tom and Milla, from England and Norway. The GC Eye Care Hospital reached break-even point in 14 months. This Eye Care Hospital is also an example of a social business that was created by the Grameen companies alone, instead of any joint venture terms with multinational organisations.

Many other big companies are now approaching the Grameen to create social business joint ventures, because they want to make sure that it is done the right way. Once they become experienced in social business, they will take the concept wherever the need exists.

As these examples show, social business is not just a pleasant idea. It is a reality, one that is already beginning to make positive changes in people's lives.

Many more social businesses are on the way. One attractive area of social businesses will be in creating jobs in special locations or for particularly disadvantaged people. Since a social business company operates free from the pressure of earning profit for the owners, the scope of investment opportunities is much greater than with profit-maximising companies which need to be assured of a certain minimum level of return on investment before they invest and create jobs. A social business does not need to fulfill such a condition. It can easily invest below that level and go down even to near-zero profit level, and in the process open up opportunities for creating jobs for many people, afforestation being an exciting area of social business. Forests are being denuded all around the world by individuals, greedy businesses and in some cases by government officials who are paid by the taxpayers to protect the forests. This is having a documented negative impact on climate change. Planting trees across huge tracts of land could be an excellent area for social business. This opportunity we cannot afford to ignore for saving our planet.

Healthcare is another high potential area for social business. Public delivery of healthcare in most cases is inefficient and often fails to reach the people who need it the most. Private healthcare caters to the needs of high-income people. The big empty space between the two can be filled by social businesses.

In Bangladesh, Grameen Healthcare company is trying to create social businesses to fill this gap in the healthcare system. It is trying to develop a prototype of health management centres in the villages to keep healthy people healthy by concentrating on prevention and offering diagnostic and health check-up services, health insurance services, etc. The company is making efforts to take advantage of the universal availability of mobile phones. It is also in the process of working with leading manufacturers to design diagnostic equipment that can transmit images and data in real time to city-based health experts.

Grameen Healthcare is also planning to set up secondary and tertiary health facilities on social businesses terms. To train a new generation of doctors to staff its social business healthcare facilities, Grameen Healthcare plans to establish a University of Health Sciences and Technology.

Many other segments of healthcare are appropriate for building successful social businesses – nutrition, water, health insurance, health education and training, eye-care, mother and childcare, diagnostic services, etc. It will take time to develop the prototypes. But once creative minds come up with the design for a social business and a prototype is developed successfully, it can be replicated endlessly.

Grameen as a Social Business

Even profit maximising companies can be designed as social businesses by giving full or majority ownership to the poor. This constitutes a second type of social business. Grameen Bank falls under this category of social business.

- Grameen Bank is a social business owned by its (poor) borrowers. They hold 95% of the shares. The remaining 5% is owned by the government. The profits are paid out as dividends to the borrowers through their saving accounts.[3]

- Today, Grameen Bank is a nationwide bank serving the poor in every single village of Bangladesh. It has 8.5 million borrowers, 97 per cent of whom are women. Nine of the thirteen members of the Board of Directors are elected by the borrowers as shareholders. The Bank lends out over US$100 million a month in collateral-free loans averaging about US$200.

- Grameen Bank is financially self-reliant. All of its funds come from deposits. More than half of the deposits come from the borrowers themselves, who are required to save a little every week. They have a collective savings balance of over half a billion US dollars. The repayment rate on loans is very high, about 98 per cent, despite the fact that Grameen Bank focuses on the poorest people – those that other banks consider non-creditworthy.

- The Grameen Bank encourages children of Grameen families to go to school. It offers education loans to them to pursue higher education. There are more than 44,000 students who are currently pursuing their education in medical schools, engineering schools, and universities, financed from Grameen educational loan scheme.

Bilateral and multi-lateral donors could easily create this type of social business. When a donor gives a loan or a grant to build a bridge in the recipient country, it could create instead a 'bridge company' owned by the local poor. A committed management company could be given the responsibility of running the company. Profit of the company will go to the local poor as dividend, and towards building more bridges. Many

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[3] The poor could get the shares of these companies as gifts by donors, or they could buy the shares with their own money. The borrowers buy Grameen Bank shares with their own money, and these shares cannot be transferred to non-borrowers. A committed professional team does the day-to-day running of the bank.

infrastructure projects such as roads, highways, airports, seaports, utility companies, etc could all be built in this manner.[4]

Grameen is in the process of implementing some social businesses that are owned by a Trust that benefits the poor. Grameen is now setting up a garment factory as a social business in collaboration with Otto, a large chain-store and mail-order company of Germany. Otto Grameen Textile Company is a 'for-profit' company that will produce clothing for the export market. Profits generated from the textile company will go to Otto Grameen Trust, which will ensure that the profits generated are spent for the improvement of the quality of lives of its employees, their children, and the poor of the neighbourhood.

Creating Infrastructure for Social Business

Gradually creative young people will come forward with attractive designs for social businesses to address the most difficult social problems. The good ideas will need to be funded – there are already initiatives in Europe and Japan to create Social Business Funds to provide equity and loan support to social business initiatives.

Each level of government – international, national, state, and city – can create Social Business Funds to encourage citizens and companies to create social businesses aimed at addressing specific social problems (unemployment, health, sanitation, pollution, drug, crime, old age, disadvantaged groups – the disabled, etc). Bilateral and multilateral donors can create Social Business Funds. Foundations can earmark a percentage of their funds to support social businesses. Businesses can use their social responsibility budgets to fund social businesses.

More and more Business Schools should come forward to design and offer social business courses and business management degrees to train young managers how to manage social businesses in the most efficient manner, and, most of all, to inspire them to become social business entrepreneurs themselves.

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[4] Even if altruistic motivation that exists in people could be brought into the business world, there would be very few problems that we could not solve.

Social Stock Market

We'll soon need to create a separate stock market for social businesses to make it easy for small investors to invest in social businesses. Only social businesses will be listed in this Social Stock Market. An investor will come to this in order to find a social business, which has a mission to his or her liking, just as someone who wants to make money goes to the existing stock-market. Investors will know right from the beginning that they'll never receive any dividends when they invest in a social stock market. Their motivation will be to enjoy the pride and pleasure of helping to solve difficult social problems.

To enable a social stock exchange to perform properly, we will need to create rating agencies, standardisation of terminology, definitions, impact measurement tools, reporting formats, and new financial publications, such as The Social Wall Street Journal, and new electronic media, such as, Social Bloomberg.

'Social Business' – Friendly Technology to End Poverty

The world today is in possession of amazingly powerful technology. That technology is growing very fast, becoming more powerful every day. As a kind of vehicle, one can drive it to any destination one wants. Since the present owners of technology want to travel to the peaks of profit-making, technology takes them there. If someone else decides to use the existing technology to end poverty, it can take the owner in that direction. If another owner wants to use it to end diseases, technology will go there. The choice is ours. The present theoretical framework does not give this choice, inclusion of social business would create this choice.

One more point to ponder – using technology for one purpose doesn't make it less effective for serving a different purpose. Actually, it is the other way around. The more diverse use we make of technology, the more powerful it becomes. Using technology for solving social problems will not reduce its effectiveness for money-making use, but rather will enhance it. The owners of social businesses can direct the power of technology to solve our growing list of social and economic problems, and get quick results.

Social Business and Role of Government

Thanks to the concept of social business, citizens don't have to leave all problems in the hands of the government and then spend their lives criticising the government for failing to solve them. Now citizens have a completely new space to mobilise their creativity and talent for solving the problem of our time. Seeing the effectiveness of social business, governments may decide to create their own social businesses or partner with citizen-run social businesses, and/or incorporate the lessons from the social businesses to improve the effectiveness of their own programmes.

Governments will have an important role to play in the promotion of social business. They will need to pass legislation to give legal recognition to social business and create regulatory bodies so to ensure transparency, integrity, and honesty in the social business sector. They can also provide tax incentives for investing in social businesses as well as for social businesses themselves.

Globalisation and Social Business

We live in a globalised world: we are now connected and interdependent in an unprecedented way; what we do in one part of the world has a direct impact on another. The shock waves from the collapse of the financial system in most rich countries were transmitted globally and now the whole world suffers from high unemployment, social unrest, etc. Wrong doings of the rich world impact on the lives of the poor people very heavily. The issue of climate change (how this will affect the earth and how human beings will continue to survive on this planet) is a very good example of this. The world's most densely populated country, Bangladesh, which has 20 per cent of its land less than one metre above sea-level, is singled out very often as a country that will be most affected, and most quickly, by the effects of climate change. Remarkably, the worldwide food crisis of 2008 was, in part, caused by changes in climate patterns, scientists believe, by human activity.

The lifestyle of the North can make lives in the South unsustainable. We have to design a new global economic framework to make sure one person's enjoyment of life does not take away another person's right to survival, and that one generation's enjoyment of life does not put another generation in peril. Globalisation can bring more benefits to the poor than any other alternative, if it is of the right kind! To me, globalisation is like a 'hundred-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 traffic authority for this global highway. 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.

Powerful multinational social businesses can be created to retain the benefit of globalisation for the poor people and poor countries. The extraction of natural resources by the North devastates the livelihood of the poor, so social businesses can be set up to protect those resources from over-extraction and ensure that the poor get a fair price for resources that belongs to them.

Direct foreign investment by foreign social businesses will be exciting news for recipient countries since social businesses will either bring ownership to poor people, or keep the profit within poor countries since taking dividends will not be their objective. Building strong economies in poor countries and protecting them from plundering companies will be a major area of interest for social businesses.

Engaging Individuals' Potentials

Once our economic theory adjusts to the multidimensional reality of human nature, students will learn in their schools and colleges that there are two kinds of businesses; traditional money-making businesses and social businesses. As they grow up, they'll think about what kind of company they will invest in and what kind of company they will work for. And many young people who dream of a better world will think about what kind of social business they would like to create. Young people, when they are still in schools and colleges, may start designing social businesses, and even launch social businesses individually or collectively to express their creative talents in changing the world.

We encourage those young people who belong to Grameen borrowers' families and are about to complete their education or in studies either on Grameen education loans or scholarships to take a pledge that they would prefer to become job-givers rather than entering the job market to seek jobs. We explain to them that their mothers own a big bank, Grameen Bank. It has plenty of money to finance any enterprise they wish to float – so why take time or think of looking for a job to work for someone else? Instead, try to be an employer!

As well, Grameen Healthcare is in the process of setting up of a series of Nursing Colleges as social business, the first College launched in February 2010 with a cohort of 40 students, to train girls from the Grameen Bank families as nurses. After completion of their course or training, they would have the opportunities to find jobs in Grameen Health Centres/clinics which are operating on social business terms. Moreover, Bangladesh has an enormous shortage of nursing professionals. The global shortage of nurses is also quite enormous. There is no reason why vast number of young girls should be sitting around in the villages while these attractive job opportunities are going unfilled.

Charities and Welfare Institutions

In the absence of opportunity for selfless dimensional activity in the market place, people express their selflessness through charities. Charitable efforts always have been with us, and they are noble, and they are needed. But we have seen that business has a greater ability than charities to innovate, to expand and to reach more and more people through the power of the free market. One problem of charity programmes is that they remain perpetually dependent on donations. They cannot stand on their own two feet. Charity money goes out to do good things, but that money never comes back. It is a one-way route. But if a charity programme can be converted into a social business that supports itself, it becomes a powerful undertaking. Now the money invested is recycled endlessly. A 'Charity Dollar' has one life, but a 'Social Business Dollar' has endless life. That's the power of social business.

It's a blessing that the state is caring and guarantees welfare to the citizens. But I find it difficult to accept a permanent situation of welfare. The very first sentence of welfare law should be: 'Welfare is being provided to citizens to help them leave welfare as soon as possible. The whole objective is to help the person leave welfare, not to keep the person in welfare.' All welfare laws all over the world are so generous to make sure people feel very comfortable to live in welfare. They close down all the doors and windows so they cannot try to leave. Even if they try, it will stop them.

In the USA, there was an experience of a major problem in terms of Grameen America's operation. If you are on welfare and earn US$1, you have to report it to the welfare authority. The welfare authority will deduct that dollar from your cheque. I said, 'It is a very funny situation.' In writing this welfare law, I would have done it in another way. I would have said: 'If you earn US$1, you report it the welfare authority and the welfare authority would be obliged to match it with another dollar so that you are encouraged to leave.' The other way it means, 'Do not make money. I am watching you.' It does not make sense.

Grameen Bank gives interest-free loans to beggars. They use the loans to start the business of selling goods from door-to-door, rather than begging door-to-door or in urban streets. Beggars like it. It now has over 110,000 beggars in this programme. During the last five years since this programme was launched, over 20,000 have quit begging.

The Power of Dreams

No doubt human beings are selfish beings, but they are selfless beings too. Yet this selfless dimension of human beings has no role in economics. This distorted view of human nature is the fatal flaw that makes our economic thinking incomplete and inaccurate. Over time, it has helped to create the multiple crises we face today.

The wonderful promise of social business makes it all the more important that we re-define and broaden our present economic framework. We need a new way of thinking about economics that is not prone to creating series of crises; instead, it should be capable of ending the crises once-for-all. Now is the time for bold and creative thinking and we need to move fast, because the world is changing fast. The first piece of this new framework should be to accommodate 'social business' as an integral part of the economic structure: *We can do both types of businesses. Doing both is an attractive idea too. Making money through responsible profit-maximising businesses could be the means, while using that money for social businesses could be the exciting end.* Individuals in future generations can thus combine both selfishness and selflessness in the proportion of their choice.

Together We Can Make It Happen

We overcame slavery. We overcame apartheid. We have done other things that people once thought impossible. We have put human beings on the moon, into space to explore far away worlds. Together, by 2050 we can create a 'poverty-free' fairer world. In creating a new global economic and social order toward this goal, the idea of social business is a timely step. □

Adam Smith: Science and Human Nature

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Abstract: The paper opens with a quotation from Professor Muhammad Yunus objecting to the one-dimensional representation of human nature which is common in modern economics. The bulk of the paper is concerned with Adam Smith and his system of social science which consists of three major parts, mainly – ethics, history and economics. Implications of Smith's position on human nature are indeed multi-dimensional. In conclusion, it is pointed out that Smith's separation of ethics, history and economics made it possible through later generations to regard economics as a separate autonomous discipline. This paved the way for the kind of development of which Prof Yunus was the critic.

Keywords: system of social science, human nature, jurisprudence, moral philosophy, economic liberalism, allocative mechanism

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IN a notable passage, *Nobel Peace Laureate* Muhammad Yunus once remarked that the economists' view of 'human nature' was 'one dimensional'. Yunus contended that 'People are not one-dimensional entities; they are exceedingly multi-dimensional. Their emotions, beliefs, priorities and behaviour patterns can best be compared to the millions of shades we can produce from the three primary colours.' (Yunus 2007, p19; cf Pp21 and 290) This article is about Adam Smith, but it is hoped that in expounding the elements of his system it will be possible to illustrate the point that Smith would have had every sympathy with Professor Yunus's rejection.

In what follows, Smith's system will be expounded in terms of the order of argument which he is known to have employed as a lecturer; namely, ethics, jurisprudence and economics. But it will be convenient to begin with his treatment and knowledge of the literature of science.

Section I: The Literature of Science

It should be recalled that each separate component of Smith's system represents scientific work in the style of Newton, contributing to a greater whole which was conceived in the same image. Smith's scientific aspirations were real, as was his consciousness of the methodological tensions which may arise in the course of such work.

Smith's interest in mathematics dates from his time as a student in Glasgow (Stewart, 1.7). He also appears to have maintained a general interest in the natural and biological sciences, facts which are attested by his purchases for the University Library (Scott 1937, p182) and for his own collection (Mizuta 2000). Smith's 'Letter to the Authors of *Edinburgh Review'*(1756), where he warned against any undue preoccupation with Scottish literature, affords evidence of wide reading in the physical sciences, and also contains references to contemporary work in the French *Encyclopedie* as well as to the productions of Buffon, Daubenton and Reaumur. DD Raphael has argued that the Letter owes much to Hume. (TMS, 10, 11)

The essay on astronomy, which dates from the same period (it is known to have been written before 1758 and may well date from the Oxford period) indicates that Smith was familiar with classical as well as with more modern sources, such as Galileo, Kepler and Tycho Brahe, a salutary reminder that an eighteenth century philosopher could work close to the frontiers of knowledge in a number of fields.

But Smith was also interested in science as a form of communication, arguing in the LRBL (see Abbreviations) that the way in which this type of discourse is organised should reflect its purpose as well as a judgement as to the psychological characteristics of the audience to be addressed.

In a Lecture delivered on 24 January 1763 Smith noted that didactic or scientific writing could have one of two aims: either to 'lay down a proposition and prove this, by the different arguments that lead to that conclusion' or to deliver a system in any science. In the latter case Smith advocated what he called the Newtonian method, whereby we 'lay down certain principles known or proved in the beginning, from whence we account for the several phenomena, connecting all together by the same Chain'. (LRBL, ii.133) Two points are to be noted. First, Smith makes it clear that Descartes rather than Newton was the first to use this method of exposition, even although the former was now perceived to be the author of 'one of the most entertaining Romances that have ever been wrote'. (LRBL, ii.134; Letter 5) Secondly, his reference to the pleasure to be derived from the 'Newtonian method' (LRBL, ii, 134) draws attention to the problem of scientific motivation, a theme which was to be developed in the 'Astronomy' where Smith considered those principles 'which lead and direct philosophical enquiry'.

Smith made extensive use of mechanistic analogies, sometimes derived from Newton, seeing in the universe 'a great machine' wherein we may observe 'means adjusted with the nicest artifice to the ends which they are intended to produce'. (TMS, II.ii.3.5) In the same way he noted that 'Human society, when we contemplate it in a certain abstract and philosophical light, appears like a great, an immense machine', (TMS, VII.ii.1.2) a position which leads quite naturally to a distinction between efficient and final causes, (TMS, II.ii.3.5) which is not inconsistent with the form of Deism associated with Newton himself. It is also striking that so sympathetic a thinker as Smith should have extended the mechanistic analogy to systems of thought.

> Systems in many respects resemble machines, a machine is a little system created to perform, as well as to connect together, in reality, those different movements and effects which the artist has occasion for. A system is an Imaginary machine invented to connect together in the fancy those different movements and effects which are already in reality performed. (Astronomy, IV.19)

Each part of Smith's contribution is in effect an 'imaginary' machine which conforms closely to his own stated rules for the organisation of scientific discourse. All disclose Smith's perception of the 'beauty of a systematical arrangement of different observations connected by a few common principles'. (WN, V.i.f.25) The whole reveals much as to Smith's drives as a thinker, and throws an important light on his own marked (subjective) preference for system, coherence and order.

Section II: Ethics, Jurisprudence and Economics

Smith's teaching from the Chair of Moral Philosophy (1752-64) was divided into four parts. It is known that he lectured on natural theology, ethics, jurisprudence, and economics in that order and in a style which confirms his debt to his old teacher, Francis Hutcheson, under whom he studied between 1737 and 1740. It is also clear that the lectures on ethics formed the basis of *The Theory of Moral Sentiments* (TMS) and that the subjects covered in the last part of the course were further to be developed in *The Wealth of Nations* (WN).

Adam Smith had a very definite research programme in mind from an early date; a point to which he made reference in the concluding passages of the first edition of the *Theory of Moral Sentiments*. The point was also repeated in the advertisement to the sixth and last edition of the work (1790) where Smith indicated that his two great works were two parts of a plan which he hoped to complete by giving 'an account of the general principles of law and government, and of the different revolutions which they had undergone in the different ages and periods of society.'

Smith did not live to complete his plan partly as a result of his appointment, in 1778, as Commissioner of Customs. But the shape of the study may well be reflected in the *Lectures on Jurisprudence* (1896, 1978).

The three parts of Smith's great plan are highly systematic; each discloses a debt to contemporary scientific work especially in the fields of biology and Newtonian physics, all are interdependent.

The TMS, which builds upon the analyses of Hutcheson and David Hume is primarily concerned with the way in which we form moral judgements. It was also designed to explain the emergence, by natural as district from artificial means, of those barriers which control our self-regarding and un-social passions. The argument gives prominence to the emergence of general rules of conduct, based upon experience, which include the rules of law. The analysis also confirms that accepted standards of behaviour are related to environment and that they may vary in different societies at the same point in time and in a given society over time.

The lectures on jurisprudence on the other hand, help to explain the emergence of government and its changing structure in terms of an analysis which features the use of four distinct types of socio-economic environment; the celebrated stages of hunting, pasture, agriculture and commerce. Smith's work on ethics was closely linked with the economic analysis which was to follow. For example, if Smith gave prominence to the role of self-interest in this context, auditors of his lecture course and readers of the TMS would be aware that the basic drive to better our condition was subject to a process of moral scrutiny. It would also be appreciated that economic aspirations had a social reference in the sense that it is chiefly from a regard 'to the sentiments of mankind, that we pursue riches and avoid poverty'. (TMS, I.iii.2.1) Later in the book the position was further clarified when Smith noted that we tend to approve the means as well as the ends of ambition: 'Hence . . . that eminent esteem with which all men naturally regard a steady perseverance in the practice of frugality, industry, and application'. (TMS, IV.2.8)

The lectures on jurisprudence helped Smith to specify the nature of the system of positive law which might be expected in the stage of commerce and also threw some light on the form of government which might conform to it together with the political pressures to which it may be subject.

The treatment of jurisprudence is also important in that it helps to explain the origins of the modern economy and the emergence of an institutional structure where all goods and services command a price. It is in this context that 'Every man . . . Lives by exchanging, or becomes in some measure a merchant' (WN,'I.iv.1); a position which leads to Smith's famous judgement that:

> 'It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chooses to depend chiefly upon the benevolence of his fellow Citizens. Even the beggar does not depend upon it entirely.' (WN, I.ii.2)

Economic Analysis and Economic Liberalism

As far as the purely economic analysis is concerned, it is sufficient to be reminded that in *The Wealth of Nations* the theory of price and allocation was developed in terms of a model which made due allowance for distinct factors of production (land, labour, capital) and for the appropriate forms of return (rent, wages, profit). This point, now so obvious, was an innovation of genius by Smith and permitted him to develop an analysis of the allocative mechanism which ran in terms of inter-related adjustments in both factor and commodity markets. The resulting version of general interdependence also allowed Smith to move from the discussion of 'micro' to that of 'macro' economic issues, and to develop a model of the 'circular flow' which relies heavily on the distinction, already established by the contemporary French economists, between fixed and circulating capital.

But these terms, which were applied to the activities of individual undertakers, were transformed in their meaning by their application to society at large. Working in terms of period analysis where all magnitudes are dated, Smith in effect represented the working of the economic process as series of activities and transactions which linked the main socio-economic groups (proprietors, capitalists, and wage-labour) and productive sectors. In Smith's terms, current purchases in effect withdrew consumption and investment goods from the circulating capital of society; goods which were in turn replaced by virtue of productive activity in the same time period.

We should note in this context that Smith was greatly influenced by a specific model of the economy which he came across during a visit to Paris in 1766. The model was designed to explain the operation of an economic system treated as an organism. It was first produced by Francois Quesnay, a medical doctor, and developed by A R J Turgot. (Meek 1962, 1973) The significance of the analogy of the circulation of the blood would not be lost on Smith – and nor would be the link with William Harvey, a distinguished member of the medical school of Padua and a notable exponent of a methodological approach which held that 'the way to understand something is to take it apart, in deed or in thought, ascertain the nature of its parts and then re-assemble it – resolve and recompose it.' (Watkins 1965, p52)

Looked at from one point of view, the analysis taken as a whole provides one of the most dramatic examples of the doctrine of 'unintended social outcomes', or the working of the 'invisible hand'.

The individual entrepreneur, seeking the most efficient allocation of resources, contributes to overall economic efficiency; the merchant's reaction to price signals helps to ensure that the allocation of resources accurately reflects the structure of consumer preferences; the drive to better our condition contributes to economic growth. Looked at from another perspective, the work can be seen to have resulted in a great conceptual system linking together logically separate, yet inter-related, problems such as price, allocation, distribution, macro-statics and macro-dynamics.

If such a theory enabled Smith to isolate the causes of economic growth with the emphasis now on the supply side, it was also informed throughout by what Terence Hutchison has described as the 'powerfully fascinating idea and assumption of beneficent self-adjustments and self-equilibration'. (Hutchison 1988, p68)

Smith's prescriptions, with regard to economic policy, followed directly on this analysis. In a system which depended on the efforts of individuals, if it was to function efficiently, Smith argued that the sovereign should discharge himself from a duty:

> 'in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no'human wisdom or knowledge could ever be sufficient, the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society.' (WN, IV.ix.51)

In a further passage Smith drew attention to that 'security which the laws in Great Britain give to every man that he shall enjoy the fruits of his own labour' and attributed the country's contemporary performance to the fact that the 'natural effort to every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations'. (WN,'IV.v.b.43) But within this general frame, Smith's views on economic and social policy were often subtle, surprising and illuminating.

Section III: Mercantilism and America

It will come as no surprise to find so much of *The Wealth of Nations* devoted to a very violent attack on what Smith called the mercantile system, 'a system which was best understood in our own country and in our own times.' (WN, IV.2) As Smith describes it, the system was based upon regulation in the interests of a positive balance of trade. In intention such a policy was restrictive and therefore liable to that 'general objection which may be made to all the different expedients of the mercantile system; the objection of forcing some part of the industry of the country into a channel less advantageous than that in which it would run of its own accord.' (WN, IV,v.a.24)

Smith's treatment of the Colonial relationship with America, the centrepiece of British policy, provides an interesting and often topical example.

On Smith's account, the Regulating Acts of Trade and Navigation in effect confined the American Colonies to primary products while Great Britain concentrated on more refined manufactures – with trade carried on in British ships. The net result was a subtle system of complementary markets which benefited both parties. Smith perceived, however, that the policy was fundamentally flawed in the sense that the relationship could not in the long-run be sustained.

The problem as Smith saw it lay in the fact that the rates of growth in the two countries would be different. Such differences could be explained in a number of ways. As Smith argued, there were differences in institutional arrangements, factor endowments and in the degree of maturity of the two economies. But in practice he placed most emphasis on the fact that the Regulating Acts would themselves cause significant variations in performance.

In the case of America, Smith contended that the fact that the country was confined to primary products created the optimal conditions for growth in an undeveloped economy. While he believed that these restrictions were a 'manifest violation of one of the most sacred rights of mankind' he also pointed out that the restrictions were unlikely to be burdensome in the 'present state of improvement' of the colonies. (WN, IV.vii.b.44) But in the longer run, the potential for economic growth in America must come into conflict with current policy and require or force a change.

In the case of Great Britain, Smith emphasised that the rate of growth was attributable to Britain's concentration on manufactured products and on the fact that she had become increasingly dependent on the distant trade with America as distinct from developing European links. But above all else he emphasised the point that the whole burden of the costs of maintaining the Empire fell upon the British economy with consequent effects on public debt and on the level of taxation.

Smith's solution was dramatic but entirely consistent with the general tenor of his critique of the mercantile system. He recommended that Britain should dismantle the Regulating Acts of Trade and Navigation and create a single, gigantic, *free trade area* – an Atlantic Economic Community. Smith advocated the creation of a single state with a harmonised system of taxation possessing all the advantages, as he saw them, of a common language and culture.

In passages which remind us of Smith's interest in constitutional and political issues, he pointed out that such a solution would require Great Britain to admit American deputies to the House of Commons, prompting the thought that:

> 'in the course of little or more than a century, perhaps, the produce of American might exceed that of British taxation. The seat of empire would then naturally remove itself to that part of the empire which contributed most to the general defence and support of the whole' (WN, IV.vii.c.70): Philadelphia rather than London.'

By 1776 the opportunity, as he saw it, had been lost and military defeat was the most likely outcome:

> 'The plan which, if it would be executed, would certainly tend most to the prosperity, to the splendour, and to the duration of the empire, if you except here and there a solitary philosopher like myself, seem scarce to have a single advocate.' (Corr, 382.)

But even here Smith contemplated the loss of America with equanimity, believing as he did that Great Britain had opportunities to exploit in Europe – and that trade with America would resume in due course, provided always that a more liberal policy was adopted.

Domestic Policy

Smith's treatment of domestic policy shows evidence of the same preoccupation with an environment which would best release individual effort and maximise both incentive and efficiency. For example, he recommended that the statutes of apprenticeship and the privileges of corporations be repealed on the ground that they adversely affect the working of the allocative mechanism. In the same chapter Smith pointed to barriers to the movement of labour represented by the Poor Laws and Laws of Settlement. (cf WN, I.x.c; IV.ii.42)

Smith's basic objection was to positions of privilege, such as monopoly powers, as being both unjust and impolitic; unjust in that a position of monopoly is a position of unfair advantage and impolitic in that the prices of goods so controlled are 'upon every occasion the highest that can be got'. But at the same time Smith advocated a series of policies – all catalogued by Jacob Viner (1927) – which range from government control of the coinage to regulation of mortgages and the legal enforcement of contracts.

Four broad areas of intervention recommended by Smith are of particular interest, in the sense that they involve issues of general principle. First, he advised governments that, where they were faced with taxes imposed by their competitors in trade, retaliation could be in order especially if such an action had the effect of ensuring the 'repeal of the high duties or prohibitions complained of'. (cf Winch 1983, p509) Secondly, Smith advocated the use of taxation, not simply as a means of raising revenue, but as a means of controlling certain activities, and of compensating for what would now be known as a defective telescopic faculty, i.e. a failure to perceive our long-run interest, (cf WN, V.ii.g.4; V.ii.k.50; V/ii.g.12) commonly now referred to as 'short-termism'.

Smith was also well aware that the modern version of the 'circular flow' depended on paper money and on credit; in effect a system of 'dual circulation' involving a complex of transactions linking producers and merchants, dealers and consumers; (WN, II.ii.88) transactions that would involve cash (at the level of the household) and credit (at the level of the firm). It is in this context that Smith advocated control over the rate of interest, set in such a way as to ensure that 'sober people are universally preferred, as borrowers, to prodigals and projectors'. (WN, II.iv.15) He was also willing to regulate the small note issue in the interests of a stable banking system.

Although Smith's monetary analysis is not regarded as amongst the strongest of his contributions, it should be remembered that he witnessed the collapse of major banks in the 1770s (may even have been personally a victim of one such) and was acutely aware of the problems generated by a sophisticated credit structure. It was in this context that he articulated a very general principle, namely, that 'those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be restrained by the laws of all governments; of the most free, as well as of the most despotical'. (WN, II.ii.94)

Emphasis should be given, finally, to Smith's contention that a major responsibility of government must be the provision of certain public works and institutions for facilitating the commerce of the society which were 'of such a nature, that the profit could never repay the expence to any individual or small number of individuals, and which it, therefore, cannot be expected that any individual or small number of individuals should erect or maintain' (WN,'V,i.c.1). In short, he was concerned to point out that the state would have to organise services or public works which the profit motive alone could not guarantee.

The examples of public works which Smith provided include such items as roads, bridges, canals and harbours – all thoroughly in keeping with the conditions of the time and with Smith's emphasis on the importance of transport as a contribution to the effective operation of the market and to the process of economic growth.

The theme is continued in his treatment of another important service, namely education; a subject which is developed in the course of Smith's discussion of the social and psychological costs of economic growth.

Section IV: Education – The Costs of Economic Growth

It will be recalled that for Smith moral judgement depends on our capacity for acts of imaginative sympathy and that such acts can only take place within the context of some social group. (TMS, III.i.3) However, Smith also observed that these mechanisms might break down in the context of the modern economy, due in part to the size of some manufacturing units and of the cities which housed them.

If the problems of solitude and isolation consequent on the growth of cities explain Smith's first group of points, a related trend in the shape of the division of labour helps to account for the second. In discussing this important source of economic benefit (which is emphasised to an extraordinary degree in *The Wealth of Nations*) Smith noticed that it could involve costs. Or, as Smith put it in one of the most famous passages in his major work:

> 'In the progress of the division of labour, the employment of the far greater part of those who live by labour, that is, of the great body of the people, comes to be confined to a few very simple operations; frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such exertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become.' (WN, V.i.f.50)

It is the fact that the 'labouring poor, that is the great body of the people' must necessarily fall into the state outlined that makes it necessary for government to intervene.

Smith's justification for intervention is, as before, market failure, in that the labouring poor, unlike those of rank and fortune, lack the leisure, means, or (by virtue of their occupations) the inclination to provide education for their children. (WN, V.i.f.53) In view of the nature and scale of the problem, Smith's programme seems rather limited, but he did argue that the poor could be taught 'the most essential parts of education. . . to read, write, and account' together with the 'elementary parts of geometry and mechanics'. (WN, V.i.f.54,55)

It is interesting to observe in this context that Smith was prepared to go so far as to infringe the natural liberty of the subject, at least where the latter is narrowly defined, in recommending that the 'public can impose upon almost the whole body of the people the necessity of acquiring those most essential parts of education, by obliging every man to undergo an examination or probation in them before he can obtain the freedom in any corporation, or be allowed to set up any trade either in a village or town corporate.' (WN,V.i.f.57)

Distinct from the above, although connected with it, is Smith's concern with the decline of martial spirit which is the consequence of the nature of the fourth, or commercial stage. In *The Wealth of Nations* Smith seems to have had in mind the provision of some kind of military education which he supported as a contribution to the well-being of the individual. (WN, V,i.f.60)

Smith also sought to encourage an informed 'middling rank' and suggested that government should act 'by instituting some sort of probation, even in the higher and more difficult sciences, to be undergone by every person before he was permitted to exercise any liberal profession, or before he could be received as a candidate for any honourable office of trust or profit.' (WN, V.i.g.14)

The Organisation of Public Services

Smith not only identified the various services which the state was expected to provide; he also gave a great deal of attention to the forms of organisation which would be needed to ensure and to induce efficient delivery.

In the discussion of defence, for example, he expressed a preference for a standing army to a militia because the former would be more specialised and therefore more efficient. (WN, V.i.a.14)

In the case of justice, Smith contended that the sovereign has the duty 'of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it'. (WN,V.i.b.1) Here he argued that effective provision of so central a service depended crucially on a clear separation of the judicial from the executive power. (WN, V.i.b.23)

As Alan Peacock (1975) has pointed out, Smith's efficiency criteria are distinguished from this basic issue of organisation, the argument being, in effect, that the services provided by attorneys, clerks, or judges should be paid for in such a way as to encourage productivity. Smith also ascribed the 'present admirable constitution of the courts of justice in England' to the use of a system of court fees which had served to encourage competition between the courts of King's of King's Bench, Chancery and Exchequer. (WN, V.i.b.20.21)

The theme was continued in the discussion of public works where he suggested that the main problems to be addressed were those of equity and efficiency.

With regard to *equity,* Smith argued that public works such as highways, bridges, and canals should be paid for by those who use them and in proportion to the wear and tear occasioned. He also defended the principle of direct payment on the ground of efficiency. Only by this means, he argued in a section of powerful present relevance, would it be possible to ensure that services are provided where there is a recognisable need; only in this way would it be possible to avoid building roads through a desert for the sake of some private interest; or a great bridge 'thrown over a river at a place where nobody passes, or merely to embellish the view from the windows of a neighbouring palace: things which sometimes happen, in countries where works of this kind are carried on by any other revenue than that which they themselves are capable of affording.' (WN, V.i.d.6)

Smith also tirelessly emphasised the point, already noticed in the discussion of justice, namely, that in every trade and profession 'the exertion of the greater part of those who exercise it, is always in proportion to the necessity they are under of making that exertion.' (WN, V.i.f.4) On this ground, for example, he approved of the expedient used in France, whereby a construction engineer was made a present of tolls on a canal for which he had been responsible, thus ensuring that it was in his interest to keep the canal in good repair.

The 'incentive' argument is also eloquently developed in Smith's treatment of universities where he argued, notably in correspondence with his old friend and colleague William Cullen, that degrees can be likened to the statutes of apprenticeship (Corr, 177) and protested against the idea of universities having a monopoly of higher education (Corr, 174) on the ground that this would inhibit private teachers (eg of medicine) such as the Hunters, William Hewson and Sir William Fordyce. In particular Smith objected to a situation where professors enjoyed high incomes irrespective of competence or industry (WN, V.i.f.7): the Oxford, rather than the Glasgow model. In the same context he argued in favour of free movement of students between teachers and institutions (WN, V.i.f.12,13) as a means of inducing teachers to provide appropriate services.

While it is impossible adequately to do justice to Smith's treatment of public finance in these few pages, some general principles do emerge which may be of interest to the modern reader. In general, Smith believed that the state should ensure that services are provided indirectly, rather than centrally, that such services should be self-financing wherever possible and especially that they should be so 'structured as to engage the motives and interests of those concerned'. (Rosenberg 1960, 68; cf Ricketts 1978) Once again, the fundamental appeal is to self-love, even if Smith did recognise that many services would be adequately performed as much from a sense of moral obligation as monetary reward.

Section V: Liberty, Citizen and State

Lord Robbins once remarked that Smith bequeathed to his successors in the classical school an opposition to conscious paternalism; a belief that 'central authority was incompetent to decide on a proper distribution of resources'. Above all Smith developed an important argument to the effect that economic freedom 'rested on a two-fold basis: belief in the desirability of freedom of choice for the consumer and belief in the effectiveness, in meeting this choice, of freedom on the part of producers'. (1953, p12) If we add a dynamic dimension to this theme we have a true reflection of Smith's position; a position which helps to explain the world's continuing interest in his work.

Yet even given this, the list of government functions is, as we have seen, quite impressive. It is also important to recall the need to distinguish between the *principles* which justify intervention (which may be of universal validity) and the specific *agenda* which Smith offered (and which may reflect his understanding of the situation which he actually confronted at the time of writing).

The principles which justify intervention are, after all, wide-ranging in their implications. On Smith's argument, the state should regulate activity to compensate for the imperfect knowledge of individuals; it is the state which must continuously scrutinise the relevance of particular laws and institutions; the state which has a duty to regulate and control the activities of individuals which might otherwise prove damaging to the interests of society at large; it is the state which must make adequate provision for public works and services (including education) in cases where the profit motive is likely to prove inadequate. Such basic principles are open to wide application notably in the circumstances of a modern society.

It is not difficult to find in Smith a liberal thinker: what is much more difficult is to determine where a man of his principles would be found today in the broad spectrum of opinion which the term embraces. On the other hand it is ironically true that those modern authorities who make use of his work in the context of *policy* may find themselves on stronger ground. Smith did after all insist that where possible public services should be responsive to need and that they should be so structured as to induce people to deliver them efficiently. What is unambiguously true is that Smith sought to establish an *economic* environment or environments within which individual initiative would flourish and by which it would be harnessed.

The last reference serves to remind us that there is a further dimension to his work which is essentially *moral* and which is illustrated by his concern with the social costs of economic growth. As we have seen, Smith made much of the point that the division of labour could induce a form of mental mutilation; a degree of 'torpor' which could render the individual 'incapable of bearing a part in any rational conversation' or of conceiving 'any just judgement concerning many even of the ordinary duties of private life.' (WN, V.i.f.50)

Smith identified the possibility that measurable increases in economic welfare might be offset by the psychological damage which they entail – unless steps are taken to avoid this outcome through a programme of compulsory education and the cultivation of the arts. (WN, V.i.g.15)

The implicit distinction is between negative and positive freedom where the former may be described as freedom from restraint and the latter as a 'power of capacity of doing or enjoying something'worth doing or enjoying.' (Green 1906, iii.370-71)

In passages which also recall his wider interests Smith drew attention to the issue of education in a context which was essentially political. As he put it, an 'instructed and intelligent people'. . . are always more decent and orderly than an ignorant and stupid one. . . They are more disposed to examine, and more capable of seeing through, the interested complaints of faction and sedition.' (WN, V.i.f.61)

This is not idle rhetoric. Smith's historical analysis made him well aware of the significance of the form of Government which had emerged in Great Britain and sensitive to the fact that such a Government gave scope to political ambition'– another competitive game with, as its object, the 'prizes which sometimes come from the wheel of the great state lottery of British politics'. (WN,'IV.vii.c.75) He also recognised that the same economic forces which had raised the House of Commons to what he called a superior degree of influence (as compared to the House of Lords) also made it a focal point for business and commercial interests. He noted that such power could be used to disadvantage particular groups (cf WN, I.x.c.61) and made the general point that the legislative proposals emanating from commercial interests. . .

> 'Ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from the order of men, whose interest is never exactly the

> same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.' (WN, I.xi.10)

As Donald Winch has recently pointed out in an unpublished paper, if Smith emphasised the importance of the pursuit of self interest within the law, he was acutely aware of the problems presented by the pursuit of *collective* self-interest and less confident of the result.

In this context he complained that Britain's policy towards America had been dictated by the 'sneaking arts of underling tradesmen' (Section III) and noted, in a passage which may have caught the attention of Napoleon, that:

> 'To found a great empire for the sole purpose of raising up a people of customers, may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers.' (WN, IV.vii.c.63)

In Smith's view, the tragic (but sustainable) loss of opportunity in America was to be explained in terms of the combination of collective self-interest on the part of mercantile groups and political prejudice on the part of the state and its citizens. Smith thus identified yet another problem of modern relevance: that of government (as distinct from market) failure.

Section VI: Some Observations

J S Mill, the archetypal economist, of a later period, is known to have remarked that *The Wealth of Nations* is in many parts obsolete and in all, imperfect'. Writing in 1926, Edwin Cannan observed:

> Very little of Adam Smith's scheme of economics has been left standing by subsequent enquirers. No one now holds his theory of value, his account of capital is seen to be hopelessly confused, and his theory of distribution is explained as an ill-assorted union between his own theory of prices and the Physiocratic fanciful Economic Table'. (1926, 123)

In view of authoritative judgements such as these, it is perhaps appropriate to ask what elements in his story should command the attention of the modern historian or economist. A number of points might be suggested.

First, there is the issue of *scope*. As we have seen, Smith's approach to the study of political economy was through the examination of history and ethics. The historical analysis is important in that he set out to explain the origins of the commercial stage. The ethical analysis is important to the economist because it is here that Smith identifies the human values which are appropriate to the modern situation. It is here that we confront the emphasis on the desire for status (which is essentially Veblenesque) and the qualities of mind which are necessary to attain this end: industry, frugality, prudence.

But the TMS also reminds us that the pursuit of economic ends takes place with a *social* context, and that men maximise their chances of success by respecting the rights of others. In Smith's sense of the term, 'prudence' is essentially rational self-love. In a famous passage from the TMS (II.ii.2.1) Smith noted, with regard to the competitive individual, that:

> 'In the race for wealth, and honours, and preferments, he may run as hard as he can, and strain every nerve and muscle, in order to outstrip all his competitors. But if he should justle, or throw down any of them, the indulgence of the spectators is entirely at an end. It is a violation of fair play, which they cannot admit of.'

Smith's emphasis upon the fact that self-interested actions take place within a social setting and that men are motivated (generally) by a desire to be approved of by their fellows, raises some interesting questions of continuing relevance. For example, in an argument which bears upon the analysis of the TMS, Smith noted in effect that the rational individual may be constrained in respect of economic activity or choices by the reaction of the spectator of his conduct – a much more complex case than that which more modern approaches may suggest. Smith made much of the point in his discussion of Mandeville's 'licentious system' which supported the view that private vices were public benefits, in suggesting that the gratification of desire should be consistent with observance of the rules of propriety – as defined by the spectator, i.e. by an external agency. In an interesting variant on this theme, Etzioni has recently noted that we need to recognise 'at least two irreducible sources of valuation or utility: pleasure and morality'. (1988, 21-4; cf Oakley 2002)

Secondly, there is a series of issues which arise from Smith's interest in political economy as a system. The idea of a single all-embracing conceptual system, whose parts should be mutually consistent, is not easily attainable in an age where the division of labour has increased the quantity of science through specialisation. Smith was aware of the division of labour in different areas of sciences, and of the fact that specialisation often led to systems of thought which were inconsistent with each other. (Astronomy, IV, 35, 52, 67) But the division of labour within a *branch* of science, eg economics, has led to a situation where sub-branches of a single subject may be inconsistent with one another.

To take a third point, it may be noted that one of the most significant features of Smith's vision of the economic process lies in the fact that it has a significant time dimension. For example, in dealing with the problem of value in exchange, Smith made due allowance for the fact that the process involves judgements with regard to the utility of the commodities to be acquired, and the disutility involved in creasing the goods to be exchanged. In the manner of his predecessors – Hutcheson, Carmichael and Pufendorf – Smith was aware of the distinction between utility (and disutility) anticipated and realised, and, therefore, of the process of adjustment which would inevitably take place through time.

Smith's theory of price, which allows for a wide range of changes in taste, is also distinctive in that it allows for competition *among* and *between* buyers and sellers, while presenting the allocative mechanism as one which involves simultaneous and inter-related adjustments in *both* factor and commodity markets.

As befits a writer who was concerned to address the problems of change, and adjustment to change, Smith's position was also distinctive in that he was not directly concerned with the phenomenon of *equilibrium*. For Smith the (supply) price was, as it were:

> 'The central price, to which the prices of all commodities are continually gravitating whatever may be the obstacles which hinder them from settling in this centre of response and continuance, they are constantly tending towards it.' (WN, I.viii.15)

But perhaps the most intriguing feature of the *macro* model is to be found in the way in which it was linked to the analytics of Book 1 and in the way in which it was specified. As noted earlier, Smith argued that incomes were generated as a result of productive activity, thus making it possible for commodities to be withdrawn from the 'circulating' capital of society. As he pointed out, the consumption goods withdrawn from the existing stock may be used up in the present period, or added to the stock reserved for immediate consumption; or used to replace more durable goods which had reached the end of their lives in the current period. In a similar manner, entrepreneurs and merchants may also add to their stocks of materials, or to their holding of fixed capital, while replacing the plant which had reached the end of its operational life. It is equally obvious that entrepreneurs and merchants may add to, or reduce their *inventories* in ways which will reflect the changed patterns of demand for consumption and investment goods, and their past and current levels of production. Variation in the level of inventories has profound implications for the conventional theory of the allocative mechanism.

Smith's emphasis upon the point that different 'goods' have different life-cycles also means that the pattern of purchase and replacement may vary continuously as the economy moves through different time periods, and in ways which reflect the various age profiles of particular products as well as the pattern of demand for them. If Smith's model of the circular flow is to be seen as a spiral, rather than a circle, it soon becomes evident that this spiral is likely to expand (and possibly *contract*) through time at variable rates. This point does not seem to have attracted much attention.

Conclusions

Mark Blaug has commented on Smith's distinctive and sophisticated grasp of the economic *process* and the need to distinguish this from his contribution to particular *areas* of economic analysis. It has been argued above that Smith's approach to the study of political economy has some distinctive features which deserve the attention of the modern student of the discipline, but which do not seem to loom large in modern teaching. But nor can it be said that the classical system which was to follow Smith, adequately addressed his wider concerns. Indeed, it has been pointed out that the early part of the nineteenth century saw the emergence of political economy as a separate, autonomous discipline, free of the earlier association with ethics and history. As Terence Hutchison once remarked, Smith was led as if by *an invisible hand* to promote a result which was no part of the original intention, thus paving the way for the development which Professor Muhammad Yunus deplored.

Finally, Adam Smith would have had every happy feeling over Prof Yunus's untiring engagement in practically addressing the welfare of the poorest. As Adam Smith said, 'What improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which by far the greater part of the numbers are poor and miserable.' (*The Wealth of Nations* 1776) □

Abbreviations

References to Smith's works employ the usages of the Glasgow edition:'WN ='*The Wealth of Nations*; TMS = *Theory of Moral Sentiments*; Astronomy = 'The History of Astronomy';'*Essays on Philosophical Subjects* (EPS); Stewart = Dugald Stewart, 'Account of the Life and Writings of Adam Smith'; LJ (A) = *Lectures on Jurisprudence,* Report dated 1762-63; LRBL = *Lectures on Rhetoric and Belles Letters*; Corr = Correspondence of Adam Smith; EAS = *Essays on Adam Smith,* ed A S Skinner and T Wilson (1975).

In the Glasgow edition, WN was edited by R H Campbell, A S Skinner and W B Todd (1976); TMS by D D Raphael and A L Macfie (1976); Corr, by E C Mossner and I S Ross (1977); EPS, by W P D Wightman (1980); LJ (A) and LJ (B) by R L Meek, D D Raphael and P G Stein (1978), and LRBL by J C Bryce (1983), Oxford University Press.

References to Corr

References to LJ and LRBL give volume and page number from the MS. All other references provide section, chapter, and paragraph number in order to facilitate the use of different editions. For example:

Stewart, I.12 = Dugald Stewart 'Account', Section I, Para 12.

TMS, I.i.5.5 = TMS, Part I, Section I, Chapter 5, Para 5.

WN, V. i.f.26 = WN, Book V, Chapter I, Section 6, Para 26.

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Microcredit Campaign Strategies and Social Business Movement:

What Can the Social Business Movement Learn from the Early Promotion of Microcredit?

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Abstract: How do you make an idea's time come? In this article the author uses the efforts of RESULTS, a citizens lobby committed to ending global poverty and the Microcredit Summit Campaign, to show how the work of Nobel Peace Prize winner Muhammad Yunus and the Grameen Bank and continued success of microcredit in Bangladesh were made known. The author offers suggestions as to how the social business movement can learn from this success and how it can avoid the pitfalls and challenges the microfinance field now faces.

Keywords: global poverty, microcredit summit, grameen bank, microfinance, social business, RESULTS

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From an Idea to an Idea Whose Time Has Come

MONTHS after receiving the Nobel Peace Prize on 13 October 2006, Professor Muhammad Yunus said: 'From that day in 1987 when RESULTS arranged for me to talk by conference call to editorial writers in dozens of US cities, to the announcement of the Nobel Peace Prize in 2006, no other organisation has done more to put Grameen Bank on the map than RESULTS and RESULTS Educational Fund's Microcredit Summit Campaign.'

'More importantly, no other organisation has been as critical a partner in seeing to it that microcredit is used as a tool to eradicate poverty and empower women than RESULTS and RESULTS Educational Fund's Microcredit Summit Campaign.'

Of course, since the Nobel Peace Prize, awareness of Professor Yunus's work has exploded and these two institutions now play a minor role in promoting that work. That was not true, however, for the better part of two decades. What is RESULTS and how were its grassroots members able to get editorial writers from 28 US cities on a conference call with Muhammad Yunus in 1987, 19 years before he received the Nobel Peace Prize? What is the Microcredit Summit Campaign and how was it able to draw more than 2,900 delegates from 137 countries to the first Microcredit Summit in 1997? How was it able to launch a campaign to reach 100 million of the world's poorest families with microloans nine years before Professor Yunus received the Peace Prize? While neither organisation is a social business, both are important to fulfilling Professor Yunus's vision of putting poverty in the museums.

In this article I will attempt to show how, with very little money but with a great deal of passion, commitment, and follow-through, these organisations were able to bring Professor Yunus's vision to an increasingly wider audience and how they, and similar organisations, remain one of the missing ingredients needed to end poverty and ensure a sustainable environment. Just as Professor Yunus has challenged corporations, governments and citizens to embrace a broader definition of capitalism, the Microcredit Summit Campaign, and especially RESULTS, asks each of us to embrace a broader vision of what it means to be a citizen.

Let me describe my path to discovering the work of Muhammad Yunus in 1985 and equipping RESULTS volunteers, like myself, ordinary citizens all, with tools to help promote the little known innovations going on at Grameen Bank. While it may be uncommon to speak of spiritual crises or spiritual transformations in business journals, I believe it is important to do so in order to lay the groundwork from which to better understand my work and the work of Professor Yunus.

Seeing the World with New Eyes and New Questions

My path to discovering the work of Muhammad Yunus and his first massive social business, Grameen Bank, was both odd and circuitous. After receiving degrees in music and playing percussion instruments in the Miami Philharmonic Orchestra for 12 years, I devoted my life to ending poverty first through founding RESULTS in 1980, the citizens lobby on ending global poverty and then founding, with Professor Yunus and John Hatch of FINCA, the Microcredit Summit Campaign in 1995.

From music to ending poverty is quite a shift, and I've often been asked what motivated me to make that change. When I look back through my life, two of the events that stand out will now follow. In 1964, I played tympani in the orchestra at my high school graduation. Before the ceremony started, one of the flute players came back to the percussion section and told me that a high school fraternity brother, one year younger than I, had died the day before in a tractor-trailer accident in Georgia. I was 17 at the time and, as with most 17-year-olds, thought I had forever. But as I went through my friend's funeral, the days of mourning, and went with his younger brother to pick up his report card from his homeroom teacher, I realised that maybe I only had 17 more minutes, or 17 more months, or 17 more years. It was then, at the age of 17, that I began asking myself, 'Why am I here? What am I here to do? What is my purpose?' No answers, just the questions. One could say that this was the start of my spiritual crisis, the start of my looking at the world in a new way.

Four years later, on college graduation day in 1968, Robert Kennedy died. Kennedy was a US Senator from New York, the brother of President John Kennedy, and was assassinated while running for President himself. His assassination brought more questions about life and death and about my purpose. Why am I here? What am I here to do? No real answers, just the questions, more and more clearly.

Nine years later, in 1977, around the time that Professor Yunus was making his first loans to 42 destitute Bangladeshis, I went to a presentation on *The Hunger Project* which focused on ending world hunger. Up until that point, I hadn't thought about world hunger much. To be honest, I was quite oblivious. If I looked a little more closely, though – right below the surface was a deep feeling of hopelessness. I was quite sure that hunger was inevitable, primarily because there were no solutions. It had to be that way, because if there were solutions, *somebody* would have done something about it by then. These were the thoughts of someone who had looked very little at issues like global poverty, like most people in the developed world.

At the presentation, however, it became clear that there was no mystery to growing food, becoming literate or gaining access to clean water or basic health. When I looked at it honestly, I realised that I wasn't hopeless about the perceived lack of solutions. What I felt hopeless about was human nature! People would just never get around to doing the things that could be done to end hunger. I also realised that there was in fact one human nature that I could control – my own. I still had these pent-up questions: why am I here, what am I here to do, what is my purpose? So I began to get involved.

Seeing Work that Needs to Be Done that No One Else Seems to See

Between 1978 and 1979, I spoke to 7,000 high school students about ending world hunger: in Miami, Florida, where I lived, and Los Angeles, California, where I moved. Before I went into the first classroom I read statements from a US National Academy of Sciences Food and Nutrition Study and others calling for the 'political will' to end hunger.

I asked 7,000 high school students for the name of their member of Congress. I didn't want to know if they had written them or met them, just the name. Out of 7,000 students asked, 200 knew the name of their member of Congress (fewer than 3 per cent) and 6,800 didn't know the name. RESULTS was started out of that gap – the calls for the political will to end hunger on the one hand and the lack of basic information on who represented us in Washington on the other. The purpose of RESULTS is (1) to create the political will to end hunger and the worst aspects of poverty and (2) to empower individuals to have breakthroughs in expressing their personal and political power. It was the pursuit of this second purpose that allowed for the breakthroughs in educating the media (editorial writers in particular) and members of Congress on Grameen Bank and other critical development opportunities.

Discovering Grameen Bank in 1985

After starting 50 chapters in 27 US states, I moved to Washington, DC in 1985 as the first staff member of RESULTS and attended a breakfast briefing with the President of the International Fund for Agricultural Development (IFAD), a small UN agency based in Rome. We began to lobby on behalf of IFAD and they sent us videos of three programmes in which they had invested; one was a Dutch documentary about a little bank in Bangladesh with 42,000 borrowers called the Grameen Bank. Eureka! The connection was made.

Usually I would say that as we learned more and more about Grameen Bank, it took our breath away. But now I would say that we were touched by the unleashing of the human spirit, by redemption – people's honour and worth being restored – people being set free from poverty.

The First Lobbying Campaign and Media Outreach on Microcredit

During 1985 the 50 RESULTS chapters would watch the video on Grameen Bank and then write their members of Congress on behalf of IFAD. The next year we prepared to have legislation introduced on microenterprise development, as it was called at the time, and in 1987 the legislation was introduced.

Over a one-year period between November 1986 and November 1987 the volunteers in RESULTS generated 100 editorials on the microenterprise legislation, not letters to the editor or op-ed pieces (there were more of those), but 100 editorials written by the newspapers themselves. That same year more than 200 members of Congress co-sponsored the legislation. These are impressive numbers in any context, but all the more so because it was 1987 and virtually no one outside of Bangladesh had heard of microcredit, Muhammad Yunus, or Grameen Bank.

It is difficult to describe the levels of hopelessness and cynicism that must be overcome for ordinary citizens to reach out to members of Congress who don't seem like natural allies, or to get through to editorial writers who are more prone to speak to experts and often find difficulty writing about an obscure issue that isn't in the news. This, however, is part of the work that must be done if we are to seriously address issues like global poverty and climate change.

Political Transformation Begins with Personal Transformation

The following story begins to paint a picture of the process of moving from hopelessness to action. The activist I am about to introduce to you had experience with the media which was far greater than most RESULTS volunteers, but I am sharing this story because of the process his group had to go through to reach out to a conservative member of Congress. Steve Valk, a long-time RESULTS volunteer, is now a member of the staff of the Citizens Climate Lobby, a RESULTS-styled citizen lobby focused on resolving climate issues. Until recently Steve had worked for decades designing features sections at the *Atlanta Journal-Constitution* newspapers. Here is how Steve described his route into RESULTS.

> '. . .There has always been within me a deep desire for social justice, to make what was wrong in the world right. I couldn't go by a crooked picture without straightening it out and I couldn't go by a problem without wanting to fix it.
>
> '. . . In 1984 I was an angry young man who wanted to change the world but couldn't see how. I was getting more involved in music and songwriting and wasn't particularly interested in some lobbying group that my friend Sara was involved with that was trying to do something about ending hunger. I thought it was nice that she was trying to do something, but I didn't want to waste my time on a hopeless cause. I would take her to her meetings and then pick her up afterwards. It wasn't until six months later that my curiosity got the better of me and I decided to go to a RESULTS meeting.
>
> 'Being a journalist I'm inclined to approach most things with a skeptical nature. Being a journalist, I was also not sure how deeply to get involved with political causes, but I couldn't just leave that crooked picture alone, and when I realised that nobody else was going to straighten it out, I took a deep breath and dove in. Over the years I have come to terms with this because my position at the newspaper is one where I have absolutely no influence about what goes into the paper or how it is written. I design pages for the features sections, but it's somebody else who assigns and edits the stories and it's somebody else who writes the stories and takes the pictures. As I began to get involved with RESULTS I saw myself as a link between people who had important information that could save lives and the media that could make that information available to the public.
>
> '. . . I started believing I could make a difference. I've always been the kind of person who likes to 'get involved' with causes, but until

> RESULTS my involvement always seemed to have a Don Quixote-like quality. I dreamed the impossible dream only to be rudely awakened at some point.'

Valk was able to generate a wire story in 1985 on the funding squabble between the US and OPEC that had the potential to kill IFAD and how Sara, the woman who would eventually become his wife, was able to generate an editorial in the newspaper. He was elated with his ability to use his contacts with the newspaper to get the right information to the right people, but he considered his greatest breakthrough with RESULTS to be the conversion of Congressman Pat Swindall, a conservative Republican from Georgia.

> 'Within weeks of Pat being sworn into office [in January 1985], four RESULTS volunteers, myself included, met with the Congressman to request that he co-sponsor and vote for the Famine Relief in Ethiopia bill that had just been introduced in Congress. One of the volunteers who did not meet with us for a breakfast practice session before the meeting, wound up being a loose cannon of sorts, insisting that we cut military spending to feed the hungry, putting the conservative Swindall in a defensive, so to speak, posture. Swindall made it clear that he didn't think the government should be involved in humanitarian aid and it was something best left to the churches and private sector to take care of. A few weeks later Pat was one of only 15 or so Congresspersons out of more than 400, who ended up voting against the famine relief bill and he made headlines giving a big speech about it on the floor of the House.'

Valk felt shame about his Representative's vote.

> 'Have you ever seen the fans of a very bad sports team who sit in the stands with bags over their heads because they are ashamed to be seen rooting for such losers? If politics were a sport and we were sitting in the stands watching our Congressman playing on the field, we would be wearing those bags on our heads over the shame we felt having Pat Swindall as a representative. Our thoughts and discussions about him were very negative, and we pretty much wrote him off figuring our best chance was that maybe he would be defeated in two years.
>
> 'But at the suggestion of RESULTS staff, we began to shift our thinking on Pat. There was this prayer that Newton Hightower had written to his member of Congress [in Houston, TX], Rep Bill Archer, someone he had similar difficulties with two years before. We adapted it to

Swindall. We added Swindall's name and it went:

> 'Thank you God for Pat Swindall. We know that he is a good man who wants to do right in the world. We know that he struggles with the same problems we do: closing our hearts to those who don't agree with us. There are no thoughts or feelings that he has had that we haven't had and visa versa. We pray for all of us to have compassion for people in our country and far away, for rich and poor. We pray that Pat and we will be less frightened of each other. We pray our focus will me more to love and appreciate him and less to change him. Help us to remember that sharing love with the world is the highest contribution we can make and will lead to children being fed and the planet surviving. Forgive our righteousness and anger. Open our hearts and minds to find the next expression of love for Pat that he can receive.'

Valk goes on describes his group's breakthrough with Congressman Swindall, a breakthrough that took two years. We must expand systems of support that allow citizens to be this persistent and committed to breakthroughs.

> 'We eventually let go of our negative attitude toward Pat. Instead, we began to see him as a human being who, just like us, did not want to see people dying in the world from hunger and disease. All he needed was a little education. We began to show up at 'Chat with Pat' sessions around the district. There were other people with other issues in the Congressional district who had bones to pick with Pat (we jokingly called the sessions 'Spat with Pat'), and whenever they did, they didn't get anywhere. If anything, he stiffened his resolve and defended his position. When he got around to us he was visibly relieved to see us greeting him with a handshake and a smile instead of a scowl and a sharp tongue. Then we would give him a two-minute briefing on an issue such as IFAD. And when we started talking about enabling a farmer to grow a ton of wheat for a year for the same amount of money it would cost to send a ton of wheat one time, well, he started listening a little closer. Gradually a relationship of trust and respect was built.
>
> In the Spring of 1987 RESULTS launched its microenterprise legislation with the Self-Sufficiency for the Poor Act. We decided it was time for an office visit with Pat, and four of us took off time from work to go see him. It was late afternoon and we must have been a sight sitting in his waiting room with a TV and VCR to show him the Grameen Bank video. Earlier in the day, feeling very confident, I told Sara that after Pat agreed to co-sponsor the legislation I would ask him if we could write an op-ed piece in support of the bill to appear under his name.

> *'I don't know Stephen, I think you'd be pushing it', Sara responded.*
>
> *But I figured once he's committed to the bill, what did I have to lose?*
>
> The four of us piled into a small office and set up the TV and tape. We all took a deep breath and the Congressman joined us. Everyone spoke brilliantly in the meeting. As we were showing the video, Pat was sitting on a desk, knees drawn under his chin, staring intently at the screen. We told him about the tremendous opportunity of the Self-Sufficiency for the Poor Act and asked him to become a co-sponsor.
>
> 'I'd be delighted to be a co-sponsor', he said.
>
> Sensing we were on a roll, I began to ask about the op-ed, but before the words were even formed in my mouth the Congressman spoke.
>
> 'You know,' he said, 'I think it's important on an issue like this that we try to build public support in the media. I have a column that appears in the local paper and I'm thinking maybe you can write a piece about this bill, and we can run it in my column. Do you think you could do something like that?
>
> I glanced over at Sara with a smile so wide it hurt. 'Pat I'd be more than happy to do it.' I was now ghostwriting for a man who two years earlier voted against famine aid for Ethiopia.
>
> That experience changed me. I now see that everyone has the potential to do the right thing if given the opportunity. It's refreshing to see people as possibilities rather than obstacles.

Steve Valk's story was one of hundreds as more than 200 members of the House and Senate cosponsored the legislation and more than 100 editorials were generated, two-thirds of them mentioning Grameen Bank.

Muhammad Yunus's 1987 Conversation with Editorial Writers in 28 US Cities

One of the prime moments of the campaign was Muhammad Yunus's first visit to the RESULTS office in the late summer of 1987 to speak by conference call to editorial writers from 28 US cities – two calls, 14 on each. The telephone, speaker box, list of editorial writers, and tape recorder were all set on a long table in our third-floor office across the street from the Hart Senate Office Building. It was 2:00 pm, the start time for the first call, but Professor Yunus had not yet arrived. My heart began to beat a bit faster. But he walked in at 2:04 pm with a beaming smile and the call began.

After months of bureaucratic resistance to the legislation Professor

Yunus's voice was a breath of fresh air. As I listened over and over to a tape of the call one particular response rang in my ears. The questioner asked about the US aid bureaucracy's belief that micro-enterprises aren't the best way to develop because they have limited utility in the long run to develop a country's economy. Here was Professor Yunus's response:

> 'It all depends. . . what development means to people. To me building a road, building a dam, building a huge building doesn't mean anything. . . The question I'll be asking is does it increase the income of a poor person? If it does, it's development. If it doesn't, it's not development.'

After the first call, Kristen Helmore, a writer with the *Christian Science Monitor* phoned the office to ask if she could be on the second call too. It was Helmore's four part series in the *Monitor* that prompted the CBS television show *60 Minute*s to do a story of Grameen Bank that was filmed in 1989 and aired twice in 1990 to an audience in the tens of millions. By the time the camera crew arrived in Bangladesh to film in 1989, Alex Counts was there on a Fulbright Scholarship with Grameen Bank and served as their guide. Counts, who would become the founding CEO of Grameen Foundation nearly 10 years later, had been a RESULTS leader at Cornell University during the legislative campaign in 1987 and had started RESULTS chapters on eight college campuses.

Between December 1986 and November 1987, 21 mailings were sent to 120 leaders in Congress, the US Administration, the media, and NGOs with an average of five editorials in each mailing. The last editorial, pitched by RESULTS volunteer Bob Van Olst and published in the *New York Times* concluded, 'Loan amounts proposed under the pending legislation are too modest to attract the barracudas that usually circle foreign aid. The poor will receive the aid directly and will have a chance through their own initiative to become self-sufficient. That sounds a lot like the American way.'

In 1987 we planted a rich array of seeds that would bloom over the next 19 years from those first 100 editorials in 1987 to the *60 Minutes* television segment in 1990 to the Microcredit Summit in 1997 to the Year of Microcredit in 2005 to the Nobel Peace Prize in 2006 and the Congressional Gold Medal in 2010.

What initiatives are needed to help spread Social Business? Is there something that governments can do or not do to forward social business?

Are there legislative vehicles needed to move the field forward? Can the media play a larger role? Of course, we are no longer starting with an unknown professor from an unknown institution in Bangladesh. We are far beyond that point. But how can ordinary citizens play a role in spreading social business and how can we build more structures of support on issues like poverty and climate change?

The Call in 1994 for a Microcredit Summit

The next major impact RESULTS and its sister organisation RESULTS Educational Fund had on promoting the work of Professor Yunus and the field of microfinance was the Microcredit Summit Campaign, a project of RESULTS Education Fund. It started with a speech by John Hatch at the RESULTS International Conference in 1994 in which he called for a Microcredit Summit. Hatch was founder of FINCA, father of the village banking model, and a member of the RESULTS Board. His six-page paper called for a Microcredit Summit and a campaign to reach 200 million of the world's poorest families. We showed the paper to Prof. Yunus who was also a member of the RESULTS board. Professor Yunus suggested that a goal of reaching 100 million would be more achievable.

A campaign to reach 100 million of the world's poorest families with microloans was stunning and it was clear that none of the important UN Summits of the 1990s had yet emerged with a compelling goal on microcredit.

At first we lobbied to insert the 100 million poorest target into the 1995 Social Summit to be held in Copenhagen, Denmark but we were told that they weren't accepting any new goals. It became clear that if there was to be a compelling measurable goal for microcredit we would have to establish it ourselves.

With back of the envelope calculations we estimated that no more than 8 million clients were reached by microcredit in 1995. This meant we were calling for a dramatic increase from 8 million to 100 million poorest families over a 10-year period. Those 100 million families would include half a billion family members.

I must admit that my first image of a Microcredit Summit was a hotel meeting room with 300 delegates. What we created instead was a civil society-organised summit to rival the UN Summits, not in the number of participants but in vision and especially follow-up.

Just as with the Candlelight Vigils we had organised before the 1990 World Summit for Children and with the founding of RESULTS itself, the Microcredit Summit was a profound example of what WH Murray describes in this excerpt from *The Scottish Himalayan Expedition:*

> 'Until one is committed there is hesitancy, the chance to draw back, always ineffectiveness. Concerning all acts of initiative (and creation), there is one elementary truth, the ignorance of which kills countless ideas and splendid plans: that the moment one commits oneself then Providence moves too. . . I have learned a deep respect for one of Goethe's couplets:
>
> Whatever you can do or dream you can, begin it.
> Boldness has genius, power and magic in it.'

The magic would come in large doses in spite of the fact that 'summit fatigue' from all the previous UN Summits could have been a major impediment. The Microcredit Summit came three months after the UN Food Summit, the last of six major UN Summits. The attitude could have been, 'What, another summit? Forget it'. But people saw that microcredit was a powerful intervention that had been given short shrift at the UN summits.

The Devil is in the Details

A Microcredit Summit Organising Committee of 12 leaders from various sectors was formed. We started with a mailing list of 200 and mailed John Hatch's six-page paper along with a request for feedback. By the fifth round we were mailing a 50 page document to 5,000 people (the internet was still in its infancy in 1996) in order to fine-tune the Microcredit Summit's Declaration and Plan of Action.

'Preparation of the draft declaration proved to be a real hornet's nest,' wrote Muhammad Yunus in his book *Banker to the Poor,* 'I was shocked to see how the Summit preparations were opening up conflicts. Sam became extremely disappointed. I tried to cheer him up by saying we had to confront all our academic, institutional, and philosophical differences. It was easy for me to say this and disappear into safety in Dhaka,' Professor Yunus continued, 'but Sam was the one who had to be in the eye of the storm. He had no place to run.'

I felt it was essential to work through the issues, and there were many. Some believed the goal was too bold or the poorest could not be reached. I was committed to having a final document *before* the Summit so the event could focus on commitment, celebration and next steps, not wordsmithing. I wanted to make sure the Summit launched a campaign that made good on the Summit's promise.

We agreed on a structure to help ensure action. That structure included 15 councils including Councils of Practitioners, Advocates, and UN Agencies. To attend the Summit an institution had to join one of the Councils, commit to the Summit's goal, and promise to report annually by submitting an institutional action plan.

We reaffirmed our goal to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the end of 2005 and outlined three core themes: reaching the poorest, reaching and empowering women, and building financially self-sufficient institutions.

I spoke everywhere I could about the Summit including a meeting in the UK that was particularly painful.

'What difference does it make if you reach the very poor sustainably if there is no impact on their lives,' they argued in a rough and tumble discussion.

We had assumed impact. They were right, so we added a fourth core theme: ensuring a positive measurable impact on the lives of clients and their families.

The Dream is Realised

We had 2,000 delegates registered the week before the 1997 Summit and had prepared materials in case 500 more registered on site but more than 900 registered on site. In the end we had more than 2,900 delegates from 137 countries.

Professor Muhammad Yunus reflected on the Summit in *Banker to the Poor*:

> 'Life leads us in mysterious ways and calls us to achieve our greatest potential in a manner we can never predict or know in advance. Microborrowers who grow up accepting that they are nobody, they are worth nothing, were placed by this Summit in the global spotlight

> and held up as the great heroes in the fight for world development. Speaker after speaker lauded them for their endless patience and skill in micro-managing tiny pieces of resources to craft a life of dignity.
>
> ‘In teaching economics I learned about money and now as head of a bank I lend money, and the success of our venture lies in how many crumpled bank bills our once starving members now have in their hands. But the microcredit movement, which is built around, and for, and with money, ironically, is at its heart, at its deepest root not about money at all. It is about helping each person to achieve his or her fullest potential. It is not about cash capital, it is about human capital. Money is merely a tool that unlocks human dreams and helps even the poorest and most unfortunate people on this planet achieve dignity, respect, and meaning in their lives.’

The Summit attracted Presidents and Prime Ministers from five countries, First Ladies from another five, along with Queen Sofia of Spain and Queen Fabiola of Belgium.

‘I am thrilled to see such a turnout for this Summit which is one of the most important gatherings we could have anywhere in our world,’ declared then-US First Lady Hillary Clinton in her remarks to the Summit.

UNDP Administrator Gus Speth read a statement from Secretary General Kofi Annan who said, ‘. . . I therefore fully endorse the goal of this Summit to reach 100 million of the world’s poorest households by the year 2005. . . You can count on the UN to be there with you throughout this effort between now and the year 2005.’

‘We commit ourselves to be your partner,’ announced World Bank President Jim Wolfensohn. ‘We will help in whatever way we can.’

After the Summit came a flurry of kudos. ACCION Senior Vice President Bill Burrus wrote, ‘The Summit was truly an historic occasion and there is no doubt in my mind that we will all look back to this moment as a watershed for the microenterprise movement worldwide.’

‘. . . I am awed by the experience I just had,’ wrote Freedom from Hunger President Chris Dunford, ‘aware of having been witness to a moment in history.’

‘Many, many congratulations on what you accomplished last week,’ ’wrote Bill Drayton, President of Ashoka. ‘You had a very smart, if audacious strategy – and true to form for you, you made it happen. Very, very few other people could conceivably have pulled this off.’

What Can the Social Business Field Learn from Our Successes and Our Mistakes?

The Summit was a great moment for the microfinance field, for Muhammad Yunus, and for the Grameen Bank. Due to the leadership of Anwarul Karim Chowdhury, the Bangladesh Ambassador to the UN, the following year, 1998, the UN General Assembly declared 2005 as the Year of Microcredit. But as the field has grown so too have the challenges, challenges that the social business field is sure to face. Here are some lessons that the social business field could learn from the microfinance movement's growing pains.

1. This is the time to create *a seal of excellence* for 'social business'. This is the time to design the gold standard for social businesses in the area of customer and employee care and protection, financial performance and benefit, ownership, social performance, environmental impact, etc as the next crucial step in ensuring the integrity and long-term success of the social business movement.
2. The field of microfinance has struggled with regulations that, while supposedly developed for microfinance, turn out to be worse than no regulation at all. The social business field must develop the ideal regulatory framework and not leave it to people who do not understand social business. It must then be prepared to adapt it with the lessons that come.
3. The social business field must establish funding streams that are plentiful and that don't entice social businesses away from their original mission and vision.
4. The social business field must create awards to recognise social businesses that reach and empower the most destitute and marginalised people – that restore their honour and worth.

Conclusions

The social business field is at the beginning of a very precious journey having only recently engaged serious corporate partners. The field actually started in earnest in 1976 when a young Bangladeshi economics professor began questioning the theories he had learned when a famine raged all around him even reaching the doorsteps of his campus. This young professor said he dreaded going to his own lectures with their elegant theories and decided to go into Jobra, the village next to his campus, to see if he could be of use to one person for one day. This young economics professor's spiritual crisis led to a methodology that has unleashed the human spirit both in himself and within the poor in Bangladesh. It allowed him to put out a clarion call for 'putting poverty in the museums'. We must never forget this movement's origins or its vision. □

Acknowledgement

Much of this article was taken from the author's own 2004 book *Reclaiming Our Democracy*: Healing the Break Between People and Government, Philadelphia: Camino Books.

Finance and Banking In Alleviating Poverty:

Microcredit and Microfinance in an Age of Financial Crises

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Abstract: In this article the discussion focuses on the impact that the microcredit and microfinance phenomena, as represented by the Grameen Bank model, has had on the approach that economists must now adopt when analysing alternative models of finance and banking in the alleviation of poverty. The focus is not just on developing countries. Lessons from the Grameen Bank model can also be learned by developed countries. The traditional role of banks, extending back to the time of Adam Smith, when they were viewed as 'servants' and not as 'masters' of industry, is also highlighted. The role of institution-building in the ending of financial repression in both groups of countries is a central argument of the article. The recent global financial crisis provides the necessary backdrop to this debate.

Keywords: new economics, microfinance, social business, financial repression, economies of scope, externalities, institution-building

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Introduction

THIS article, which forms part of the inaugural issue of the new Journal of Social Business, appears just six months after the highly successful day-long 'Global Assembly' conference, organised by The Centre for Development (CfD) Scotland, at the University of Glasgow on the key theme – *Tackling Poverty for a Fairer World* – to mark and honour the works of the 2006 Nobel Peace Prize winning economist Muhammad Yunus and the Grameen Bank which he established in 1976 to lift the poorest in Bangladesh out of poverty. The conference attracted a large audience and speakers from a broad spectrum of backgrounds; eg from major banks to the smallest providers of credit at a very local level, such as credit unions. This fact alone highlights the significance of the issues raised at the conference, especially the commonality of problems faced by quite distinct societies – both developing and developed – across the globe, while exploring alternative ways through banking and finance to help people out of poverty – what role that banks and credit institutions can play in this process? In the light of the recent global financial crisis, have existing forms of financial institutions failed because they have ignored the fundamental reason why banks exist, namely to facilitate credit to finance industry and trade? Instead of, as they have become, the *Masters of Industry* rather than *Servants to Industry.* As a result of the crisis there has been growing demand, especially in the UK and the US, to split the retail functions of banks from their investment functions. In other words, to return to the traditional role of banks which is to provide finance for businesses. In that sense this article is timely, not just for what it suggests should be the role of finance and banking in the alleviation of poverty in a post-crisis age. It is also of interest to those economists who are re-examining the role and purpose of their discipline in the wider society. Does the recent financial crisis provide an opportunity for the profession to develop a 'New Economics' – *one that places people at the centre, not on the periphery*?

Some History

From the very early banking institutions created in Venice during the twelfth century, banks were viewed as the handmaidens of industry and trade. They were means to an end; not ends in themselves. From the setting up of the first Joint Stock Bank onwards, the role of banks was *as servant not as master*. They provided the means of facilitating trade through the financial innovations of their day; everything from bills of exchange which played a key role in facilitating the expansion of trade with England in the nineteenth century, to the chequebooks and now the ATMs of today. Banks have always been in the business of financial innovation and financial intermediation – the matching of surplus lenders with potential borrowers. In one sense, the development of Microcredit institutions such as the Grameen Bank known as village bank in Bangladesh (and others such as Credit Unions in developed countries), are just one further step on the road of financial innovation. These are examples of modern day innovations no different from the much criticised Credit Default Swaps (CDS) and Credit Default Obligations (CDO) which played such a major role in the recent financial crisis. Perhaps the central message of this article is that modern financial systems have a role for all of the various types of institutions, from complex investment banks and hedge funds to credit unions and microcredit institutions. As long as each know their individual roles within the wider system. This message resonates with recently expressed views on the financial crisis, particularly the perceived need to isolate the retail banking aspects of finance, from the so-called investment or 'casino' form of banking. This will prevent the so-called 'toxic' effects which occur when these types of banking activities are mixed together.

It is pertinent at this point to refer to Professor Yunus's 2008 Adam Smith Lecture given at Glasgow University to mark the 250th anniversary of the publication of Smith's *Theory of Moral Sentiments* (TMS). In his lecture,[2] Professor Yunus, points out, rightly, that the TMS should be viewed by economists as a counterbalance to Smith's *Wealth of Nations* (WoN). That is, the TMS represents the other side of the market from the brute force of the *invisible hand* (some would say *invisible 'fist'*) of the WoN. From the TMS we learn that there is a social consciousness within people. Perhaps this is where the Smithian concept of *enlightened self-interest* really comes from. Because people are multi dimensional, their selfish dimension is offset by their selfless dimension. The true role for the market then is to provide incentives in order that these two dimensions can more often be in harmony than in conflict. Quoting the TMS. . . 'how selfish so ever man may be supposed, there are evidently some principles in his nature, which may interest him in the fortunes of others, and render their happiness necessary to him, though he derives

[2] 'Social Business for a New Global Economic Architecture' Adam Smith Lecture by Prof Muhammad Yunus at Glasgow University on 1 December 2008.

nothing from it, except the pleasure of seeing it.' The principles Smith has in mind included pity, compassion, empathy even sorrow at the fate of others. Even the . . . 'greatest ruffian, the most hardened violater of the laws of society, is not altogether without it'.

Actually even in the WoN, Smith deals with the 'other side' of the market. What might be called the *acceptable face* of capitalism. In Chapter 2 of Book 2, Smith engages in a wide ranging discussion of the role of paper money and its bankers in society. He says with respect to the use that we can make of money (or in his day gold and silver) . . . 'if they employ it in purchasing goods in one foreign country in order to supply the consumption of another, or in what is called the carrying trade, whatever profit they make will be an addition to the neat revenue of their own country . . .'. Here are the benefits derived from constructive and open trade. Whereas, Smith says, 'if they employ it in purchasing foreign goods for home consumption, they may either, first, purchase such goods as are likely to be consumed by idle people who produce nothing, such as foreign wines, foreign skills etc; or secondly, they may purchase an additional stock of materials, tools and provisions, in order to maintain and employ an additional number of industrious people, who re-produce, with a profit, the value of their annual consumption'. He continues '. . . in so far as it is employed in the first way, it promotes prodigality, increases expence and consumption without increasing production . . . or establishing any permanent fund for supporting that expence, and is in every respect hurtful to the society . . .' Whereas . . . 'so far as it is employed in the second way, it promotes industry, and through it increases the consumption of the society, it provides a permanent fund for supporting that consumption, the people who consume re-producing, with a profit, the whole value of their annual consumption . . . and . . . the gross revenue of the society, the annual produce of their land and labour, is increase . . .'

Here Smith is warning us against conspicuous consumption which ultimately will be self-consuming. In relation to bankers themselves, Smith is forthright. He spoke of . . .'the late multiplication of banking companies in both parts of the United Kingdom . . . which . . . obliges all of them to be more circumspect in their conduct, and, by not extending their currency beyond its due proportion to their cash, to guard themselves against any malicious runs, which the rivalship of so many competitors is always ready to bring upon them . . . but at the same time . . . this free competition too obliges all bankers to be more liberal in their dealings with their customers, lest their rivals should carry them away . . .'

So here is the true message of Smith: competition is good – in banking as in other endeavours – provided it is regulated and controlled. It should not be unfettered without a social dimension. In terms of the theme of this article, and indeed of this new Journal, the lesson to be learned from history, or at the very least from Adam Smith, is that banks and other types of credit institutions should be allowed to compete with each other freely; partly because competition is deemed to be good, *per se*, but also because providing alternative means of acquiring credit to different categories of borrowers is a good thing. Hence, the role of such alternative forms of credit as *collateral-free* 'microcredit' as in the Grameen Bank model which cater to those borrowers who might not otherwise be able to access credit. (see Yunus 2007)

The Chinese have an expression – *let a thousand flowers bloom* – and this sentiment could easily be applied to the topic of this article. That is, there are numerous modes of finance and banking that can help to alleviate poverty in both developed and developing countries. Professor Yunus has himself said that the example of microcredit represented by the Grameen Bank may not be appropriate for all types of borrowers. There will continue to be a need for sources of finance at the top end of the market as well as at the bottom end of the market; the latter being well provided for in the various forms of microcredit arrangements that now exist in the world. In developed countries also there has been a long and distinguished history of banking and finance to those sections of the community to whom mainstream banks do not offer credit. For example, in the UK there are the Co-operative movement and the Credit Union movement which are both very strong. The latter, by 2006 had more than 170 million members across 97 countries, who are able to borrow on terms most similar to those offered under the Grameen Bank principle. There are also some specialist institutions such as the Triodos Bank which focuses exclusively on loans to social businesses and sustainable development projects. Even the large high street banks are now keen to portray themselves as engaged in some form of ethical banking in one form or another. This usually occurs through the sponsoring of charitable causes, sporting events, and the like, although they have also embraced, to some extent, *ethical* and 'social' lending.

However, at the top end of the market the large international banks will still have a major role to play in; eg the huge loans provided through sovereign wealth funds; large infrastructural funding, much of it in developing countries; and the massive loans provided by syndicated banks, sometimes to sovereign governments. I suppose the question which follows from the example provided by the Grameen Bank is whether the potential exists for similar structures to prosper in developed countries on the scale of the Grameen Bank and not just in developing countries. One of the 'unintended consequences' of the crisis might be that these alternative sources of finance will thrive. There are already signs of this happening, at least in the UK. Deposits have increased hugely in banks such as the Co-op Bank in the UK. New banks are emerging, for example – Virgin, Tesco and Metro Bank have all sprung up or are about to. Because of the *Too Big to Fail* problem – the notion that governments will always bail out the very large banks due to the fear of contagion – there is now increasing pressure on governments and regulators such as the UK Financial Services Authority (FSA) to break up the mega banks so as to avoid a repeat of the moral hazard that dominated at the time of the crisis.

Therefore, at present, there is a growing mood for increasing competition within banking. This will avoid the 'Too Big to Fail' problem and will provide more opportunity for new and existing players to operate and thrive. If more banks emerge, as seems likely, not only the system as a whole will benefit, bank customers will also benefit because of the greater choice and security they will have in the wider range of banking services offered. This will also be good for the banks themselves as it will encourage stronger competition. This will be a competition based on price rather than, as heretofore, non-price aspects.

When a market is dominated by monopolistic or oligopolistic structures, as in banking, non-price competition thrives at the expense of price competition. Banks are no different in this regard.

A short anecdote is relevant at this point. During the depth of the financial crisis *The Economist* magazine ran an article on the case of the 'Airdrie Savings Bank'. This is a small (indeed tiny) independent bank with just 7 branches located around the town of Airdrie, within a 25 miles radius of Glasgow, with total deposits (in 2007) of a mere £117million. It operates on very traditional lending criteria with minimal risk-taking and as a result weathered the financial crisis. Indeed, in one month (October 2008), it received an un-heard of boost to its deposits of £8.5 million, 7.4% of its then deposit base. This is a bank that originated in the savings bank movement led by Rev Henry Duncan in the poorer areas of Glasgow and Lanarkshire in the nineteenth century. In its November 13th issue of 2008, *The Economist* article described the bank . . . 'Boring, stolid, small and safe'. It had not only survived the crisis, it had actually 'thrived' as a consequence of it. This was so, because this type of institution which can best be described as a 'mutual' bank, became more popular than ever due to its low risk operations. Essentially just retail deposits, no dividends for shareholders, who do not exist in this form of ownership, and no lavish bonuses for bankers! Not only did its deposit base increase, quite soon afterwards it even announced the opening of an additional branch, again not far from Glasgow.

The continued success of the Airdrie Savings Bank, and other independent banks like it, is a testament to the need for banks, especially the retail banks, to go back to their roots and to serve their local communities. They should become as, Mervyn King – Governor of the Bank of England – said recently . . . 'more boring'. He also said if the view exists that 'banks are too big to fail', then perhaps some banks are in fact . . . 'too big'! This example also harmonises with one of the key messages of this article, which is that banks and bankers should return to their antecedents at the time of Adam Smith and become once again the 'servants' not the 'masters' of the economy. The link with the microcredit principles of the Grameen Bank model is clear. The next section of this article will examine in more detail these principles as they were first applied by Professor Yunus in Bangladesh in the early days of microcredit movement, and are now being applied in many countries around the world. It will ask whether, especially in the light of the recent financial crisis, such principles might also be adopted in developed countries.

Financing Social Business

The essence of the microcredit phenomenon is the potential it has to stimulate what Professor Yunus calls 'Social Business'. (Yunus 2007, 2010) The objectives of social business are to serve a social (and therefore also a business) need; to solve an identified problem; and to satisfy the collective benefit of others in society. The purpose of social business is *NOT* to make money for investors or shareholders. Yet a social business is *not in the business of NOT making profits* either. That is what charities are for. Rather, they are non-loss making but non-dividend companies. Investors (or members, as they may be called) can recoup their initial investment capital. Since surplus profits will be re-invested in the company, the company and its products should improve. They should become competitive with mainstream companies and ultimately just as efficient, or more efficient.

In reality, such social businesses exist across the world some of which have been stimulated by the Grameen bank concept. For example, the Grameen joint-venture with Danone, the French company well known for its yoghurts and similar products; and the tie up between Veolia, another French company, and Grameen in the area of safe drinking water, are just two examples. The key point is to start with the perceived social (and economic) need, whether it be to stimulate optimal levels of investment in renewable energy, healthcare for the poor, or to supply information technology to the poor. The *raison d'etre* of such a concept is that the businesses should primarily have a social purpose, which the market has not recognised or cannot provide the incentive structure to bring into existence. Rather than *supply creating its own demand,* these are businesses in which a *(social) demand creates its own supply.* Professor Yunus has identified a number of areas where the microcredit concept could thrive; eg technology for the poor; agricultural activities including agro-industry investments, where costs are often prohibitive; healthcare and health insurance; the environment and renewable energy; and education at all levels. In Bangladesh there have been remarkable improvements in many of these areas, thanks to the Grameen Bank.

In Professor Yunus' opinion there would be nothing to stop the development of a 'social stock market' where the shares of social businesses are traded. This is a logical development from the concept of social business itself and could be a type of parallel equity exchange on the same lines as the Alternative Investment Market (AIM) within the London Stock Exchange. Ultimately it could go even further than this. Social businesses could impact on the process of globalisation itself, with the emergence of 'multinational social businesses'. Of course, all of this would also require the setting up of appropriate regulations, rating agencies, reporting and disclosure arrangements, as well as education to support these aspects. There already exist a number of university degree courses and MBA programmes around the globe which specialise on the theme of social business.

From Microcredit to Microfinance: From Individual Entrepreneurship to Collective Entrepreneurship

The above notwithstanding, how can the undoubted successes of the Grameen Bank be propelled to a higher stage. At one level, the provision of small 'micro' loans to people who otherwise would not be able to access credit cannot be criticised. It must be good. And this author agrees. The difficulty arises when one attempts to move from that disaggregated level to an aggregated level. There are actually two aspects to this transition. The first is to devise mechanisms to allow the disaggregated components of 'micro' credit to become aggregated, ie at a more 'macro' level. In essence, this requires the very tools of finance that many have criticised as the cause of the recent financial crisis i.e. derivatives, securitisation, the bundling and unbundling of small sums into larger sums then back into smaller sums and so on. In effect, *secondary markets in microcredit*. This author's view is that the use of such tools (or instruments) should not be discarded as inappropriate within the context of the microcredit sector. These tools are merely examples of financial innovation that can be either used or abused, depending on the underlying objective. In a sense, this suggests that microcredit has to become *microfinance* in the broader context. That is, it should embrace not just small individual loans to individuals, but also the packaging of larger loans to perhaps groups of borrowers, eg at the village or even street level. It should also incorporate avenues for savings and insurance.

At a practical level, this requires the Grameen Bank to work with other mainstream banks, in the same way that it does already with the France's largest retail bank Credit Agricole which has established a Grameen division. The same could be done in other countries. In the UK, the Co-op Bank might wish to cooperate in such a venture. Or the highly successful Credit Union movement. The reason for suggesting this is that the microfinance sector has to be self-sustaining. To be so, it has to foster the transition from individual entrepreneurship to collective entrepreneurship. Economists as far back as Schumpeter (and more recently Ha-Joon Chang, for example, in his 2010 book – *23 Things They Don't Tell You About Capitalism*) have argued: successful economies require to make such a transition in order to be self-sustaining. It is not sufficient just to continue to finance individual examples of social business, laudable though that might be. The transition requires the creation of appropriate organisational and governance structures, whether it be in the form of cooperatives or community-owned businesses. Less developed countries have tried many examples of such arrangements, though they have often floundered because they have been dependent on state support and subsidy. Examples of such failures include *primary product Marketing Boards* and even the initially highly successful *Development Banks* that operated in many developing countries. The approach should be 'bottom up' not 'top down'.

At a theoretical level, there are two relevant concepts which help us to understand why such a transition is imperative. The first is what Chang refers to as the *fallacy of composition* problem. This is exemplified by the Grameen example of the so-called 'telephone ladies' in Bangladesh. This arose from a tie up between the Grameen Bank and Telenor, the Norwegian telephone company in 1997. This led to the financing of small loans for women to purchase mobile telephones and then to rent them out to their villagers. This was highly successful since the ladies made good initial profits between $750 and $1200, compared with an annual average income in Bangladesh of $350. However, the market became crowded and the ladies earnings fell. By 2005, their income was on average only $70 per year, whilst the average annual income in Bangladesh had risen to $450. Chang's point is not that the mobile phone initiative was itself a bad idea. The point is that just because some people can succeed with a business, does not mean that everybody can. This is the fallacy of composition. Therefore, what is required is that such a success should then be used as a springboard to move up the value chain and not just to remain at the initial stage. In the mobile phone example, this is obviously difficult, given the technological costs and expertise involved. However, Chang's point remains valid; namely that the danger of a successful process such as highlighted in this example is that it may get stuck at the initial stage and not become self-sustaining. There is also the possibility that the earnings made might be used for consumption purposes rather than for investment. The second relevant concept is 'economies of scope'.

From 'Economies of Scale' to 'Economies of Scope'

Economists have long referred to the advantages derived from size or scale namely; economies of scale. However, it is the concept of *economies of scope* that is perhaps most relevant to the case of microfinance. Economies of scope relate to the benefits derived from carrying on related activities. Specialised labour, technology and knowledge used in one activity can be used or transferred to a related activity. When there are multi-product firms, the benefits of increased economic activity often derive more from economies of scope than economies of scale. An economy of scope is made when . . . *cost of (activity a plus activity b) < cost of activity a and cost of activity b separately*. Within microfinance there may be potential for such gains to be realised; eg through the pooling of loans to several individuals. In fact the spirit of microfinance, where individual borrowers are often borrowing not just for themselves but also for their village or neighbourhood, is conducive to such gains. When borrowing is done for multiple projects, this minimises transactions costs which is a type of economy of scope. But the concept also transcends to other realms – for example, if the knowledge or expertise gained in one successful project is transferred to another project. Also, in terms of the credit status of borrowers there is an economy of scope in the sharing of information about potential borrowers on aspects such as their default rate. This seems to operate anyway within the Grameen Bank system since repayment rates among borrowers are extremely high (average 98%); far higher than in mainstream banks. Perhaps the nature of the Grameen loan contract induces such an outcome where there is implicit, sometimes explicit, peer pressure exercised at the village or community levels. How else could some borrowers obtain credit without the usual collateral, as is the case in most microfinance loans offered under the Grameen Bank principle?

Achievement of these economies of scope whether it be in the loan agreements for borrowers, or the knowledge and expertise acquired in running a successful business which can be transferred to another business, should be easier within a Grameen Bank context. For one thing, the level of moral hazard will be lower because the lender and the borrower will tend to have mutual objectives rather than be in conflict with each other. This is also of course derived from the mutual status of the Bank in the sense that the borrowers are also the owners of the bank. The recent global financial crisis was partly due to the *multiple principal agent problems* which mainstream banks have to deal with. This is less likely within a Grameen Bank set up. Moreover, in the context of less developed countries, where there is no safety net in the form of a welfare system, the Grameen Bank system can also perform an equivalent role to that of the state in providing sources of funding for social goods such as health and education, at least at the village level. Some commentators such as Chang (*ibid*) and Bateman (2010) have criticised the microfinance sector because it might absolve governments of the responsibility to provide these services centrally. As long as the Grameen approach is not viewed in this way by governments, a level of cooperation and partnership can be developed between them. More than anything else, the main breakthrough achieved by Grameen is that it devolves decision-making to the lowest level. It also empowers people in ways that central government is incapable or unwilling to do. It is the essence of the self-help approach. John Maynard Keynes, the great economist, once said that governments should only do what the private market cannot do and not what the private market can do better and more efficiently. In the Grameen Bank model, we have the perfect exemplar of an intermediary – a financial intermediary – that can bridge such a gap.

Financial Repression in Developing Countries and in Developed Countries

It is a well-known fact that developing countries suffer from *Financial Repression*. This term is used to refer to a phenomenon first discussed by McKinnon and Shaw in the 1970s, although the genesis of the idea goes back much further (McKinnon 1973; Shaw 1973). The basic concept is that, credit availability is often uncertain or erratic in developing countries. This is due to a combination of factors such as: government policies on interest rates (eg interest rate ceilings); controls on exchange rates (a preference for fixed exchange rates and a tendency for the currency to become overvalued); and an over-reliance on direct forms of controlling the money supply such as high reserve ratios. Together, according to McKinnon and Shaw, this leads to chronic disjunctions in the supply of credit, especially to those potential borrowers who have difficulty accessing credit, such as the poor, marginal groups in society and, for example, women. The resultant 'feast and famine' of finance – at some periods credit is too easily available (feast), whilst at other times it is in short supply (famine) – leads to a *low quantity of savings and investment* and at the same time *low quality of investment.* This is why many developing countries fail to grow. In fact, the two effects are interconnected. The result is that, rather than the market achieving optimal 'credit rationing' it is left to non-market processes to *clear* the market. These include: *rent-seeking behaviour* of one sort or another, influence and patronage, or less politely, corruption. For a review of the literature on the McKinnon-Shaw hypothesis, see Gemech and Struthers (2004).

The traditional neo-classical economist response to such a situation, is of course, to liberalise the various markets – credit markets, money markets, exchange rate markets, and even international capital markets. The solution merely lies in *getting the prices right*. This is what the so-called 'trickle down' approach to development is based upon. The real insight of the microfinance and Grameen Bank model is that this 'approach' is, in effect, replaced by a 'trickle up' approach. As long as institutions can be established to ensure good governance, availability of finance may become less unreliable and erratic, smoother in fact. This, indeed, is why the microfinance concept was so intuitively appealing when it was first launched. It makes sense, not least because of the avoidance of the Principal-Agent problems referred to above (moral hazard and adverse selection), but also because it achieves several objectives at the same time. It empowers people, especially those of the very poorest in societies who need to be so empowered. It also embeds the replacement of a dependency culture with a self-help culture. Everybody gains, nobody loses. The outcome is more than a positive non-zero sum game.

Spillover Benefits of Microfinance

To be sustainable, microfinance initiatives have to develop spillover benefits, or what economists call *positive externalities*. This is required in order to have a long term impact on poverty. Examples of such spillovers include: other forms of capital such as *social capital*, *institutional capital* and *network capital*. In the absence of a stimulus such as that provided by microfinance, these forms of capital will lie dormant, though latent. The very fact that microfinance institutions harness their funding mechanisms through different forms of group intermediation (eg at the village level), helps to achieve these spillovers. The normal channels of financial intermediation through which economies of scale and scope are achieved (eg through the minimisation of search costs) is one way in which this can be brought about. Even within the domain of financial capital, spillovers are possible. For example, once people access loans from a microfinance institution and prove that they are a low risk of default, they can then progress on to other forms of financial investments such as longer term savings and insurance. Of course, when it comes to savings, people in poorer societies as well as poorer communities within richer societies, often save in very traditional and informal ways. This is partly attributable to their lack of access to mainstream banking services (eg this is very common in Africa). As a result, they often save in inefficient ways (eg hoarding of both money and physical goods including gold, as well as livestock).

The challenge, which the Grameen model has tried to grasp, is to harness these forms of savings in productive ways for the good of the community. This is no different from the Savings and Loans model in the US, or the building society, credit union and cooperative movements in the UK. There is a place for all of these models. Indeed, it could be argued that because cultures and attitudes vary across societies, it is important not to impose a *one size fits all* model everywhere. Whatever model works in each case should be adopted, although there is also great potential to 'share best practice' from all models. What is clear, and there is much evidence around the world to confirm this, is that if such models and forms of financial governance do not spring up, the vacuum that is left will be filled by unscrupulous forms of money lending. This happens also in developed economies.

Institutions for Capacity Building

Just as there are different models of finance that may alleviate poverty in different countries, so there are also different types of microfinance institutions. For example, there are 'for profit' institutions, where the key objective is to make the financial sector more efficient. Here, the generation of profit is vital and the initial subsidy element within the small loans offered to borrowers is aimed at improving business start-ups and widening the social business network. A second type is the NGO model in which the objective is to alleviate poverty directly by providing essential services. This also depends on expanding the number of users or 'clients' of these services. A third type comes under the general heading of *cooperatives*. Here the key objective is to encourage affiliation or *affinity with a common ideal*, in the same way that many *faith-based organisations* function. The emphasis here is to recruit new members, expand the network, and provide 'supportive services' on a fair, equitable, and efficient basis. This third type is probably the closest to the Grameen model, and as suggested above, these have operated successfully in developing countries for many years. Indeed, on a local topic, 2013 will be the year to mark the anniversary of the great work undertaken by philanthropist and social reformer Robert Owen who established his famous model village at New Lanark, near Glasgow, and who is believed to be the founder of the Cooperative Movement. This was the social business of that age.

Ultimately, the challenge for all of these forms of financing poverty alleviation will be to ensure sustainability in funded microfinance businesses. And the Grameen Bank model is no different. In other words, it is necessary to avoid financing *easy-entry* micro-businesses, because easy-entry also means *easy-exit*. In a sense, this is one reason why microfinance loans should not be offered at excessively low rates of interest. Otherwise, this will encourage over-lending, often for unproductive activities (such as conspicuous consumption) with all the attendant problems of moral hazard and adverse selection which can arise. A word of caution is appropriate. Not all poor people wish to establish a business, social or otherwise. It is right for the Grameen model to aim, as it were to *democratise credit*. Some authors in this field have rightly suggested that while microfinance may be *necessary*, it cannot be *sufficient* to alleviate poverty. They refer to the need to emphasise what is called 'livelihood finance' (note this is quite different from lifestyle finance). Livelihood finance suggests a holistic approach to finance – savings, short and long-term credit, insurance and re-insurance, infrastructure finance (eg shelter and roads), human capital formation (eg education), finance for agriculture, business development services (consultancy and advice), and once again, institutional development (capacity building and governance).

Conclusions

In this short article I have tried to encompass a range of considerations in order to assess the effectiveness of the microfinance revolution, and the Grameen Bank model in particular. Starting from a historical perspective which located the debate within the context of the early views of Adam Smith on the role of banks in his day, the article then considered the place for different types of financing models that may be applied in different countries, societies and situations. Obviously the recent global financial crisis, in particular the banking crisis, gives an added impetus to economists to explore new ways of facilitating credit to help poor people. This is a huge challenge for the profession and the *New Economics* approach is playing a central role in on-going debates. This is partly a theoretical challenge, since the old models are no longer 'fit for purpose'. It is also a practical and pragmatic challenge not just for economists, but also for bankers and others who work in the world of finance. In this context, the microfinance revolution and the Grameen Bank are role models for this new approach. A simple philosophy may be appropriate here. The Grameen Bank approach has now been adopted in a large number of countries across different continents, and despite what some sceptics may argue, it is a remarkable success story. As for the potential for 'social business' to succeed in the modern world, this potential is enormous and should be harnessed. In a small way, the launch of this new Journal may help in that process. □

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Promoting and Developing Social Business:

A French Perspective

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Abstract: Despite its universal characteristics, both in theoretical and practical terms, the concept of Social Business is subject to every single country's economic, legal and financial specificities. This paper analyses the particular context of France and its implications for the setting up and financing of social businesses, in and from the country. The concept is well-received in France and supported by a variety of banks, large corporates and business schools. To grow beyond their initial scope, all of these initiatives need to innovate the sourcing of funding. This paper further examines case by case the various approaches from companies, public sector entities, philanthropy, etc, and also institutional and private investors in their availability as well as their specific legal capacities and limitations to deliver the funding required to support the growth of social business initiatives. Such initiatives are vital in the fight against poverty and income inequalities.

Keywords: social business, variety of banks, large corporates, philanthropy, combat poverty.

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Social Business: A Universal Concept in Scope?

THE concept of 'social business', inspired by Nobel Peace Prize Laureate Professor Muhammad Yunus, is universal in scope at both a theoretical and at a practical level.

- On a theoretical level, this is because it encompasses all the various dimensions that make up a human being. Capitalism has often reduced human beings to a single dimension, namely a selfish quest for success measured by a single indicator – profit, when in fact they are actually capable of devoting the same energy and the same talent to selfless causes. The example has been set by a number of American billionaires who have amassed fortunes from their businesses and who devote the second part of their lives to philanthropic causes with the same energy and leadership. Why do these two commitments have to come one after the other? Why not combine them into a single concept – social business – based on the motivations that inspire these talented entrepreneurs from the outset?

- On a practical level, the concept of 'social business' which Yunus (2007, 2010) introduced to solve social problems can be applied to a diverse range of situations, whether in countries faced with underdevelopment or in developed countries faced with social issues such as unemployment and marginalisation, exacerbated by the financial and economic crisis. Concrete examples abound in countries as diverse as Bangladesh, France, Senegal and the United States.

Although the concept is universal in scope, its practical application has to fit each country's specific political and cultural environment, and legal and financial system. It may therefore encounter difficulties in a particular country due to unfortunate experiences in the past, or be confused with similar concepts that form part of a particular country's tradition. We should encourage each country to endorse the concept, enrich it with its own reflections and practical experience, whilst remaining attentive to the risk of confusion, poor interpretation or deformation.

The purpose of this article is to place the concept of social business in the context of France's economic, social and political environment and to identify the driving forces that can help to develop the concept within France's legal and financial system.

1. The French Context

Although people in Beijing, New York or Sao Paulo might think of Europe as a single group of old nations with the same culture, and although for the last half a century these nations have been building a European union that is increasingly integrated on an economic level, they nonetheless have some very different traditions in their relationship with capitalism. Somewhere between British liberalism and German capitalism, France has a different tradition, the key features of which are:

• *A tradition of state intervention in the economy*

First, the State has traditionally played an interventionist role in the economy. This is, known as Colbertism after Jean-Baptise Colbert, France's Minister of Finance under Louis XIV in the seventeenth century, who developed State manufacturing industries. The State-driven economy found political and social justification throughout the twentieth century in Marxist ideology, which had a strong influence on, and even dominated the entire French Left. This resulted in the nationalisation of entire swathes of the French economy in two waves, in 1945 and 1981. Today, the State's role as an economic agent is declining rapidly, mainly due to market liberalisation and deregulation under single European market rules. Almost all the public sector companies have been privatised and many public services are now managed on a private business model. However, the State still plays a much more important role in the French economy than it does in other European countries.

• *A strong 'social economy sector' accounting for 10% of French GDP*[2]

Secondly, France has sought a third way between hard capitalism and a state-run economy, which it calls 'économie sociale' or 'social economy'[3]. This movement has its roots in the ideologies of the second half of the nineteenth century, a mix of social utopia inspired by Fourrier and Proudhon and concrete cooperation initiatives aimed at bringing production, distribution and consumption closer to the economic agents concerned. The 'social economy' aims to develop and implement innovative types of social organisation, corporate governance and profit distribution based on the values of participative democracy, financial solidarity and social

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2 See Association pour le Développement de la Documentation sur l'économie sociale (ADDES): www.addes.asso.fr
http://www.afg.asso.fr/
index.php?option=com_content&view=article&id=863&Itemid=124&lang=fr

3 See 'La nouvelle économie sociale, pour réformer le capitalisme' by Daniel Hurstel, published by Odile Jacob, October 2009, Paris.

justice. The ‘social economy’ movement enjoyed a surge of renewed popularity just after World War II, with the introduction of the *Conseil National de la Résistance* programme, which notably resulted in the creation of a social welfare system and the adoption of a mutual status and a cooperative status. Today, the French concept of ‘social economy’ encompasses a disparate set of businesses that fall into three legal categories:

(i) Associations: some associations are true businesses that provide goods and services. A good example is the SOS Group, which employs more than 3,000 people in France in healthcare, assistance services and waste recycling. The Group is owned by three associations. From an economic point of view, an association that engages in a competitive business activity is subject to the same rules, including tax regulations, as a private business. However, any profits made by the association must be transferred to reserves; they may not be distributed.

(ii) Mutual organisations: there are 2,100 mutual organisations in France, providing care and support services to some 38 million people. There are also 41 mutual insurance companies that insure 24 million people. Mutuals are social organisations operating on the principle of solidarity between their members. They may make a profit, but there are strict rules on its distribution to members.

(iii) Cooperatives: there are 21,000 cooperatives in France spanning all business sectors and employing 700,000 people. Their capital is owned by members in the form of member shares. Unlike ordinary shares, member shares may only be exchanged at their par value. Their value does not move in line with a market price or with changes in net asset value. Cooperatives may pay dividends if they make enough profit but the amount is capped by law. This effectively means that most of the value created by a cooperative must be ploughed back into the business and contribute to its development. Another fundamental principle governing cooperatives is the ‘one person, one vote’ rule, which enables all members to take an equal part in decision-making regardless of the number of member shares they own.

Apart from the ‘social economy’ in the strict sense, France has also seen a strong surge in real ‘social business’ created by associations such as the Emmaus movement or Habitat et Humanisme, spanning areas as varied as waste recycling and housing construction for the poor. These initiatives all aim to reintegrate the excluded, the long-term unemployed and the homeless, by offering them real jobs in sustainable businesses with a social purpose. These 'social inclusion' businesses are encouraged by the State and the local authorities. The whole of what France calls the so called 'social economy' accounts for about 10% of French GNP.

• *A relatively weak philanthropic tradition*

A third feature of the French system is the relatively minor role played by philanthropy compared with the United States for example. This is partly because French people have always been prudish about (or ashamed of?) money: wealth should never be openly displayed even if it is for a good cause. In addition, in a country where compulsory social contributions are among the highest in Europe, most people believe that wealth should be redistributed through taxes rather than through individual philanthropic actions and that the State is primarily responsible for resolving a social problem or mending a social injustice.

In a country where a large part of the intelligentsia and the political and trade union movement have long disagreed with the very principles of the market economy, any alternative to the capitalist system is considered with sympathy and interest. It is symptomatic that Professor Yunus's 2007 book 'Creating a World Without Poverty' was published in France under the title 'Towards a New Capitalism'. There is then a risk that the concept of 'social business' will be highjacked from its original purpose – which is to provide a practical solution to a social problem – and become part of an ideological debate on the 'alternative economy'.

2. The Concept of 'Social Business' Has Struck a Chord in France

Professor Yunus is greatly admired in France. Banishing poverty, giving poor people their dignity by acknowledging that they have a right to credit, giving everyone access to basic goods and services through a social cause-driven business model: these are all aims that strike a real chord in a country with a long-established tradition of crusading for justice, solidarity and equality.

He hits a sensitive nerve and provokes spontaneous endorsement from many French people of all ages and social backgrounds with his belief that a person's altruistic dimension can be expressed in the economic field through a new type of business whose owners aim to create a social benefit for the poor rather than a financial benefit for themselves. Young people are particularly sensitive to this approach; many of them wish to gain their professional experience by working for social and ethical organisations and are ready to make sacrifices in terms of salary to do so. But in exchange they demand a high level of respect for the organisation's aims as well as the development of practical tools to make sure that its stated values are properly observed.

In the area of development, the new way described by Dr Yunus, is of interest to all those who are aware of both the limitations of public aid for development and the shortcomings of an approach based entirely on donations and charity. Various scandals in the 'charity business' have put many donors off.

The financial and economic crisis has strengthened the feeling that the 'invisible hand of the market', far from leading to prosperity for everyone, actually accentuates inequalities and creates exclusion. It has resulted in a strong desire to put human values back into the economic and financial world. From this point of view, Professor Yunus's social business idea strikes a real chord.

French companies at the forefront of the development of social business
The Social Business approach developed by Professor Yunus has found strong support in the large French corporations.

Big Corporates: The Examples of Danone and Véolia
The experiences of Danone and Véolia in Bangladesh, in partnership with the Grameen Bank, are sufficiently well known and indeed joyfully described by Professor Yunus himself in his latest 2010 book 'Building Social Business'. They are in some ways the prototypes of social business (joint ventures).

Leading Banks: The Example of Crédit Agricole – Grameen Credit Agricole Microfinance Foundation[4]
The initiatives taken by Dr Yunus have also found powerful support in France in the banking sector, through his partnership with France's largest bank, Crédit Agricole. This partnership led to the creation in 2008 of the Grameen Crédit Agricole Microfinance Foundation, which was endowed with 50 million euro by Crédit Agricole S.A. Its mission is twofold: to encourage and support the development of microfinance institutions and to facilitate the emergence of social business, thereby contributing to the fight against poverty. The Foundation itself operates as a social business; its 50 million euro endowment is used, on a revolving basis, to grant loans or guarantees and to provide equity for social businesses, based on rigorously analysed financial and social criteria. Operating

4 See www.grameen-credit-agricole.org

expenses and the cost of risk are covered by its revenue and any profit is ploughed back into the Foundation's mission in the form of technical assistance to partner institutions and businesses.

Other Initiatives: Major French Companies – Essilor, SFR
Other major French companies have developed initiatives inspired by social business. For example Essilor, the world leader in prescription lenses, has set up an internal social business model in India to help rural populations who do not have routine access to opticians. It also plans to launch an initiative in France to provide prescription lenses to old people without sufficient social security cover. Another example is SFR, a leading mobile phone operator, which plans to provide deprived families with mobile phones and teach them how to use them.

The French academics and institutions
An 'Action Tank', run by HEC and co-chaired by Martin Hirsch and Muhammad Yunus, provides a forum for French companies involved in social business to discuss their experience, encourage one another and benefit from academic research. French universities and Business Schools play a very active role in developing the concepts and models of social entrepreneurship and social business. Apart from HEC which in 2008 sponsored a 'Business and Poverty' Chair jointly with Danone, ESSEC created a centre of expertise on social entrepreneurship as early as 2003. Academic research plays a crucial role in distinguishing between the various existing approaches in social entrepreneurship, identifying and assessing practical experience and expanding the debate on how to finance social business projects.

3. Financing Social Business

Like any business project, a social business organisation needs capital, whether in the form of debt or equity. Whilst some of the financing requirement, particularly for the production cycle, could come from bank debt under standard terms and conditions, equity and long-term asset financing requires resources in order to be better geared to the Social Business (SB) model. To achieve its social objective, SB innovates in many ways: product innovation, innovation in production processes, innovation in methods and distribution channels. In addition, seeking the lowest possible prices to make a product affordable to the poorest puts pressure on the trading model. For all these reasons, SB initiatives will find it difficult to convince traditional lenders to provide the long-term funds they need. As regards equity, the risks inherent in the business and the lack of any return or capital gain for the owners will discourage traditional venture capitalists and, more generally, private equity funds from investing alongside the project promoter. Yet the project promoter will typically not have the ability to provide all the long-term funding required. The development of SB will therefore have to be driven by the creation of special SB funds geared to the approach recommended by Professor Yunus, which can support projects over the long-term and without gain. Who are the investors likely to be interested?

1 Companies

Companies of all sizes may be motivated to develop a social business in their field of expertise, such as the examples cited above. These companies and their managers may have altruistic motives but they will also want to use SB to promote their image to the outside world and to create a spirit of cohesion and motivation internally among their employees. These benefits are effective when a company develops a social business or SB fund that falls entirely within the scope of its business activities and its vision. 'Danone Communities', a fund created and managed by Crédit Agricole, is an interesting innovation. It meets the conditions to obtain approval from the Autorité des Marchés Financiers and complies with the European directives on collective investment schemes, yet is able to invest up to 10% of its total assets in SB projects proposed by Danone. Since its creation in 2007, 'Danone Communities' has raised 75 million euro from private individuals (mainly Danone employees and shareholders) and institutional investors – especially those entities related to the Crédit Agricole Group which have invested 20 million euro. The example of 'Danone Communities' illustrates the feasibility of SB investment funds partly financed by a major group and its employees, provided the fund has close connections with the group's business and suitably conveys its image. A similarly inspired fund has been created by Schneider Electric, a leader in the manufacture and supply of medium and low voltage products for electrical systems. Other major companies in the energy sector have similar projects.

By contrast, a generic SB fund, which would be involved in a variety of business sectors unconnected with a group's business activities, would probably have little chance of attracting companies without the benefit of internal or external communication. In addition, except for family businesses, companies that raise capital externally – primarily listed companies – would have great difficulty in justifying a non-profit investment to their shareholders.

2 *Philanthropy: Foundations and Philanthropic Investors*

Professor Yunus is asking investors to make a financial sacrifice for altruistic reasons by giving up the opportunity of earning any dividends or capital gains on their investment, or even any compensation for inflation or exchange rate risk. This sacrifice can be seen as the philanthropic component of an SB investment. In parallel, there is a strong undercurrent in philanthropy away from the traditional endowment approach and towards a more business-orientated model, especially for development (venture philanthropy). Could this dual movement lead to the creation of SB funds financed by philanthropic investors?

In the French context,[5] this potential source of SB investment comes up against both financial limitations and legal obstacles. France does not have a tradition of philanthropic foundations as they do in America. According to Forbes, France had 15 billionaires in 2006 compared with 55 in Germany and 415 in the USA. The Gates Foundation (€24.46 billion in 2009) has 300 times more capital than the Mérieux Foundation endowment, (€80 million in 2009), which is amongst the largest in France. In addition, the French foundations have traditionally focused largely on culture and do not have an international dimension. A recent report by the Inspection Générale des Finances on 'private philanthropy and development aid' submitted to Christine Lagarde, Minister of the Economy in February 2010 puts private philanthropy's contribution to development aid in France at between €650 and 800 million a year as against €12 billion in the USA (OECD estimate) or €37 billion (Hudson Institute estimate). However, it should be noted that most of France's philanthropic contribution to development aid goes to emergency NGOs such as Médecins Sans Frontières or the Red Cross, and that the amount invested in social business projects in developing countries is negligible.

The French foundations not only suffer from financial limitations but also from legal obstacles. In particular, the public utility foundations come under the control of the Supreme Court (Conseil d'Etat) and are supervised by the Ministry of the Interior, both of which are against foundations becoming involved in the economic and trade world and

5 See Report 2009-M-089-02 to Mrs Christine Lagarde, Minister of Economy, Employment and Industry by the French Inspection Générale des Finances on 'private philanthropy dedicated to development', February 2010: https://www.igf.minefi.gouv.fr/sections/les_rapports_par_ann/2010/la_philanthropie_pri

try to ensure that their endowment is invested in risk-free funds or accounts, with only the interest income being used for their social purpose.

Outside the legal framework of foundations, there is some old and some more recent money in France which could be attracted by and invest in the SB approach promoted by Professor Yunus. The international private banking networks of the major French banking groups could also propose investments in SB funds that meet his definition to some of their wealthy clients. However, we should neither overestimate the amounts that could be raised, nor underestimate the communication that would be required to promote such funds.

As regards individuals, they willingly give to humanitarian NGOs. They are also encouraged to do so by the 66% tax relief available on their charitable donations. But, under current tax regulations, development aid is not explicitly eligible for tax relief and money invested in SB projects would in any event not qualify. This is highly regrettable.

3 The General Public and Employee Savings

French people have a high rate of savings, most of which is invested in collective investment schemes or passbook accounts. Some of these savings are intended to support projects with a strong social focus, through various solidarity-based schemes. The amount of such solidarity investment plans in France was estimated at €2.4 billion in 2009. This is therefore a potentially important source of financing for SB funds. There are two broad types of solidarity investment plans for individuals:

- Solidarity Funds: mostly in the form of collective investment schemes, a portion of which is invested in projects with a strong social focus. However, under European regulations on collective investment schemes, no more than 10% of the capital raised can be invested in unlisted companies. The solidarity funds must therefore be set up using the 90/10 model invented by 'Danone Communities', if they wish to obtain approval from the Autorité des Marchés Financiers to raise money from the general public.
- Shared-return Funds: mostly passbook accounts where part of the interest income is allocated to social causes or NGOs. This scheme collected 5.4 million euro in donations in 2009.

Among the solidarity funds, attention should be paid to the 'solidarity-based employee savings plans.[6] French law encourages companies to set up and employees to invest in employee savings plans which, in exchange for freezing the funds for five years, are exempt from capital gains tax and tax on dividends. As of 31 December 2009, almost 12 million French employees have an employee savings account and the total amount invested in France is €85 billion. Employees can choose between several employee savings funds, but French law requires the major companies to offer their employees at least one socially responsible fund, i.e. one fund partially invested in the equity or debt of solidarity organisations. Around 400,000 employees have invested some of their employee savings in such funds. Total employee savings amounted to over €1 billion in 2009, 6% to 7% of which was invested in solidarity organisations, making about €70 million.

However, the legal definition of 'solidarity organisations' is based on purely French legal concepts and does not include social business projects in developing countries. Investments made by Danone employees in 'Danone Communities' do not therefore qualify as solidarity savings in the legal sense. This is an anomaly that should be addressed by taking the issue to appropriate authorities, e.g. getting this legal definition expanded.

4 Institutional Investors

The amounts quoted above in terms of solidarity savings are a drop in the ocean compared to the vast investments made by institutional investors such as pension funds, insurance companies, mutuals, Caisse des Dépôts, etc. It is tempting to think that even just a small fraction of their investments could be allocated to SB projects, through a specialised fund. This possibility should be explored and tested. However, it is not without its problems. Although some institutional investors do invest in socially responsible funds,[7] the lack of any return on an SB fund would appear to be an insurmountable barrier because it would be hard to reconcile with the by-laws and investment policies of the institutions concerned. As part of a policy of diversification and socially responsible investing, fund managers in these institutions could envisage allocating

6 See Association Française de Gestion: chiffres clé de l'épargne salariale 31 décembre 2009:
http://www.afg.asso.fr/index.php?option=com_content&view=article&id=863&Itemid=124&lang=fr

7 See Survey of French SRI Market 2009 by Novethic: www.novethic.com

a fraction of their funds to non-profit social causes. But to give up any dividends or capital gains right from the outset would be contrary to their duty towards the fund holders.

Another interesting path to explore is the possibility of capturing even just a small fraction of the investments made in more traditional funds: institutional investors could opt to invest in one or more funds, a small part of which would be reinvested in a pure SB fund, to be created. Under this scenario, the institutional investors would have to be able to 'trace' their investments in SB projects and measure their social performance.[8]

5 Public Cooperation Agencies

France was among the most active promoters of the UN Millennium Goals. Everyone remembers Jacques Chirac's speech in Johannesburg in 2002: 'Our house is burning and we look elsewhere'. In addition, France took up the mantle of seeking innovative ways to finance the Millennium Goals, such as a tax on airline tickets paid over to Unitaid to finance the combat against AIDS, malaria and tuberculosis. The Agence Française de Développement (AFD) and its private financing subsidiary Proparco are willing to consider public-private partnerships for development projects. Crédit Agricole created a fund for this purpose called 'CAAM AFD Avenirs Durables', 30% of which is allocated to financing AFD initiatives and Proparco projects. Why not get the AFD involved in a SB fund focusing primarily on Africa? The AFD has already agreed to guarantee 50% of the investments made by 'Danone Communities' in Social Business projects.

6 State Support

As suggested at the beginning of this article, the State plays a much more important role in France than it does for example in the United Kingdom. In 2009, as part of its stimulus policy, the French Government made a massive public bond issue designed to support economic stimulus projects and to invest in research and innovation. The State decided to devote 100 million euro to developing the social economy (associations, cooperatives) and approved solidarity organisations, appointing the Caisse des Dépôts et Consignations, which has long been involved in support for this sector, to manage the endowment. The aim is to support

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[8] There would be a problem as regards covering an SB fund's management fees (transfer-in fee + commission paid by the SB beneficiaries) as there would be no return from the social business organisations financed.

job-creating initiatives in France by providing equity and quasi-equity (e.g. cheap-rate loans over ten years).

This overview of the potential sources of financing for SB projects in the French context throws up a number of interesting possibilities that could be explored in more detail to develop SB funds that would meet both the definition articulated by Professor Yunus and the specific requirements of each investor category. The Grameen Crédit Agricole Microfinance Foundation has begun to work along these lines with the help of Crédit Agricole Group specialists in employee savings, socially responsible investment and private banking.

4. Conclusions

The concept of SB will find strong support in France from companies, the financial sector and universities as well as public opinion and the NGOs involved in the fight against poverty and exclusion. It will take off in France, as it has in other countries, if we are able to attract investors seeking to combine a business approach with a social mission and to offer them an extensive range of projects. These investors, whom I brand 'social business angels', could either invest directly in the projects or in specialised investment funds. In either case, two key conditions for success will have to be met:

- The social merit of the projects will have to be evident and clearly demonstrated by impact studies or appropriate indicators, and, if possible, validated by reliable third parties.
- Investors must have the ability to recoup their investment after a certain period of time.

A solution to these two conditions would be to create a 'social investment exchange' that would provide investors with comprehensive financial and social information on the proposed projects based on recognised standards, and the opportunity of buying or selling debt and equity instruments in social businesses. Professor Yunus referred to this concept in his book (2010). Such an exchange could soon see the light of day in Europe through the promoters of the NeXii impact investing platform, inspired by the South African SASIX exchange.

By definition, information and trading platform for social investment could not be restricted to a single country. In addition, the platform itself would have to be created in the form of a social business organisation.

Neither of these points should raise any major difficulties. Within the European Union context, a market exchange has to comply with rules set out in European directives. In addition, many existing market infrastructures already operate in the form of resource pooling groups or cooperatives and work on a no-profit basis for the benefit of their users.

The difficulty would lie more in adopting common definitions and shared standards to ensure that the information provided to investors is completely unambiguous as regards the nature and objectives of the projects presented.

This is a task which will require everyone's cooperation and willingness to work together, transcending the legal and cultural differences between countries. □

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Poor-Friendly Technology Initiative in Japan:

Grameen Technology Lab

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Abstract: The way technologies have been commoditised does not serve the poor, the largest community in the world. Many problems in health, education, business and agriculture can be solved simply if developers, managers and distributors of technologies consider the requirements of this largely unreached population. Kyushu University in Japan and Grameen Communications in Bangladesh jointly undertook initiatives to explore the field of social-needs-based technology and product

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development. This article introduces some of our innovations: ePassbook as an electronic gadget, a social information platform to bring new business opportunities to rural people, and a portable clinic for the otherwise unreached patients. Each of these projects has been developed with the involvement of industries, academia, government and the community. However, a central entity is required to effectively collaborate with all these organisations and to deploy them for the target population through social business. Our Grameen Technology Lab is a model to respond to these needs.

Keywords: social needs, technology for the unreached, portable clinic, grameen technology lab

1. Introduction

ACCORDING to WHO, in 2009 diarrhoea has caused 1.5 million deaths in children under the age of 5, i.e. over 4,000 children died per day. In India alone, more than 1,050 children die of diarrhoea per day.[2] In contrast, a total of 14,286 deaths in the same year were reported, according to the European Centre for Disease Prevention and Control.[3] Thanks to ICT, information about H1N1 flew faster than the virus, and the world took immediate steps to fight the virus. The medicine is affordable: no policy is stopping people from taking proper treatment for diarrhoea. Around 1.5 million deaths a year could be avoided if information could reach these unreached. These deaths do not receive attention of the world community in part because trading surrounding diarrhoea treatment and medicines is not as profitable as H1N1 from the business point of view. Table 1 shows the other equally unfortunate facts.

Kyushu University has undertaken a new research project to redesign the present social information infrastructure. The aim of the project is to establish new social infrastructure to serve social services to the vast majority of the people, e.g. healthcare, education, business, and govern-

2http://whqlibdoc.who.int/publications/2009/9789241598415_eng.pdf; Mothers of these children were asked, What did you do when your kid had diarrhoea? Did you stop feeding liquids or provide more liquids? Thirty five percent answered: 'stopped feeding liquids'.

3 ECDC Daily Update – Pandemic (H1N1) 2009 – 18 January 2010, European Centre for Disease Prevention and Control.

Table 1: World Facts[4]	
Facts	**Category**
Fact 1: About half of the world (over three billion people) live on less than US$2.50 a day	Poverty
Fact 2: According to UNICEF, 24,000 children die each day due to poverty	Poverty
Fact 3: Nearly a billion people entered the 21st century unable to read a book or sign their names	Education
Fact 4: Less than 1% of what the world spent every year on weapons was needed to put every child into school by the year 2000 and yet it didn't happen	Education
Fact 5: Around 1.1 billion people in developing countries have inadequate access to water, and 2.6 billion lack basic sanitation	Education
Fact 6: Around 1.8 million child deaths each year as a result of diarrhoea	Health
Fact 7: In developing countries around 2.5 billion people are forced to rely on biomass-fuel wood (charcoal and animal dung) to meet their energy needs for cooking. In Sub-Saharan Africa, over 80% of the population depends on traditional biomass for cooking, as do over half of the populations of India and China	Energy
Fact 8: In 2005, the wealthiest 20% of the world accounted for 76.65% of total private consumption. The poorest fifth just 1.5%	Environment
Fact 9: 1.6 billion people (a quarter of humanity) live without electricity	Energy

4 See Anup Shah, 'Poverty Facts and Stats', http://www.globalissues.org/article/26/poverty-facts-and-stats

mental services. Part of our research focused on developing countries. We conducted a series of surveys in 2008 (see Zabir et al 2008) to understand the present social information infrastructure in a developing country, Bangladesh. We observed in the rural areas in Bangladesh how villagers use Information Communication Technology (ICT). Six hundred (600) villagers in three rural areas were asked which media among newspaper, radio, television, mobile phone and internet they use to access social information such as health, education, business and entertainment. The key finding is that people choose media according to the content. Our results show that 93% watch TV, 90% have access to a mobile phone, 60.9% listen to radio, and 63.4% read a newspaper while only 6% use the Internet. Although basic infrastructures (water, gas or electricity) were absent in these villages, the availability of mobile phones was amazingly high. In order to charge the mobile phones, people bring advanced solar energy sources to the village. Using solar energy, people also operate computers to connect to the outer world for the purpose of confirming their jobs in the Middle East.

A common scenario in most developing countries: the people are keen to access advanced technologies and do not wait for all the infrastructures to be established or for appropriate policies designed. This situation is in sharp contrast to that in the developed world where policy and infrastructure strongly influence what is possible. Thus, it takes a longer period of time to deploy a technology in the complex infrastructures of developed countries because the new technology needs to have backward compatibility with the existing system and policy needs to approve the new technology. This makes deployment costs expensive in terms of both time and money. On the other hand, a place with little or no infrastructure has an open option to accept new and advanced technology. There is no issue of backward compatibility. Deployment costs become relatively cheap. Therefore, the developing world offers a great opportunity for academic researchers, product designers and vendors to enjoy the immediate outcome of their efforts.

Technology can save the developing world from many of the problems that the people face. While some technologies they are getting there, these are not those with the most potential to improve lives. The paper attempts to explore or propose a new technology development process so that the unreached can be reached.

2. Technology / Product Development Process

While budget allocations may have different priorities, a careful technology/product development process can change the scenario. We have sufficient technologies at hand to design products regardless of the income-level of the target users. Projects like World Summit on Information Society (WSIS) by the UN, One Laptop Per Child (1LPC) by the Bill and Melinda Gates Foundation and International Telecommunication Union sTandardisation (ITU-T) are taking different Information and Communication Technology for Development (ICT4D) initiatives to provide sufficient access to social services:

(a) The technologies developed in universities do not necessarily reach their final destination of use in society. Many of them stay on the shelves.

(b) As the commercial industries have to prioritise profit, they select the premium customers. Moreover, in order to stay competitive, they make aesthetic changes to the product to attract the customers. This makes the product price even higher.

(c) Consumers with high incomes in developing countries end up importing the higher priced products with the aesthetic features. Then, these products need to be customised to suit cultural and regional requirements. The price becomes even higher and increasingly unaffordable for the people in low-income brackets. Therefore, a larger portion of the population remains unreached by technologies, products or services.

While fundamental research should continue in universities, space also needs to be created for research on social needs along with technology development. By social needs, we mean the requirements of the masses. The advantages of this approach are that the redundant features can be eliminated in the design phase resulting in a cheaper product price. This will increase accessibility to people in lower income brackets.

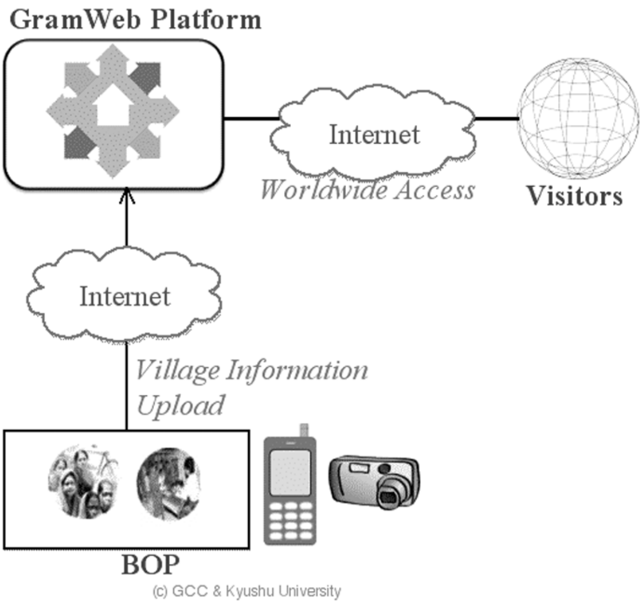
3. Projects at the Kyushu University

Currently, there are six major projects running at Kyushu University. All the projects are based on the requirements identified in the surveys conducted by Grameen Communications, Bangladesh.

3.1 Social Information Platform

It is difficult to overcome hurdles faced while conveying information on social services (such as health, education, environment, job, etc) provided by the government, non-government, social development agencies and business agencies to villagers. Villagers, on the other hand, do not have the opportunity to have their voice heard.

Fig 1: Social Information Platform (www.gramweb.net)



The GramWeb platform (see Ahmed 2009) www.gramweb.net is capable of handling 85,000 village websites, one for each village in Bangladesh.

A Village Information Entrepreneur (VIE), ideally a native villager, collects the village information and uploads it to the allocated space of the GramWeb platform. The villager-friendly interface (designed for both high and low-literate populations) opens new opportunities by allowing villagers to share news, upload photos, trade goods, promote tourism and even interface with local matrimony and job-search portals.

Enabling villagers to broadcast their information to the world brings invaluable benefits not just to the villagers themselves but also to society as a whole. If village information is collected, archived and maintained locally for publication through GramWeb, data can be aggregated with statistics from other villages. These aggregated reports can be sold to third-party organisations and act as a source of income for the villages. Aggregated statistics can help local and national government officials in making policy decisions and provide local and country information to the global organisations such as the UN. The statistics have the advantage of being immediate and up-to-date. For example, conducting a population census in a developing country can take between five to ten years but with the GramWeb framework it can be done in a few seconds.

3.2 ePassbook: An Electronic Gadget for the Poor

ePassbook[5] is a multi-functional electronic card originally developed for microfinance borrowers to maintain their financial records. Grameen Bank uses a manual passbook and had the requirement of digitising it. The bankcards used in developed countries do not satisfy the requirements. Grameen Bank users have more functional requirements that need more technical innovations. For an example, the manual passbook has their loan information which can be viewed at any time. A digital bankcard does not show the loan information. The dimensions of a wallet determine the size of a bankcard. However, Grameen Bank borrowers do not use wallets. Most of the borrowers are women who wear sarees without pockets. The requirements led us to design and manufacture a new card from the scratch. We named it 'ePassbook'.

We added a display to our ePassbook so the records can be viewed. A solar panel is the source of energy for the display. These additional features make the product more expensive, and we are constrained to keep the price affordable.

The core module of a digital card is an IC chip. We have selected Kyushu University's IC chip having the capacity to support multiple services. By allowing multiple services on the same card, the service-provider can share the cost of the device. Out of many potential services that are required by the poor, we decided to start with three: health records at the patient end, ecommerce, and money transfer. These services can subsidise the cost. For example, if an archive of millions of people's health records can be used by researchers as an invaluable

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5 See Ahmed (2010).

Fig 2: Microfinance borrowers and managers test the usability of the ePassbook

information source to see disease trends, the statistics can benefit the government, WHO and social development organisations. The statistics (removing private information) can be a source of income for the ePassbook card issuers. This way, the cost of the device can be subsidised.

3.3 Affordable (US$300) Portable Clinic

In section 3.2 we discussed about the health record to be maintained at the patient side in ePassbooks. There are standard electronic health record (EHR) schemes in different areas of the world. We observed that microfinance borrowers become a member of a microfinance institute as a family unit. (see Rahman et al 2010) Therefore, an ePassbook will be offered to a family, not to an individual. The proposed EHR also will be family-based, not a personal device. A new set of challenges have appeared: how to design a family health record (FHR) system and how to insert FHR into the ePassbook. We have designed a health check up booth equipped with nine most common diagnostic tools. The booth can be set up in a village clinic or in a community place where the villagers can come for a check. A medical health assistant will be required to assist the villagers and maintain the health booth.

Traditionally, there were 'village doctors' who used to visit homes. In other words, the culture is one where doctors visit patients, rather than the other way around. To keep this tradition intact, we needed advanced technology to satisfy all concerned parties – patients, doctors and government. We are proposing a US$300 portable clinic. The proposed clinic is a box consisting of different diagnostic tools, a display and a communication interface. A health assistant in the rural areas (preferably, a Grameen nurse) can carry the clinic box to the patients' homes. Tools in the box are to collect diagnostic data, and send them to a doctor in an urban area. The doctor can provide necessary instructions to the nurse. This box will create opportunities for medical equipment vendors to design and develop diagnostic tools, and for software vendors to structure these diagnostic tools in such a way that a nurse with a minimum of training can operate.

This portable clinic can address the health issues of billions. Unreached people will have opportunities to consult with a remote doctor with instant pathological test results. This will create job opportunities in remote areas. Education on healthcare can gradually improve in villages. A doctor does not have to travel all the way to the village. We anticipate millions of such 'clinic tools' boxes will be required, resulting in the creation of business for advanced medical equipment vendors, software vendors and healthcare service providers. The health checkup box is already developed and being tested in Bangladesh. We are currently carrying out a feasibility study for the US$300 portable clinic.

4. Social Business in Japan: Background and Present Status

Japanese people are highly inspired by the concept of 'Social Business' coined by Professor Yunus (2007, 2010). The so-called seven principles of social business overlap with what Japanese industries have been practising for hundreds of years. The current profit-maximisation business process is creating bigger gaps between poor and the rich. In a typical company in the US, the salary of a company 'President' is 1,000 times bigger than a new employee in the same company, while it is only 10 times higher in Japan. Japan meets the requirement of 'social business' in the sense that employers do not make excess profits for themselves. They offer their resources more for their customers. We are also aware of the limitations of NGOs and NPOs which are suffering from the sustainability issue. In Japan, there are more than 3,000 companies operating their business for more than 200 years and 7 companies for more than 1,000 years. This sustainability proves how carefully they have served their society. Japanese people already have some sort of social business DNA in their company culture.

We have already created three social business entities in Japan: Grameen YukiGuni Maitake Ltd, Grameen Uniqlo and Grameen Technology Lab. Two Grameen Creative Labs have been established in two Japanese universities – Rikkyo University in Tokyo and Kyushu University in Fukuoka.

4.1 Grameen Yukiguni Maitake Co Ltd

The objective of this 'social business joint-venture' is to enhance the income of farmers, particularly for the village women who will be engaged in the processing of mung beans for the export market. The company will also offer healthcare services and scholarships to children of these farmers, as well as bringing new technologies to them.

This joint-venture company has three partners: YukiGuni Maitake Co Ltd of Japan to provide technical know-how, Kyushu University to carry out joint academic research to build case studies on 'social business' between Grameen and other Japanese industries. Grameen Krishi Foundation will assist in organising the local farmers.

Bangladeshi farmers in general, produce mung beans and eat them as beans in the form of lentil-soup. On the other hand, sprouts produced from the beans will have 1.5 times more nutrients. Beans of 4 mm or longer are appropriate for sprouts while smaller beans can be utilised as soup. It is expected that 70% of the beans will qualify for export.

Bangladeshi farmers will be benefited in three ways: generating more income by growing the beans and exporting them to Japan, creating new job opportunities for sorting of the beans (>4mm beans need to be sorted manually), and engaging in business to sell the beans in the local market too.

4.2 Grameen UniQlo

The objective of this company is to produce affordable women's underwear, school uniforms and blankets. Women in developing countries do not use proper sanitary napkins. Affordable sanitary napkins and underwear can protect them from many female-specific diseases. People in the northern areas of Bangladesh suffer from sudden cold in winter. Grameen UniQlo is established to address these issues.

The company plans to hire up to 2,000 local people within three years, mainly from the borrowers of Grameen Bank, and train them to become financially independent by selling clothes.

4.3 Grameen Creative Lab at Kyushu University

Grameen Creative Lab at Kyushu University (GCL@KU) was established in March 2010, based on the MOU signed between Kyushu University and the Grameen in 2009. Kyushu University, in general, actively promotes not only a worldwide contribution through the dissemination of customised university resources based on the needs of developing countries, but also fosters excellent human resources to play an important role in thinking about and creating a better society. GCL@KU consists of researchers from different departments (engineering, medicine, agriculture, economics, etc) working on education and research for the incubation and dissemination of social business. GCL@KU works in collaboration with the Grameen companies, NPOs, NGOs, other universities and governments.

The following is an outline of the key activities of GCL@KU:

Research: Gather an inter-disciplinary research team within and outside the university to solve targeted social issues; create global joint research opportunities utilising the worldwide GCL networks; assist and cooperate with Grameen Technology Lab, etc.

Education: Build a curriculum for the design and implementation of social business; promote global joint education programmes with GCL@University; foster social business ideas from the students, etc.

Incubation: Support for social business ideas from students, companies and individuals so that that can move into a practical phase; arrange competition for social business ideas, etc.

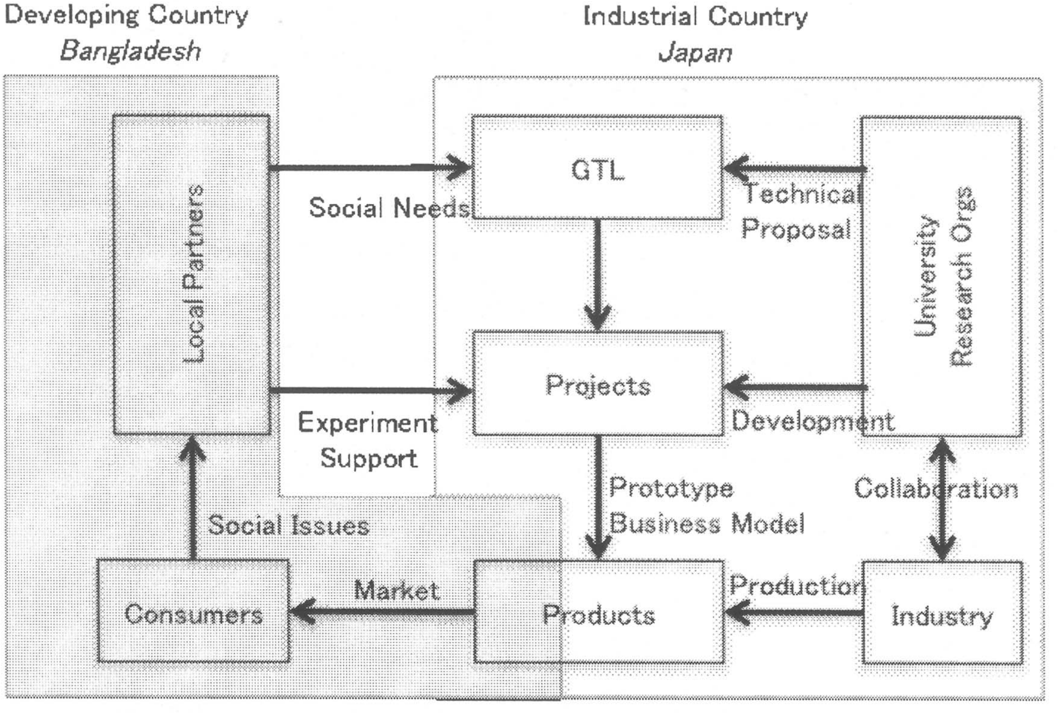
Promotion: Organise social business workshops and symposia; deliver lectures to companies, governments and other external organisations, etc.

5. Grameen Technology Lab

Grameen Technology Lab is a proposal for a 'social business entity' that can examine how technology development organisations can run as social businesses. The above mentioned ePassbook project was financially supported by JETRO, designed by university researchers, and manufactured by Japanese vendors. Grameen provided the experimental support. The university took the lead in the project by identifying the social needs, designing the product and managing the development and experiment. In the end, government, academia, industry and society were all engaged in the creation of the product. The project resulted in a win-win situation for all concerned. Through this experiment, we designed a product considering social needs and confirmed the market of a million customers. A further salient point is that the same technology has been reversely imported and is being used in an experiment in Itoshima City in Japan.

NGOs and NPOs have expertise on social problems and needs. On the other hand, research organisations have the most advanced technologies as well as the human resources to solve social issues. In order to make a bridge between the society and research institutes, Fig 3 shows the framework which is used in GTL (Grameen Technology Lab). Depending on the social needs that are identified by the local partners, GTL gathers appropriate technologies or proposals from research organisations.

Fig 3: Social needs-based research: product development diagram



Technologies developed in the research institutes will find a way to become useful in society. Industries partnering with the local counterpart for developing and distributing the product will help deliver the product at consumers' doors. Currently, a developing country like Bangladesh is a recipient of financial support as donations from advanced countries like Japan. However, for the long term, we hope to see the donations turning into technical knowledge transfer in a sustainable business scheme to solve social issues of 4 billion largely unreached people in the world, including Bangladesh.

6. Conclusions

This article introduces a new approach to the development of affordable and income-generating technologies considering the requirements of the hitherto unreached. We introduced three of our major ICT-related innovations: ePassbook to record financial and health-related information; a social information platform where villagers can gather information on their own and share it with the world as a business; and a portable clinic. Grameen Technology Lab in now engaging with the community to identify social needs, with industries to put their technical know-how to best use, with academia for long-term research, and with other social business entities to disseminate the products to the target bottom population. The so-called seven principles of social business now practically overlap with what Japanese industries have been practising for hundreds of years. Profit-maximisation industries that have forgotten or are unaware of these principles can reset some of their policies to step into the world of social business. Through GCL and GTL activities, the Kyushu University will continue promoting the 'social business' concept to students, researchers and its collaborative research partners.∞

Acknowledgement

The authors are thankful to Professor Osugi of Kyushu University, Professor Muhammad Yunus and Nazneen Sultana of the Grameen Bank, Dhaka, Bangladesh.

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One Up for Micro – Seven to Go:

Sustaining Worldwide People 1700-2075

CHRIS MACRAE[1]

Co-author of 'The 2024 Report'
Washington, DC, USA

IN 1983, I was working with MIT database technology in Paris and inputting a system map to a future history on the net generation 1974-2024 that my father Norman Macrae was writing from his desk at *The Economist* in St James of London. His foresight with media and glee of entrepreneurial revolution sought to identify the most exciting half century of the human race. That epoch when the productivity of peoples was increased by tenfold, conflict's geopolitical boundaries melted away with the 'death of distance' and Adam Smith's 'number one' goal 'ending poverty' was collaboratively earned. We simply needed to celebrate worldwide trust invested in all of our children's children. Thus the text of our map for 3rd millennium economics, heroic leadership and business scholars emerged:

> Value will be multiplied through open connectivity of the networking generation, not added across separate business units. Hi-trust leaders

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Email: chris.macrae@yahoo.co.uk. Norman Macrae, former Deputy Editor of *The Economist*, is the author of The 2024 Report – A Concise History of the Future: 1774-2024 (now available online at: http://www.normanmacrae.com/netfuture.html), co-authored by his son Chris Macrae. Norman Macrae – The Unacknowledged Giant – died on 11 June 2010.

> will empower value multiplication by openly centering multiple-win models, not by top-down command and control. Goodwill will be mapped around rising exponentials achieved through purposeful integrity of productive flows as well as harmonising demands. Productive flows integrate: lifelong energy of individuals, open source teamwork virtually linked in from around the world as well as the way each organisational system partners global businesses and local societies' sustainability assets. The latter include natural resources and cultural mediation by youth. The more heroic the purpose and the longer it is compounded the greater the opportunity and joy of economics

In 1983 it was clear to dad that the communist system across the USSR first needed to disappear so the net generation could start up. Admittedly dad had shared a bias against this system since 1936 when he and Peter Drucker observed Stalin's purges from the relative safety of dinners hosted by my granddad in the British Consulate in Moscow.

Before dad's passing in summer 2010, it was timely to address the final paradox of his two thirds of a century of studying human productivity. This had started with studying an Indian correspondence course as a teenager while waiting to navigate RAF planes out of the place now celebrated as Bangladesh. What man-made system was foremost at the crossroads of compounding threats and opportunities of humanity's first net generation. Looking at the text dispassionately, Congress USA seems to be the system designed round the most resources but the least goodwill multiplying investment in the net generation. So, the denouement of economic man's most exciting story plays out in 2011 when the economist with the most extraordinary net generation mindset testifies in Congress. We invite worldwide youth to vote for the joy of economics with Nobel Peace Prize Laureate Professor Muhammad Yunus. Do so now at http://www.petitiononline.com/Upmicro/petition.html.

According to the diaries on economics that my father, Norman Macrae started keeping as a teenager, while waiting to navigate RAF planes out of modern day Bangladesh, Scots became obscenely interested[2] in economics from 1700. Assuming economics is to be transparently and

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[2] Obscenely interested being wartime jargon that both Johnny von Neumann and dad as his biographer used for stuff that peoples had the greatest right at all future times to be curious about that but which current governments were censoring.

sustainably aligned, as Adam Smith's community-free markets intended with human DNA of investing in families, then my dad's work mapped out where to go upmicro[3] to 2075 – the conclusion of the Asian-Pacific worldwide century that he began chronicling in *The Economist* of 1975.

It was soon after 1700 that the Scottish people were bankrupted by an international financial bubble. The new administration from London – seat of England's empire, and to this day many profession's top-down predilections – ordered lairds to govern as if most Scots were worth less every quarter than sheep. This we know from dad's family tree who were mainly wee free kirk ministers who used the Sabbath to convene open space circles to negotiate fees for locals to emigrate. Two consequences of this were: by 1843 over half of the Scots had emigrated to become more of a worldwide nation than a landlocked one and Scot James Wilson had gone down to London to publish a weekly journal on Smithsian economics, by and for the people: a social action known today as *The Economist*.[4]

Norman loved to search out any new rising exponential which he could optimistically embolden before it was news. He was the first journalist of the EU,[5] Japan Rising (1962), Asia-Pacific www Century (1975), Silicon Valley and in 1983 with me of the internet.[6] His perspective was non-party political but that of investing in family, community and the next generation as Smith had originated. Being wary of Keynes' advice on how frequently words in economics get overtaken and misconstrued by sponsors of the big or the speculative, he preferred to be called the journalist of entrepreneurship.[7] In opposition to men whose ego would power over others, he chuckled that what Scot's *auld* allies the French referred to by 'between-take' involves guillotining the heads of those who overlong monopolise productive assets. Equally, Norman felt that the Scottish method of searching out freedom around the world armed with little more than bagpipe and a male skirt was more fun.

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[3] http://www.upmicro.com

[4] See *The Economist*'s own centenary biography written in 1943 – the cultural text used to induct journalists for the next 40 years until The 2024 Report. This mapped the future of the one Net generation charged with confronting death of distance's exponential opportunities and threats. It appeared on sub-editors desks in 1984.

[5] http://www.youtube.com/watch?v=BU1qSQzTN7k

[6] Published 1984 in UK titled 2024 Report; in 1985 USA title 2025 Report – subtitled 'a concise history future of the net generation', Norman and Christopher Macrae (ed).

According to Norman's 1983 maps of the new worldwide to be determined by the first net generation, the goal to unite the human race round coincided with Adam Smith's purpose of economics: ending poverty. The means to do this include the netgen's own Moores curve which by 2010s would mean we could double application of any selected knowledge franchise we choose to open source.

By Norman's datelines which had started a quarter too pessimistically with his 1983 estimate of when the Berlin Wall would fall, we had by 2000 slipped behind the curves of uniting former communist and capitalist worlds with solar energy and moving over to a global village economics that ended poverty. Consequently the greatest celebration in his last decade was finding that Bangladesh had solved the riddle of basic banking for the poorest. One Up for Micro, seven millennium goal wonders to go. He instructed his then 11-year old granddaughter Isabella to diarise this sort of Q&A on banks so safe that they multiply trust instead of lawyers' smallprint.

QB1 *What do you look for in a world favourite bank?*

AB1 I look for community ownership (entrusted to next generation) of 3 things: vibrant community-owned marketplace open to all in the community to pitch from; open source know-how hub linked in to sharing how one does life critical services; interconnected productive financial services.

QB2 *What 3 financial services need to be connected productively?*

AB2 Credit (loans) whose communal trust is designed round empowering a person's or team's productivity; safe savings products designed to win-win with the community's agreed future sustainability goals; transparently designed insurance on critical flows eg health.

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[7] 'Entrepreneurial Revolution: The Next Capitalism', *The Economist*, 25 December 1976 was widely translated including in Italy by Romano Prodi. The ER trilogy was completed by the 2024 Report in 1984; we're all Intrapreneurial, now being published by *The Economist* 1982. Curiously, solutions to the global financial meltdown of the 2010s will not come out of Western economic mindsets without detailed re-reading of Norman's two books in the 1960s which followed up the paradoxes of General Theory that Keynes had personally tutored Norman on: The London Capital Market and Sunshades in October.

QB3 *What do you mean by ownership entrusted to next generation?*

AB3 Banking's currency is a strange system when you think about it. Giving a source the right to print currency and to start a chain of loans carries the great risk of a pyramid scheme or one where the source powers over those furthest from the source. Corruption, accidentally or deliberately, happens in a system that has top-down or non-transparent dynamics. When our communications tech was so poor that people's productivity depended almost entirely on the geographical place they were in, national governments may have needed to be the ultimate arbiter of currency trust. Once we all become networked so that our virtual productivity may multiply as much value as what we make locally, a global village economy where each village is served by a hi-trust microbanking franchise focused on sustaining community's youths' future is what can help us design 10 to 100 times more economical community models of banking. In this context villages may be a community's trust-flow of place, or of practice (eg a crafts group) or age group. Information technology should be used so that goodwill neighbouring communities can help relentless double-checking of transparency of operations. Neighbouring being those who would have to refinance the microbank branch if it failed. There is actually far less risk.

For Norman, if e-learning truly starts to network micro banking Q&A across the world of 5th graders[8] from 2007[9] onwards, the foundations are set for resolving the other 7 urgent sustainability wonders of the net generation:

- Village Capital Markets for investing in info technology of life-shaping world services
- Education
- Health
- Photosynthesis whose clean energy also renews clean water and organic foods
- Professions
- Government
- Mass Media

[8] We urge Fox to consider this focus for a special edition of their tv game show: Are You Smarter than a 5th Grader?

[9] And why not now that the Nobel Peace Prize has been awarded to 8 million mothers and one man in 2006?

We greatly look forward to progress on all these maps in this Journal. May I turn my main focus to supporting a vision of how to transform mass media to spin in sustainability's direction. This being a relevant section of our 1983 book:

> By 2005 the gap in income and expectations between the rich and poor nations was recognised to be man's most dangerous problem. Internet linked television channels in sixty-eight countries invited their viewers to participate in a computerised conference about it, in the form of a series of weekly programmes. Recommendations tapped in by viewers were tried out on a computer model of the world economy. If recommendations were shown by the model to be likely to make the world economic situation worse, they were to be discarded. If recommendations were reported by the model to make the economic situation in poor countries better, they were retained for 'ongoing computer analysis' in the next programme.
>
> The truth of this 2005 breakthrough tends to irk the highbrow. It succeeded because it was initially a rather downmarket network television programme. About 400 million people watched the first programme, and 3 million individuals or groups tapped in suggestions. Around 99 per cent of these were rejected by the computer as likely to increase the unhappiness of mankind. It became known that the rejects included suggestions submitted by the World Council of Churches and by many other pressure groups. This still left 31,000 suggestions that were accepted by the computer as worthy of ongoing analysis. As these were honed, and details were added to the most interesting, an exciting consensus began to emerge. Later programmes were watched by nearly a billion people as it became recognised that something important was being born. These audiences were swollen by successful telegimmicks. The presenter of the first part of the first programme was a roly-poly professor who was that year's Nobel Laureate in economics, and who proved a natural television personality. He explained that economists now agreed that aid programmes could sometimes help poor countries, but sometimes most definitely made their circumstances worse.

The Future of BBC as the World's Largest Broadcaster

Governance of the British Broadcasting Corporation has never much fancied the commercial tv genre of quizzes. An exception is its most famous quiz 'Mastermind' that was hosted over several decades by Icelander Magnus Magnusson. Magnus's final contribution to international cultures was Chancellor of Glasgow Caledonian University. In his honour, Dr Muhammad Yunus delivered the first Magnus Magnusson Lecture in December 2008. Arguably, the future of Scottish Youth became as entrepreneurially exciting as France's when both of these countries trailblazed university partnership systems with Yunus and Bangladesh.

What are some of the questions of the specialist subject 'www Peoples 1700-2075'

Q *Name 3 national opinion leaders that helped celebrate Nobel Peace Laureate Yunus and their Youth's Joy of Social Business in the 2nd Quarter of 2008.*

A Gordon Brown invited Yunus to youtube with him out of Number 10 Downing Street.

Nicolas Sarkozy announced HEC as first top offer a Global Social MBA partner. This Parisian Business School has teamed up with some of France's biggest corporations including Danone, Crédit Agricole and Véolia making France the best country for learning about social business models and funds connect. Tens of thousands of French youth now joyfully celebrate Yunus and Consider Bangladesh as a world trade in sustainability solutions integrated around community economics and global village networking.

The Chief Judge of The Nobel Prize who travelled from Norway to Dhaka in June 2008 to congratulate 1000 mobile-tech empowering Bangladeshis as youth ambassadors to the worldwide.

(If contestant mentions Queen Sofia of Spain, or the royal families of Luxembourg or Monaco, answer can be accepted – their inputs have been continuous over recent years as opposed to specifically launched in Q2 2008.)

Q *What word in the economic language connects Boston Tea Party with Paris's Bastille?*

A Entrepreneur – the 'between-taking' refers to social activist transfer of assets that a country's people take as last resort when they find that all productive assets are being monopolised by an elite at the top.

Q *Which 2 countries were partners in the Auld Alliance caused by their peoples' desire to be culturally free from which 3rd country?*

A Scotland and France are loyal partners having spent much of millennium two feeling culturally or economically confined by England.

Q *Which continent's future connects the visions of the 3 Scots – Tony Blair, Gordon Brown and David Livingstone?*

A Africa.

Q *How many quarters of a century after the international financial scam that busted Scotland around 1700 did it take before more than half of Scots lived abroad as worldwide peoples – choose between 6, 9 and 12?*

A Six Quarters.

Q *What newspaper was founded in London by a Scot in 1843 with the intent of firing the majority of MPs who had become vested in interests that compounded hunger and abuse of poor urban youth?*

A *The Economist* which Scot James Wilson intended to be closed once Corn Laws and Capital Punishment were repealed. However, one reading of the English Constitution by Walter Bagehot is that the Royal Family asked the paper of St James to continue in cheering their transformation from head of empire to chief collaborators in Commonwealth.

Q *Name two Scots of the Adam Smith school – one who died doing economics on the boundary of modern day Bangladesh and one who first learnt economics whilst temporarily residing in modern day Bangladesh?*

A James Wilson who died in Calcutta whilst on a project aimed at reforming English Raj economics of a disease that BRAC's open sourcing of Oral Rehydration now cures at 5 Taka (US$0.14). And, Norman Macrae whose last days as a teenager were spent studying an Indian correspondence course in economics while waiting to navigate RAF planes out of modern day Bangladesh during the Second World War. Stories told about Norman are at www.worldeconomist.net

Q *In what year did Norman Macrae's survey of 2 billion people in The Economist declare that Asian Pacific www century was starting?*

A 1975.

Envoi

In searches being made for a forthcoming book – Joy of Economics, I would be interested to know which of four segments readers of this journal wish to profile themselves in. The segmentation arises from two questions:

Q1 Is the prime purpose of the origin of economics to invest in advancing the human lot of our next generations?

Q2 Looking back at the 3rd Quarter of the 20th Century, did the West's biggest nations accidentally change the future history of economics so that within their borders it stopped investing in next generations?

A. Prime reasoning of economics was investing in youth but cannot be so in the future.	B. Prime reasoning of economics will be and always has been investing in next generations.
D. Prime reasoning of economics never was and never will be investing in next generations.	C. Prime reason of Adam Smith economics was not investing in youth's future but can be in Net Generation's first quarter of Millennium 3.

If, like my dad Norman Macrae[10] you feel able to identify with that band of internationalist Scots who flow across borders, armed with little more than the bagpipe, you are probably a born optimist segment B.

You may also consider B for Bangladesh[11] (40 years young in 2011) and Social Business as clues to 2010s being youth's most exciting decade – if you can help network the greatest goals 'humans can aspire and design systems to value'.

[10] http://www.macrae.tv

[11] http://considerbangladesh.com

If you are in segment C, I would most like to link in[12] with you and understand what non-economic profession helps your community of practice or emotional intelligence enjoy the missions impossible of future capitalism.

If you are in segment A, you may well be an old school Economist judging by these words penned in 1943 on *The Economist's* centenary: 'it is still possible by social action to create a world of justice, freedom and fraternity, and of material welfare . . . we have yet to see the best of the journey. In this great caravan, the journal of opinion, if it be humble and honest has its place. *The Economist* has stayed with the caravan for longer than is given to most. It hopes to stay great while longer.'

If you are in segment D viewing economics as the 'Dismal Science' – well, if you can find 100 people like you who are prepared to meet for one day in what my innovation mentor Harrison Owen calls Open Space Technology, then my family will put $10,000 towards sponsoring a trial event of this kind. We don't understand why economics in net generation's age needs to be dismal when it could be joyful. Why believe in being over-governed by history of how much the past quarter extracted when you could be mapping futures' joyful exponentials.

Norman had enough personal knowledge of the life apps of Einstein and Von Neumann[13] on exponentials' compound risks to understand why they advised humanity not to rush in selecting the design that integrates village[14] networking into global. Yet to his last innings aged 86, Norman was adamant that The BBC[15] would one day be just-ahead-of-time[16] to see its role as the jewel in the crown of connecting good news around collaboration entrepreneurs with end poverty solutions. He seconded the view of Dr Muhammad Yunus that The Netgen decade of the 2010s can co-produce the most exciting decade: media and economics.[17] History could never have been so joyous as Herstory.

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[12] http://www.linkedin.com/profile/view?id=9500chris.macrae@yahoo.co.uk

[13] John von Neumann 1992, Norman Macrae. Polite Chinese edition finally translated 2008. Norman's father-in-law Sir Kenneth Kemp spent 25 years being mentored by Gandhi on the transformation of English to Indian Constitution.

[14] www.grameen.tv www.egrameen.com

[15] http://futureofbbc.com

[16] http://notimeleft.org

[17] http://socialbusiness.crowdmap.com/reports

Conclusions

2010s: To be a global village networking economy or not to be.

Media is the greatest power of our generation. Like all powers it can be spun to good or bad ends. Subject to this conditioning, we the peoples of this borderless century run capitalism's greatest risk that:

Conscience make cowards of us all;

And thus the native hue of resolution is sicklied o'er with the pale cast of thought.

And enterprises of great pith and moment, with this regard their currents turn awry.

And lose the name of action.

Economists should never forget the way ahead that a country's capital market works determines what future jobs youth will be productive in. Capital markets designed round Big Bang disinvest in a country's future job strategy. The right way round for capital to sustain youth's growth of a place in a global village networking economy is grounded in the communal processes empowered by the financial service system designs of Micro Bangla. □

Getting Involved: BoP vs Social Business

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Abstract: Two initiatives providing a way for profit-making firms to play a role in alleviating poverty have gained prominence over the last decade: Prahalad's Bottom of the Pyramid (BoP) model and Yunus' Social Business concept. In this article we compare these two initiatives. We argue that, although BoP is more aligned with firms' market-driven philosophy and therefore easier to implement, Social Business may be more aligned with what may well become the new dominant logic of our world: interdependence.

Keywords: bottom of the pyramid, social business, philanthropic, poverty alleviation, interdependence.

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Introduction

IN a strange twist of fate, two of the leading schools of thought from the social economy, 'Base of the Pyramid' and 'Social Business', organised their international conferences in cities that have become symbols of the automobile industry: Detroit, USA, birthplace of General Motors and Ford, and Wolfsburg, Germany, Volkswagen's historical hometown. Many would like to see this as a sign that both the US and Europe are seeking growth opportunities to take over from the old industrial model by developing more social corporate strategies. At any rate, these conferences offer an opportunity to reflect on both methods of action, both of which suggest that companies should be involved in the fight against poverty, although there is little contact between the two.

BoP: In Continuation with Adam Smith's Ideas?

Let us begin with Detroit, where the University of Michigan organised a large colloquium to reflect upon ten years of *base of the pyramid* (BoP) strategies. The BoP theory was made popular by CK Prahalad. His idea was a simple one: multinational firms could benefit immensely from the opportunities offered by the 'Base of the Pyramid' – i.e. the market made up of the 4 billion people living in emerging countries on a few dollars a day – while at the same time contributing to helping these populations develop. (Prahalad 2004) On the one hand, it is in the interest of multinationals to include these poor consumers into their business models: although margins are very small, their sheer numbers are such that the market offers considerable opportunities. Prahalad initially estimated the size of this market to be about US$12.5 trillion PPP, but he later admitted that he was only looking for 'dimensionality and directionality'.[3] The World resources Institute proposed a more conservative estimate at around $5 trillion. (Hammond et al 2007) On the other hand, these strategies might contribute to reducing poverty: companies can offer products and services at a lesser cost, and thereby reduce the 'poverty penalty' that poor consumers incur. (Caplovitz 1963) The surplus offered to consumers – who pay less than before for their products – is therefore tantamount to an increase in their disposable income. Over the years, the BoP corpus has evolved, in particular in the direction of

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3 Prahalad, C K (2006): 'A Response to Mirage at the BoP'; http://www.nextbillion.net; Accessed on 11/28/2010 /blog/2006/08/31/prahalad-responds-to-mirage-at-the-bottom-of-the-pyramid.

better taking into account the specificities of the population that the firms intend to serve, from 'selling to the poor' to 'business co-venturing' with local organisations. (Simanis and Hart 2008)

The theory therefore offers a shift away from a moral or philanthropic vision of development: pursuing the interests of multinationals could be the most efficient development tool. A large number of firms, especially those operating in the field of consumer goods, have invested in such models: Unilever, Procter & Gamble and SC Johnson are the most notable examples, with in particular a distribution of their products in individual packaging in emerging countries.

While the theory might appear as revolutionary to some, it is in fact perfectly in line with the most humanistic aspects of the liberal, free-market tradition. BoP, above all, amounts to applying Adam Smith's ideas to the conditions of very poor people in poor countries. As we were reminded by the author of *The Wealth of Nations* (and moral philosopher): 'It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest'. (Smith 1776) In other words, a system built on the pursuit of individual self-interest would be the most efficient tool to identify growth opportunities as well as the most effective manner in which to create growth. Firms should not be asked to fight against poverty. In fact, it is precisely because they are not being asked to do so that they might do so in the most intelligent manner. Rather it is a strategy of achieving prosperity through 'the vice' of self interest – that is what BoP theorists have brought back into fashion. In other words, there is nothing new under the sun, but such a revival is particularly welcome at a time when the crisis – and the criticisms against the market that were logically born from it – might lead us to forget the brighter aspects of the system. Indeed, it is that sun that historically helped pull humanity out of widespread poverty and has over the last twenty years made it possible for Asia to enjoy the pleasures of prosperity: in that continent, market forces have lifted an estimated half a billion people (most of them in China) out of poverty.

It is probably no accident that the BoP theory was born in the United States, the quintessential land of free markets, where self-interest is a legitimate passion and anyone is free to pursue their chosen path, simply by channelling altruism in other spheres. Let us not forget that the American philanthropic movement has no equal, with a turnover of around US$ 900 billion – over 8% of the GDP and 7% of its working population. This is probably best exemplified by Bill Gates, who created the Bill and Melinda Gates Foundation in 1994, which has so far donated US$23 billion, and who successfully convinced 40 US billionaires to give away half of their fortune to charities ('The Giving Pledge') in August 2010. America's strength rests in its capacity to build a clear separation between the two spheres of an individual's brain, without necessarily ranking them: self-interest, in the economic sphere, and altruism, in the social sphere. The possibility that this behaviour may be somewhat schizophrenic does not seem to be an issue. Rather, the theme of Ecclesiastes is the thread that runs across this sequence of actions: 'to every [thing there is] a season, and a time to every purpose under the heaven: (. . .) a time to plant, and a time to pluck up [that which is] planted.' (Ecclesiastes 3.1)

Social Business: A Leap of (Human) Faith?

On the other side of the spectrum appears what Nobel Peace Prize winner Mohammed Yunus dubbed 'social business' (Yunus 2007, 2010) which marks a major shift – both philosophically and economically. The growth of the yearly gathering in Wolfsburg (in Germany) of firms and universities involved in Social Business highlights the high levels of interest in this alternative: about 80 people attended the first Global Social Business Summit organised by Grameen Creative Lab, Germany in 2009, and there were three times as many for the 2010 Summit.

The core of the social business philosophy could be summed up by the phrase 'the market is a bad master but a good servant.' Concretely speaking, the goal of a social business is to create wealth in the 'social' rather than in the economic field: access to essential goods and health-care, fight against poverty. . . It deliberately turns its back on profit maximisation for shareholders. At the same time, it must operate according to a sustainable model, in other words – without generating losses.

A growing number of firms have opted for developing social businesses with Prof Muhammad Yunus in Bangladesh. To name a few, Danone led the way by locally producing fortified yogurt at a very low price, (Ardoin et al 2010) Véolia followed suit with the distribution of drinking water in rural areas, and German companies BASF and Otto are jumping on the bandwagon; Adidas has also announced the launch of shoes worth only € 1.

The difference from the traditional market – and it is a noteworthy one – is that profits are to be reinvested in the company rather than paid out to shareholders: *no loss, no dividend*. Discussions on whether to accept a limited return for shareholders took place in Wolfsburg on both occasions. This would solve one thorny issue, dealing with the financing of social business. While it is difficult for investors (individuals or firms) to relinquish earning any profit at all on part of their investments, many of them would be ready to limit the return for a social cause. Professor Yunus's point of view on this issue is clear: 'accepting no dividend creates a demilitarised zone, which in turn makes a new type of inter-organisational collaboration possible'. Why would investors be the least interested in projects offering no perspectives whatsoever in terms of return on investment? It is in this respect that the answer given by Professor Yunus contradicts the 'moral' perspective of the modern economy: social business will develop based on people's selflessness. We will now start relying on the butcher's benevolence in order to eat.

The social role of giving and altruism is indeed essential in most cultures. Here again, nothing new. Euergetism, the ancient Greek practice of notables undertaking to participate in the embellishment of a town out of their own money, is an early example. In the twelfth century, Maimonides, the great Jewish thinker wrote in his famous 'treatise on the laws governing donations to the poor' that the most noble degree of Tsedakka – the Jewish philanthropic tradition that forms part of the broader context of social justice – is lending money interest-free or donating it to allow those in need to create their own economic activity. Social business would mark a renewal by replacing selflessness – which free-market liberalism had banished from the market by accepting that humanity's multiple dimensions should also be taken into consideration inside the firm.

At first sight, the implementation of a social business is laden with difficulties, as can easily be witnessed in the field. The success of social business is far from guaranteed, and indeed the Grameen-Danone venture seems to be still losing money. If not money, what? Selflessness does not prevent firms from getting an indirect 'return' from a social business. Danone's involvement with Grameen in Bangladesh had four positive consequences: innovation, internal motivation, reputation and access. Giving up the constraint of providing a financial return (a) unleashes a higher level of risk-taking and thus innovation, (b) motivates and energises people working for the organisation, as they see a more noble cause than just enriching shareholders, (c) enhances the firm's reputation – which might have an impact on its differentiation vis-á-vis its competitors on its traditional markets, and (d) gives more legitimacy to the firm to access key resources such as land, raw materials, administrative authorisations. . . (Ardoin et al 2010) Although some Danone executives may have intuited part of these consequences, none of them had anticipated their full extent.

Finally, social business seeks to meet a population's *needs* while the traditional market – and such is therefore the case for BoP – aims to satisfy consumers' *demands*. This difference goes beyond mere semantics. In practical terms for example, there might be an objective need for water without a clear demand in the economic sense – either because the populations are insolvent or, and this is the most frequent and complicated case, they are unaware of the need to buy clean water. A study by the World Resources Institute showed for example that poor households spend more on their mobile phones than on their need for drinking water.

Many (right-wing) non-believers in the idea of social business see it as blissful optimism, yet another illustration of the good intentions with which the road to hell is paved. The traditional system has proven itself, and the prosperity of vice is better than the misfortunes of virtue. The most virulent critics call this stealing from the shareholders, (Friedman 1970) or cynicism wrapped in PR. Given the chance these critics would opt for greed, provided it is accepted and channelled, over the hypocrisy that they allege some companies excel in.

The Debate Between Independence and Interdependence

However, social business does seem to have some solid arguments in its favour. The French poet René Char wrote: 'Words say things that we are unaware of about them'. And a close look at the meaning of words reminds us that the debate between self-interest and selflessness – illustrated by the opposition between BoP and Social Business – refers to the issue of togetherness, i.e. the notion that we live life within a group. BoP, as well as the free-market liberalism which it stems from, evokes a community of free individuals – similarly to elementary particles – in which an *invisible hand* reconciles and optimises selfish, contradictory strategies through a skilful balance between the forces present. It is based on the independence of actors in the field. Its strength lies in the fact that the search for more independence and freedom may have been the most powerful motivation over the last 10,000 years and more. Markets are well suited to this quest of independence, as they do not require that a tie should exist before and after an exchange has been carried out.

By insisting on reinvesting profits within the community and placing selflessness at the heart of the new system, Social Business emphasises individual *interdependence*. Independence of individuals versus interdependence within a community, such are the terms of the debate with these alternative approaches fundamentally opposed. We argue that interdependence could be seen as one of the most notable features of the times we live in.

First of all, the current context of resource over-exploitation and uncertainty regarding the effects of our technologies pushes us to protect our *common good* – the environment – and *obliges* us to see ourselves as connected with others. As early as 1945, the French poet Paul Valery proposed that 'the time of the finite world is beginning', to underline that the concepts of 'boundaries' and 'bounds' would play a more potent role. While our increased scientific knowledge furthers the notion of spatial interdependence (eg we now understand how CO^2 levels mostly coming from the rich countries may jeopardise the future of poor countries since these lands are a few yards above the sea level), our increasing quest for 'sustainability' acknowledges a temporal interdependence vis-á-vis future generations.

But above all, with the network economy characterising our times (new information technologies), we are now coming to the realisation that it is now more and more in our own interest for others to be happy. In an economy of scarcity – which until recently prevailed – the relative value of a good depends on the low number of items that are in circulation. The scarcer is the good, the more expensive it is. Conspicuous consumption was based on this premise, which increased the demand for more expensive goods. On the contrary, the higher the numbers, the less interesting it becomes. Cars are the perfect example. The proliferation of cars on the road reduces mobility – due to the resulting road congestion – although mobility is what cars seek to achieve. This situation today is the opposite. In a network economy on the contrary, the relative value of a good rises as it becomes more widespread. The internet ceases to be appealing if the user is the only one to be equipped with it. The same is true for telephones, or more generally for all means of communication. This is an essential point: sharing has become a necessity today. Maybe less due to moral necessity than merely out of *interest*. . . A new collective economy is therefore developing, founded on individual freedom but also, and more profoundly, on the quality and intensity of the links between individuals. New collaborative models such as *Mozilla* or *Wikipedia* are catching up on older models such as Windows and Encyclopaedia: community, collaboration, engagement and co-creation will be their key characteristics. (Tapscott and Williams 2006) 'Nothing can stop an idea when its time has come,' said Victor Hugo; the eternal cynics might therefore be surprised by the success of social business and the efficiency of selflessness, which are much more in phase with our times.

Conclusions

The goal is by no means to decry the traditional system, but rather to come to a new balance by opening up to new models progressively. To use a metaphor from the automobile sector – which seems timely given the coincidence offered by the social economy calendar as mentioned above – aren't hybrid engines, which are made up of two different engines, the way of the future? □

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Fostering Social Business Through Venture Philanthropy:

The Role of Financing in the Process of New Social Business Creation

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Abstract: After reframing the content of contemporary understanding of Social Business (SB) and the process of new SB creation, we link them with Venture Philanthropy (VP): a high-risk financial capital provision, combined with technical and managerial expertise transfer, which offer the potential for financial returns, as well as contributing

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to fostering social change through entrepreneurship. The paper delves into this industry, revealing its characteristics, models, processes and mechanisms. It relies on the assumption that SBs differ in the ways they pursue social innovation and social change. We suggest that the basic ingredients across which SBs vary can be grouped into two main groups: the 'organisational set' – composed of three dimensions: a cause-driven vision, a scalable innovation and economic robustness; and the 'environmental set' – concerned with those features that affect an SB's success but that are hardly controllable by organisations directly. VP is included in this set in that it affects SBs' growth capacity.

Keywords: social business, cause-driven, social innovation, venture philanthropy, entrepreneurship

Introduction

IN July of 2000, *Time* magazine's cover story on the 'New Philanthropists' (Greenfeld 2000) focused on the 'multi-millionaires of the technology boom'. It explained that:

> Many of today's tech millionaires and billionaires are applying to philanthropy the lessons they have learned as entrepreneurs [. . .] One solution has been the founding of venture philanthropies which use the same aggressive methods as venture capital firms, whose money typically comes with technological expertise and experience at running lean, efficient organisations. This new breed of philanthropist scrutinises each charitable cause like a potential business investment, seeking maximum return in terms of social impact – for example, by counting the number of children taught to read or the number inoculated against malaria.

Since the Roberts Enterprise Development Fund (San Francisco, USA), the Robin Hood Foundation (New York, USA), Ashoka (Arlington, USA), and Social Venture Partners (Seattle, Washington) – the earliest and most successful pioneers of a new wave of philanthropy – appeared in the early 90s, Venture Philanthropy (VP) has developed significantly, entering the popular lexicon definitely around 2000 with notable press coverage in *Time*, *Fortune*, and on websites around the world. In 2002 *Business-Week* (cover story) explained that 'the new philanthropy displays an impatient disdain for the cautious and unimaginative cheque writing that dominated charitable giving for decades'. And, as it further clarified, the main distinguishing points of this new approach to giving:

> It's more ambitious: Today's philanthropists are tackling giant issues, from remaking American education to curing cancer. It's more strategic: Donors are taking the same systematic approach they used to compete in business, laying out detailed plans that get at the heart of systematic problems, not just symptoms. It's more global: Just as business doesn't stop at national borders, neither does charitable giving. Donors from William H Gates III to George Soros have sweeping international agendas. It demands results: The new philanthropists attach a lot of strings. Recipients are often required to meet milestone goals, to invite foundation members onto their boards, and to produce measurable results – or risk losing their funding.

The number of funds and supportive organisations are growing rapidly, and the phenomenon is no longer specifically American. The principles and the philosophy behind VP are crossing their original geographical boundaries, finding their apex in the formation of the European Venture Philanthropy Association (EVPA), founded in 2004 by philanthropists from the European private equity community.

Despite the growing interest in and expectations of the potential of VP for the overall development of the social sector and for scaling the impact of social businesses, (Yunus 2010) current coverage has also blurred the general understanding of what VP is and what it hopes to achieve.

In very general terms, the VP approach borrows principles from the practice of venture capitalists in the business world, but its primary focus and intent are on increasing organisational capacity of social businesses (SBs). In other words, putting together the risk-taking characteristic of the business sector and the innovative fostering of social change intrinsic to the social entrepreneurship (SE) concept, VP rests on the premise that the best investments in solving social problems require more than money. In other words, the extent to which SBs develop their growth aptitude also depends on a supportive environment. It is in this context that VP plays a relevant role, providing grants but above all strategic assistance in a number of ways.

If we accept the deep change in what business looks like, this does not correspond to a comparable change in the way the main characters are set up and classified. This paper addresses this question by delving into a new stream of research of emerging venture capital, which is labelled Venture Philanthropy (VP): a high-risk financial capital provision, combined with technical and managerial expertise transfer, which offer the potential for financial returns, as well as contributing to fostering social change through entrepreneurship. Such a definition emerged from the research we present in the following sections. In particular, we argue that VP shares some features of other types of venture capital and yet it also demonstrates some unique features and innovations of its own. The paper thus aims at proposing and explaining the above definition for VP and exploring its current models, drivers and possible limiting factors for growth of the sector in the future. In so doing, the paper explicitly assumes the existence of a clear link between the ongoing debate on 'Social Business' and the need for a renewed supportive environment able to support the growth and impact of social entrepreneurial venture. In other words, this paper should focus on the emergence of a new breed of entrepreneurship that is blending and integrating prominent social intentions and objectives with innovative and rigorous venture development practices. In fact, sharing with the business entrepreneurship theories (eg Dess et al 2003; Gartner 1985; Katz and Gartner 1988; MacMillan and McGrath 2000), the entrepreneurial soul, these 'new social players' differentiate themselves from their business counterparts in terms of the ultimate goal of their entrepreneurial process: an explicit social objective – the creation of social welfare and the enhancement of social conditions, in terms of social inclusion and cohesion, wide access to knowledge and information, community development, and so on.

The paper stems from an exploratory research, with data and information compiled through websites, company materials and interviews. It is thus subject to bias and we must be somewhat careful with results and conclusions. In fact, although a substantial literature review was undertaken, we found very little academic interest and popular literature that make an explicit link between social entrepreneurship and venture philanthropy. This is why we considered it necessary to start this work with a systematic reframe of existing literature in order to place SB and VP in the extant academic debate on the role and responsibilities of business in society. A new field of enquiry can only be built and obtain legitimacy if it is able to stand by itself, in terms of specific boundaries, definitions and constructs. (Bruyat and Julien 2000; Shane and Venkataraman 2000) Realising theoretically informed definitions of SB and VP that are descriptively robust and conceptually distinct from existing concepts in the literature is the first step in the process of new field legitimisation in that it allows us to distinguish between social businesses in different settings (i.e. mainly between SB and business entrepreneurship), and it represents the basis for comparisons within the same setting. (Amit, Glosten and Muller 1993)

Starting from this premise, first, we define the SB construct and domain. Second, we exploit the SB construct looking at it as a process of new venture creation. In particular, we focus on the main dimensions along which SB varies, distinguishing between internal (i.e. organisational) dimensions and external ones. This distinction leads to the last section of the paper, concerning the role of financing in ensuring SBs' growth. In this context, the focus is on VP as the most recent and powerful source of financing in term of consistency with the SB contract.

Boundaries and Intersection in Social Business Research

A new wave of entrepreneurial ferment is taking hold around the globe. Social Business (SB) is riding the crest, supported by the long debate on the role and responsibilities of business in society that has been taking place for at least fifty years. The scale and scope of concrete experiences in the field of 'innovation in service of social change' make this moment in time rich in learning. In fact, aside from the widespread affirmation of concepts such as Corporate Social Responsibility (CSR), Corporate Citizenship (CC), Corporate Philanthropy (CP), and so on, all claiming a pro-active and dynamic corporate attitude towards society, its needs, and its expectations, little attention has been devoted to those organisations existing expressly to cater for social demand in an entrepreneurial way. In other words, the broad coverage of issues concerning business in society has on the one hand raised awareness of SB and created excitement about its potential, but on the other hand has also blurred the general understanding of what SB is and what it hopes to achieve.

Although SB is a new field of inquiry and most of the extant literature focuses on a preliminary 'definer level', in the last ten years literature on social issues in management, entrepreneurship, and strategic management have devoted increasing attention to SB, corroborating the relevance of the subject and the presence of a cross-border interest in the development of the field.

SB shares its business counterpart's strong drive toward innovation and change, (Dorado and Heattich 2004:6) and the ability to discover unmet needs and entrepreneurial opportunities (Casson 1982; Shane 2000). On the other hand, SB has its own distinguishing characteristics, one of which is different long-term objectives: the enhancement of global or local social conditions starting from a perceived social gap (Yunus 2007, 2010). In other words, SB entails innovations designed to explicitly improve societal well-being, housed within entrepreneurial organisation that initiate change in society.

The concept of SB stands close to the field of entrepreneurship. The basic thesis is that many social problems, if viewed through an entrepreneurial lens, create the opportunity to launch a venture that generates profits by alleviating a specific social problem. This sets in motion a virtuous cycle – the entrepreneur is propelled to generate more profits and in so doing, the more profits made, the more the problem is alleviated (MacMillan and McGrath 2000; Prahalad 2004; Prahalad and Hammond 2002). As such, the concept of SB remains strictly associated with and reciprocally determined by innovation, in that entrepreneurially driven innovations represent the crucial engine for propelling and stimulating change processes (Shane and Venkataraman 2000). SB is the integration of entrepreneurial and innovative perspectives in developing and taking actions designed to create social wealth. In other words, even if we agree that entrepreneurship and innovation cannot be considered synonymous, SB is first and foremost concerned with a process of change and with the creation of new value.

At a more detailed level, it is widely accepted that entrepreneurship requires the presence of opportunities as well as enterprising individuals who wish to take advantage of them (Eckhardt and Shane 2003; Gartner 1985; Venkataraman 1997). The entrepreneurial economy consists of a limited number of individuals and firms able to pursue entrepreneurial opportunity. Entrepreneurial opportunities always exist, regardless of the ability of individuals to recognise and exploit them. But what is an entrepreneurial opportunity and how can social and commercial opportunities be distinguished one from the other?

To date, scholars have identified social entrepreneurial opportunity as the major commonality between business and social entrepreneurialism (Mair and Marti 2004). Yet SB stands out for focusing attention on a different set of possibilities: innovative ways to create or sustain social change, bringing two different cultures – business and nonprofit – together into one innovative and hybrid organisation.

According to entrepreneurship and 'social business' scholars (Kirzner 1979; Casson 1982; Mair and Marti 2004; Hockerts 2006; Yunus 2003, 2007, 2010), to be called entrepreneurial, an activity must entail a discovery of new means-ends relationships that generate a different image of the future. As business entrepreneurial opportunities, social ones represent the possibility to bring into existence new goods, services, raw materials, and organising methods that allow outputs to be sold at more than their cost of production. Improvements in the efficiency of existing goods and services do not constitute true entrepreneurial opportunity. This is why we consider as incomplete that stream of research in extant SB literature that relates SB to the non-profit management theories. (Boschee and McClurg 2003; Dees and Elias 1998; Dees, Emerson and Economy 2001, 2002; McLeod 1996) The expectations for non-profits to provide services and achieve social change on a larger scale, while also diversifying funding resources, are motivating social entrepreneurs to invent organisations that combine non-profit and for-profit structures. According to this view, there still tends to be little reflection on the notion of entrepreneurship and the potential for new meanings to surface.

Diverging from this stream of research, we affirm that only the introduction of new goods, services, raw materials and organising modes that allow output to enhance social well-being justify the term entrepreneurship. Because the entrepreneurial activity drives social change with new products, technologies, markets, processes, and organisational forms, it represents a significantly different activity from that of the traditional sector.

It is from this perspective that the innovation process represents the essence of SB. Schumpeter saw the entrepreneurial innovative force in the economy as a constant challenge to the *status quo*, and separated the entrepreneurial process from business management represented by traditional and routine managerial activities (Baumol 1990; Eckhardt and Shane 2003; Kirzner 1997). According to the above definition of SB, innovation is concerned with the social realm in that it deals with developing, applying, or introducing new ideas, behaviours, products, and processes, and contributes to a reduction of social burdens, or in general to specified social targets.

While the previous discussion of entrepreneurial opportunities associates SB with entrepreneurship research, the different nature of social entrepreneurial opportunities distinguishes SB from business entrepreneurship. In other words, social opportunities arise from unsatisfied social needs that SB entails in order to alleviate social problems (MacMillan and McGrath 2000). These social needs are not limited to a particular category (i.e. alleviation of poverty), but depend on the possibility of enhancing social conditions and initiating social change. In business entrepreneurship, the exploitation of entrepreneurial opportunity is tied mainly to the expected value of the entrepreneurial profit. In other words, the decision to exploit and the choice of exploitation mode are linked to a sense of exclusivity and self-protection: the possibility to maintain the first-mover advantage as long as possible in order to preserve profit. As a result, the duration of the advantage must be increased by reducing the ability of others to 'imitate, substitute, trade for or acquire the rare resources required to drive down the surpluses.' (Shane and Venkataraman 2000:223)

In contrast with business entrepreneurship, SB overturns this mechanism, as well as the concept of expected value. We propose social expected value as the contribution of SB to the enhancement of social condition in the form of, for example, improvement of working conditions, access to technological progress, integration and participation within the community, and so on. If so, the interest in SB opportunities lies not only in achieving a competitive economic advantage, but, above all, in spreading the social innovation as widely as possible in order to maximise social change and the improvement of social conditions (Drayton 2002). In other words, since SB focuses entrepreneurial skills on solving social problems, envisaging systematic change in the whole society, it is necessarily distinguished by that set of opportunities that will allow it to turn all of society onto the new path.

The Process of New Social Business Launch

Different from the construct of corporate entrepreneurship, in which strategic renewal represents the main outcome of innovation exploited through venturing (Zahra 1996), SBs represent a new breed of entrepreneurship, blending and integrating prominent social intentions and objectives (that is, social change) with innovative and rigorous venture-development practices.

The SB process starts with the recognition and assessment of an SB opportunity. The idea for a new business can emerge through a deliberate search or a chance encounter. There is almost always a triggering event that gives birth to a new organisation. An opportunity for socially innovative entrepreneurs concerns new ways to enhance and sustain societal well-being, as well as to pursue social change. Those factors that make socially innovative entrepreneurs aware of the existence of a social gap to transform into an entrepreneurial opportunity are strictly determined by personal and environmental agents. Transformative events and previous experience as well as external, explicit, and implicit requests for help, the state of the economy, and the availability of resources are all part and parcel of an SB opportunity.

The decision to exploit such an opportunity, the next step of the SB process, is based on a joint and balanced evaluation of related social and economic potential. In other words, since entrepreneurship always involves assembling a unique package of resources that are never completely controlled by the entrepreneur, it is essential that the decision to actually exploit the opportunity be based on an understanding of its potential in relation to the effort that will be required. Specifically, an opportunity should, in general, earn an adequate return to justify an entrepreneurial risk. Adequate, certainly a relative term depends on the amount of capital invested, the time-frame required to earn the return, the risk assumed in the process, and the existing alternative uses of both capital and time. Since circumstances will change over time (i.e. changing technology, community needs and customer preferences, personnel turnover, and availability of resources), a good opportunity is flexible, open to additional options in a variety of different ways. SB does not represent an exception, although the assessment model is much more specific to the purpose of SB (Dees, Emerson and Economy 2001): the enhancement of societal well-being and the attainment of social change. In this sense a good SB opportunity is characterised by adequate social potential in terms of contribution to social change, given the required resources.

The opportunity to satisfy an unmet social need, then, translates into a concrete innovation, which can embrace one or more of the following four main fronts: products and services or new qualities of products and services; methods of organisation and/or production; other production considerations; and market relations. Certainly the effectiveness of an innovation in terms of potential to change society is strictly linked to a fitting business model, which represents the 'output' of organisational launching and functioning.

The SB entrepreneurial model should be oriented toward well-defined, measurable social and economic outcomes and wide innovation dissemination, consistent with the definition of SB. Both lead to the enhancement of societal well-being within communities, in terms of direct and indirect employment creation, access to information and knowledge, social cohesion and inclusion, and community and economic development. Social change is what remains at the end of the process and what sets in motion that virtuous cycle according to which the more the profit, the more a problem is alleviated, freeing up resources for prospective fulfillment of other social gaps.

As for business entrepreneurship, we argue that SB does not require, but can include, the creation of a new organisation. As Fowler (2000) observed, SB can occur in different ways: as an integrated SB, when conceived from the beginning as clearly oriented toward filling in a social gap; as reinterpreted SB, when non-profits try to integrate an SB perspective by diversifying their activities; and as a complementary SB, when the promoter of an SB initiative is a traditional business organisation that decides to reorient part of its processes toward the achievement of a social mission. It summarises the main steps of the SB process.

The process of new SB creation emerges as the integration of entrepreneurial and innovative perspectives in developing and taking actions designed to create societal well-being. It is first and foremost concerned with a process of change and with the creation of new social value. But in what ways do SBs differ from one another? And is it always possible for an established SB to run well? In answering these questions, we suggest that the basic ingredients across which SBs vary in the way they pursue social change can be grouped into two main divisions. The first one, the organisational set, is composed of three dimensions: a cause-driven vision, a scalable innovation, and an economic robustness. The second set – the environmental set – concerns those features that affect a social business's success but that are hardly controllable by organisations directly.

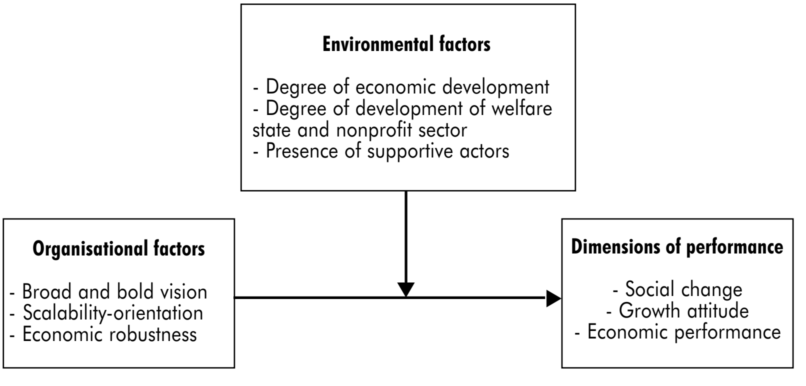

Figure 1: Drivers of SE Performance

Figure 1 summarises the dimensions of variance that affects SB performance. The organisational factors are positively correlated with both social and economic performance, as well as with SB growth aptitude. This relationship is moderated by environmental factors.

Organisational Dimensions

Every change begins with a vision that sparks the decision to take action. A vision is the innovative social entrepreneur's prediction of a future state; it is seeing an opportunity where others see nothing, an opportunity to break established patterns and initiate social change. Inevitably the vision is strictly tied to the characteristics of the entrepreneur, and to his/her willingness to enact that image of the future, acquiring the necessary resources and harnessing the support of other key people. (Thompson et al 2000)

However, the entrepreneurial vision is directly reflected in the mission statement, which should be centered on the ability of SBs to serve that vision in relatively concrete terms, while at the same time reflecting the three key elements that comprise organisations consistent with the SB construct: innovation, entrepreneurship, and motivation towards specific social change. In other words, mission, vision statement, or company values are the most direct indicators of the organisation's soul and belief. Describing the service area, service recipients, and the main outcomes the organisation is expected to achieve, they signal that an organisation has a new approach with which to tackle social problems and achieve social change.

At the same time, mission and value statements accomplish more than this. They help organisations to identify goals and expected returns from the beginning (Brinckerhoff 2000). The mission represents the first step in the process of transforming entrepreneurial opportunities into concrete social outcomes and social change. (Dees, Emerson and Economy 2001; Dees, Battle Anderson and Wei-Skillern 2004)

Finally, defining a mission forces organisations to identify service or product recipients. SBs start from their community of reference, and from the need and social gaps that are consistent with their community of reference.

Growth aptitude in SBs is mainly determined by the extent to which the innovation is scalable, in that scalability is one criterion for assessing the potential success of a socially oriented project. Scalability is relevant in this context because of the different nature of social opportunities. Since their potential is evaluated in terms of expected social value, scalability is the criterion to keep in mind in the process of spreading social innovation as widely as possible and thus maximising social change and the improvement of social conditions.

The specific scaling strategy has to be strictly determined by the organisation's knowledge of its community of reference and by the specific characteristics of the innovation to be spread. But this is not enough. Notice that scalability necessarily implies the development of networking and partnership development strategies. The reasons can be diverse: from thorough shared facilities, services, or activities and the elimination of duplicative costs and excess capacity, to critical input combinations. But partnership and networking can also increase the impact of the innovation through putting together complementary capabilities or, moreover, enlarging the market or clients base. In addition new expertise and contractual power applied to funding the organisation can also be acquired.

In more general terms, since SBs are designed to leverage limited resources into major social change and since their action is mostly catalytic rather than direct, extensive networks are crucial to success (Waddock and Post 1990). In other words, the complex nature of social problems makes it necessary to involve a number of different constituencies, each one with specific types of skills and power to be used cooperatively. It is in this respect that SB involves a strong propensity to forge partnerships and alliances with non-profit organisations, for-profit companies, and public actors. (Gartner 1985; Katz and Gartner 1988; Kodithuwakku and Rosa 2002; Waddock and Post 1990)

Finally, building networks and partnership is critical for SBs to establish legitimacy with multiple constituencies. In order to scale impact and foster partnerships and networking, SBs inevitably should base their operations on a participatory and learning management philosophy. An additional reason for this assumption regards the 'newness' of the SB phenomenon. The scarcity of models and acknowledged best practices makes it critical to build an organisational environment in which competencies and skills can easily flow. (Johnson 2000) As such, SBs are characterised by an extremely adaptive culture.

One of the most important ways in which the entrepreneur can create value is by doing more with less. This is even more relevant for the social sector, in which lack of resources is a founding attribute. In this context, day-by-day operations should be sustained by an explicit, balanced understanding of cost minimisation and efficiency, and overall maximisation of quality.

The assessment of SBs efficiency and economic robustness goes hand in hand with the problem of measurability of results and balanced evaluation of social and economic outcomes. This issue is especially critical for social-purpose organisations in that they involve several different considerations that have to be taken into account. Values, for example, cannot be easily measured and often are tied to a long-term horizon. Significant diversity exists within each field of action and across different fields, in that each vision is highly community-based. Since those considerations are case-specific, SBs should share the ability to pursue a self-sustaining flow of resources together with profitability, as a measure of an SB success.

A detailed analysis of the main measurement tools and success indicators is beyond the scope of this paper. However, what we consider relevant in this phase is emphasising the importance of adopting an efficiency-based entrepreneurial orientation starting from the very beginning. A self-sufficient and financially sound business strategy should inform the process of creating new ventures.

Environmental Set

Even if socially innovative entrepreneurs have both the willingness and the abilities to enter the SE path, it is the environment in which they operate that will either kill or facilitate their development. Three environmental factors affect SB performance. The first one is the extent to which economic environment is enhanced. In this sense the level of economic development influences the demand for social services. Accordingly, in less developed countries, SB is more widespread and devoted to face the main problems of these countries – for example, the creation of jobs for those groups of people excluded from the labour market or the development of models to solve poverty. (Yunus 2003)

The second environmental factor that can affect the success of SB is the competitive environment within the organisation, in terms of welfare state and non-profit development. Although the type and quality of services they provide are innovative, organisations consistent with the SB construct operate in the same fields, as do public authorities and other third-sector organisations, that is, non-profits. Since SB organisations are the latecomers, it is quite obvious that their success depends on the strength of the other providers, on the resources and the characteristics of the welfare state, and on the state of development of the traditional third sectors.

The third element that has to be considered is the presence of a supportive environment. The main reference here is to the financial and consulting service sectors and their ability to provide adequate financial assets and technical assistance to SB organisations. In order to overcome the misalignment between the needs of social entrepreneurs on the one hand and the traditional financial sectors on the other, attention is extending to the role of social venture capital or venture philanthropy (VP) in supporting the diffusion of social business.

State of the Art in Venture Philanthropy Practice

Venture philanthropy first emerged in the 1990s as an alternative form of charitable 'giving'. In many respects it resembles traditional venture capital but the beneficiaries are social enterprises. Generally speaking, under the venture philanthropy model, a private or corporate foundation – the venture philanthropists – decides to develop a long-term relationship with a social organisation that stands out for its innovative spirit and high potential social impact.

The transition from philanthropy to venture philanthropy has prompted a far-reaching reshaping of the logic underlying investment decisions and the phases of the investment process, absorbing the perspective underpinning of the traditional venture capital model, including its cyclical and dynamic nature.

From a survey conducted by Morino Institute and Community Wealth Ventures (2001) on the practices of the major VP organisations in US, the following main areas of contribution to grant recipients emerge:

- addressing organisational issues;
- helping to attract and retain key management and board members;
- assisting in the development of product and distribution channels;
- helping leverage partnerships through their strategic relationships with other organisations and with other organisations in which they've invested;
- creating and executing development/expansion strategies;

- developing financial plans, improving funds development, helping to establish new revenue sources, and creating syndicated funding by bringing together other venture philanthropy investors and foundations;
- helping management leverage strategic benefits ranging from management development to the application of technology to strengthen the organisation and magnify its effectiveness; and
- providing access to industry and subject matter experts and knowledgeable advisors.

It is clear from the list above how different VP is from traditional philanthropic giving. It represents a renewed approach to financing the social sector, applying strategic investment management practices to support 'strong' social entrepreneurial organisations in need of help to grow. Time is definitely up for traditional, weak non-profit organisations needing to be rescued.

Moreover, while at its earliest beginnings VP was more directly associated with that movement of enterprising non-profits, supporting their lack of business skills, now the expression enterprising is more frequently used in conjunction with SB. In other words, SBs represent the counterpart of innovative business start-ups, and are 'fundable' in venture capital parlance because they know perfectly what they want to accomplish and have a clear and concrete view of how to realise their vision, rather than being guided by an abstract ideal of societal well-being and social outcomes.

To consider the comparability between traditional venture capital and the VP approach from a different viewpoint, VP organisations and venture capital funds share some features: both base their bottom line on the selection of valuable fund recipients, in terms of success, longevity, and day-to-day efficiency. Additionally both are answerable to those who provide financial resources for the performance of the fund. Finally, like venture capitalists, venture philanthropists expect results and accountability from the organisations they support. (Letts, Ryan and Grossman 1997)

These similarities demonstrate how it is possible to apply processes and practices typical of the business world to philanthropic organisations, even if limited to the objectives and missions that for VP are necessarily different, resting on a different set of investment opportunities and expectations.

Having a definition of VP certainly helps to raise awareness, distinguish among different approaches, and classify extant innovative financing practices. However, in that the phenomenon is now evolving out of the incubation phase into mature and increasingly accepted practices, an upward trend in defining consolidated standards is remote. At this level financing models, selection criteria, or funding strategies vary considerably across organisations, ranging from different levels of engagement in grant-making to strategic assistance. Perhaps the most critical area now concerns the utilisation of criteria for assessing success. There is still very little agreement about measurement and comparability of results and return on investment.

The dimensions along which VP varies (and these dimensions map out the research agenda) from its traditional counterpart follow:

- *venture philanthropy model*: these range from multi-donor funds that adhere closely to the philosophies and practices of venture capitalists, to the foundations of wealthy individuals that, while new, actually operate in a fashion more similar to traditional grant-makers. This dimension of variance also includes the scope and scale of strategic assistance, skills and resource transfer to grant recipients, and also the specific field(s) toward which investments are addressed;

- *selection criteria and portfolio composition*: whatever the criteria for screening potential grant recipients are, it is at this level that the difference between nonprofit-based VP and 'social entrepreneurship venture'-based VP emerges most clearly. In general, the need for strong leadership and entrepreneurial orientation, together with the capacity to scale, typically guide the choice of nonprofits in portfolio composition. The same selection criteria are adopted by VP organisations looking for potential recipients that adhere to the SE concept. But in this case they are accompanied by a more focused evaluation of the extent to which the entrepreneurial idea is innovative and has potential for 'irreversible social change';

- *fund performance measurement*: the last dimension of variance concerns the measurement of performance. As mentioned above, this represents the critical region of venture philanthropy, in that consolidated practices are still lacking. Measurement is not only referred to aggregate fund performance but is much more complicated in terms of evaluating portfolio organisation results.

The remainder of this Section exploits the view on VP models in practice, seeking explanatory examples that typify the above-mentioned dimensions of variance. The VP models (in question) as applied by three acknowledged venture philanthropists are – Schwab Foundation, Echoing Green and Ashoka. Their interpretation of their relationship with the funded organisations diverges. But regardless of the specific differences, all three stress their focus on social change and social innovation as the only possible way to break traditions in the social sectors and in the way organisations deal with social problems. After working closely with leading social entrepreneurs, all pursue, in varying ways, three major interrelated objectives:

- to enhance the legitimacy and credibility of SB. This objective is strictly linked to the orientation of funds toward the measurable results that characterise funded organisations. Such credibility is not exclusively linked to the economic and financial results of both the grant recipients and the fund *per se*, but depends on the longevity of the organisations, that is, their ability to survive in the long-run and expand their initial level of influence. Additionally, the credibility/legitimacy objective is pursued through a selective portfolio composition. Schwab Foundation, for example, works especially on developing standard measurement tools to monitor the differences among various entrepreneurial activities. The members of the Foundation are subjected to an annual re-certification process;

- to provide the opportunity for networking among social entrepreneurs as well as with other individuals and organisations who can mobilise support for their initiatives. This is why network creation and the provision of opportunities to exchange ideas, best practices, and information characterised all three VP models;

- to provide financial and other resources. While Echoing Green and Ashoka provide financial support to their recipients, the Schwab model relies exclusively on technical and professional assistance and accountability for outcomes. In other words, the Foundation's contribution to the financial sustainability of SB is achieved through a matching strategy, between SB and resource-providers.

Figure 2 summarises a general process of investing in an SB initiative. Regardless of the details of each fund, generally charitable 'giving' from one or more than one donor converges into a VP fund that in turn invests in SBs, both in terms of financial support and in transferring technical and professional skills. As a result, financed SBs can produce an innovation (that is, new product or service, new method of organising, and so on) that initiates social change. Within this process the measurability of results and self-sufficiency remains constant.

Venture Philanthropy Models

As anticipated in the introduction, VP organisations vary in the way they establish relationships with funded organisations. The International Venture Philanthropy Forum (http://forum.nesst.org/ venture.asp) classifies VP practices across three main models.

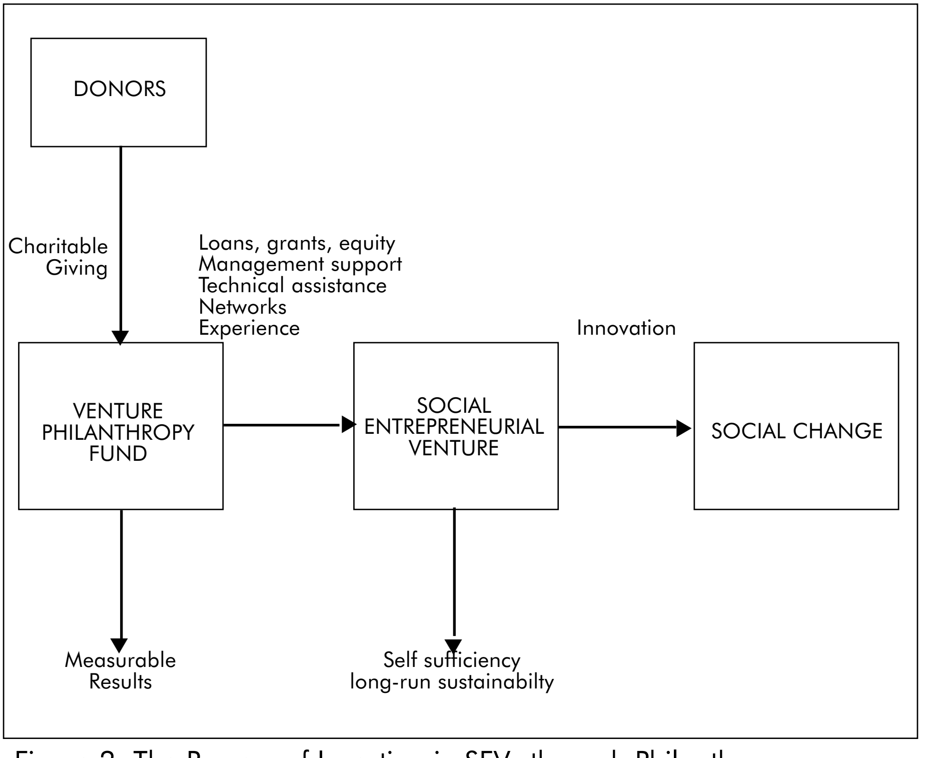

Figure 2: The Process of Investing in SEVs through Philanthropy

The first one includes organisations that provide financial and capacity-building resources directly to individual visionary leaders, who can address a social problem in an effective and innovative way. Ashoka and Echoing Green exemplify this model in that they focus their selective attention on entrepreneurs whose traits are consistent with those which define the SB construct.

The second model refers to those organisations that provide capital and technical assistance to for-profit enterprises generally owned and operated by nonprofit-affiliated organisations to generate income and provide employment opportunities for marginalised groups. Roberts Enterprise Development Funds is an example. The last model consists of organisations that invest in non-profit organisation in order to support them in the process of hiring and training managers.

However, distinctions between the last two models are decreasing. VP organisations are placing more emphasis on innovation in selecting among potential recipients, rather than focusing only on non-profits.

According to the definition of SB provided in this paper, VP models targeting SBs are a sub-set of the VP general approach. In particular, the first and the second model seem to be more aligned with that aspect of innovation concerned with improving societal well-being and initiating social change that characterises the entrepreneurial model of SBs.

Regardless of the differences across models, due to the diversity of the target-organisations, VP models share the following features:

- VP organisations provide longer-term, multi-year investments in SBs or non-profits as opposed to single-year grant awards;
- VP overturns the grant-making approach, instead embracing an investment approach tailored to the specific characteristics of the grant recipients;
- VP provides more than simply financial resources. Among other categories, these non-financial investments can entail a position on the funded organisation's board to support organisational development, as well as other types of capacity-building investments;
- VP tends to support the overall organisation, rarely individual projects or programmes;
- VP shares risks with funded organisations in that it takes a vested role in attempting to realise success;

- VP organisations tend to base all their operations on the measurability of results and impacts. They keep records of these results as a concrete sign of their effectiveness;
- VP models also consist of an exit strategy defined from the beginning, for disengaging from the grant-recipient once agreed-upon benchmarks are achieved. In other words, VP models anticipate a detailed exit-strategy before establishing a funding relationship with a non-profit or alternatively an SB. Such a strategy should identify those sources of financing that could be used at the end of the relationship with the VP in order to allow grant-recipients to survive in the long-run.

According to the criteria explained above, the traditional financing relation between the funding foundation and the funded non-profit is overturned. Foundations in fact have always tried to minimise their intervention within the funded organisation's field of action. (Letts et al 1997) This attitude has limited their ability to acquire information on the characteristics of the financed project, also in terms of potential success or failure. Rarely foundations have hired external consultants to solve simple organisational problems or exigencies nothing more than this. On the other hand, this kind of relationship has discouraged the financed organisations from revealing their problems. As a result, the efficiency and effectiveness of the funded projects have been impaired.

Since the VP approach is based on the provision of financial capital and also on skill and technical resource transfer, risk and problems of funded organisations are shared with the Foundations. The reciprocal knowledge is enhanced, at the same time increasing the opportunity to collaboratively address problems and thus enable success.

A further aspect of the current VP models that emerge from practice is the composition of the team to support the grant-recipient in the start-up phase. One of the main characteristics of social problems is that they are community-based. SBs therefore need to know well their community of reference in order to tailor products, services, and modes of organising in relation to the specific characteristics of the served market. As a result, SBs are hardly comparable and require a variety of different and site-specific skills. This is why, in providing support to the socially innovative entrepreneurs, VP organisations seek flexibility in the composition of the supporting teams.

Selection Criteria and Portfolio Composition

For a long time the Foundations have allocated grants to non-profit organisations without considering the risks associated with failure. In traditional financing models within the social sectors, whether or not grant-recipients succeed in pursuing their social mission is of little importance to foundation operations. In other words, unlike venture capital funds, foundations can grow and operate regardless of the performance of the non-profit organisations to which they give funds.

VP overturns this logic, basing its managerial philosophy on a more 'engaged giving' – on giving to invested SBs and innovativeness so as to enhance organisational skills necessary for growth and survival in the long-run.

As a consequence, VP organisations tend to establish lasting relationships with organisations which are able to demonstrate longevity and a certain degree of predictability of results, with a view towards the feasibility of the specific social entrepreneurial project concerned. (Morino Institute at al 2001)

This is why VP organisations tend to make explicit the criteria for the selection of a grant recipient. As anticipated in previous sections, the transfer of skills and resources is becoming easier and easier through ready access to a network of consistent SB organisations and other supportive actors.

Selection criteria are generally focused on those areas that define the SB field:

- entrepreneurial orientation, at both the individual and organisational levels. In the first case the main concern is initiative of the entrepreneur, commitment to the specific field in which the entrepreneurial project applies, problem-solving ability, and personal integrity. At the organisational level, the concerns are innovativeness and self-sufficiency demonstrated in prior experiences;

- sustainability of the project: in terms of well-defined objectives, mission and feasibility of the project;

- impact on social change: the accent here is mainly on the scalability of the project across geographical boundaries. Also the relevance of the social problems can be considered in evaluating rival projects.

When the VP organisations focus their activities on a specific field of intervention or on a specific geographic region, they first spend time and resources on educating themselves about site/community-specific problems. Their purpose is to select the SBs or entrepreneurs most qualified to deal with the community in which they are going to operate.

Measuring Fund Performance

The last main dimension of variance concerns the methods and procedures for measuring performance. The key feature that distinguishes the current situation in this context is a great variability in the methods and tools used as well as the extent to which measurement is applied. This still represents an important criterion in VP models, emphasising the differences among portfolios and assessing the real potential and impact of VP in supporting SB.

However, relevant to the issue of variability, the most experienced foundations tend to equate social and economic measurements with the longevity of the financed projects or entrepreneurs. The longevity factor is applied to areas such as the ratio of projects or entrepreneurs who reach self-sufficiency, the ratio of entrepreneurs who continue to lead the original venture; or the ratio of entrepreneurs who lead the sector.

The measurement issues are even more important in the last stage of the financing relationship between funder and funded organisation. In fact, a number of complexities emerge when we examine the problem of developing an exit strategy, in that the difficulties in measuring the degree of attainment of the social mission make it hard for venture philanthropy to understand when a social entrepreneurial project has moved into the 'phase of self-sustainability'. Two well-established venture philanthropists – the Roberts Enterprise Development Fund (REDF) and Social Venture Partners (SVP) – have defined the following characteristics as decisive in identifying the exact timing for a suitable exit strategy:

- good leadership and management capacities within the market, together with an ability for strategic planning and responding effectively to market developments;
- sound organisational infrastructure;
- capacity to set short-term objectives on a consistent basis and keep track of goals reached;

- positive social outcomes and clear progress towards fulfilling their mission;
- a clear vision of the future and possible scenarios.

In more general terms, should the VP decide to disinvest, it needs to establish an exit strategy. The following are examples of some of the available options (Alter et al 2001):

- access new funders: the strategy essentially involves a new investor 'taking over' the investment in a social enterprise. The latter would normally have developed an adequate level of capacity-building but not yet achieved its final objective, and therefore needs additional financing before consolidating its position. As such, it does not represent a definitive exit from the enterprise;
- build earned income opportunities: this is not a final exit strategy either. The venture philanthropist supports the social enterprise in creating opportunities to diversify the services or goods it produces in order to increase income;
- strengthen social enterprise activity: this can be defined as a definitive exit strategy in relation to the state of development and self-sufficiency achieved by the social enterprise. It includes supporting the enterprise in monitoring the market and identifying unsatisfied needs on which it can focus in a market-based business;
- merge with a for-profit or non-profit organisation: this is a final exit strategy and involves supporting the original enterprise in merging with another organisation in the same market;
- spin-off programme into new non-profit organisation: this is another definitive exit option in which the venture philanthropist helps the social organisation in formally spinning off the programme from a parent organisation. The new organisation has a different mission from that of the parent, its own governance bodies, financial base and specific objectives.

Conclusions

The comparison among best practices and consolidated experiences in the field of VP demonstrates how this new approach to financing is now at the forefront of innovation and creativity within the social sector, in terms of ground-breaking potential and supportive contribution to the enhancement of societal well-being in initiating social change.

An impressive variety of approaches emerges from the analysis of the current situation. This is the most direct effect of the lack of acknowledged models, both in the social entrepreneurship field and in the venture philanthropy areas. Notwithstanding diversity makes it difficult to reduce variety to universally valid frameworks, VP models share some distinctive features that can be summarised along the following three characteristics:

- a continuous support in developing Social Business capacity building, in terms of organisational and managerial aptitudes in the different areas of day-to-day operations. Support, in fact, can cover a number of different areas: from the construction of a sound organisational infrastructure based on qualified staff and a clear division of roles and responsibilities to the development of an aptitude to respond effectively to the expectations of the different stakeholders. Also, the definition of business and social strategies and the establishment of a network of relationships with the community can represent areas of interventions for VP organisations;

- a partnership approach to managing relations with the entrepreneur on a long-term perspective, providing support over the entire start-up phase;

- a collaborative approach in measuring performance and in developing an appropriate exit strategy supported by indicators that measure the strength of an SB and its ability to survive in the long-term.

Although widespread attitudes toward VPs both inside and outside organisations are largely optimistic, the relationship between SBs and VPs is still unclear. In view of the fact that organisations consistent with SB are recent and yet to be widely acknowledged, it is difficult to clearly distinguish between SBs and non-profit initiatives. The lack of an overall system in setting clear boundaries across different approaches to social problems makes it difficult to promote Social Businesses. Although misunderstanding and/or misinterpretation constitutes a significant barrier within the industry, it is certainly not the only one faced by VP and socially innovative entrepreneurs. The most prominent barriers to the development of VP practices are listed below:

- lack of a proper network: usually entrepreneurs and venture capital firms are matched via active networks. The lack of a good network can certainly impede the beginning of a financial relationship within the SB frame;
- different meaning for 'societal well-being' and 'social change': given the ambiguity of the social dimension and the difficulty of expressing, in concrete and measurable terms, the extent to which SBs can contribute to social change, perceptions differ as to what constitutes an innovative entrepreneurial action;
- lack of an adequate business plan: VPs stress the importance for SB start-ups of an adequate business plan that is, one with a complete and consistent business concept, including essential and relevant data. Clearly, assessment of the adequacy of a business plan is influenced by the widespread debate as to what constitutes SB and social change;
- VP finance timing: as explained in the introduction to this paper, venture capital and venture philanthropy are associated in that both involve risks, even if in different fields (for example, an innovation in social sector for a VP). Thus the stage of development of the social start-up is important in determining whether it is included in a VP portfolio. From the point of view of venture capitalists, start-ups at a very early stage of development represent too high a risk. In that many of the VP organisations are themselves quite new, they might well favour entrepreneurial projects or SBs that are relatively mature, in comparison with good business ideas that still need to be incubated. Such a situation could generate a gap in financing, which, given the newness of the SB phenomenon, is not totally filled by other types of investors, such as angel investors – that is, private investors who provide capital directly to start-up companies at a very early stage of development;
- lack of expertise and skills: previous research on the state-of-the-art in venture philanthropy (Morino Institute and Community Wealth Venture 2001) has emphasised that funding organisations tend to be focused on a specific and univocal field of intervention, such as youth, education, job training, or technology-oriented

projects. Additionally, it is widespread practice to focus on a specific geographical region, thus selecting projects and entrepreneurial organisations that insist in that region. This practice can create field-specific expertise and financing models hardly replicable across countries and fields of action.

There is no doubt concerning the ground-breaking potential of venture philanthropy. Many of the problems faced by Venture Philanthropist organisations and many of the barriers to the development of the sector will, of course, find solutions in due course as the field becomes mature in terms of consolidated practices and proved successes, and as the communities and society at large learn about the realm of 'social business' and the opportunities within it. □

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Markets and Health In the Home of Smith and Yunus

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Abstract: 'Markets' and 'health' are often seen as contradictions in terms. Strong economic cases have been made for 'treasures' such as the UK National Health Service to be publicly-funded. This does not preclude participation in market mechanisms as a determinant of health. With new ways being sought to combat health inequalities, we outline how microcredit might also act as one such measure, especially

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if aimed at improving material circumstances amongst the least-well-off. A framework for evaluating such interventions is suggested, bringing new dimensions into the 'evaluation space' for microcredit and similar social business ventures.

Keywords: microcredit; determinants of health; health inequality, public health intervention; social capital, evaluation

Introduction

'SMITH' is Adam Smith, the great moral philosopher and 'first economist' who formulated many of his ideas whilst studying and teaching at the University of Glasgow between 1737 and 1764. 'Yunus' is Muhammad Yunus, creator of the Bangladesh-based Grameen Bank and Nobel Peace Laureate in 2006 for his promulgation of microcredit as a route out of poverty. Neither was born in Glasgow. Nevertheless, Glasgow would be seen by many as the intellectual home of Smith, and, given the proposal to import Grameen to the West of Scotland, one of the many homes of Muhammad Yunus. Indeed, Yunus has often been portrayed as a modern-day Adam Smith.

To many people in countries such as Scotland, the terms 'markets' and 'health' would be seen as contradictions in terms, not to be uttered in the same policy breath. This might be natural when thinking about health care. Strong economic cases have been made for 'treasures' such as the UK National Health Service (NHS) to be publicly-funded, and the NHS delivers care which, by any global standards, is world-class. However, this does not preclude participation in market mechanisms leading to potential improvements in health. Here, the argument is that health services and government in more-advanced economies are reaching the limit in terms of ability to improve health and well-being, particularly of the worst off. New ways, such as microcredit, are being sought to enhance people's incomes and abilities to manage their own affairs. Thinking along such lines allows us to think of such market-based activities in the form of microcredit and the enterprises it might encourage as contributions to positive health and well-being, and, thus, for some 'markets' and 'health' to be seen as complements rather than contradictions in terms.

The ideas of Smith and Yunus combined with the persistent challenges to further improving the well-being of those who are worst off are coming together in an exciting new research project in which we aim to develop and evaluate 'microcredit as a complex community-level public health intervention'. Given its reputation as the 'sick man of Europe' and its portrayal as the home of Smith and Yunus, what better place to conduct this research than the City of Glasgow?

We are at the start of what will hopefully be a long-term research agenda examining the impact of Grameen on deprived communities in Scotland. In the remainder of this article, we make a more in-depth case for the research and outline the key variables we hope to track in order to establish such impact. It is a story that will have global significance as advanced economies look to countries like Bangladesh for ideas on how to progress the lives of their poorest members.

The Persistence of Health Inequality and the Banking 'Revolution'

Several recent reports paint stark pictures with respect to the persistence of health inequalities in the UK, despite progress in overall population health in the past ten years, eg Marmot (2010); Audit Commission (2010); Dorling (2010); Wilkinson and Pickett (2009). In Glasgow itself, differences in life expectancy between richest and poorest areas can be as much as 28 years.[2] All the experts agree that a key determinant on which to act is 'material circumstances'. But how is this to be achieved when the use of taxation as a distributive mechanism has not been on recent political agendas in the advanced economies of the world. Whilst history indicates that progress can be made in difficult times,[3] there is at present little prospect of change in the foreseeable future during which debt repayment is likely to be the key priority of taxation. This is compounded, at least in the UK, by the validity of distribution through taxation and benefits being contested, particularly during a period of austerity, provoking allegations of fostering a culture of welfare dependency among groups who are perceived to be 'undeserving'.

Curiously, a potential solution may lie in the banking sector. Is it not

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2 http://www.who.int/social_determinants/thecommission/finalreport/key_concepts/en/index.html

3 Examples include, the New Deal in the US during the Great Depression and, in Britain, during the Second World War, the decline in undernourishment despite *per capita* availability of food falling significantly (Sen 1999).

contradictory to think that banks might help ordinary members of the public improve not only their material circumstances but also their overall health and well-being? If we reflect on the behaviour of the UK's 'big banks' as we emerge from the credit crunch, one may be tempted to think that the answer to that question is 'yes, it is indeed contradictory'. On the high-street side of their businesses, the banks' attempts to show they have learned lessons seem to amount to more-glitzy ruses to lure the middle class. Chairs have been reshuffled, but not in ways that signal radical change, and very minor 'revolutions' have taken place through the introduction of fashionable new entrants such as Virgin and Metro.

Meanwhile a quieter, but more significant revolution is about to occur through the notion of microcredit, which, it is claimed, has lifted millions of people out of poverty in the lower-income countries of the world. The Grameen Bank, founded by Muhammad Yunus, is the most notable example. Grameen is now expanding the notion of microcredit to deprived areas within the more advanced economies of the world. Through the lens of 'microcredit as a public health intervention', the evaluation of 'Grameen Scotland' has become one of the focal points of the Yunus Centre at Glasgow Caledonian University, an institution located in the midst of some of the most deprived and least-healthy communities in the UK.

What is Microcredit?

Microcredit is simply a form of small loan which is distributed to people in the community who are below a particular level of income. Anyone can place deposits with the bank, but only poor people can receive loans. These loans carry no collateral.

In many respects, it sounds too good to be true. However, the evidence is there in the sense of microcredit being a thriving part of the banking industry. Grameen is a perfect example, having been founded in 1983 and now operating in over thirty countries worldwide. Microcredit institutions are sustained largely by charging slightly higher interest rates (given that they are taking on worse risks) than elsewhere in the economy, although considerably lower than existing commercial 'doorstep lenders' operating in this sub-prime market.[4] The system also relies on more community-oriented notions of trust and social capital to

4 http://www.barnardos.org.uk/news_and_events/media_centre/press_releases.htm?ref=48685/Barnardos Statement – 'Counting On Credit', 2009.

ensure its success. Borrowers seem to buy into these notions, leading to payback rates over 90% in many jurisdictions.

Although it may be perceived that such notions play less of a role in more advanced economies, this is not necessarily so. Within some more-deprived communities, there is a culture of similar ways of saving and redistributing saved funds. A more informal version of this is known in Scotland as a ‘menage’, stemming from the French term for communal management. In a menage, usually run by women, small amounts would be paid into a fund, and turns taken (or lots drawn) as to who would receive the larger, communal sum, which may permit the purchase of an item that would otherwise be unaffordable. This may seem like an old notion, but it is alive and well. It was highlighted recently when the guardian of such a menage absconded with its £100,000 contents, (McGivern 2010) demonstrating the risk of unregulated savings and loans and the need for more-formal and community-based savings mechanisms which meet similar needs, especially amongst women. Other informal types of lending also take place, but at such high rates of interest that more competitive terms would allow borrowers to more-readily escape their circumstances. Credit unions, a form of financial co-operative owned and controlled by their members, are growing in popularity too as people look for more-traditional and relational forms of banking (Stephenson 2009). More broadly, Community Development Finance Initiatives lend money to enterprises and individuals who struggle to get finance from high street banks and loan companies. However, they are not widespread in the UK and only one such agency exists in Scotland that lends to individuals (Scotcash).

These notions are prevalent even in popular Western culture. Every Christmas, film buffs visit their local independent cinema to see the 1946 movie ‘It’s a Wonderful Life’ starring James Stewart in the lead role as George Bailey. George, guided in his moments of extreme doubt by the angel ‘Clarence’, convinces us of the contribution made to helping the poor of his town by the run-down ‘Buildings and Loans’, a firm started by his father. ‘Doesn’t it make them better citizens?’ says George in one of his many memorable lines. Relevant to the modern day, the good done by the ‘Buildings and Loans’ is compared throughout the film with the more acquisitive and profit-led activities of the evil local banker, Potter. Fast forward from Bedford Falls to Springfield and the global stage and Muhammad Yunus appeared on the Simpsons on 3rd October 2010 in an episode about microcredit!

Two other factors are important for this current interest in microcredit. One is the fact that governments are looking for new ways to manage welfare, and especially so as not to disincentivise people from participating in schemes such as microcredit whereby, currently, £1 contributed from the bank could eliminate entitlement to any amount of income from welfare if used to start a business. The other is the 'Yunus factor'. Obviously, there are cultural and structural differences between the UK and Bangladesh, but even in the latter country, Yunus was told for many years that his ideas would not work, and they have. (Yunus 1998) Of course, this could also be due to the way Grameen functions in the sense of not really being a 'bank' at all. This is not just the fact that the Bank operates as a social business: where the motive is relief of poverty; the organisation has no shareholders, and thus no dividends to pay out, but is owned and run by its members; and surpluses are reinvested back into the community as directed by a group elected from those members. In addition, Grameen's '16 decisions', to which members sign up, are a set of criteria listing the desired characteristics of future communities. These were generated by members in the first place, and a majority are about women's and children's health. Thus, Grameen is as much a community marketplace and knowledge hub owned by and for the members; something that would appear to share common ground with Adam Smith's 'community-up free markets' of the 1750s.

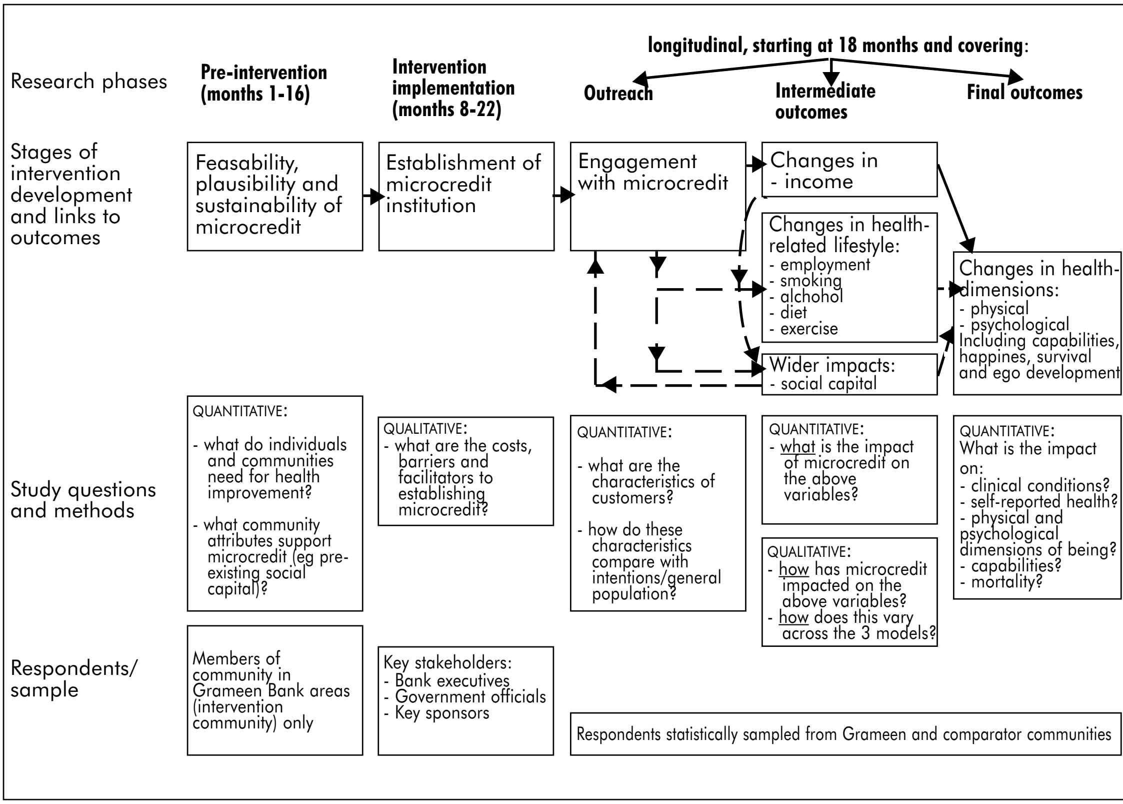
Another cross-cultural issue might arise from differences in who takes up microcredit. However, this can have positive spin-offs too. For example, what if Grameen's main members turn out not to be mothers of young children but young people? If success relies on the high-trust community building block that comes from participation of women, then that might be lost in such a scenario. This question can really only be answered in a rigorous evaluation, but it is possible that unintended consequences can be positive as well as negative. Recently, it has been shown that, in Jamii Bora in Kenya, youths are identifying routes out of drug gangs and prostitution, having been encouraged by their peers to see the loans as a chance to a productive life. (Daley-Harris 2010) One ingredient in this success is again the trust and relationships resulting from Jamii Bora staff being members of the communities from which they recruit.

Probably the most relevant example of Grameen expansion to Scotland is that in the US, Grameen America opened its doors in January 2008. It is interesting to note the parallels between parts of the US and Glasgow that Yunus draws in his latest volume. (Yunus 2010) The Grameen US enterprise has not yet reached financial sustainability, which leads many to claim that it will never do so. However, one of the ironies of the Grameen operation internationally is that, whilst such negative claims are made, it continues to expand; indeed, we are already talking about 'Grameen UK' before it has even started in Scotland! Returning to the US, two more branches have since opened in New York and one in Omaha. It is interesting to speculate on how this happens, but one argument that could be invoked from the health economics literature is that of the 'caring externality'. (Culyer 1971) This is the argument, used by both Smith and Yunus (see below) that, because people care for each other, they are willing to make trade-offs against more-conventional measures of success, such as personal income and profit. Thus such subsidies can be justified in efficiency terms, much in the same way that the caring externality is often used to justify publicly-financed health care. (see Culyer 1971) Here, people are willing to make transfers to satisfy their caring externality and see enhancement of opportunities for others in prosperity and health that goes beyond provision of health care.

Evaluating Microcredit as a Public Health Intervention

Returning to health inequalities, what of the credibility of microcredit as part of an attempt to change what Marmot refers to as material circumstances and, thus, act as a public health intervention? This is something that needs to be evaluated. Such evaluation might seem unnecessary if microcredit institutions are financially sustainable and no one is harmed. However, there are several reasons why evaluation is required. Most obviously, to get started in some geographic areas, microcredit institutions might require government and other forms of support. These carry an opportunity cost, as such resources will then not be available for other uses. So, is it worth it, not merely in financial terms but also in terms of the impacts on communities? Furthermore, very little has worked to reduce health problems in many deprived communities in the past, so why should this work? If it does, then we need to be able to tell the story of how this was achieved and to what extent in order to aid more effective and efficient implementation by later adopters.

Figure 1 Evaluating Microcredit as a Public Health Intervention: Conceptual Framework



Linking Banking to Health: The Causal Chain

How might engaging with microcredit now lead to improvements in health and longevity in the future? To answer this we first need to establish the plausible mechanisms of linking microcredit to health improvement, and then attempt to measure key variables. Some such mechanisms are more obvious than others. A simple model of evaluation, based on a 'determinants of health' framework (Mohindra and Haddad 2005), is outlined in Figure 1 in terms of research phases, stages of intervention development and how they might link to outcomes, study questions, methods and sampling.

In Figure 1, the solid arrows indicate connections that are well-established. For example, we know income is strongly related to health and the view of many experts is that income redistribution is the surest way to achieve reductions in health inequalities. There is evidence that societies which are more equal in terms of income redistribution and perceptions of social position also do better in terms of overall health measures. (Wilkinson and Pickett 2006) As already discussed, with little political desire for (income) redistributive policies along these lines in many such countries, microcredit could be considered as a way to achieve this. It would at least redistribute income from savers (and other donors) to borrowers and, in cases of successful enterprises built upon such credit, ensure income enhancement for beneficiaries and their families. It may also lift the incomes of some people above inadequate welfare benefit rates and engender extra impacts from people helping themselves.

Other relationships are more tenuous, but still plausible (and thus shown as dashed lines in Figure 1). They are plausible because there is good evidence that these things are all linked, but tenuous because we know a lot less about whether intervening to act on these variables can actually impact positively on such outcomes. For example, on the face of it, it may seem that microcredit provides a possible solution to the chronic problem of mismatches between demand and supply in the labour market[5] that exists in so many low-income communities. Indeed, this is why it is worth a try. However, it would require monitoring not only of income levels of microcredit recipients, but also of whether loans issued reached those for whom they were initially intended and whether they were then used to create employment opportunities. This is especially important in countries with well-established welfare systems through which some level of income-support is already provided and may indeed militate against engagement with microcredit.

One may also question how engaging with microcredit should change the lifestyles of loan recipients in ways that would lead to ultimate health improvement. If health improvement were to follow in the long run, might we expect to observe changes in smoking behaviour, diet, physical exercise and the like in the interim? Again, this would require collection of data from loan recipients over time on such aspects and comparison of these data with trends in the general population and also in equally-deprived areas with no access to microcredit.

5 This often referred to as 'worklessness', the rather trendy and non-specific term that does however serve a useful purpose of highlighting the issue of economic inactivity as well as unemployment. It is often used to refer to people who, it is claimed, are not seeking work, families in which no-one is employed and communities with major problems of unemployment and economic inactivity, often experienced not only in high rates amongst the population at any one time but also over time and, on occasion, across generations.

Microcredit, Social Capital and Happiness

In many respects, microcredit relies on 'social capital', in broad terms the idea that strong social networks and relations in a community can lead to positive outcomes and provide a good basis for community-level interventions. Here, the idea would be that, with a little help in terms of money, a community can group together and make quite significant advances in improving itself. But might the administration of microcredit through mechanisms such as group lending and generation of prosperity in a community also add to social capital? Again, such impacts on the wider community in terms of its cohesiveness can, to an extent, be measured. (Pronyk et al 2008) At the most basic level, do beneficiaries of microcredit stay in their communities or migrate from them? Moving beyond this: can microcredit produce an 'asset effect', enhancing human and social capital or community efficacy? (see Bynner and Paxton 2001) The psychological health of individuals in such communities can be tracked over time and measured against relevant comparators, but previous interventions to supplement income have been criticised for missing major opportunities to assess impacts on such health and wider social outcomes (Conner, Rodgers and Priest 1999; Ludbrook and Porter 2004). Going beyond what might be seen as narrower health outcomes, health researchers have been active in trying to operationalise Sen's notion (1999) of capabilities into parsimonious measures to be applied to study subjects over time (Coast, Smith and Lorgelly 2008) and aspects such as dignity and autonomy can be captured by measures of coherence and ego development from psychology. (Loevinger 2006; Eriksson and Lindstrom 2005 and Haswell et al 2010)

All of the above mechanisms have been portrayed in what might seem like a rather quantitative 'model' linking income, money and enterprise to health and happiness. However, to gain a richer understanding of how and in what circumstances microcredit can enhance people's lives, or what the barriers to success might be, rigorous qualitative research is also required to explain the links in the model through the personal stories of microcredit recipients.

A Fine Legacy for Smith and Yunus?

Microcredit in the sense of Grameen is now part of a wider movement encouraging social business; the idea of enterprise operating on a no-profit, no-dividend type of model. (Yunus 2010) This applies not just to the Bank as an organisation, but its members too are encouraged to create social businesses. Given this, and the emphasis on self-help and payback embodied in microcredit, it could be argued that the vision for this work was laid down 250 years ago, when Adam Smith, in his seminal work *The Wealth of Nations*, observed and described the positive impacts of commerce on prosperity and well-being:

> 'It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard for their own self-interest.
>
> 'He generally, indeed, neither intends to promote the public interest nor knows how much he is promoting it. . . He is in this and in many other cases, led by an invisible hand to promote an end which was no part of his intentions.'
>
> Smith, A (1776):
> *An Inquiry into the Nature and Causes of the Wealth of Nations*

This quote indicates the collective benefits of self-interested free enterprise and not of social business as such. Indeed, such passages are often used to promote Smith as the champion of self-interest. However, all that Smith did was to recognise self-interest as but one characteristic of people, not necessarily a virtue. Equally, he recognised that, as social beings, people care about each other:

> 'How selfishly soever man may be supposed, there are evidently some principles in his nature which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except for the pleasure of seeing it.'
>
> Smith, A (1759): *The Theory of Moral Sentiments*

Being a person of his time, Smith made little observation about health inequalities, although he likely thought that, as such commercial activity became more widespread, the general living standards of whole societies would be lifted.

These two notions, of self-interest and caring, now come to be merged in the work of Yunus in 2010:

> 'And yet this selfless dimension has no role in economics.'
>
> Yunus, M (2010): *Building Social Business*

Our contention, and likely that of Yunus, is that the selfless dimension has no role in a certain type of economics, the modern market-based economics that has difficulty internalising the 'caring externality'. (Culyer 1971)

Conclusions

More than two centuries later, Smith's vision has not been realised. In many of the more advanced economies of the world, health inequalities persist and have even widened despite years of unprecedented economic growth leading up to the current credit crunch. With the advent of the crunch itself, the prospects do not look good for reducing such inequalities. Several years of public health intervention have had little impact, and rates of worklessness in many communities are very high. Combining this challenge with the long-standing health problems in the West of Scotland, we are embarking on an exciting 'cost-benefit' analysis of microcredit as a public health intervention which will unfold over the coming years. We hope that this addition to the microcredit story will one of which Adam Smith and Muhammad Yunus would be proud. □

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Vision 2020: New Education Revolution In New Social Enterprise Age

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Abstract: Vision 2020 is a new 2011 update of 'The 2024 Report', written in 1984 by the Deputy Editor of *The Economist* magazine, Norman Macrae, who died last year at the age of 86. The author sets out, in this article, to update Macrae's incredibly accurate 'report back from the future'. But, more importantly, the article provides a succinct summary of virtually every major catalyst that will now shape our future from 1984 – the year when Facebook's Mark Zuckerberg was born and Steve Jobs launched the Apple Mac. While the author captures the current dichotomy between two of his passions – interactive digital technology and reinventing education, 'Vision 2020' highlights an intriguing summary of events that will, over the next 10 years, 'change the way the world learns' and much more.

Keywords: the web, 1984, the future, eLearning, learning revolution, co-creative enterprise

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1 He is one of the world's top-selling non-fiction authors. His book, *The Learning Revolution,* co-authored with American educationist Jeannette Vos (six editions from 1993 in 20 languages, English version now replaced by updated full-colour edition, *UNLIMITED: The New Learning Revolution and the Seven Keys to Unlock*; online orders at http://www.send1keep1.com/tlw/bgo first 34 pages free), has sold 10.25 million copies in China alone. A former national television and radio talk-show anchor in his native New Zealand, he has additional backgrounds as advertising agency creative director, publications relations consultant, and Vice-President of

Introduction

HERE it is useful to start with the following remarkable quotes:

> 'Logic will get you from A to B. Imagination will take you anywhere.'
> Albert Einstein, Great Philosopher

> 'Eventually books, files, television programmes, computer information and telecommunications will merge. We'll have this portable object, which is a television screen with first a typewriter, later a voice activator attached. Afterwards it will be miniaturised so that your personal access instrument can be carried in your buttonhole, but there will be these cheap terminals around everywhere, more widely than telephones of 1984.'
> Norman Macrae, The Unacknowledged Giant

> 'Since the 1950s the power of our computers has advanced by a factor of roughly 10 billion. By 2020 microprocessors will likely be as cheap and plentiful as scrap paper, scattered by millions into the environment, allowing us to place intelligent systems everywhere.'
> Michio Kaku, Great Visionary Physicist

> 'We are at the dawn of a new Age of Networked Intelligence, an age that is giving birth to a new economy, a new politics, a new society.'
> Don Tapscott, Visionary Business Strategy Specialist

Matapouri Bay, Aotearoa-New Zealand, June 7, 2020

On January 24, 1984, Steve Jobs launched the Apple *Mac*: from the company he'd set up, at age 19, with Steve Wozniac. And with the *Mac* came the new age of interactive home computing. Even then, at age 28, Jobs was the youngest CEO of a *Fortune 500* company. By 2010 he had reinvented six entire global industries.[2]

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[2] Steve Jobs' six industries reinvented: first commercial interactive home computing industry with *Mac;* cartoon movie-making with *Pixar;* music distribution industry with *iPod; smart-phone* industry with *iPhone;* and, with the *iPad,* the *book publishing industry;* and by using it to abolish printed textbooks: *education.*

On May 14, 1984, Mark Zuckerberg was born in White Plains, New York. By the time he was 19, he had launched a tiny website to link fellow Harvard University students with each other online. He called it *The Facebook*. By 2010, when he was 26, *Facebook* was the world's biggest social network, with 550 million members. *Time* magazine named him *Person of The Year.*

Also in 1984, Norman Macrae, the Deputy Editor of *The Economist,* wrote 'The 2024 Report:'A Concise History of the Next 40 Years'. Its predictions would prove remarkably accurate. These included the 1989-90 collapse of the Soviet Union and the twenty first century destruction of the global banking-financial system. In June 2010, Norman Macrae died at age 86.[3] And even 'his last article' was spelling out how a new global 'social enterprise' network could replace that last broken (banking) system – just as the social networks of *Wikipedia, Facebook, YouTube* and *Google* have revealed a different future. And, as ATM machines and internet banking prove: we may still need banking, but we may not need banks!

'The 2024 Report' was the second of two Macrae books that would take me on a personal journey to investigate, and perhaps help shape, some parts of the future he predicted, including a new vision of the now-decisive leap to 2020 and my own specialties, digital communications and education.

The first, in 1964, steered me from New Zealand to Japan for a month, and then on a one-man research mission around Asia. That was a direct result of his 1962 series of articles and then his book, *Consider Japan.*[4] In them he told how, in seventeen years, a bombed, devastated and defeated Japan had soared back as a world power. Japan's 1960s annual Development Plans spelled out how its people could double their family incomes in ten years. And they did. On my 1964 visit I bought a copy of Japan's 1963 *National Development Plan* – in English – for US$1. It was

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[3] Macrae, Norman: The Unacknowledged Giant, *The Economist*, Issue in Memory of Norman Macrae, 17 June 2010:
http://www.economist.com/node/16374404

[4] Macrae, Norman: Consider Japan*, The Economist* (September 1962). The piece is now available online at:
http://www.normanmacrae.com/netfuture.html

almost entirely devoted to proving how Japan could quickly become the world's biggest and most efficient car manufacturer. It did. Japan achieved all this by ignoring every bit of advice given their government by American economic advisers after World War II.

The new Japanese way was economic planning with a difference. Not the Soviet Union's failed five-year 'pretend' plans: 'We pretend to work; you pretend to pay us.' But a deep analysis of (a) where the world was heading, (b) the best leading role for Japan, (c) which of its industries could achieve that, and (d) what was needed, specifically, to make that happen. The path Japan took from then until 1990 was to put it back on top as a wealthy industrial nation. It would also inspire the *Asian Tigers* – South Korea, Taiwan, Singapore and Hong Kong – to follow it. Amazingly, in both one-party states like Singapore and free-wheeling economies like Hong Kong, the magic worked: as it did later in China, under Deng Xiaoping's policies from 1978.

The 1964 Japan visit also introduced me to W Edwards Deming's 'continuous improvement' Kaizen programme – and how it, too, could revolutionise a country. Soon the same philosophy would show how to reinvent schooling, with teenage students from tiny remote villages in Alaska. In one unique high school,[5] classrooms were turned into real-life manufacturing, processing and exporting companies and students into innovative village entrepreneurs.

The 2024 Report

Then in 1984, Norman Macrae and his computer-skilled son Chris produced The 2024 Report[6] and its 40-years leap to 2024; then how their imagined society had changed in four decades. And what uncanny predictions: from the fall of communism to the way entrepreneurship and innovation could completely transform education, health, manufact-

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[5] Mt Edgecumbe High School, Sitka, Alaska: in late 1980s and early 1990s, rated by many research-visitors the finest in the world using Deming principles for high schooling. But its innovative and successful methods conflicted with the US 'teacher-centred' and 'teach to standardised-test' methods and, with the death of a principal and the departure of the innovative leader of the project, the school no longer is based on the Deming programme.

[6] Macrae, Norman: *The 2024 Report,* full now available on line at: http://www.normanmacrae.com/netfuture.html

uring and financial systems. He even forecast the birth and dominance of what we know as the Web. And how it could provide, in the twenty first century, the global platform to reinvent everything: a new world of co-creative democracy.

Not all his forecasts were correct. And certainly young British computer scientist Tim Berners-Lee fulfilled two parts of Macrae's dream way ahead of time. In 1990, Berners-Lee developed amazingly simple software and networking protocols to build what he called the *World Wide Web*.

What was even more amazing: the simple way Tim Berners-Lee did this in his 'spare time'. As Michael L Dertouzes wrote nine years later in the Foreword to *Weaving The Web* (Berners-Lee 1999): 'Thousands of computer scientists had been staring for two decades at the same two things – hypertext and computer networks. But only Tim conceived how to put these two elements together to create the Web'.

'The vision I have for the Web,' said Berners-Lee, 'is about everything connected with everything.' He also saw it as more a social creation than technical one: 'I designed it for a social effect to help people work together.'

In 2010 Mark Zuckerman would express the same wish for the Web's first global 'social community'. When *Time* magazine chose him as *Person of the Year,* it added: 'Whereas earlier entrepreneurs looked at the Internet as a network of computers, he saw a network of people.' And Zuckerman himself stressed: 'The thing that I really care about is making the world more open and connected.'

'Also in 2010 the 2006 Nobel Peace Prize winner, Dr Muhammad Yunus – the inventor of *collateral-free microcredit* and *Banker to the Poor* (Yunus 2003, 2006) published the second of his two books urging the world to adopt 'Social Business' (Yunus 2010) in the drive to wipe out poverty.

From 1990, Berners-Lee also insisted on placing all the software, specifications and ownership of the Web in 'the public domain'. Had he chosen otherwise then he, not Bill Gates, could have become the world's richest man. Seven years later another futurist, former *Wired* magazine co-founder, Kevin Kelly could tell a TED conference: 'The Web, as we know it, is less than 5,000 days old with all these amazing things'.[7] And

[7] Kelly, Kevin: http://www.youtube.com/watch?v=yDYCf4ONh5M /*The Next 5,000 Days of The Web,* online at TED.com

then, as a multimedia montage showed those new Web-driven twenty first century tools converging: 'It's amazing,' he said, as he prepared to demonstrate *The Next 5,000 Days of the Web.*[8] 'But we are not amazed.'

Many of those amazing things followed Macrae's 1984 predictions. So that pivotal, tipping-point year is as good as any for the start-point for this 2020 tribute to Norman Macrae.

In 1984, of course, came Steve Jobs' Apple Mac, with point-and-click graphics on your desktop screen, at the touch of an electronic 'mouse'. The Mac was launched with the world's most famous television commercial: 'Why 1984 won't be like [George Orwell's] 1984'.

In 1984, too, came the birth of Cisco Systems, when Sandy Lerner and Len Bosack strung 'digital routers' through ducts and pipes at Stanford University to create networks to link even incompatible computer-systems together. By 2010, Cisco was a US$40 billion-a-year networking company. And its online Networking Academies were the future model for continually updating skills throughout life.

In 1984 embraced the beginning of personal computers assembly, when 19-year old Michael Dell started doing this in his Texas university bedroom. He was soon to drop out of university and, from 1997, pioneer selling computers direct on the new web. By 2010, Dell's web sales averaged US$50 million a day.

In 1984, too, in Finland, witnessed the making of mobile phones: heavy, clunky and costly, when a 120-year-old lumber and gumboot company decided to engage in exploring. It called the new venture Nokia, after a nearby river. By 2010, five billion people carried 'a mobile'. In the previous decade, Nokia had made 40 per cent of them. And more students in China were learning English on them (singing to Karaoke pop tunes) than the population of the United States.

In 1984 came the product that would soon be called Powerpoint. In 1987 Bill Gates' Microsoft bought it for US$14 million. Within twenty years 30 million Powerpoint presentations were being made every day. Well before then, Powerpoint, Microsoft Word and Excel – packaged as Microsoft Office – would make Bill Gates the world's richest man.

In 1984, too, witnessed the first Virgin Airlines flight from London to Newark, New Jersey, with the Group's 34-year-old British entrepreneur

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[8] http://www.youtube.com/watch?v=yDYCf4ONh5M

Richard Branson onboard. By 2010, the Virgin Group had grown from his first music-recording company, set up at age 16, to 400 employee-inspired (and co-owned) subsidiaries, all under the Virgin brand, financed initially by Virgin's Venture Capital Fund.

In 1984, the Apple Mac's 'killer application' was to be Pagemaker. And the following year, in isolated New Zealand, former high-school dropouts Gordon Dryden and David Johnson devised their country's first Mac-Pagemaker publishing network. As a self-trained printing typographer and layout editor, one partner (the present author) soon turned the 500-page Pagemaker manual into nine simplified page-layouts and a series of digitised magazine and book 'templates': as easy to learn as Powerpoint. Anyone with basic typing skills could, within a day, be producing professional-quality finished four-colour magazine or book pages, ready to print.

Soon their *Trends Group* was producing and exporting 80 full-colour global home-improvement books a year. Many of the best colour photos and ideas were contributed, free, by kitchen and bathroom designers and later architects in the Trends Designer-of-The-Year Awards. From that arose a dream to involve the world's 59 million school teachers and two billion students to redesign and co-create a new education system.

And when the 1986 paperback edition of 'The 2024 Report' finally reached my in-tray, it sparked a linked-in idea. For 10 years I'd been hosting daily three-hour radio phone-in programmes. Their aim was to share new positive alternatives. Many were on education. Three separate national television series had done the same.

Now 'The 2024 Report' predicted that satellite 'teleputer networks' would soon provide the new platforms for 'Global Village' computerised town meetings. 'By 2005, the gap in income expectations between rich and poor companies,' Macrae wrote, 'was recognised to be man's most dangerous problem. Internet-linked television channels in 68 countries invited their viewers to participate in a computerised conference about it. About 400 million watched the first programme, and 3 million individuals or groups tapped in suggestions. About 99 percent were rejected by the computer. Of the 31,000 suggestions rated worthy of going through ongoing computer analysis, two finally emerged as so simple that one billion people tuned into the last programme and overwhelmingly voted for both.[9]

[9] http://www.normanmacrae.com/netfuture.html

Amazingly, in 1985 singer Bob Geldorf had proved the concept could work. He and fellow musicians had put together a global, satellite phenomenon: a multi-venue *LiveAid* concert to raise funds for African famine relief. It won a world audience between 150 million and 200 million, and raised US$245 million.

One of the recurring themes in 'The 2024 Report' was the compounding impact of what has become known as *Moore's Law*: that the number of transistors we can pack on to a silicon chip or integrated circuit continues to double every two years, some now say 18 months. The result: to regularly halve the cost of producing products powered by silicon-chip technology. That has since slashed prices in every competitive new industry except one: banking. Instead, banking charges based on falsified credit 'ratios' (and exorbitant credit-card interest rates) have continued to soar. From them came the multi-trillion banking-financial disaster of 2008-2012.[10]

The New Zealand Initiative

So what could be our own similar starting point?

In New Zealand one national platform was soon obvious: the nationwide 1990 celebrations to mark the 150th anniversary, of the country's founding as a treaty partnership between the original *Maori* (Polynesian) tribes and the British Government. So the 'Big Idea' was again simple: to open-up a 1990 nationwide, multimedia debate (on television, radio, and in seminars and conferences around New Zealand) to involve the country's innovators to reinvent the future.[11]

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[10] See Norman Macrae's last article on banking alternatives: written in 2009 for the Website of 2006 Nobel Prize Winning *Banker to the Poor* economist Dr M Yunus: http://yunusforum.net/?p=80

[11] In the 1950s, Auckland marathon runner Arthur Lydiard concluded that thousands of athletes could run a quarter-mile in under a minute but did not have the stamina to string four quarters together to run a mile in under four minutes. So he devised a training schedule that started with short-distance jogging, then built up gradually to running 100 miles a week (160.9 km). By the 1960 Olympic Games, and over the next six years, five of his New Zealand athletes – Peter Snell, Murray Halberg, Barry Magee, John Davies and Bill Bailey – had either broken every world record or won the Olympic Gold Medal in men's middle-distance running. So the radio-competition-challenge was simple: if five New Zealanders – four living within a mile of their coach's home – could all become world champions, what could the rest of us achieve? [When US Olympic track coach Bill Bowerman trained with Lydiard in Auckland in 1964, he returned to Oregon hooked on jogging, wrote the definitive book on it,

The 'pilot' was a 15-day, three-hours-a-day radio programme during the next summer vacation. Fortunately, in the normally sunny Christmas-New Year holiday break, unseasonal rain pelted down. Family vacationers were stranded indoors and left to listen to daytime radio. Even one-day cricket, the summer television fill-in, was cancelled. The radio show proved a big hit as the ideas bubbled forth: to reinvent early childhood development, the health system, banking, credit, industrial relations, new forms of education, democracy, transport, even religion.

Better still, *the opening programme struck a major chord*: the challenge for families to phone in the ten most important innovations that had, over the previous 150 years, given New Zealand one of the world's highest living standards and most enjoyable lifestyles? Today *Googling* 'New Zealand history timelines' would find these ten instantly. But on families' rained-in vacations, parents, grandparents and students reconstructed their own history lesson. And many children absorbed for the first time not only their country's innovations, but how to link the wisdom of parents and grandparents with the talents of young innovators like Zuckerman, Jobs and Dell?

The home and on-air discussions also reaffirmed New Zealand's own unique *do-it-yourself* culture.[12] So dozens of answers filtered through our airwaves. And from the previous 150 years, these were voted the ten best history-defining innovations that had determined New Zealand's ranking for one of the world's best living standards and quality of life:

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sold a million copies, and then teamed with one of his university running students, Phil Knight, to start a small company selling running shoes out the back of a car. Their first sales rep suggested a brand-name: Nike – the Greek winged goddess of victory. And a young Portland graphic design student, Carolyn Davidson, produced a draft logo – a swoosh without any name – for US$35. Knight liked neither the name nor the logo but decided 'to run with them for now'.] In 1975, John Walker, another New Zealand runner, using mainly the Lydiard methods became the first man in history to run a mile under 3min 50secs.

[12] New Zealanders still describe that culture as 'No. 8 fencing wire': the wire used to quickly erect fences on farms. Around 12,000 miles from the centre of Europe's industrial revolution – from the 1840s – it took two months for mail to get to Britain on a sailing ship to reorder any broken machinery. Then another two months for the replacement parts to arrive. So, the self-sufficient 'Kiwis' quickly learned 'to fix anything with a piece of No. 8 fencing wire'. Even well into the 21st century, New Zealand's best-known venture-capital company was named Number 8.

1. **Refrigerated shipping**: New Zealand had not invented it but, from 1882, no country had used it better. For years it had enabled us to live 'off the sheep's back' as the world's biggest exporters of frozen lamb.

2. **Grasslands research**: Led by Sir Bruce Levy, scientists added nitrogen-fixing 'white clover' to cocksfoot and rye grass, and then trace elements of cobalt, to create farms with the world's highest protein content per hectare. New Zealand is still the only country with high living standards largely based on a one-crop economy: grasslands farming.

3. **Cross-breeding of sheep**: Well-known to produce both great meat (for lamb) and great wool (for carpet production, and later to become the world's biggest exporter of all-wool tufted carpet).

4. **Farmer-owned cooperative dairy companies**: From 1871, linking mechanised (and then later automated) butter, cheese and milk-powder processing with single-family farms. That became the model for a series of cooperatively-owned export industries.

5. **Mechanised 'circular' milking sheds on farms**: Where electric milking machines in new configurations enabled each farm to double its productivity with twice the number of cows.

6. **Tanker collection of milk**: Instead of 'machine-separating' of milk on each farm, milk tankers (like petrol transporters) collect 'whole milk' each day and transport it for automated processing at Fonterra's cooperative processing plants.

7. **Aerial top-dressing ('crop-dusting')**: Spreading fertiliser from small New Zealand-made aircraft on hill-country and low-mountain farms. This doubled sheep-farming productivity after World War II.

8. **Hydro-electricity**: World leader in low-cost, sustainable electric power.

9. **Shipping containers**: The simple innovation that dramatically reduced the cost of getting new exports to the other side of the world.

10. **Education innovation**: Dr Beeby's lasting legacy: to learn it, do it in the real world.

In 1938 the Government brought the world's best educational innovators to New Zealand for a series of open public discussions, organised by Dr Clarence Beeby (known widely as 'Beeb').

Scottish-born Education Minister Peter Fraser attended every session, but didn't make any public speeches. Instead, he listened. His staff took notes. Then the Minister acted. First he persuaded Beeby to apply for the vacant post of Deputy Director of Education. Afterwards, Fraser refused to sign his own annual Education Report to Parliament, as drafted by his Ministry staff, 'because it didn't say anything'. He asked the department to redraft – overnight – a new opening, based on the Government's election policy. And this is what Beeby[13] wrote:

> The Government's objective, broadly expressed, is that every person, whatever his level of academic ability, whether he be rich or poor, whether he live in town or country, has a right as a citizen to a free education of the kind to which he is best fitted, and to the fullest extent of his powers. So far is this from being a mere pious platitude that the acceptance of the principle will involve the reorientation of the education system.

That became the core of the new national education policy:[14] 'Education' meant students themselves taking charge of their own learning: to 'learn-by-doing' and not merely listening to lectures. It also meant 'using the world as a classroom', and applying 'education' to creatively solve real-world problems. This was the policy Beeby recommended to Government after Fraser became Prime Minister in 1939. Fraser and new Minister of Education Rex Mason quickly adopted it. It would also stamp Beeby's legacy on that policy when he became Director of Education from 1940 to 1960.

Beeby's policies figured largely in the late 1980s radio debates we organised to 'invent New Zealand's future'. But 'education' was not the only theme. We even tried on air to find an answer to the hardest question I had ever been asked in 10 years running daily radio talk-shows. It had come from an 11-year-old: ***where does all the money go when we decide to have a depression?*** By the time of our radio 'pilot', the 1987 global financial crash had caused havoc around the world. Financial speculation was threatening to replace or stall real growth and the productivity gains

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[13] In his 1992 book, *The Biography of An Idea,* Beeby apologised for the masculine 'he' in that report: 'unforgivable,' he wrote, especially in the first country where 99 years ago women had won the right to vote in national elections.

[14] Its core was to be based on the central philosophy of American educational reformer John Dewey (1859-1952). Dewey believed democracy was not merely voting every four years. Democracy meant opening up all issues to 'an informed choice of alternatives' by public debate on options.

made possible by the growing impact of *Moore's Law* (named after Gordon Moore, one of the founders of Intel, the world's biggest silicon-chip and integrated-circuits company).

The Next Step

The 1988-89 radio series was a soaring success. After three weeks, the radio station's audience had doubled. New Zealand's biggest daily newspaper wrote in praise. So the evidence existed to find funding for a national television and radio debate: to provide Dewey's and Beeby's '*informed choice of alternatives'*.

A detailed application to the ASB (for Auckland Savings Bank) Charitable Trust won a quick donation of US$2 million to set up a not-for-profit Pacific Foundation. The New Zealand Television Commission agreed to contribute US$400,000. Television New Zealand agreed to provide the prime-time Sunday evening slots for six one-hour documentaries. Radio New Zealand agreed to launch follow-on talk-show discussions. And the Auckland Area Health Board provided part of the funding for 'the future of health policies' to join 'education' at the centre of the proposed national debate.

Co-founder of the Pacific Foundation Lesley Max took charge of developing a parent-education programme. That started with a series of three full-colour booklets on early-childhood parenting education, issued free to all parents in our area: *Right From The Start* (on pregnancy), *From Day One* (the first year of life), and *Growing Up Great* (the other pre-school years). She also set out to plan and build the first of our Foundation's combined one-stop parenting and early childhood centre: the first of several.

I finished off the research needed to structure the shooting scripts for six one-hour television programmes on New Zealand's future, under the title: *Where to Now?* And a professional TV researcher was off around New Zealand to follow-up our advertised appeal to find great New Zealand success stories in education, parenting and health to video on our return from abroad. Before the TV scripts were finished, the Government released another commissioned report on the future of education in 1989, called *Tomorrow's Schools*, by an independent think-tank headed by business leader, Brian Picot.

That report was to revolutionise the structure of school administration but only part of the philosophy. It boldly recommended:

Abolish the national Department of Education.

Replace it with a scaled-down policy-recommending Ministry.

Abolish all Regional Education Boards.

Turn all 2,700 schools – public and private – into 'charter schools', with an overall brief to encourage innovation and a raft of fresh ideas.

Turn control of each school over to a Board of Trustees, elected by parents, one elected by teachers, and (in the case of high schools) one elected by students plus the principal.

Each charter to be drawn up by each board, in two parts: (a) a commitment to aspire for excellence in fulfilling 'national curriculum guidelines', but with widespread innovation in how to do this; and (b) each become 'a centre for excellence' in one agreed initiative.

Share the savings (from slashing the bureaucracy) with each school.

Prime Minister David Lange (also the Minister of Education) immediately accepted the report, and the Parliament endorsed it. And so, as I prepared to head off around the world in 1990 with a professional television crew, New Zealand communities, and schools, set out on the race to invent *Tomorrow's Schools.* Some had even started earlier, with separate pilot programmes. By mid-1991, we had edited 150 hours of video down to six one-hour prime-time TV shows, and they had been broadcast nationally. But little did we know then that 56 of New Zealand's 2,700 schools were soon to choose 'new technologies' as the core of their proposed 'centres of excellence'.

As we started our world video-shooting tour in London in the second half of 1990, we had no idea that Berners-Lee was about reveal his new Web. He had worked out all the details and simplified them while engaged on other projects at CERN (The European Particle Physics Laboratory) on the French-Swiss border. He eventually demonstrated a working model to CERN colleagues on Christmas Day, 1990. He wasn't even employed by CERN to develop the Web. It was almost a part-time hobby – although CERN did buy – and let him use to produce a prototype – a high-powered advanced computer, developed by Steve Jobs' new company, NeXT. And when he did, he insisted that it should become 'the common property' of the world: open for anyone to use, so long as they, too, signed up to freely share the additional developments that, they might contribute.

In the high-tech world this would be known as 'open-source' technology. I much prefer the term 'co-creative enterprise' – as Macrae's 2024 forecast had predicted – and New Zealand's 'cooperative enterprise' culture had nurtured for years.

A year later, Berners-Lee revealed it in a makeshift demonstration to several 'nerds' at the *Hypertext* conference in San Antonio, Texas. But the organisers declined to accept a 'technical paper' as 'it wasn't finished, and didn't make enough references to work in the field'. Not until 1993 did the 'The Web' start to become much better known to the general public – soon to power the first cyber-hub of 'The Next Society.'[15]

Web 1.0 Flowers to Life

The follow-on successes from the new Web were almost instant:

September 1991: *Linux* – Linus Torvalds, a 22-year-old Finnish computer science student, announces on the Web that he is working on a computer operating system, and seeks co-developers for what will become the *Linux* open-source system, and still the most-recognised early working example of 'free open-source technology': co-created in cooperative teams on the Web.

1993: *Mosaic* – American student Marc Andreessen and colleagues at the University of Illinois create 'Mosaic': a new 'Web browser' that adds interactive multimedia graphics to make easier for *Windows* and *Mac* operating systems – not only NeXT – to access the Web.

1994: *Netscape* – Former Stanford Professor Jim Clark, the creator of Silicon Graphics – the first professional interactive digital-effects, movie-making software – hires Marc Andreessen and his student team to produce a 'Web browser' similar to *Mosaic,* which they call *Netscape.*

1995: *Navigator* – Netscape launches as a public company to make Clark an instant billionaire, Andreessen worth more than US$100 million, and all his student-partners millionaires. Netscape releases its

[15] As Michael Dertouzos, Director of the MIT LCS, wrote in the Foreword to Tim Berners-Lee's *Weaving The Web* book in 1999: 'When I first met Tim, I was surprised by another unique trait of his. As technologists and entrepreneurs were launching or merging companies to exploit the Web, they seemed fixated on one question: *How can I make the Web mine?* Meanwhile Tim was asking: *How can I make the Web yours?'*

Navigator browser free on 'the Net' and 40 million computer-users download it inside the first three months. 'Web mania' arrives; and the beginnings of *Web 2.0:* the much more interactive phase.

1995: *Yahoo* – Stanford students Jerry Wang and David Filo launch the 'portal' that provides the Web's first directory services.

1995: *Internet Explorer* – Microsoft pays US$2 million to licence browser-code from a small company called *Spyglass.* Bill Gates' company adapts the software, renames its own version *Internet Explorer* and packages it free with all new *Windows* computers. The browser wars were about to rage.

1995: *Pixar* – Steve Jobs' Pixar studios release John Lasseter's *Toy Story,* the first feature-length computer-animated movie. A new era in movie-making has begun.

1995: *Amazon* – Jeff Bezos launches the world's first online bookstore with the company he had founded the year before.

1996: *Apache* – This open-source Web server (central computer storage centre) emerges to link other computers to the Web: later to provide the big increase in storage needed to make videos, movies, digital animations and games available online.[16]

1998: *eBay* – Pierre Omidyar founds an online version of a garage sale: soon to become the world's biggest online auction system.

1998: *Google* – Two Stanford graduate students, Larry Page and Sergey Brin, announce the development of what will soon be the world's greatest search engine. With it, Web 2.0's interactivity will soon soar.

1999: *Alibaba* – Jack Ma, China's best English-speaker, founds what will become the world's biggest e-commerce site: to sell (mostly in English) the abilities of 50 million small Chinese family companies to the rest of the world. Like the fictional *Alibaba*, a global 'Open Sesame'.

1999: *Cloud Computing* – Marc Benioff founds *Salesforce.com* to move business applications on to the Web, pioneering 'cloud' computing. No longer should 2 billion PC owners have to buy 2 billion expensive individual software programmes. Instead, a master copy would be

[16] By 2010, Apache served 60 per cent of the world's websites, and was still controlled and developed by an open community called The Apache Software Foundation.

stored on the Web and anyone could select any part of it to download cheaply (or free) as needed.

1990s: The Two-Sided Picture

While the new PC and Web era quickly altered the entire face of business, at first it left most school systems unchanged. Most failed, because they tried to paste twenty first century technology on to an outdated, 350-year-old model like 'inventing the jet engine and trying to strap it on a stagecoach'.

Fortunately, as our TV crew in 1990-91 visited many of the emerging exceptions, in pockets around the world, we also discovered great new research and ideas starting to converge:

- In America, Dr Sivasailam (Thiagi) Thiagarajan was already building a brilliant reputation as 'the Mad Scientist' at The Thiagi Group, creating an amazing array of non-tech games for learning, teaching and training – by having more fun. His Website still says: 'He would like his epitaph to say that he dropped dead in the middle of a workshop while making people laugh.'
- In Britain, businessman Colin Rose successfully developed multimedia 'accelerated learning' kits for Europeans to learn English. In the new European Community, researchers had discovered that 2,000 words made up 90 per cent of most spoken European languages. And Rose worked out that interactive games could teach 'the first 2,000' much quicker than rote learning.
- Tony Buzan invented 'Mind Mapping' to store information like the human brain does, like building 'new branches' on a tree.
- Edward De Bono developed 'lateral thinking', and then a series of creative learning methods, such as *Six Thinking Hats* to teach even young children to think in six different ways.
- Technic Lego was joining the more common interlocking Lego blocks – soon voted the *Toy of the Century*.
- New versions of China's traditional *suanpan* – or abacus – were now becoming popular in the Western world for multi-sensory learning: by colour and movement.
- Californian kindergarten teacher Jan Davidson pioneered digital multimedia early-childhood learning games: Math Blaster and

Reading Blaster and later sold her digital-learning company for US$1 billion.

- Joan Ganz Cooney's Sesame Street had startled the television world (from 1969) by showing how learning could be fun – later to become the most widely-viewed television show in the world – enjoyed in over 250 countries.
- Harvard Professor Howard Gardner published his revolutionary first book on *Multiple Intelligence* that everyone is smart in different ways (see Gardner 1983).
- Professors Ken and Rita Dunn's research proved that everyone also had a learning style as unique as one's fingerprints (see Carbo, Ken and Rita 1991).
- From Western Australia, Glenn Capelli was fashioning new modes for fun-filled non-tech training in education and business, known as an incredible non-tech presenter.
- Roger von Oech was teaching creativity through his *Creative Whack Pack* of playing cards based on his 'Whack on the Side of The Head' book in 1990.
- Dr Jeannette Vos had just completed her seven-year research programme into the world's best interactive learning programme and her doctoral thesis based on SuperCamp methods devised by co-founders Bobbi DePorter and Eric Jensen.
- The pioneering Deming-based Kaizen methods had transformed Mt Edgecumbe High School in Sitka, Alaska where boarding students from tiny, poor-income villages were learning to run their own Pacific Rim food processing and export businesses.
- Will Wright in 1989 produced SimCity, later hailed as the most influential digital game of all time. No need any longer for students to only read about ancient Rome; they could build Rome itself ancient or futuristic. The new era of 'creative-simulation' digital games was born.
- And emerging brain research was proving that the 100 billion active neurons in the human cortex linked a network more creative than any computer.

On the last day of our TV tour in America at the University of California's Berkeley campus, brain-scientist Marian Diamond put it all in perspective. In her office at the Lawrence Hall of Science, she dissected two human brains with a running commentary for our television crew. For thirty years Dr Diamond had been testing developmental theories upon rats. Consistently she found as Montessori had with young children – that if rats were raised alone in dull, boring, uninteresting, unstimulating cages, with poor diets, they grew up to be dull, unintelligent rats. And if healthy rats grew up with other healthy rats – in stimulating environments, with interactive games, in bright surroundings, and with healthy diets – they grew up as intelligent, happy rats.

The day before, we'd videotaped pre-school children from America's poorest workers – Mexican families with parents working from 4.00 am each day picking vegetables and fruit on Californian orchards and farms. The children were getting a world-class early-childhood education at an incredible Montessori Centre, one of 18 set up by The Foundation Centre for Phenomenological Research. Within five years, the California pre-school centres had closed. The research funding had run out. By the 2008 US Census, 23 per cent of Hispanic citizens and 24 per cent of African-Americans were living in poverty.

But the best research in the world was still breeding the planet's most intelligent rats. And our 150 hours of video showed the research could be applied, too, to humans.

How To Do It – And How Not To!

Well into the 1990s Silicon Valley was still leading the world as the model forerunner of a total twenty first century eco-system. So why was America not leading in the potential new electronic e-Learning revolution?

In 1985, Apple started a 10-year project called ACOT (Apple Classrooms of Tomorrow) with a vision of making computers in classrooms used as routinely as paper, pencils and books. This started on a small scale, with only two American schools involved. Then, a year later: five more. Development was slow and cautious, as do-it-yourself concepts – ideal for students using their own computers to explore the world in new ways – clashed with the traditional US 'teacher-as-instructor' classroom system. Soon the ACOT leaders determined five sequential development stages:

1. Entry: Teachers 'get used to computers' connected in the classroom.

2. Adoption stage: Moving tentatively from connecting the computers to using them.

3. Adaptation: Starting to 'use the new technology to support their established-text-based drill-and-practise instruction'.

4. Appropriation: Using computers more efficiently, but still to support the existing 'instructional' methods.

5. The invention stage: Finally waking up to the '*Aha!*' when it becomes obvious that the new technology could actually be used to invent new ways of learning and teaching.

By 1996, *w*hen the programme leaders compiled the book on the first 10 years of ACOT *Education & Technology: Reflections on Computing in Classroom* (eg Fisher, Dwyer and Yocam 1996) they would reflect, ruefully, in the last chapter, how America's long-time standardised 'teach to the test' tradition left most teachers still locked into an old philosophy. Most found it almost impossible to switch to the different teaching methods required to benefit from the new technology and the brainpower waiting to be unleashed.

From 1990, one brand-new Canadian school, River Oaks in Oakville, Ontario flowered quickly as a strongly-publicised example of a high-tech Apple school based almost entirely on the use of digital technology. But the leaders became obsessed that the new technology was all-important. One glowing report even referred to parents lining up to 'steep their offspring in the silicon crucible'. But, as other schools were to learn: only fools worship their tools. A new approach was needed to link a new creative-learning philosophy with some of the interactive, digital learning-games now emerging from Apple, Nintendo, Sony and Electronic Arts.

Fortunately, the Dewey-Beeby 'to learn it, do it' model could have been invented for the computer age. So, too, could New Zealand's own bottom-up 'No. 8' culture.

Many New Zealand schools were already using Edward De Bono's *Lateral Thinking* methods to reinvent the future. His different-coloured *Six Thinking Hats* swung from classroom ceilings and walls, and bobbed on the heads of young students as they learned to think in six different ways. New interactive software was emerging to stimulate creativity.

Apple had great interactive computers. And at least one Canadian teacher had learned from her River Oaks experience. Lane Clark soon linked De Bono, Buzan, Thiagi, Wright, von Oech and Alec Osborn's brainstorming together in an interactive student toolkit. She called it *!deasys.* Then she combined it with the growing number of interactive computer games and graphics.

Several of New Zealand's new Tomorrow's Schools, students and teachers had already decided the ACOT five-step process was back to front. Why wait 10 years to invent the future? Several schools decided to do it now. And to do it mainly in partnership with Apple Education: a subsidiary of the New Zealand company with the national Apple franchise.

In most other countries, computer companies concentrated on selling computers to schools. In New Zealand, AppleEd was set up to partner schools in inventing a new future for education: train the teachers first to use a handful of Macs in an interactive way in regular classrooms – not separate computer laboratories. And then to see the teachers' and students' own enthusiasm drives the process forward.

Our six-part TV series played some part in spreading the word: on television itself in 1991; on video cassettes of the programmes sold at cost to schools; in radio discussions, and in seminars, workshops and at multimedia conference presentations throughout 1992, with interactive, how-to video-clips a big feature. Hundreds of New Zealand teachers also rushed to visit some of New Zealand's own breakthrough school programmes, shown in the video series.

By now, those 56 schools had also decided to develop as 'centres for excellence' in 'e-Learning': but mainly to use those new technologies as the catalyst to reinvent schooling itself.

For AppleEd – with its competent teaching staff – the model was to be New Zealand's first school built since *Tomorrow's Schools* became Government policy – Tahatai Coast Primary School, at Papamoa, in the Bay of Plenty (Tahatai, in the native Maori language, means By the Ocean). With no students yet, and therefore no parents to elect its Board of Trustees, the Minister of Education had to appoint a Development Board. For chairman, he chose the Finance Director of Tauranga Port: New Zealand's biggest export port. It was an inspired choice.

Stephen Covey's *The Seven Habits of Highly Effective People* (Covey 1989*)* was the top-selling business book in 1989. Its Habit No. 2: *start with the end in mind.* So the businessman school chairman, at the first meeting, asked members to do just that: to imagine the ever-changing world their 13-year-old students could face when finishing primary school. The board agreed they should emerge as open-minded 'rounded global citizens', confident and competent to face an unknown future – with the ability to solve any challenge life might bring – based on creative innovation and new interactive multimedia technology.

The board's next challenge: to find a principal to define and action to reach that goal. Their choice, Mark Beach, was also inspired. Fortunately, New Zealand's AppleEd also knew of Lane Clark's methods and results. So, they partnered with the Tahatai School Board to being her to the new school for 12 weeks. The fit was perfect: a public-corporate/ teacher-retraining partnership that was to become a model for twenty first century schooling.

New Zealand's school year is divided into four 'terms', not two semesters. So Tahatai opted for four Dewey 'inquiry' topics a year – but these to be school-wide – with all subjects (mathematics, reading, writing and so on) 'blended into each topic-project'. The school also adopted 'e-Learning' as their 'centre of excellence', not as a separate subject but as the creative catalyst to reinvent education. Not one teacher was employed on the basis of existing computer-knowledge but on their enthusiasm to 'change the way the world learns'. Creative thinking has always been more important there than the technology.

For state funding, New Zealand divides its school locations on a 'decile scale': with decile 10 the country's highest average income and decile 1 the lowest. 'Low decile' schools get extra government funding to compensate. Tahatai opened as a decile-2 school.

About 35 per cent of students were Maori, from an indigenous 'minority' culture that has often fared poorly in the traditional structured school classroom. For a school where classes started at 9 am each day, many students were lining up to get in at 7 am: generally led by Maori students keen to turn their own culture into twenty first century digital literacy or art. Soon the school was becoming a Mecca for other New Zealand schools to visit and as a model.

AppleEd soon worked in with Tahatai to organise two-day weekend teacher-retraining courses. Again, innovation was the norm: each half-day session started with a one-hour interactive 'plenary' session with a visiting 'overview' presenter, with all 180 trainee-teachers. Then, all 180 broke up into six two-hour, 30-teacher-classroom, hands-on sessions to learn specific computer skills. AppleEd then mounted 'Five-day Apple Bus Tours', where teams of teachers spent three days visiting six model schools, a full day at Tahatai, and then a final live-in day at a hotel to 'repackage' the week's visit for highlights and action plans.

The New Renaissance

That combined 'learning programme' was soon to see New Zealand emerging as the centre for a new 'educational renaissance'. In part, this was encouraged, too, by another corporate school and university partnership:

- The corporation: IBM.
- The New Zealand school: Freyberg High, in Palmerston North.
- The University: Massey, one of New Zealand's two original agricultural colleges.
- The driving catalyst: Australian-born Senior Lecturer (later Professor) of Education, Pat Nolan.
- Likely Passion: 'integrated studies' at high school.

In 1987, Dr Nolan persuaded IBM to join him and Freyberg High School to become partners in a new learning initiative. It aims to switch high schools away from their traditional single-subject classrooms to integrated project-based learning. But most of the projects would be 'out in the real world', often for up to four or five days on location – then using IBM computers back in class to synthesise the students' projects into computerised multimedia summaries and plans.

The results were brilliant, including excellent examination passes. Our video coverage of 'The Freyberg Experiment' was among the highlights of our TV series. But then we found once again as Beeby had discovered from the 1940s (and later globally with UNESCO): it is easier to change early childhood and primary schooling than it is to change traditional high school and university systems. Primary schools around New Zealand were soon rushing to adopt the 'Tatahai model'. Within seven years more than 8,000 teachers had visited Tahatai: around 2,000 from other countries. Hundreds were visiting Freyberg – again many from outside New Zealand. Yet most high school leaders and university education departments were reluctant to change.

Another series of coincidences fortunately provided the next catalysts.

Our television research had unearthed the names of leaders in the new 'accelerated learning movement', and I was beginning to attend several of their national and international 'non-tech' conferences. Because of the AppleEd connection, and my early involvement with *Mac* networks, I had been a frequent visitor to Silicon Valley, including 'silicon chip' (semi-conductor) conferences.

And, soon an interesting three-way contradiction became obvious:

(i) Most of these non-academic 'accelerated learning' conference presenters were brilliant with non-tech activities *but had not adapted the new technologies to add to their skills;*

(ii) Senior university researchers, with two notable exceptions (Marian Diamond was one, Jeannette Vos the other), had the great research messages but didn't 'walk the talk'; and

(iii) At Silicon-Valley high-tech technology conferences, the presenters also had great product knowledge but no idea how to present it in new accelerated-learning ways.[17]

Then, also in 1991, the solution came like a flash in Geoffrey A Moore's then-new book, *Crossing The Chasm,* subtitled *Marketing and Selling High-Tech Products to Mainstream Customers.* Silicon Valley evangelists', he stressed, had to make their new idea 'brilliantly simple' to *leap across the chasm* to sell it to millions. Amazingly, the 56 New Zealand schools that opted to be creative-technology 'centres of excellence' represented the same 2 per cent of visionaries out of 2,700 schools, as in Geoffrey Moore's Silicon Valley model. So how could the teaching model be made 'brilliantly simple' to 'cross the schooling chasm'?[18]

The 'simple' answer: link both the new breakthrough innovations in brain-based non-tech methods and in new digital technology. But how to do that?

The answers came quicker than we thought when several of us who had met at 'accelerated learning' conferences in America and the United Kingdom ended up presenting on the same programme and then doing joint presentations, linking the 'best of each world'.

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[17] Steve Jobs was the exception.

[18] Silicon Valley's 'Crossing The Chasm' model: 2% of adults are visionaries or innovators (and, in hi-tech industries often the software-creating 'nerds'); 13% are 'early adopters'. And then there is a big chasm to the 70% majority mass-market (ignoring the final 15% laggards). To jump across the chasm (and win majority support), Silicon Valley visionaries have to convince venture capital investors that their new IT invention scores high in four main tests (25% each): how big is the market?; how simple is the product or idea?; how quickly can it 'scale'?; and how strong is your management and business plan?

US school-teacher Jeannette Vos – with a new Doctorate of Education after a seven-year research programme into new methods of learning – watched all six of our TV programmes and immediately phoned New Zealand from California with a suggestion: 'We should write a book together.' And we did: *The Learning Revolution.* But not until 1993 when my 1992 Pacific Foundation round-New Zealand school seminar roadshows and conference presentations had finished. The 150 hours of transcribed video and typed scripts helped greatly. So did Jeannette's 2-inch-thick doctoral dissertation. But the actual writing of the 512-page book (directly on to a *Pagemaker* template) also established something of an 'accelerated writing' record: completed and page-set in eight weeks – with 18-hour days: one author in San Diego, California, and the other in Auckland, New Zealand.

Even the layout demonstrated the new learning style. Every left-hand page was a poster page, designed to 'telegraph' graphically the main points: so readers could skim the entire book in under 30 minutes, like a 'TV storyboard'. Then they could read the right-hand text pages at their leisure either all the book or individual chapters for specific interests: from pregnancy and early childhood to high-school catch-up programmes.

Blast-off in China

From its launch late in 1993, The Learning Revolution quickly sold 30,000 copies in New Zealand. And then, from 1994, it would climb to become the biggest-selling non-fiction book of 1998-99, with 10 million copies sold in China alone in 7 months by a company that had never sold a book before.

Germany's Bertelsmann Book Club in China first sold about 130,000 copies of a 260,000 print-run in 'simplified Chinese characters'. Clever Software – China's leading educational software publisher – then gained an exclusive distribution contract for a second edition.

It ordered a first print-run of 5 million copies, launched it with a dinner-party for 250 senior journalists and a half-hour prime-time national television show. The next day it launched 30 three-week simultaneous 'Learning Revolution exhibitions' in the convention centres in China's 30 biggest cities. Giant video-clips from the New Zealand television series dominated the exhibitions.

In China's main cities, the average family spends 35 per cent of its total annual income on the education of their one child. They immediately flocked to the exhibition: 260,000 copies of the book were sold in the first day: 44,000 in Beijing alone.

As Clever Software President, Song Shaodi could report by the end of 1999: 'This book is truly causing a revolution in China. It sold a phenomenal 2 million copies in only three weeks and 7.5 million copies in 25 weeks: 10 million in seven months.'

After another later *Learning Revolution* conference presentation, in 2003, the Beijing Academy of Educational Science sent its President and eight Professors of Education to visit New Zealand to study its new methods. On their first visit to Sherwood Primary School's interactive digital classrooms, they were greeted by six-year-olds and a display of the videos they had each shot on their first day in first grade that year; the video-editing they had learned on Apple *iMovie* software; and the computer animations they had mastered soon after.

The professors were equally impressed with the way New Zealand primary schools followed the Dewey methods. Said the Academy President at a farewell home barbecue, 'if China doesn't learn from this, we'll be left behind.' Six years later, 14,000 Chinese students – included for the time in a global study of success – pipped Finland, South Korea and New Zealand for the top spot.

In China-Taiwan, the book was impacting on a different level. The China Productivity Centre, the island's main corporate training organisation, published the book in 'traditional Chinese characters'.

In Sweden, Brain Books quickly launched a Swedish-language edition, and contracted for co-author Vos to run five seminars a week, in different cities and towns every day, for four months in 1994 and again in 1995.[19] Later both authors combined to run joint separate training programmes for Swedish school teachers and corporate trainers.

In England, one hectic day involved producing nine half-hour video programmes at the Open University, before a live, participating audience of 400 educational opinion-leaders.[20]

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[19] Book sales amounted 40,000.

[20] The Lord Mayor of the Royal City of Windsor even changed his peaked hat for a reptile one to act out the most primitive – reptilian – part of the human brain-stem. And a rather conservative grammar school head donned a 'Goofy' dog's hat as 'the old mammalian, emotional brain'.

In the United States, 16 half-hour satellite television programmes were produced in two days: interviews with some of the world's best 'accelerated learning' and research experts.

In Singapore the book's contents helped spark a different take-off. A new international school was being opened at the time the television series was being aired in New Zealand. Co-founder of the Overseas Family School was New Zealand businessman David Perry. And when *The Learning Revolution* was first published in New Zealand, he immediately ordered 500 copies (later adding another 1,000), gave one to each teacher, and sent one also to every international applicant for a teaching job – as a guide to the school's basic philosophy.

In 1997, when the Singapore Ministry of Education launched a five-year US$2-billion 'digital technology programme for schools', both the OFS and later the Ministry organised 'learning revolution' seminars for teachers.

Later, when the International Baccalaureate Organisation added a 'Primary Years Programme' for elementary students to its Senior High School Diploma and Middle Years Programmes, OFS was the first in Asia and one of the first in the world to adopt all three. It then used a 16-page *Learning Revolution* full-colour tabloid as a supplement in Singapore's major daily. OFS is now the world's biggest IB school, with 3,700 students from over 70 nationalities.

Within a few years, *The Learning Revolution* had been published in 20 languages. And when I finished the second edition in Singapore in 1997, it was time for one final editing task, i.e. to recheck progress in New Zealand.

'Scaling' The Revolution

I had been out of the country when the first of the new *Tomorrow's Schools* had been born. And soon the message was coming through to me: 'You've got to see Tahatai Coast School'. And not only Tahatai. Those 56 specialist e-Learning schools were proving the future in practice.

AppleEd's two-day conferences and bus tours were spreading it around. And now the new Minister of Education and Deputy Prime Minister, Wyatt Creech sought advice on 'how to scale the breakthroughs nationally.'

And yet again a 'bottom-up' solution worked brilliantly. First, one of the most effective 'e-Learning' school principals, Carol Moffatt, was co-opted to become the Ministry's ICT (Information and Communications Technology) Coordinator.[21] In her new job, Carol immediately invited 23 excellent e-Learning schools to a two-day think-tank (with four outside advisers present the first day). The unanimous decision at the end of the second day:

- Set up a nation-wide 'e-Learning Cluster'Programme' headed by a team of already established 'lead schools'.
- Each school to train up 10 other schools.
- Each lead-school to receive only sufficient extra funding to employ one new teacher to release the school's best e-Learning teacher to coordinate his or her 'cluster'.
- All schools, 'decile 1 to 5', entitled to apply to be cluster leaders, with 23 to be chosen in year one, with a country-wide spread.
- A new group of lead-school to be selected every two years for three-year contracts.

The Government immediately approved. Compared with Singapore's $2 billion'programme, the cost was low. Schools 'did it themselves'. The first 23 schools were soon selected from applicants, and Tahatai Coast School also appointed as 'National Lead School' to work in with Carol Moffatt. And the entire programme started the following year, 1998. Coupled with regular annual and regional e-Cluster conferences, it was,

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[21] Many New Zealand schools, in country farming areas, are very small – still the community centres of their area. Carol Moffatt was the Principal of Oxford Area School which had quickly acted as the e-Learning coordinator for a group of small country schools in the area.

up to 2011, the best programme of its type in the world. And by that time, virtually every school in New Zealand had been through e-Learning Clusters: learning by 'doing' and co-creating.'

From 2003, brilliant annual national and regional conferences were organised by CORE-Ed, a not-for-profit New Zealand organisation associated with CORE-Ed in Britain. Both organisations grew out of the United Kingdom's Ultralab, originally set up by Professor Stephen Heppell as an e-Learning research and development unit at Anglia Ruskin University. Both CORE-Ed and the New Zealand e-Learning Cluster have since played a leading part in the successful global scaling since 2001. So has Apple-Ed which has now changed its name to Renaissance Education Division (RED) as its Renaissance parent company has expanded to sell beyond Apple brands.

As the new century dawned, innovative smaller countries like New Zealand, Singapore and the Gulf Emirates, raced to join the even bigger revolutions about to converge,

The New Century

From 2000, those innovations cascaded. But seven major ones changed everything:

1. Mobile Phones: By the year 2000 half the people one earth had never placed a phone call. Over 96 per cent of homes in China didn't have a phone. Only 12 per cent of the global population owned a mobile phone. By the end of that decade five billion people – of 6.9 billion world-wide – owned a tiny but powerful cellphone, so small two or three could fit in a shirt pocket.

China had 850 million, India 690 million. Many countries had more mobile phones than people since many carried one for work and one personal. For a decade it had become the fastest growing personal home appliance in history. And just about to take off as the device that people still called a 'smart phone', but now a miniature multimedia computer.

2. Wikipedia: In 2000, the printed *World Book* and *Britannica* still dominated global encyclopaedia sales. Then, in 2001, a new venture called *Wikipedia* was launched by Jimmy Wales and Larry Sanger as the first real Web-based free encyclopaedia. Larry Sanger coined the name from Hawaii's famous wiki-wiki fast buses.

By 2010, Wikipedia carried 17 million articles, 3.5 million in English alone – the rest in 261 languages. All those articles were written collaboratively by passionate volunteers. And nearly all updated regularly. By that year, too, it had become the most popular general reference work on the Internet; and the fifth most-used site on the Web. And, possibly more than anything else, it was a forerunner of the co-creative revolution that budded in the first decade of this century and then exploded to full bloom in the second.

3. Google: After its 1998 launch by two Stanford university students – Sergey Brin and Larry Page – it had become by 2000 the world's biggest search engine scanning more than 1 billion websites, 2 billion by 2001 and 6 billion by 2004. Within half a second, all could be scanned and an answer to any question flashed to the enquirer's PC or mobile screen, ranked in order.

By 2010 Google was rated the most powerful brand on earth, performing one billion searches a day through one million servers around the world. Its innovations beyond search could fill a dozen books – almost all emerging from the 20 per cent of their weekly working hours they devote to new personal innovations.

4. Apple iPod: The personal music player launched in 2001. Smaller than a pack of playing cards, it could store up to 15,000 personally-chosen tunes, each downloaded instantly at under US$1 from Apple's *iTunes* store. With 250 million *iPod* unit sales in the decade, it was to revolutionise music distribution. By 2010, the *iTunes* online store had sold its 10 billionth music track. So, if music could be instantly personalised and downloaded, why not all types of personalised learning?

5. YouTube: From its public launch in 2006, this massive video Website proved the fastest growing of its type in history. By 2010, fans were tuning in 2 billion times a day to watch their favourites. And now one of the great centres that have brought to life Norman Macrae's vision of the new 'Global Village' democracy to share the world's best ideas.

6. Facebook: The world's biggest online community network, also founded in 2006, and grown to 550 million members by the end of 2010 and by 2012 become the heart of the 'Global Community' learning revolution.

7. And Apple's iPad: The first of the new touch-screen tablets, soon to be joined by similar innovations from Dell, Samsung, Hewlett Packard, Acer, Nokia, Amazon and Lenovo. And many other were soon to come, powered by Google's new *Android* open-source digital operating system. Theodore

Gray's *The Elements eBook for iPad* was the first super-star of the *new touch-screen 3-D revolution* and dismayed other publishers as they realised it now made printed textbooks obsolete.[22]

The Challenge That Flashed Around the Planet

By the end of 2010, these seven technologies were converging in phenomenal ways. SUN Microsystems co-founder and former CEO Scott McNealy publicised his commitment to bring together US$100 million to gather the world's best curriculum ideas on his Curriki (Curriculum wiki) site. Great 18-minute video presentations from www.TED.com were inspiring millions every week. PCs and mobiles were coming together. *Wikipedia, eBay, Skype* free phone-calls, *Google, YouTube, Facebook* and touch-screen technologies were blending.

Dozens of billionaires had taken up Bill Gates' challenge to donate at least half of their wealth to worthwhile causes during their lifetime. And the newest and youngest of these was *Facebook's* Mark Zuckerberg. In September 2010 he had committed himself to donate US$100 million of his *Facebook* equity to the under-performing Newark (New Jersey) School District.

Around the same time, Dr Jane McGonigal, an executive at the Institute for the Future, in Palo Alto, California, appeared on stage at a TED 'futurist conference', and made an intriguing challenge to everyone present: 'Imagine we can make any future we can imagine'. *Because we can.* What would it be? What can you imagine? How would you achieve it? As with all TED conferences, her presentation was videoed, and soon appeared on www.TED.com. At the end, as a games designer, she presented her own incredible answer.[23] It was soon flashing around the planet. One of my global friends, American Professor William Maxwell, was first to email it to me from Albania with this comment: *'Inspiring – Brilliant – Infectious'.* And from one of Bill Maxwell's friends, Chris Doris: 'This is phenomenal. And her definition of an Epic Win: An outcome that is so extraordinarily positive that you had no idea it was even possible until you achieved it. It was almost beyond the threshold of imagination.

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[22] How textbooks were made obsolete: http://www.youtube.com/watch?v=nHiEqf5wb3g

[23] http://www.ted.com/talks/jane_mcgonigal_gaming_can_make_a_better_world.html

And when you get there you are so shocked to discover what you are capable of.' So, the 'Imagine any future' concept quickly went 'viral', as Facebook groups (generally around 150 people in each) took up the challenge.

Soon those millions of people who swept up in the Facebook 'global village' discussion groups were reaching the simple, obvious conclusions: In a new world where everything was now possible, old systems were breaking down: the energy system, the banking system, the financial system, the heath system, climate system, and the educational system. Systemic breakdown demanded systemic changes. Then came another simple conclusion: nearly all problems have been solved somewhere. So, the solution again seemed simple: invite the creators of the best solutions to video and show their great answers to the world's biggest problems online and open to public debate.

Mark Zuckerberg's offer to Newark had been widely publicised on the Oprah Show. And large numbers of *Facebook* members offered to help Mark find educational solutions. Then someone at Facebook came up with a new '80-20 rule'. Already most students were now spending only 20 per cent of their waking hours at school in outdated classrooms. For the other 80 per cent they were twenty first century citizens in a new digital age.

'So let's copy Google,' one suggested, 'and spend 20 per cent of that collective digital time co-creating new solutions, so we can make any future we can imagine.'

As at Google, it worked. And it worked by combining the big 'Aha!' breakthroughs already mentioned in this 2020 Report. *Wikipedia* became full-colour and 3-D touch-screen *video-iBook*; *Skype* video-'mobiles' could link with anyone, anywhere, anytime.

Fortunately, the now-soaring philanthropy foundation-funds (headed by the new young Web-based entrepreneurs) quickly backed the new ideas supporting the Gates' initiative, but most preferring to back co-creative, open-source ideas that were easy to share.

The 'Big Six' in First 'Global Village' Polls

Six 'blindingly obvious' policies quickly emerged to transform schooling from pre-kindergarten to senior high school and were easily put into practice:

1. The 'Link the Best' Project: The 2010 PISA Report (Programme for International Student Achievement)[24] again linked New Zealand and Finland among the top five countries in real-life literacy, mathematics and science, but each scored well in slightly different ways.

New Zealand: Now, world leader in 'twenty first century multimedia digitally literacy'; excellent at innovation and variety in public schools with strong emphasis on creative thinking and critical thinking skills, but had a 15-to-20 per cent 'tail' of low-achieving students with specific learning and social problems.

Finland: Long recognised for having the world's best teacher-trainee recruitment programmes; masters degrees for all teachers and high community status of teachers. Facilitated student-centred classrooms, teacher freedom to innovate, and balance of indoor-outdoor activities. Also, highly respected for training and employing special teachers to make sure low-achievement problems in every classroom are overcome. The emphasis is: *combine the best of both school systems to wipe out failure and build global citizens in the new digital age*.

2. The 'Digital Games' Plan: New York digital games designer Marc Prensky finally won his long-time crusade to have students 'reinvent education' by designing 'a digital games' database covering every topic or subject at every grade level. As his website puts it[25]: 'I am writing here about a *Big Idea*. The Idea is that the educational software we use (all of it – games, non-games and anything else, at all levels, pre-school to adult) should be created by the 'world mind', should not belong to any of us, and should be available, for free, to anybody, anywhere, who wants to

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[24] PISA Report: *Programme for International Student Assessment 2009,* OECD (2010), including special national summaries. . .
http://www.pisa.oecd.org/pages/
0,2987,en_32252351_32235731_1_1_1_1_1,00.html

[25] Prensky, Marc: Proposal for Educational Software Development Sites; and Students as Designers and Creators of Educational Computer Games: Who Else? Marc Prensky Website under 'Writings':
http://www.marcprensky.com/writing/default.asp

use it. I know this is possible, and I believe it will lead to things being far better than what we have today. I also believe it can be done at very moderate cost and at no harm.'

No one reading all the detailed homework on Marc's Website (www.marcprensky.com) can doubt his ability to achieve this and so it has proved. But massive warm public support came when he and several of the world's top designers – including *SimCity's* Will Wright and *Nintendo's* Shigeru Miyamoto – demonstrated an array of games for individual age groups and their parents.

World Masters: Two big demonstration-clinchers for adults, however, were from two 'world masters': at Contract Bridge (Omar Sharif) and at Chess (Gary Kasparov). Their interactive digital games are brilliant. In both cases, anyone can learn online by 'playing against the world master' at any level, from 'beginner to world master', with built-in 'hints from the master', whenever sought.

3. **The Mexican Public-Private Partnership**: A leading Mexican private school, Instituto Thomas Jefferson, had already digitised, in English, the Government's printed Spanish-language science curriculum, grades 3 through 6. But that official version of the 'basics' lacked interactive 'accelerated learning' components. So iTJ added at each level and each topic four *hypertext* Web links: (1) to the best free Website; (2) to free interactive games; (3) to great ideas for student 'learn-by-doing' activities; and (4) for storing great new 'learning applications' from students. The entire digital template was then made available to the United Nations Millennium Programme to provide a basic education for every child in the world to enjoy from age 6 to 14.

4. **The New India Model**: For years India's seven top research universities have annually graduated 3,000 high-scoring science, math and engineering university students (many as PhDs). And thousands have gone to Silicon Valley. By 2010 they made up 20 per cent of the start-up companies in the Valley (and two-thirds of the CEOs of all start-ups). But 47 per cent of India's villages still did not have a school by 2010. So, multimedia *Learning Revolution* presentation to the Silicon Valley Chapters of two Indian entrepreneurs associations soon raised an average of US$1 million from each Indian CEO to buy open-source Web-servers and new US$35 Indian-made laptops to set up *Tomorrow's Schools* in their own villages, games-based learning programmes free from the new 'cloud computing service'. As a bonus, new new Indian partnerships

were established between Indian villages and England's Montessori Farm Schools.[26]

5. **China's 37-Million Club**: In a special addendum to the 2009 PISA ratings (reported in December 2010),[27] 14,000 Shanghai students beat out Finland for the world's top spot. The PISA report paid tribute to the Shanghai schools now adopting (New Zealand's) Dewey-based methods' although with teachers still reluctant to 'cross the chasm' to use digital technology. Fortunately many of China's leading high-tech companies are co-owned by the 37 million non-mainland Chinese, with an existing strong multi-billion commitment to homeland education. By 2010, Asia's richest man, Hong Kong's Li Ka-Shing, had already funded 10,000 educational satellite links to country schools. Alibaba's founder, Jack Ma, too, was an early spur to joint educational partnerships. And in 2003 a China that 'didn't want to be left behind by tiny New Zealand', was not going to be surpassed by India in the new century.

6. **The CoCo Club**: The new Co-creative Learning Web, set up quickly in 2011, was soon acting act as a global partnership-hub to link Social Enterprise initiatives worldwide. This could also be called the start of the *YouTube-Facebook* Open Alliance when the Google video subsidiary funded the first Global VideoQuest. In six months, two million video-clips had been produced by students, showing all these new 'model learning centres' in action around the planet: often using the new Apple *iPad* and Google *Android* 3-D video-iBook touch-screen technology.

So, at the first Facebook 'Global Village' Town Meetings, a billion global citizens could not only vote on brilliant alternatives, they could also see them working.

From Christchurch, New Zealand, Discovery One was voted most

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[26] In 1658, Moravian priest Jon Amos Comenius invented machine-printed textbooks with The Visible World in Pictures. By the time he died, in 1670, he had published 154 more. Together with slates, blackboards, chalk and desks in rows – with a teacher in front of each class – these were to become the core of the 'modern' school, with 'standardised tests' from 'standardised' textbook-based 'instruction'. Comenius had also linked these with holistic, multi-sensory learning methods, later reinspired in the early twentieth century by the Italian early-childhood pioneer Maria Montessori. But in 1717 the Prussian Government, when it introduced compulsory primary schooling, insisted on 'standardised teaching and testing' in 'chalk and talk' classrooms. Most schools remained like that for three centuries.

[27] See Tapscott (1998).

innovative public elementary school. For over a decade, its students had 'used the entire 'Garden City' as a classroom' to study botany which was better than working in the civic Botanical Garden, with graduate botanists as mentors. Then back to Discovery's Central City Hub to produce a multimedia, 3-D report on how to apply what had been learned?

Singapore's Annual Robotics Competition won rave applause, with Nanyang Polytechnic again winning most of the tertiary prizes. No surprise, since its opening in 1992 Nanyang has been a 'Teaching and Learning City'. And like any commercial city, its robotic students design and produce actual working robots, under contract to some of the 3,200 international companies which were attracted to set up their Asian HQ in Singapore.

It was the star 75-year-old Maine (USA) village grandmother whose 50-year-long hobby had been teaching parrots to talk, and then making funny costumes for them. Now her grandsons have turned her hobby into a free online 'talking parrot' digital game. It seems half the world's parrot-lovers have downloaded that free – taught their parrots to talk well – and then bought the fancy parrots' clothing. Now twenty five other village grandmothers are sewing the clothes at home under contract. Today, it's a US$2 million a year village exporting success. Indeed, Maine was America's first state to provide free laptops for all middle school students. That's how the grandsons learned their skills. They are now tackling China's market through Alibaba's online auction system.

The Upside-Down Revolution

By 2012, *The Economist* magazine was calling this *The Upside-Down Revolution;* and re-quoting Don Tapscott's book themes from 1998: 'Give children the tools they need and they will be the single most important source of guidance on how to make schools relevant and effective.'

And when the United Nations Millennium Fund finally accepted in 2012, Marc Prensky's dream to get the students of the world to co-create the interactive digital games to reinvent schooling, it opened up a new education renaissance: 'the upside-down revolution'.

From 2012 has burst forth a deluge of creative brilliance very similar to what happened in New Zealand early in the twenty first century when 900 young New Zealanders joined Peter Jackson's and Richard Taylor's digital-effects movie team to co-create *Lord of The Rings.* Eighty per cent of them came from small country towns. Amazingly 90 per cent of them were left-handed. Most had not been happy in traditional school classrooms. Yet all flowered in an open environment of brilliant creativity, and in multi-talented teams. The first of the movie-trilogy picked up a world record-equalling eleven Academy Awards in a night. Five more came later for the 3-D digital effects in *Avatar*.

When the last Lord of The Rings Oscar was called out in Hollywood, a bemused MC asked: 'Is there anyone else in New Zealand left to thank?' [Perhaps No. 8 fencing wire.]

From April 2010, Steve Jobs' launch of the *iPad* again opened up the chance for students to 'touch the future and change the world': the new system soon to make printed textbooks obsolete. And enable young students to become me their own designers, editors and producers of the new phenomena where a touch on a photo turned it into a 3-D movie.

Conclusions

But Tapscott and Jobs were only partly right!

As Dr Muhammad Yunus's Grameen Bangladesh revolution has shown: *poor, sometimes illiterate, women can lift themselves out of poverty with a few dollars of well-placed 'collateral-free' credit*.

We now know that everyone has a unique talent to excel at something. The real challenge is how to unleash it – to keep unleashing it throughout life, then linking the wisdom of age with the emerging digital-age talents of youth – in multi-talented, co-creative teams.

On June 7, 2021 – my 90th birthday – as we sat together to launch the new *video-iBook* touch-screen version of this 2020 manuscript, I said to Chris Macrae, co-author of 'The 2024 Report' (as 3-D videos of the past decade converged on the eight split-screens): 'I think the world has finally cracked it. What a pity Norman didn't live to see it.'

'Ah!', said Chris, 'but he did. In 1984'. □

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The Economy of Human Relations: Microcredit and Social Business

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Abstract: In this paper we consider Microcredit and Social Business experiences, in terms of their relational and psychological significance. Microcredit is presented through its tangible and intangible aspects with attention given to the interaction between them. Group-analytic theory describes the importance of the context in the creation of mind, psyche and the relational setting, both in the Community and in the Society. The economical and relational system proposed by Grameen collateral-free microcredit creates social capital and promotes healthy development of individuals and of the Community at large. This aspect is particularly evident in the Social Business practice, that we consider as an expansion of microcredit; even a logical consequence of it.

Keywords: microcredit, trust, social business, group-analytic theory, economy of the group, social capital

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Introduction

Oikôs nomos, the Greek expression from which the word 'economy' originates, means the 'management of the family home'; 'the rule of the good father of the family', as we say in Italy to mention a 'management' recognised as good in terms of legal meaning. This takes us to the idea of good sharing in the Family, in the Community and in the Society.

The discussion of the economy of the group commenced by chance and by intuition some years ago during a conference on: 'The Economy of the Group', followed by 'The Emergence of Relational Goods in Society, Mind and Brain'.[3] Economists, specialists in welfare, sociologists and psychologists met together to reflect on the vital topic of evaluating the importance of relations within the clinical psychological field. We started from thinking about saving money and ended up talking about the importance of 'relational goods' (the need and the value to develop relationships for human beings).

This focuses on our understanding of the efficacy and efficiency of the group in the clinical field. Researches and reflections concluded that what a psychotherapy group can offer to its patients, apart from the individual-setting, is something that has to do with an increase in their personal 'capabilities', such as entrepreneurship, and a sense of responsibility towards others, mostly peers; in other words, the possibility to develop resources as a person. That is, as people in need that become more and more able to achieve what they want, and to give back to others in a reciprocal exchange. This is a factor which helps in the understanding of others and in the developmental process of individuals, of human beings.

This process leads to the acquisition of stronger autonomy and initiative: something that we can consider as basic instruments to become 'mature citizen', through adult attitudes and pro-active behaviour. Therefore the group appeared to be an 'economic' instrument in the sense that it was able to develop individuals to their full potential. This kind of development is not only something good for individuals, but corresponds to the development of the whole community. These considerations bring us to the idea of the group that is economic and is 'able to develop high relational potential'.

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3 Organised by the 2002 Group Analytic Society, London, Symposium held at the Bologna University.

Group and Microcredit

Microcredit experience is based on the group. To receive a loan, in fact, the creation of a five persons' group (preferably, women) based on 'trust' is required – trust by the lender (Grameen), trust between the five, trust in themselves. A group of five women, as in the Grameen case, begin their experience together – each would own a project. Trust is the key word along with: reciprocity, exchange, mirroring, reciprocal support. Development of creativity is the essence of this experience.

The five women organise in order to understand what it means to engage in business, even if at a small, micro scale. They meet regularly-on a weekly basis from the start of the process and until the whole project is complete (also the repayment process is weekly).

It is not surprising that through this process a significant amount of support is given to an individual woman by the group. Anxiety that could menace the creative process of scared poor women is mitigated by the presence of the others who may share the same fate. Trust, altruism, autonomy and responsibility, are the outcomes that arise from the relations in this kind of group where, at the same time, there is mirroring between these women who share a similar destiny. They are able to accept plurality and multiplicity in their projects and in their work choices.

The group, from this perspective is a 'plural concept' and, in order to be able to develop relational capital at its best, it has to allow diversity to take place. It is the opposite of what Stiglitz calls 'unique thinking': one main reason for the development of poverty. This process, starting from individuals and from the group expands towards the Community and ends up involving also the society – in terms of values and relations. In this way, Society gets organised from the bottom and tends to be shaped on human needs. Altruism is enhanced as well as democracy.

We should clarify that by altruism we do not mean a common sense of benevolence. We are talking of a theory of the society and of psycho-social relations. Both elements: each individual and the group as a whole, obtain reciprocal richness through the process of sharing and constructing something new together. Each part benefits from the other and 'inter-subjectivity' is a key word to express this concept. Creativity is the necessary instrument, even to develop social capital. (Putnam 1993, 2000)

We affirm that this experience is one of the most inspiring social innovations of recent decades, because it has been able to achieve a conflict resolution between Individuals and Society. It is based on the assumption that the 'loser and winner philosophy' is not necessary for economic development – the opposite is true. So inspiring is this experience that its 'inventor' has been awarded the 2006 Nobel Peace Prize.[4] From one of the world's poorest countries, Bangladesh, microcredit expanded all over the world and has now embraced in excess of two hundred million people in all continents – both developing and developed countries.

The Nobel Peace Prize was jointly awarded to Muhammad Yunus as a person and to the Grameen Bank – a microcredit organisation owned by borrowers themselves. The significance of this decision is clearly orientated towards offering to these people, besides the micro loan, the right of human beings, the recognition of their value for their Community and the dignity of citizens able to contribute to the Community's needs through – what another Nobel Laureate economist Amartya Sen calls *capabilities*. 'Now, Grameen women stand for elections,' says Nobel Peace Laureate Muhammad Yunus with pride.

As we said, what is so important in this experience, besides the tangible aspects of it, are the psychological and relational ones for the individuals involved. This is as a consequence of trust. In fact, this experience is able to create in these women such a sense of value, self-esteem and pride that their state of tremendous poverty could turn into a state of hope and possibility to have a so-called 'normal life' – 'like the others'. Richness in fact, in this perspective, is not only seen through its tangible and concrete results but also in terms of social inclusion and participation in the community.

From one side, this process has been able to develop individual resources which makes richness out of the capabilities of those people whose contribution had never previously been valued. Similarly it has created the possibility for the same people to understand how to relate and contribute to community needs.

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4 'The fact that a Nobel Peace Prize has been assigned to an Economist, as I am, means that the prize is recognised as a result of economic assumptions and practice.' With these words, Yunus commenced his Nobel Prize lecture in December 2006, in Oslo.

Microcredit Physiology

Both tangible and intangible aspects are ever present in all exchange and in life in general – as expressions of a relational system, in which we all live and in which the magic of the intertwining of economy and relations can be created. In October 2004 at Bologna University: a 'laudatio' for Laurea Honoris Causa was conferred in Education to Muhammad Yunus:

> 'Looking at Yunus' experience, we want to understand the cause/effect intertwining in a process where , starting from intangible goods like trust, tangible goods are developed that, in their turn create self-esteem, intangible, that again develops risk-taking capabilities that develop further tangible resources. . . in a virtuous crescendo that merges inside a system based on relational goods.'
>
> Luisa Brunori

The relevant meaning of Yunus' experience has been to demonstrate that even the poorest of the poorest in the world, if given the resources needed to acquire knowledge and potential, will be able to overcome the difficulties of a new identity through a new enterprise. And all of this is achieved through the reciprocal and responsible help of many peers that, like him or her, assume the risk of an enterprise considered to be impossible till then. We would say even unthinkable in their minds. The bonsai tree is a metaphor that Yunus uses to describe the creation of this benefit for a poor person: 'nothing wrong with the seed; what is not good enough is the quantity and the quality of the soil.' (Yunus 2007)

The microcredit setting, the practical 'instrument' on which the relational frame is structured, can be organised in many ways. Grameen made the choice to enhance the relational aspect and we can see from the outcome of the many different applications, the importance of it in terms of the high repayment rate on Grameen loans. In other words, the greater is the attention paid to the relational support, the higher is the repayment. Grameen has the highest repayment rate in the world. It is a question of whether to invest in one or the other of the two sides of the whole: money or relations. Sometimes a certain excess of social pressure is created in groups' relations, so that beneficiaries tend to become overwhelmed by the debt. This is often a consequence of insufficient group conduct; or of the quality of the contract. It is very important that both aspects are treated in a professional way by people who are able to understand the psychological consequences that can occur – especially in having to deal with people who have the fragility not to be considered by the society and to consider themselves as very poor even in human value. So we can say that relations are both the means and the ends of the process and highlight how 'human sustainability' is crucial for this kind of development.

It could probably be argued that viewed just from a financial point of view, the experience would not be sustainable. What makes it sustainable, at the end of the day, is the human and social aspect of it all. This implies that the practical accounting element of it – all must include a wider set of figures than usual; for example, the social costs implied, spent or saved in the whole experience, especially when applied to welfare-oriented societies.

Homo Humanus

This aspect begins from a very crucial point: what can we assume that a human being is? It is obvious that this is a never ending question. All disciplines and beliefs have conveyed in some way their own answer, their own concepts in different times and places-from science to religion. The economical thinking of the so called 'classical economy' has assumed the *homo oeconomicus* model as a reference point to provide an answer to this question. 'Homo oeconomicus' is a rational selfish person totally dedicated to self-interest, to maximise profit; something like a robot for making money – a kind of a solipsistic style of living where own interest is the only aim in life. This could be represented by the myth of the *Midas King*: a human so greedy that only gold is satisfactory to him until the recognition that in this way himself becomes gold and so an inanimate being: dead. This is the outcome of a philosophical approach that is the structural basis of the development of this mental representation of the world and its rules.

The psychological approach offers a different epistemological position in relation to this discussion. Psychological science has been able to understand or, at least, has been able to reach a good approximation to it. In fact, a good deal of knowledge in relation to human beings has been developed from a psychoanalytical perspective and through the development of empirical research carried out in Leipzig Wundt Laboratories which is dedicated to psycho physiological studies of human beings, their functions and their needs.

Studies of the conception of 'creation of the mind' as a result of the intertwining of both nature and culture of the individual and the group, and the community in a relational perspective, is represented by the '*Moebius ring*'. [5] This can offer us a new vision of the representation of multifaceted human beings. Besides this, new discoveries of mirror neurons dedicated to a learning processes based on imitation and the discovery of the social bonds already structured 'in pectore' within the brain, takes us to a different concept of what '*homo*' is and its needs.

Group Analytic Perspective

The Frankfurt School in the last century and between the two World Wars also took part in this debate. Karl Polanyi was the supporter of the idea of the '*economy embedded in Society*' meaning that the complexity of human beings is structured and shaped by the societal context including its economical definition. (Polanyi 1944, 1974) Other authors focused more on the problem of social disturbances caused by authoritarianism and discussions about the basic social conflict between individuals and the society, this being the basis of the Polis.

Of course, in the definition of human beings, if their social relations economy are included allows us to shape human and social relations. This is evident also from the publications of Economics 2009 Nobel Laureate Elinor Ostrom. She proposes a solution to an apparently unsolvable dilemma as described by Hardin (1968) in 'The Tragedy of the Commons' where, in the management of common goods, individuals are trapped between personal interest and the interest of the community.

Hardin's proposal to overcome this situation is either to give the authority the solution to the problem, or the transformation of these goods from common into private. Ostrom's proposal, however after observation in many communities, suggests that a possible solution lies in the reinforcement of peer solidarity, fraternal and civilian relationships, i.e. the roots of democracy. In contrast to Hardin's pessimism, Ostrom speaks of the importance of the Community, of the democratic participation of an organised civil society where rules are kept and shared as a sense of responsibility instead of self-interest and personal utility for the individuals. Again the 'win-win solution' of the basic social conflict is presented as a healthy and inclusive social pact among human beings.

5 The Moebius Ring (or Moebius Strip) is a surface with only one side and only one boundary component. It has the mathematical property of being non-orientable in Euclidean space. It was discovered independently by the German mathematicians – A F Moebius and J B Listing in 1858.

On the opposite side, 'homo oeconomicus', as we said, depicts man led by profit, selfishness, and competition; a man who bases his relations in the community on the principle '*mors tua, vita mea*'. The relational model is a *zero-sum* one. It requires a *loser* and a *winner*! As a consequence, such a relation is characterised by lack of trust, exclusion, rivalry, scarcity of resources. This seems to be a model in which the humane features of human beings are forgotten, or not considered. Human nature and the psychological studies of the twentieth century showed us an idea of *homo* that cannot be based solely on a *reductio a unum* of his different needs. First amongst others is the human need of relations that results in the birth simultaneously of the infant himself, and represents the necessary condition for the construction of his mind, his identity and, in general, his health.

On the psychological side, we know the meaning and the consequence of the lack of these basic relations. Studies by Spitz (1965), Harlow (1958) and Bowlby (1958) confirm this according to aetiological studies in the clinical field. On the economical side, we cannot consider the entrepreneur as a 'human-being' only driven by profit, without relationships, socialisation, political interests, spiritual dimension, etc. If we do that, we should give to the man a market-price, instead of a human-value. We want to reaffirm here, with Yunus, the multi-dimensional aspect of human beings as the unavoidable element of their nature itself.[6] This coincides also with the idea of a man connected with all others, in a network crossing time and space, and realising an interweave of connections theoretically endless in the www system – a diffused and shared social capital.

Social Business

Social Business can be defined as a non-loss, non-dividend business. In its organisational structure, the new business is basically the same as the existing Profit Maximising Business. But different are the objectives. 'A social business is a company that is cause-driven rather than profit-driven.' (Yunus 2010)

6 'Human beings are not one-dimensional entities; they are excitingly multi-dimensional. Their emotions, beliefs, priorities, and behaviour patterns can best be compared to the millions of shades we can produce from the three primary colours.' (Yunus 2007, p19).

A social business is not a charity. It is a business in every sense and it is the reason why it has to recover the full costs while achieving social aims. The social business *revolution* starts from the above described assumptions that are still intrinsically embedded in the idea of the market as a *means* for development: market is not only considered in its negative aspect as an instrument for domination and supremacy, but it becomes a *means* for overcoming inequalities.

Social business is able to overcome the contraposition between socialism and capitalism as it is presented in a never-ending discussion that took place in the last century. Social business, in fact, instead of getting stuck into this unfruitful debate, takes the risk of applying to the real world through a continuously experiential on-going process. By contrast, minimisation of losses and maximisation of profit follows the methodology of the profit-maximising business. Both have the same possibilities to develop resources; the difference stands on where those resources will be allocated. This demonstrates that the possibility to produce for the benefit of the community exists and can be applied to overcome injustice and inequalities between citizens and to develop responsibility, equality, solidarity in a conscious attempt to solve problems.

What makes 'social business' a very special innovative experience is the possibility to develop both economic products and a set of relations based on democracy. In doing so, the coincidence between market and polis seems to be re-connected.

The 'mainstream' of present economical theory concludes that the optimal result for society will occur when each individual's search for selfish benefit is given free rein. The greedy view of human nature is the fatal flaw that makes mainstream thinking on the economy incomplete and inaccurate; what Yunus calls *half-developed capitalism.* The capitalism that is responsible for the present worst multiple crisis that we have faced in recent years since; indeed arguably since the Industrial Revolution.

The present global situation is characterised by a kind of confusion between market, its law and rules, and politics. The freedom of competition of the market from one side and the need for reciprocity and social responsibility in the political arena from the other side, make the situation very difficult to understand and to overcome. The dynamism of the market often tends to prevail in the political expression by the citizens which can correspond to the whole national community; not to the 20 per cent happy few!

The market, rather than being seen as a possibility for all through free competition, *de facto* belongs to the 'happy few' of the whole citizenship – the strongest ones, those who know how to manage the complexity of the different aspects of the market and those who own the available resources. Besides this, in the market much deviancy exists and operates through 'deviant' rules that do not correspond to the open 'official' system. This refers to a series of 'special societies' and so called 'families' that operate through hidden alliances that contradict the freedom of the market: a trust system.

We cannot go into full details here but merely mention it to highlight the parallelism between the market, development, the use of resources and political assets. 'Social Business' tends to create a kind of solidarity between these two different perspectives. From one side, social business makes 'good use' of the 'freedom of the market' in terms of creativity to find the best way, in line with the market itself, to overcome social problems. From another side, the profit for social entrepreneurs is based on the satisfaction derived from the achievement of aims and on the development of them through the re-investment of the profit. In a sense, what is compensated is the work; capital is used as an instrument to develop working processes in favour of populations in need both of work and of the products of it.

Yunus' idea to develop both types of markets in a parallel way having in mind even the possibility to imagine a dedicated stock market based on 'normal' market practice, seems to us very interesting, not least in terms of a strategy for change. It is better to go through innovation and new ideas instead of developing struggles and wars. We could say that Social Business is a kind of a *silent*, *non-violent struggle* in favour of the life of those that cannot survive in the 'normal market' system.

The economic system affects mostly that part of the population who belong to the 80% who, until now, have been *subjected* to the market. But, as even Professor Yunus says, in this critical situation it is possible to pick out an opportunity, for the market itself – and for its professionals, of course – to 'redesign, recast and rebuild' a new market, through social business, culture and practices. Just as, in the same way, 'microcredit' represents an opportunity for a person to rebuild himself (or herself), through the process we have explained above. That is why we assume that 'social business' may be considered as 'an expansion of microcredit'.

These two ideas, these two practices, put an individual in a virtual relation with the community he/she belongs to, developing capabilities and focusing on individual as well as social problem-solving. So we can say that Social Business is a market *homo humanus*-led, rather than *homo oeconomicus*-led, for the nature of its objective and for the philosophy which lies at the foundation of it.

At the Global Social Business Summit in Wolfsburg (4-5 November 2010), during the debate on leadership, a very interesting discussion arose about the great desire shown by the Danone employees to go and work in the Social Business section of their company in Bangladesh. The aim to provide for the needs of the mirrored human beings of the 'social business' allowed them to feel owners of their own 'individual-social capital' that they willingly dedicated, along with their enthusiasm, to people in need, creating a virtuous circle that was able to give them back a sense of capability and overcome the needs of human beings as themselves.

We would like to reflect here on the concept of human relations leading to the creation of human capital through a provocative question: whose are these resources? To whom do they belong? The greater is the mirroring process that has been developed in the creation of social business, the greater is the general satisfaction and sense of feeling part of the whole process. Also the greater will be the sense to own those resources. This sense to do for the benefit of others like me makes me feel owner of my own resources that I used for these purposes as it comes back to me as compensation (repayment) through human values and recognition.

Such a structure needs a change in the management of the power which is involved in the production process. Such a commitment cannot be obtained through an authoritarian management. It can only take place if the persons are involved in a way that, in psychological terms, might be called '*object-related*': a relation which is invested by the person with cognition, emotion and hope.

We are talking here about shared and diffused social capital; we go back here to the Polis. While we can say that actually the world market prevails on politics, on the citizens and on the whole community, the social business concept is able to bring back the market to the Polis; the market is re-allocated as one of the functions of the Polis.

Conclusions

Consistent effort is needed to put together both tangible and intangible aspects of human beings' needs, social life and economical assets – which are seen as a dynamic structure that belongs to the Society as a whole but also to each individual. Both the aspects are connected and relate to one another, and together these can make a difference in the quality of human lives as individuals and as part of a Community, expanding from the family to the Globe. It is impossible to disentangle these two aspects as it appears in the philosophy of the Civil Society where shared responsibility, creativity and justice are seen as ingredients to develop citizenship for all.

Group-analytic theory is the scientific perspective which describes the importance of the context in the creation of mind, psyche and the relational setting, both in the Community and in the Society. We postulate that the economical and relational system proposed by *collateral-free* microcredit promotes healthy development of individuals and of the Community at large; we call this phenomenon the 'economy of the group'. The Grameen microcredit institution is focused on the creation of Social Capital that, as developed through this experience, belongs to those who generate it via creating relational goods and diffused shared capital. The creation of 'social capital' is particularly evident in the Social Business practice, that we consider as an expansion of microcredit; even a logical consequence of it. □

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Radical Embrace of Change and Dynamism to Ensure A Prosperous 21st Century?

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OF all the great insights that Friedrich August von Hayek bequeathed to us in his work, one in particular shines out today. For its truth has never been more evident, its application never more universal. It is that running through the ideological and political divisions of human history are two distinct and different ways of looking at the world. Between them is a deep and irreconcilable divide. One Hayek called *constructivist rationalism*. The other he called evolutionary rationalism. Not phrases to trip off the tongue, to be sure. However, Hayek spent a lifetime arguing that constructivist rationalism is

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1 Andrew Neil is a prominent journalist and television presenter. He presented the paper in Hayek Memorial Lecture 2005: 'Europe and China – The Fatal Conceit'. [We note that Mr Andrew Neil's paper was written before the financial crash of 2008 reminded the world that market forces cannot always be relied upon to generate a socially acceptable state of affairs. Under a regime of minimal ('light touch') regulation many banks, in their search for profits, adopted imprudent and foolish strategies, the failure of which, but for timely (and expensive) government intervention, would have brought down the world financial system in collapse and chaos.]

economically and philosophically flawed because it assumes that 'all social institutions are, or ought to be, the product of deliberate design'. Hayek later famously called this the *Fatal Conceit*.

Those who follow this route believe they have it within their power to build, organise and mould society so that it conforms to their concept of what is just and efficient. But it leads, he argued, to economic decline, poverty, social regression and, in extremism, famine, starvation and the collapse of civilisation.

Historic examples of this mindset, said Hayek, included Sparta, the French Revolution, Communism in general and the Soviet Union in particular, Fascism, Nazi Germany – indeed all the tyrannies that blighted the twentieth century. As Hayek famously put it, it is the Road to Serfdom.

Hayek favoured 'evolutionary rationalism'. It understands that there 'exists orderly structures which are the product of the actions of many men [and women] but are *not* the result of human design'. Hayek believed this the right approach because it is compatible with the teachings of economic science and goes with the grain of human nature; for these reasons, he thought, it leads to prosperity, progress and the flourishing of humanity.

Evolutionary rationalists such as Hayek argued that the liberal market economy, for all its apparent duplication, unfairness, inequalities and instability leads to wealthier, freer *and* fairer societies than all the great plans of constructivist rationalism. Indeed, he argued, it was the only way to run and sustain a successful advanced economy, a matter of some relevance, we shall see, as Europe struggles to cope with the rise of Asia. Though Hayek clearly preferred evolution and the market to revolution and central planning, he was not a small-c conservative, as he made clear in the postscript to *The Constitution of Liberty*. Rather, Hayek was a liberal in the classical, British sense of that word. He took to calling himself an 'Old Whig', a term which understandably his followers are not overly keen to use today. But Hayek had no truck with those who sought to preserve the status quo, existing hierarchies or to block change.

He supported the market for the very reason that it is disruptive; he relished Schumpeter's 'creative destruction'. Progress occurred when an unpredictable market was allowed to proceed unimpeded; progress was halted when politicians and planners pretended to know the future and to mould society and the economy accordingly.

Hayek's work is part of a long and illustrious tradition which includes the great philosophers of the eighteenth century Scottish Enlightenment – David Hume, Adam Smith and Adam Ferguson. His great achievement was to adapt this tradition to the circumstances of the late twentieth century and beyond. The problem with the Cartesian view when applied to political organisation and economics, said to Hayek, is that it gives the green light to unlimited, hubristic social engineering.

Hayek thought that Cartesians ignored the great insight of the Austrian school of economics, whose leading lights included Carl Menger and Ludwig von Mises, as well as Hayek: that much information is simply not knowable in advance and can only emerge through an evolutionary and competitive market process.

It was the great Norman Macrae, deputy editor of *The Economist* during the decade I spent there, who once explained to me that if, twenty or thirty years ago, politicians, pundits, academics, experts and bureaucrats had been asked what sort of jobs would fill *today's* newspaper recruitment pages, they would all have been hopelessly wrong. Why? Because we have no accurate idea of what technological innovations will emerge over the next two to three decades or their implications for society and economy – and therefore for employment. Nobody accurately predicted, for example, the rise of the internet twenty years ago, which only underlines the futility of trying to pick winners. It is a lesson many politicians seem determined not to learn. But the market is too unpredictable to be double-guessed, as the French learnt at great cost with their ill-fated Minitel, which merely delayed the adoption of the internet in France.

The market, Hayek taught us, is a 'process of discovery'; it does not exist simply to allocate existing resources, though it is the most efficient mechanism for doing so. The 'right' price for a product doesn't exist in any objective way, argued Hayek. Prices emerge from supply and demand, reflecting a myriad of ever-changing variables that can never be known to a central planner. Only a decentralised society with property rights, the rule of law and a competitive market economy can compute this information. The market, said Hayek, is the only institution capable of coordinating the actions of millions of human beings in a way which leads to progress and prosperity, rather than chaos or stagnation.

Supporters of Hayek are indebted to him because he made it plain that planning and economic controls cannot hope to outsmart the combined wisdom of the market – whether grocery market or stock market – and the myriad of free, voluntary decisions that it daily represents

– the democratic vote of millions of wallets. It has become fashionable to argue that the past twenty years have seen something of a political consensus congeal around the Hayekian worldview. But Hayek would not recognise his apparent triumph.

The intellectual battle between collectivist central direction and the decentralised market economy has not ended with the collapse of the Soviet Union. Today, of course, everybody – apart from the new Marxists of the radical environmental and anti-globalisation movements – broadly accepts that societies should be largely market economies. But if Hayek were alive today, he would be deeply concerned at the way the major European economies, including Great Britain, have succumbed to the allure of constructivist rationalism, with its concomitant inexorable rise in the size and power of the state.

Hayek took much comfort from the manner in which Europe emerged from the ruins of World War II as an economic powerhouse, thanks partly to the radical liberalisation of post-Nazi Germany by Ludwig Erhard, a disciple of Hayek. But he would be dismayed how Europe, over the last few decades, has turned its back on many of his principles – and paid the inevitable price in terms of lower growth, fewer jobs and less wealth creation.

Hayek would consider today's levels of European public spending, tax, red tape and state intervention to be in the red zone that is dangerous to your economic health. The rise in the size and scope of government, Hayek would argue, is a major reason why Europe finds it so hard to compete – and even inhibits attempts at reform.

The much-vaunted and British-inspired Lisbon Agenda of 2000 – with its goal to make Europe 'the most dynamic and competitive knowledge-based economy in the world' by 2010 – is already an irrelevant joke. The rise of the European Union, on which so many of us pinned our hopes for so long, was rumbled as a grandiose project by Hayek long before Euro-scepticism became fashionable.

To a Hayekian, there are few starker instances of his Fatal Conceit than the EU's hubristic launch of a single currency. The Euro's supporters, of course, were hardcore Cartesians. They devised what they thought was a purely rational currency, abstracted from history, experience, culture or even economics. Their aim was to get rid of the messy, seemingly irrational patchwork of different currencies across Europe, all irritatingly lacking uniformity and harmony.

To them, it was self-evident that Europe ought to be a single country; and that countries should have their own currencies. Any economic objections to the single currency, and there were many, were dismissed as irrelevant. The argument always was that if there were enough political will and clever administrators to push it through, the project would triumph.

Today Hayek would be telling us that the Cartesian result was wholly predictable: the creation of an inappropriate, *one-size-fits-all* monetary policy in an area which is far removed from what economists call an optimal currency area. It is now widely accepted among economists that the single currency has helped keep Germany and Italy in recession or near-recession while fuelling an inflationary boom at the periphery of the Euro zone, in Spain and Greece. Hayek would not have been surprised: it is the stiff price you pay for abandoning evolutionary rationalism. Yet, as Europe finds itself in a Cartesian bind which is dragging it down, things are stirring on the other side of the world, where Hayek's principles have found new and powerful disciples.

China has been gradually moving in a more Hayekian direction over the past two decades, after learning at incalculable cost in human lives and resources, that communism does not work. By unleashing its people and adopting at least some market-based institutions, the Chinese government – for all its continued attachment to totalitarianism, a truly horrible human rights record and worrying military ambitions – has bowed to reality in one crucial respect. It has ditched its rigid adherence to constructivist rationalism.

It has accepted the main insight of Hayek's evolutionary rationalism. That the only way to unleash the potential of human beings is for the government to focus on defending and enforcing the key institutions of the market economy, allowing what Hayek called a spontaneous order to flourish. Beijing, of course, still controls its people, prevent them from reading or watching or thinking what they like, all of which Hayek would have abhorred. But it no longer tries to direct or organise all economic activity, as it did during the terrible days of Mao, when tens of millions died. Hayek would have seen this trend as a necessary if still far from sufficient step on the road *back* from serfdom. The result of China's slow and incomplete embrace of the market has nevertheless been the greatest and fastest explosion in economic growth, creativity and human ingenuity in the history of the world. China has a long way to go to meet Hayek's demanding criteria for a free and prosperous society.

As we have seen in recent times, this is still a country whose leaders cannot even bring themselves to tell their own people about a massive environmental disaster. Huge economic distortions remain, including a deeply defective banking system plagued with bad debts. Inflation is too high, corruption endemic. There can be no proper market economy or individual freedom in the absence of the rule of law and entrenched property rights, two democratic necessities that dictatorships always deny, China's included. But at least China is moving in the right direction, which cannot yet be said of Europe. And with each step away from Communist Constructivism to Hayekian capitalism, China has been richly rewarded. It is now the world's number one producer of LCD screens and TVs; it makes 90% of the world's toys, 70% of its photocopiers, 50% of its cameras, 40% of its microwaves, 30% of its handbags and suitcases and 16% of its clothing.

The pace of growth has defied all predictions: in 2004, the World Energy Council forecast that China would consume 1.3bn tonnes of oil equivalent by 2010; it managed that before 2004 was out and now stands as the world's No 2 consumer of energy after the United States, hence the current upward pressure on world energy prices. China's rise has been astonishing. But it has only just begun. China has yet to become a proper market economy and what capitalist institutions it enjoys are still largely confined to the booming South. China should really be viewed as an amalgam of five zones, only three of which are booming: the Pearl River Delta which borders Hong Kong, the Yangtze River Delta near Shanghai and the Bohai Rim.

Think what will happen to the global economy and the geopolitical balance of power if all of China continues to move closer to a Hayekian view of the world, with a growing middle class and all the trappings of wealth, science and technology.

Then think back to Old Europe, with its endless navel-gazing of the irrelevant, tedious obsessions with farm subsidies and 35-hour weeks, bloated welfare states which sap the incentive to work and a bureaucratic desire to regulate all that moves – and much that doesn't.

Even just the partial embrace of Hayek has allowed China to enjoy the fastest pace of poverty reduction in its long history – perhaps in the history of the world – without any help from well-meaning Western politicians and their talk of Marshall Plans for the poor, another contemporary Fatal Conceit.

Numbers in absolute poverty, defined by those living on less than $1 a day, have collapsed from 64% to 17% of the Chinese population. With annual growth averaging 8% for the next 20 years – far from an impossible rate – China will be ranked among the world's richer middle-income countries within the next decade. Economists tell us that, in dollar terms, the Chinese economy will have overtaken Germany by 2009, Japan by 2015 and the US by 2039. (In fact, China became the second largest economy in 2010). India's economy, in the grip of its own Hayekian reforms, could be larger than all but the US and China within thirty years.

Now I have no idea if these long-term predictions will come true in that timescale: trees do not grow to the sky, political turmoil could easily delay or even derail the Chinese economic miracle. Most economists cannot yet agree on what last year's growth rate was, never mind the one in 2039. As a colleague once said, economists only use decimal points in their forecasts to show they have a sense of humour. But whatever the scale and pace of growth in China, India and other economies embracing market-led reform and growth, one thing is pretty clear: of the current G6 (America, Japan, Germany, France, Italy, Great Britain) only the US and Japan are likely to be among the six largest economies in US dollar terms by the middle of this century.

So: not a single European economy will be in the top six. This is a seismic change in the global economic balance of power and however you look at it, Europe is the loser. It is not just a matter of economics. Europe's demographics also point to its continuing demise as a global economic player. From 2010, Europe's indigenous population will start to decline as deaths outnumber births; it is only through immigration that its population will continue to grow. But the headline figures conceal a collapse in the working-age population, which will fall from 67% today to 57% in 2020. By then, one in 10 Europeans will be an octogenarian – today, only 4%. Our continent is becoming the retirement home of the world. With fewer workers, and a soaring number of pensioners to sustain, and hence a looming pensions crisis, Europe is on an inexorable slide which its recent enlargement cannot reverse; indeed the ten new member states suffer from even worse demographics than the original fifteen.

The contrast between Europe and China is most dramatic in cross border capital flows – especially foreign direct investment flows (FDI). We are in the midst of a massive gravitational pull of plant and capital away from Europe's high-cost economies. It is starkly evident in the latest figures on FDI posted by the OECD this year. These flows are re-writing the economic map of the world, changing the balance of economic, political, military and cultural power. They are a Hayekian revelation in action: the huge collective vote of thousands of companies round the world, the one collective vote that really counts in economics, the voting of corporate wallets, stampeding to Asia.

No European university is in the top twenty world universities. Europeans still collect Nobel Prizes for research; but largely at American universities. Over the next few years universities that nobody at Balliol or Christ Church has ever heard of will surge to the fore.

Be in no doubt this is the future: all of these cultural shifts away from Europe are most pronounced among younger people, especially those in their 20s and 30s. It is now clear that the nineteenth century was Europe's century of dominance, the twentieth century when Europe lost its dominance, forced to rely on America's help to save it from itself.

The twenty first century will be the Asian-American century, with only the US rivalling China and India in economic, military, educational and cultural power. We are at an historic and global inflection point with enormous implications for the European Union – which our governing elites seem determined to ignore. Like many politicians before them they are slaves to an out-dated and discredited economics.

The belief that the more 'integrated' the economies of the EU become, the more it will prosper as a global bloc has been the *leitmotif* of my generation and the one before it. It is becoming increasingly hard to sustain as a serious argument.

High social wage costs, which make it costly to hire and impossible to fire when circumstances change, have created a huge pool of unemployment. This, in turn, has raised the cost of the welfare state and produced an ever-increasing underclass, especially – but not solely – among the offspring of immigrants. Add to that a general cultural decadence among the influential chattering classes that denigrates hard work, self-betterment, independence, success and the traditional bourgeois virtues – and you hardly have a formula for meeting the Chinese challenge. As France's Nicholas Sarkozy recently commented, the European social model, which the Euro-elite still thinks the envy of the world, is neither a 'model' – nobody is copying it – nor very 'social', given the level of unemployment. 10% in France, Germany and Spain, concentrated among the young in all three countries, the unskilled and ethnic minorities and helping to trigger riots and Islamic extremism. In those parts of Paris that rioted, youth unemployment is over 40%. There is little hope in sight. Since the launch of the euro, economic growth has slowed to under 2% in the euro zone – against over 2.5% for both the UK and OECD average. Things are not expected to get much better next year.

You don't need to be a Hayekian to see that Europe is crying out for a programme of far-reaching reform. But none is forthcoming. Indeed *rigor mortis* seems to be setting in. Instead of a new, reforming government, Germany is being ruled by a grand coalition whose first act has been to raise taxes, which could condemn the country to recession. France's political establishment is likely to be even more cautious in the wake of the riots. Italy looks like it is about to exchange Silvio Berlusconi for Romani Prodi, which might be a step up for honesty but is certainly a step back for reform.

Hayek would conclude, grimly, that the EU is in a *cul-de-sac* of stagnation, decline and global eclipse. Run by a political elite that eschews reform. Determined, it sometimes seems, to turn Europe into a mixture of a museum for Asian and American tourists and a retirement home for its own aging population.

So where does this leave Britain? Hayek would say that we have a Fatal Conceit of our own. That we can continue muddling along, mentally half in, half out of Europe. With an economy that is gradually becoming more Europeanised, at a time when the world is turning away from Europe and the European way of doing things. It has been one of the great mysteries of the Blair-Brown Duumvirate these past eight years that the more they talk about the virtues of American-style enterprise, the more they have pushed Britain into the European social model. Downing Street in particular has been occupied by Dr Jekyll and Mr Hyde. Dr Jekyll talks the Hayekian talk of markets, dynamism, enterprise; but Mr Hyde walks the walk of European-style tax-and-spend and regulation. I assume Mr Brown, an intelligent man, knows what he's doing, even if he won't admit it. I suggest Mr Blair, whose grip on economics is tenuous, might not be aware of what has happened on his watch.

That Britain is becoming more like Europe, for all the rhetoric to the contrary, cannot be in doubt, though few in an increasingly economically-illiterate media seem to realise it. The most recent figures from the OECD show that British public spending has surged from almost 38% of GDP in 2000 to a European-style 45% in 2006. The public spending gap between formerly lowish-spending Britain and the high-spending Euro zone has narrowed from 10 points of GDP five years ago to under four points by next year. In terms of tax-and-spend and regulation, which research shows has added over £30bn to the cost of doing business in this country since 1998, Britain can now be regarded as close to the mainstream European social model.

Now you can regard this process as good or bad, depending on your politics and your attitude to Europe. If it wasn't happening by such sleight of hand, we might even have a national debate about it. But those who believe this trend to be a 'good thing' need to explain why it is in Britain's national interest to adopt the trappings of a social model that the wisest in Paris, Berlin and Rome wish they could drop – and which nobody else in the world is copying. It is not easy to have a sensible debate about this. Those who raise tough questions about Europe are still dismissed as Little Englanders. In an age of globalisation, Hayek would have said that the greater evil is the predominance of the Little European mindset at the heart of our politics.

The British Establishment view is still parroted repeatedly by politicians on the left and right and unquestioned by a broadcasting establishment which shares their worldview. It is that the UK has no credible alternative to the EU. That the European Project, blessed by historical inevitability, will produce economic growth and political tranquility. A slightly more sophisticated addendum to this view is that it is just a matter of time before the EU finally embraces a version of Hayekian liberalism. If ever there was a Fatal Conceit, it is this.

For over 30 years, politicians as diverse as Ted Heath, Robin Cook, Douglas Hurd, Tony Blair and Michael Hesletine have assured me we were 'winning the arguments' in Europe. There were times when I even believed them, just as a wee lad I believed Scotland could win the World Cup. Through bitter experience I now suspect there is more chance of Scotland winning the World Cup than Britain winning the arguments in Brussels!

Belatedly and inadequately, China is now on the British radar screen; even Mr Brown paid ritual obesiance to it in his speeches. But Hayek would have regarded the response as pathetic. Talk of taskforces, targets and a 'national response' to China would have had him chuckle. Setting an *official* goal to double exports to China within ten years would have had him rolling in the aisles, a classic case of the Fatal Conceit.

The idea that the proper response to China is a set of McKinsey-style nostrums would have been proof positive for him that our government classes had no idea what was at stake. In Beijing they no doubt regard it as a manifestation of our peculiar sense of British humour. But, again, Britain's response is very much in the European mainstream. Hayek would have been astounded and dismayed that Europe's leaders still spend so much of their time – and so much of our money – arguing about the Common Agricultural Policy, a subsidy programme designed to placate French farmers after World War II. Devoting millions of man-hours to a Constitution that enshrined the very social model that is condemning Europe to continued decline. Speaking endlessly about greater defence cooperation, while cutting military budgets at every opportunity.

I suspect the radical in Hayek would force him to an unfashionable conclusion: that the entire EU project has become a giant and unaffordable distraction. In the grand scheme of things, he would have regarded most European discussions as trivial and parochial, with no relevance to any of the great challenges facing Europe in the twenty first century.

Consider, he would have said, the inordinate amount of Britain's political and intellectual capital diverted and squandered into dealing with European matters, including the 100,000 or so pages of the *acquis communautaire* – when the rise of China, India and East Asia is what requires our attention. Hayek would have had the guts to say the emperor has no clothes. Hugely expensive farm subsidies are here to stay. Protectionist sentiment will remain strong, if anything get stronger.

Supply-side reforms will remain elusive. Second-rate military capabilities – armies that can't fight, weapons that don't work – seem inevitable. These, Hayek would say, are the givens of the European firmament for the foreseeable future. Even Europe's ten newest members, supposedly more market-minded, have failed to shift the balance of power in any real way.

So, I ask again in my imaginary conversation with Hayek, what of this septre'd isle? I fear his answer would be unpalatable to our political classes and media opinion. He would be in no doubt that, if Britain was to meet the challenge of Asia in the twenty first century, its future could not lie in ever greater integration with a European continent in economic, social, cultural and geopolitical decline. Nor in becoming the 51st state of America, as some like to sneer is the only alternative to Europe, because they know it is so unpalatable.

Hayek would have been blunt: Britain should regain its right to set global trade and military alliances, building on its position as an international trading nation and a financial and business crossroads to the world. Government policy should not respond to China as such, he would say, but strive to become a low-tax, high-skill, well-educated, high-productivity vibrant nation-state just offshore the highest-taxed, increasingly low-skilled, sclerotic set of rich nations in the world. The ability to compete with China would follow naturally. All these, of course, would require a Hayekian cultural revolution that our political system is not yet capable of contemplating.

A reorientation of British foreign policy away from Europe towards Asia and Latin America. Unilateral free trade, regardless of the policy in Brussels.

A radical programme to liberalise the British economy. A radical reduction in tax and public spending as a share of the economy.

A flat tax to remove the poorest from tax altogether and encourage entrepreneurial flair. The injection of choice and competition into the public sector on a scale yet not contemplated. A radical programme of welfare reform, Wisconsin-style, accompanied by a transformation in policing to re-establish the rule of law in our inner cities.

Excellence in schools with vouchers for all, so that merit rather than money determines the quality of your education, producing a genuine meritocracy that ends the current scandalous waste of talent that blights our education system.

The rescue of British universities from the dead hand of a miserly state which cannot fund them properly and the creation of a UK Ivy League.

Such a Hayekian programme for the twenty first century is a tall order; I am not sure we have the stomach for it. But Hayek would have seen it as a stark choice (he was good at that). Either continue with the Fatal Conceit and totter towards inevitable decline and eventual oblivion. Or make the radical embrace of change and dynamism to ensure a prosperous future in the twenty first century.

If the spirit of Hayek is to remain strong, I suspect its work is only beginning. □

Youth Movement: Building Social Business?

Case Study One
Danone Communities: Creating a Socially Involved Community Around Danone

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Introduction

IT was impossible to guess what was bringing together the large and eclectic group of people in front of the Grand Rex on the night of February 4th 2010, unless you were in the know. In suits, or T-shirts, bourgeois or bohemian, all were upbeat and smiling as though they were in line for a concert. But it was not for a concert, nor for a blockbuster film. It was to participate in the event *United generation: let's reinvent and be entrepreneurial!* organised by Danone's danone.communities.

The event brought together over 2,500 people. VIP guests participated on stage, from Nobel Peace Prize Winner Professor Muhammad Yunus to

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the President of the Civic Service Agency, Martin Hirsch. The CEO of Danone, Franck Riboud, and the head of the Social Business department of HEC, Frédéric Dalsace were there, as well as director Wilhelm Ernst Wenders who presented his short film on microcredit. The participants of the event of the Grand Rex were star struck.

Over the course of the evening, social business was glammed up, with two presenters moving between interviews of the VIPs and an amazing array of images and videos. It was an impressive show. The only criticism heard was that it was maybe too much of a show; that there remained overall little debate and few concrete or hands-on explanations. Individuals from the public who already knew about social business left without having been able to take a step further and those who knew nothing left without really understanding what it was all about. Yet the main message passed for all; that of empowerment and a wish to change the world. The public was inspired (with 70% younger than 30 years old).

The evening at the Rex is a very good example of what danone. communities aims to accomplish: bringing together a community of interested and militant people around Danone's activities in social business. Danone.communities was born from grassroots activities and experimentation, and it adapts in just that way. We will look at danone.communities from its inception, and see how it has evolved since the event at the Rex to reach its goals even more efficiently.

In order to understand how danone.communities was able to create its community we will look at:

- The structure of danone.communities' mutual fund with danone.communities' essential partnership with the Credit Agricole;
- Danone.communities' communication strategy and tools;
- Danone.communities' futuregoals.

Danone.Communities' Inception – The Mutual Fund

Inception

When Franck Riboud, CEO of Danone and Professor Muhammad Yunus met for the first time in 2005, they shook hands on a social business project. Danone was to finance and create a yogurt factory in Bogra, Bangladesh, to sell low cost and highly nutritious yogurt for the poor children of the area, with Grameen's help. Grameen Danone was born.

Yet Franck Riboud quickly objected to investing Danone's resources directly into social businesses, for the engendered return would never go to Danone and he claimed that he could not justify these expenses to his shareholders. In order to have Danone continue to develop social businesses, the mutual fund of danone.communities was created. In many ways, this is the most visionary aspect of danone.communities, for the structure of the mutual fund ensures its own sustainability and allows Danone to branch out and support projects that are not directly their own. It is thanks to this structure that a strong sense of community was able to be built. One fourth of the capital of the mutual fund belongs to Danone. The rest of the capital was raised thanks to collaborators, partner institutions and private French investors.

Credit Agricole: An Essential Partnership

At the core of danone.communities is the danone.communities mutual fund. Anyone can invest in the fund and the employees of Danone are particularly encouraged to do so.

The mutual fund is managed by the Credit Agricole, with 10% of the funds that can be invested in social business projects. With a total value of 74 million Euros, danone.communities is able to invest up to 7.4 million Euros in social business projects.

Different branches of the Credit Agricole have invested in the danone.communities' mutual fund, buying a total of 23 million Euros of shares. Furthermore, the LCL Bank, part of the Credit Agricole conglomerate, commercialised the product to its rich clients, raising 8 million Euros through that specific client bracket. The Credit Agricole therefore financed more than a third of the danone.communities mutual fund.

Investment in Other Social Businesses

Thanks to the creation of the mutual fund, it has been possible for danone.communities to expand its activity and invest in other social businesses in the sphere of nutrition. In 2008, danone.communities invested in two other social businesses. The Laiterie du Berger produces fresh milk in Senegal, at low cost, and works to develop the situation of the herders. The second social business, 1001 Fountains, develops a system of clean drinking water in rural Cambodia, thereby bettering the health of the general population.

By 2010, danone.communities began financing several other projects. Naandi brings drinking water to rural populations in India. El Alberto strives to give access to drinking water to an indigenous community in Mexico and ISOMIR, spearheaded by Maria Nowak, is working to provide micro industrial kitchens to small French farms so that they can more easily sell their produce.

All the projects are not only financially supported but benefit from the marketing know-how and expertise of Danone.

Danone.Communities as Communication Tool

Evolution of the Community

In 2008, the mutual fund had around 1000 investors. It became evident quite quickly that communicating on the social businesses was of interest to a community of people that was much larger than the sole circle of investors. Danone.communities was able to quickly gain followers by capitalising on Danone's vast array of connections. Danone.communities, optimising its attractiveness for various niche audiences, grew to be closely followed by Professor Mohammad Yunus fans, students eager to find constructive answers, players in non-governmental organisations as well as managers interested in bringing more solidarity to their companies.

Touching over 100,000 people, the danone.communities team organises its community into three different groups:

- Local actors in the field; for example, the *shokti+* ladies in Bangladesh, who sell the nutritious yogurts to their communities;
- Individuals involved in social business projects, from executives to partners;
- The public at large and investors.

These groups bring different assets to the table and are interested in different facets of the social business projects. Danone.communities works with each group differently in order to best develop the social business projects and create a strong social brand around Danone. Danone.communities creates a sense of community by getting organisations and individuals involved in their events. The Grand Rex event was organised thanks to the initiative of the HEC Social Business chair, danone.communities, Reporters d'Espoirs and Isiqom, a live communications agency. For that event alone, danone.communities thanked over fifty organisations and associations for their support. Eighty volunteers managed the crowds during the event and LMD Production screened their film 8. Such contributions by organisations, companies and individuals builds a movement, of which danone.communities is at the centre.

Online Tool

Since the inception of danone.communities, communication has played an essential role in bringing together individuals from very diverse horizons. In 2007, the blog was started, with weekly news updates on the social business in Bogra. Since then, the main source of information on danone.communities is its Internet site. Each project has a blog where it is possible to follow the progression of each project and look at its history.

Danone.communities uses online social networks to connect with members of its community, sending them updates on projects and invitations to events. 30% of those who attend events follow danone.communities on Facebook.

During events, the danone.communities team uses cutting edge technologies, in the spirit of perpetual innovation. Tech savvy members tweet. The Grand Rex event was tweeted about by the following people and organisations, using the keyword #gensolidaire:

> @arnaudlasausse, @arnaudriegert, @artate, @benmartin, @ccesetti,@CelineLap, @cgiorgi, @charlesruelle, @ClaireInParis, @Clement_L, @cxapec, @ddbloc, @diverteo, @ecoloinfo, @edelsol, @Globalmag, @IsabelleGermain, @isabelmonville, @JessC0, @Johanisma, @JonSMaloy, @julbraun, @jvjerry, @kenzame, @Laurath, @lespiedsurterre, @Logiconfor, @LonCreativeLabs, @lucienrigor, @merrybubbles, @NOUVELLESnews, @Oliv20, @oliviepaul,b@olivierrafal, @Pierre85, @Pierrelab, @Ptitbooba, @RomPerrier, @SoAnn, @socialbiznews, @ToniohHoguel, @typtlou, @WiserEarth, @xtof_fr, @yranchere.

Furthermore, during their shareholder meeting in 2010, in front of a room filled with Danone and Danone.communities shareholders, students and heads of organisations, the Danone.communities team skyped with the CEOs of the social businesses they are funding. The stories of the social businesses from Mexico to India came to life, as those closest to the projects spoke about the developments of their social businesses to the assembly. It was one of danone.communities most successful and inspiring moments.

Connecting Contingencies – Danone.communities as Action Platform

The Danone.communities team quickly realised that thanks to their large community they were in a unique position to connect people from different professional backgrounds who not only wanted to learn about but contribute to developing social businesses.

Giving Agency to the Network – 'Mettre en Action'

Danone.communities' goal has evolved from raising awareness of social business through events to having people engage and take action by using the strength of the network. Their evolution can be categorised in three phases:

- The first phase was to promote. Danone.communities' goal was to explain the benefits of social business and to gage interest. They have touched 100,000 people to this day.
- The second phase was to debate, allowing people to appropriate the projects and express their hopes and wishes. They have touched 15,000 people in this way.
- The third phase is to engage members of the community by contributing knowhow or by investing in the mutual fund. Danone.communities currently has 2,500 shareholders.

Danone.communities evolved from community management to community empowerment.

Their next goal is to facilitate action for emerging social business activists.

DC Connect

The danone.communities team organises DC Connect meetings two or three times a year. Anyone is welcome to contribute. The goal is to let people connect and share new ideas. From these meetings, the danone.communities team believes new projects will form. It is now no longer about the social businesses that danone.communities funds, but about creating an environment where ideas for new social businesses can be born.

Thanks to one DC Connect meeting, volunteers and students are now working to answer the question: 'What should be done so that Danone.communities can best facilitate action?' By developing its strategy in an 'open source way', danone.communities allows all those who wish to contribute to do so. Through effective community management, danone.communities is able to harness the energy and ideas of its members, in order to push for greater innovation in social business and stimulate new contributions in the field.

Focusing on Youth

Danone.communities believes that youth will contribute most of the energy and ideas. The danone.communities team considers that it is essential for future leaders to be exposed to social business, whether they later work for Danone or not.

The first interns at Bogra, Bangladesh, were students from the French business school HEC, concentrating in the department of sustainable development. Due to this long-lasting relationship with HEC, Danone decided to sponsor a department of Social business for the school, with Professor Yunus and, former French minister, Martin Hirsch on the board. The creation of the social business department was announced to the public in December 2008. The goal of the HEC Social Business department is to have every student studying at HEC be exposed to social business and take at least one course in the department. They want their students to understand the strength of the social business mindset.

By autumn 2008, Danone.communities wished to share their open-source strategy with the community of students gathering around them. The goal of the evening at the Grand Rex was to open the community to students from other schools, while keeping close ties with those from HEC. Several events came out of the Grand Rex event, with a special focus on members from the Y generation; those aged between 15 and

25 who are tech savvy, socially aware and future leaders of our world. Now danone.communities is able to work directly with engaged students without having to pass by the administration of their schools.

Just like Professor Muhammad Yunus, Danone.communities hopes to mobilise the next generation of leaders in order for social business practices to enter mainstream management.

Conclusions

Danone.communities has the conviction that the knowhow of future companies will be inspired by social business. The very structure of a social business requires that teams create alternative ways of thinking and working. It is a mindset where one must always adapt to the demands of the field and not be scared of changing strategies.

Danone.communities uses the same practices in order to manage its community. The danone.communities team is not afraid of openly questioning its strategy and readjusting based on evolving goals.

Danone.communities has effectively federated the first and largest movement around social business in the world. The benefits of this movement for Danone are undeniable. Social business has also benefitted from danone.communities' work, making it better known to the public at large. Explore further: www.danonecommunities.com

Case Study Two
Real World Social Business Initiative

Samantha Caccamo[2]

Social Business Earth
Lugano, Switzerland

SOCIAL Business Earth (SBE) is a social business centre based in Lugano, Switzerland, *whose business goal is to solve social problems and not maximise profit.* SBE aims to raise awareness and implement Social Business (SB), a new economic model realised by Nobel Peace Laureate Professor Muhammad Yunus. By interacting with universities, the private sector, NGOs, health and medical practitioners, artists, and private individuals who wish to make the world a better place, our final goal is to eradicate poverty and solve society's most pressing problems by implementing new innovative social business models that can be replicated in order to improve the lives of the disadvantaged as well as the society as a whole.

The following priority goals will always be at the forefront of our commitment in our path towards a better world through Social Business:

- Poverty Eradication
- Education
- Excellence in Knowledge Transfer
- Promoting Opportunity and Diversity

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[2] Samantha Caccamo is the Founder of 'Social Business Earth', a Switzerland-based Social Business organisation.
Email: samantha@socialbusinessearth.org

- Developing Consciousness in Economic Leadership
- Advancing Inclusive Globalisation
- Achievement of Millennium Development Goals
- Women Empowerment
- Children's and Women's Health and Human Rights

Our current social business projects include but are not limited to:

1 Building an Ear Hospital as a social business in a rural area of Bangladesh to treat hearing impairments (Type I).

2 Social Business to prevent and treat Rickets in Bangladeshi children (Type I).

3 Social Business to prevent drug use and prostitution in Bangladesh (Type I & II).

4 Social Business in Varese, Italy, for job creation to improve the lives of street vendors mainly immigrants, who live below the poverty line (Type II).

5 Social Business in Lugano, Switzerland to decrease youth unemployment (Type I).

6 Social Business in Bangladesh to solve the problem of arsenic contaminated water (Type I).

*for more information on Social Business (Type I and II) please visit www.socialbusinessearth.org

Case Study Three
Building Social Business? Engage the Youth!

Haley Priebe
Chris Temple and Alex Simon[3]

MFIConnect.Com

USA

'Today's generation of young people holds more power than any generation before it to make a positive impact on the world.'

Bill Clinton, former President of US

WHAT value does the next generation bring to microfinance and social business? We bring energy, creativity, passion, time, and the resources of our universities. We are the future. In order to change our approach to economics and make 2010 – 2020 the decade of social change, it is critical to harness the potential of youth.

What Value Does the Next Generation Bring to Social Business? The Future

While students and young professionals are aware and excited about the development of microfinance and social business, they do not yet have many opportunities to pursue these passions and apply their talents. In an attempt to exercise their abilities and channel their energy, students have initiated hundreds of creative projects that support microfinance and other social business. At the same time, students struggle to connect

3. Haley Priebe, Chris Temple and Alex Simon are the Founders of MFIConnect.com – an online microfinance network based in USA.

with professionals in the social business arena. Many universities have also begun to weave microfinance and social business into their curriculums, but there are no open avenues for students and recent graduates to gain professional insight or experience in the industry. In a rapidly growing and evolving field, social businesses need to harness the potential of youth, create a healthy knowledge transfer, and bring the next generation on board.

MFI Connect Addresses the Need to Bridge Students and Professionals

MFI Connect, an online network of students and microfinance initiatives worldwide, has begun to address this need by aggregating opportunities for student involvement and connecting members through an online portal for networking, idea-exchange, and action to confront global challenges. This network grew out of the desire of three lucky interns to empower fellow students to support and become involved in microfinance. It now hosts thousands of members from hundreds of universities in dozens of countries. MFI Connect has been able to build and support a variety of opportunities for students to become involved in microfinance – including student delegations at the Microcredit Summit Campaign events and Professor Sean Foote of UC Berkeley's Microfinance Simulcast Class, which airs to seventy-five universities and top business schools. At the same time, there is still an enormous need to strengthen the connection between young people and the professional world of social business. MFI Connect is ready to build that bridge.

We call upon you – social business leaders, innovators, and practitioners – to engage the next generation. Share your insights. Harness student energy and talent to bolster your own programmes. Create programmes that provide young people with exposure to your work and professional experience. You can make your commitment to the future at MFIConnect.com. There you can fill out a commitment form and work with the MFI Connect team to harness the power of the next generation. We are here, eager and ready to follow and help you realise your dreams. Use us.

Student Initiatives demonstrate the power of students to affect change and signify the growth of a generation with unique experience in business practice and social activism. To learn more about other student initiatives, go to www.MFIConnect.com.

MFI Connect: www.MFIConnect.com

An online microfinance network including thousands of members from over one hundred and fifty six universities and sixty countries.

Living on One Dollar a Day: www.onedollaraday.weebly.com

A film project documenting four students' experience taking a microfinance loan from Grameen Guatemala and learning local financial practices. This project is sponsored by Whole Planet Foundation and has reached half a million viewers educating them about microfinance.

I Shop 4 Microfinance: www.ishop4microfinance.com

An affiliated marketing website that channels 4% of all online purchases to microfinance organisations. Their beneficiaries include: Acumen Fund, Kiva and Grameen Foundation

SEED: www.seedatuva.com

A social business consulting group at the University of Virginia, which has supported twelve social businesses and provided students an opportunity to learn through experience.

The Berkeley Group: www.theberkeleygroup.com

A social business consulting group at UC Berkeley, which has supported over sixty social businesses and provided students an opportunity to learn through experience.

Campus Microfinance Alliance: www.campusmfi.org

A group of student-run MFIs, including Yale's Elmseed Enterprise Fund.

Elmseed Enterprise Fund: www.elmseed.org

Case Study Four
Journey of An Aspirant Youth From Bangladesh – The Home of World Sustainability Models

MD MOSTOFA ZAMAN[4]
London Metropolitan University
United Kingdom

TWO Thousand Eleven is the year when Bangladesh is celebrating its fortieth anniversary of national independence. In 1971, Bangladesh declared and gained independence through a nine-month-long war followed immediately by the gravest famine in its history. The aftermath was so devastating that it took more than half-a-decade for the new-born country of seventy million people to resume the pre-Independence level of economic activities.

Bangladesh is the country that has not only invented 'Microcredit' and Social Business' but, with practices on the ground, has also been advocating for the entire poor of the world at large as credit-worthy, with a slogan that credit is not a privilege for the poor but a right. Nobel Peace Prize winner Professor Muhammad Yunus is the innovator of these micro models within the framework of Grameen Bank (village bank) which he created in 1983 with an aim to lift the poor people out of poverty.

Prof Yunus rightly understands that poverty is not created by the poor but by the system. He has therefore been endeavouring to help redesign the system, starting with pioneering the world's sustainability models: microcredit and social business that has made Bangladesh a

[4] Md Mostofa Zaman is a Student of London Metropolitan University, United Kingdom and Founder of DRIP Foundation, Bangladesh. Email: mostofa12@yahoo.co.uk

glorious nation. For his great works for the poor of his native country and the world, he had been awarded Nobel Peace Prize in 2006, US Presidential Medal of Freedom in 2009, and US Congressional Medal.

As an aspirant youth, I have been inspired by the untiring works of Prof Yunus who in the 1974 famine-crisis voluntarily abandoned teaching elegant theories of economics in university classrooms for directly understanding the miseries of poor people and finding out a solution to their poverty. He freed 42 women of 'Jobra' – the village close to his university campus – from the clutches of moneylenders out of his own purse. The asset that Prof Yunus was given by those women was nothing but the trust that 'the poor always payback'. That made Prof Yunus confident enough to go further with what we all know today as 'Microcredit'. What started from Jobra in 1976 became global in 25 years.

> 'He (Muhammad Yunus) sought out to save a village, but helped to change the world' – US President Barak Obama citied while awarding the US Presidential Medal of Freedom to Muhammad Yunus in 2009

The idea of 'Social Business' as a non-loss non-divided business venture that he innovated is not limited to the social cause-driven business community but open for partnerships with governments, universities and even to an individual. The social business is a sustainable means to recycle the (money) resources into the society.

I, a Bangladeshi villager, came to the United Kingdom to study the course, 'Development Studies and International Relations' at the London Metropolitan University in the same year when Muhammad Yunus was awarded the Nobel Peace Prize. In order to understand microcredit operations on the ground, I interviewed some of the Grameen borrowers in Bangladeshi villages in 2007. I was astonished to see how the poor illiterate women who became users of Grameen microcredit had seldom been outdoors or handled any household money. The following year I attended the Asia Pacific regional Microcredit Summit 2008 in Bali, Indonesia, and interviewed a number of microcredit operators in some Asian countries.

With massive entrepreneurial expansion at the grassroots along the path of the world's sustainable community-building microcredit and social business models and continued trade growth, I find grounds for optimism that Bangladesh would secure the rank of a developed nation in the next 40 years.

Case Study Five
Bonsai
– A Source of An Inspirational Campaign Against Poverty

HOLLY MOSHER[5]
Filmmaker for Change
USA

WHAT if you could harness the power of the free market to solve the problems of poverty, hunger, and inequality? To some, it sounds impossible.

But Nobel Peace Prize winner Muhammad Yunus is doing exactly that. *Bonsai* celebrates Yunus' extraordinary humanitarian work, which started when he simply lent US$27 to 42 people out of his own pocket. As the founder of Grameen Bank, Yunus pioneered microcredit, the innovative banking programme that provides poor people – mainly women – with small loans they use to launch businesses and lift their families out of poverty. In the past thirty years, microcredit has spread to every continent and benefited over 100 million families. His Grameen Bank currently lends to one out of every 1,000 people on earth and with a 98% rate of repayment – unheard of in the financial world.

But Muhammad Yunus didn't stop there. Now, Yunus goes beyond microcredit to pioneer the idea of social business – a completely new way to use the creative vibrancy of business to tackle social problems

[5] Holly Mosher is producer of *Bonsai* – a feature length documentary film that explores the work of Nobel Peace Prize winner Muhammad Yunus and his vision from microcredit to social business.
Email: hollywoodnt@mac.com

from poverty and pollution to inadequate healthcare and lack of education. *Bonsai* shows how Yunus – in partnership with some of the world's most visionary businesses – is launching purposely designed social ventures. From collaborating with Danone to produce affordable, nutritious yogurt for malnourished children in Bangladesh to building eyecare hospitals that will save hundreds of thousands of poor people from blindness. *Bonsai* offers a glimpse into his visionary work.

While Muhammad Yunus didn't invent the notion of doing business for social good – it is a concept that needed a leader, Yunus has become that person. The Millennium Development Goal to cut poverty in half by 2015 is one of the most courageous goals mankind has ever set for itself. The question is how? *Bonsai* answers! □

The Centre for Development (C*f*D) Scotland

The Centre for Development (C*f*D) is a Non-Government initiative to promote multi-dimensional development nexus between Scotland and other nations.

An Economic Development Forum (EDF), based at the Department of Economics, University of Strathclyde, Glasgow, formed the basis of this non-government organisation. Since 1998 it has functioned as a platform for policy dialogue on socio-economic development issues relating to both Scotland and South Asian nations,

Historically, the South Asian nations have continued to maintain profound multilateral relations with Scotland since the East India Company's merchant trade with Bengal began in mid-17th century. Notably, Dundee's industrial glory was rooted in Bengal's jute. And now Scotland's Cairn Energy plc is a major player in both India and Bangladesh in off-shore oil and gas explorations, alongside a number of on-going collaborations, links and exchange programmes in various fields of bilateral importance. The obvious bond among these countries has inspired development enthusiasts to give EDF a further shape into an organisation which since February 2006 is known as The Centre for Development (C*f*D) Scotland.

The C*f*D seeks to influence the development of both Scotland and developing countries through promoting education and research collaborations, encouraging investment and trade, and promoting cultural exchanges and youth work placements in these countries.

Mission Statement

The central focus of the Centre for Development (C*f*D) Scotland is to promote and strengthen the socio-economic development community in undertaking creative and innovative initiatives to facilitate closer interaction amongst development practitioners, academics, researchers, investors and donors, NGO operators and social entrepreneurs, arts and cultural operators, etc, and encourage inter-disciplinary exchange and cooperation towards greater mutual benefit of both Scotland and the developing countries.

The C*f*D aims to:

- Promote a pool of experts on alternative processes and methods of socio-economic change and international development;

- Encourage and promote innovative entrepreneurial initiatives aimed at developing social mission-driven ventures aimed at tackling poverty and income inequality using the bottom-up development approach;

- Facilitate maximum interaction among C*f*D members through inter-disciplinary meetings, seminars and conferences on socio-economic issues and bringing their expertise known to a wider audience of development partners and donors;

- Disseminate information on advanced knowledge, studies and research on multi-dimensional aspects of socio-economic development through newsletters, publications, websites, etc;

- Explore advanced learning and research opportunities in Scotland for students and academics from the developing countries, and work placement and research opportunities for Scottish students and academics in developing countries;

- Connect development community/development practitioners, academics and researchers, prospective investors, social entrepreneurs, NGO entrepreneurs, arts and cultural operators, etc both in Scotland and developing countries;

- Communicate with prospective resource persons and organisations to forge collaborations and exchange programmes between Scotland and developing countries in areas such as education, health, business, technology, culture, etc; and

- Strengthen partnerships with the statutory, voluntary and community sectors in Scotland, thus enhancing the promotion of strong inter-community and cross-cultural relations.

Activities of the C*f*D

The C*f*D functions in close association with the universities, research organisations and socio-cultural bodies in Scotland. It operates on small grants against research projects on diverse socio-economic development issues, plus seminars, workshops, etc.

19 July 2001: The C*f*D organised a talk by the economist and finance expert, Professor Mansur Masih of Edith Cowan University in Australia on 'Asian Crisis: Perspectives and Challenges' held at the Fraser of Allander Institute, University of Strathclyde, Glasgow.

21 June 2007: The C*f*D organised a Conference on 'The East-West Relations' at the University of Glasgow. The international relations expert and political scientist, Professor Winston E Langley, Chancellor of the University of Massachusetts, Boston, USA gave a talk on 'Meeting of The East and West'.

01 December 2008: The C*f*D organised a Festive Party at the University of Glasgow to celebrate Nobel Peace Laureate, Professor Muhammad Yunus's first visit to Glasgow when he delivered the prestigious Adam Smith Lecture (marking the 250th Anniversary of Adam Smith's *The Theory of Moral Sentiments* at the University of Glasgow), and a Public Lecture on 'Alleviating Poverty: Microcredit and Social Business' at Glasgow Caledonian University. Just immediately after his Nobel Prize Award on 13 October 2006, the C*f*D took the initiative and facilitated Professor Yunus' visit to Glasgow.

04 July 2010: At the invitation of C*f*D Scotland, Dr Muhammad Yunus made his second visit to Glasgow to attend and speak to the Global Assembly Conference on 'Tackling Poverty For a Fairer World: New Microeconomics Revolution Along the Grameen Path', held at the University of Glasgow. The day-long Global Assembly event attracted almost 500 including delegates from 12 countries. In the presence of Prof Yunus and a number of high profile guests, the C*f*D made the landmark announcement on the launch of *The Journal of Social Business* (JSB) and 'Norman Macrae Foundation' in honour of Norman Macrae – the former Deputy Editor of *The Economist*.

Membership

The membership of The Centre for Development (C*f*D) Scotland is open to anyone believing in and supporting its Mission Statement.

- Membership shall comprise *Ordinary Members, Honorary Members and Corporate Members.*
- **Ordinary Member**: Any individual who subscribes to the objectives of the Centre.
- **Honorary Member**: A person who has made an outstanding contribution as a socio-economic development-academician and / or practitioner.
- **Corporate Member**: Any institution or organisation whose activities or interest conform to the Mission Statement of C*f*D Scotland.

Membership Fee

- Entry Fee for Ordinary Member –– £50 in the first year, followed by £25 per annum (£15 per annum for students and unwaged)
- Corporate Member – £100 in the first year, followed by £50 per annum

Office Location

The C*f*D's temporary office location:

The Centre for Development (C*f*D) Scotland
Glasgow University Union Complex
32 University Avenue
Glasgow G12 8LX

For enquiries about the Centre for Development (CfD) Scotland's activities, membership, conference, etc, contact:
cfdscotland@hotmail.com

Global Assembly 2010: Some Exciting Developments

The Centre for Development (CfD) Scotland, in association with the University of Glasgow, organised the day-long Global Assembly (GA) on 4th July 2010 to mark the beginning of the Netgen Decade of the 2010s. The programme included: Conference – *Tackling Poverty and Income Inequality for a Fairer World,* Keynote speech by Nobel Peace Laureate Prof Muhammad Yunus and signing of his latest book, Celebratory Dinner and a mini Cultural Show. A total of 522 persons registered their interest in this international event. Finally, 483 turned up including 32 delegates from 12 countries. The international conference was held at Charles Wilson Lecture Hall, Glasgow University, Glasgow.

Dr Zasheem Ahmed, Convener of the Global Assembly, welcomed the audience and briefly explained the theme of the GA Conference. Prof Anton Muscatelli, Principal of Glasgow University gave the welcome address, Prof Graham Caie introduced Nobel Prize winning Grameen Bank champion Prof Muhammad Yunus, and Prof Yunus opened the Conference.

Prof John Struthers of the University of West of Scotland Business School led the first session with a Scottish focus on 'Trickle-up' Community initiatives directed at tackling financial exclusion and income inequality in Scotland. Prof Graham Caie, Vice-Principal of Glasgow University led the Second Session with a global focus on social mission-driven education, research and development policy profiles including a number of social business and job-creation projects aimed at addressing poverty and inequality, and undertaking community-building Grameen-type bottom-up initiatives in countries around the globe. In both the sessions a total of 25 presentations were made including Prof Yunus's intervention.

A brief Memorandum of Understanding (MoU) signing session took place between Prof Anton Muscatelli and Prof Muhammad Yunus – aimed at establishing 'Yunus Institute of Social Business and Economics' at Glasgow University and forging collaborations in diverse areas of co-operation between Glasgow University and the Yunus Centre, Dhaka.

Prof Yunus delivered his interactive speech to the conference on community-building system design and job creation, creating a foothold on the basis of income-generating activity – social cause-driven entrepreneurial ventures as better approaches than charity and/or welfare dependence. He emphasised that the 'Grameen way' – 'microcredit' and 'social business' ideas – has proved a viable solution to lift millions out of poverty. As such, 'bottom-up development' is an effective approach to assist the most disadvantaged to be able to live with dignity.

Dr Zasheem Ahmed summed up the Global Assembly conference as producing the remarkable premise of 'Social Business and New Economics Paradigm' as a paradigm shift, while dealing with such diverse issues as the reduction of relative disadvantages, poverty and income inequality, community empowerment, fairer banking and credit. On behalf of the CfD, he also made a landmark announcement on the launch of a new international journal, *The Journal of Social Business* (JSB) and 'Norman Macrae Foundation' in honour of Norman Macrae – the former Deputy Editor of *The Economist*. The Journal will have an inaugural issue in January 2011, followed by a second issue in July.

Finally, Prof Graham Caie offered a Vote of Thanks on behalf of Glasgow University and The Centre for Development (CfD). The Conference concluded, followed by a brief session of Prof Yunus's signing of his 2010 book, *Building Social Business – The New Kind of Capitalism.*

The Centre for Development (CfD) organised a Celebratory Dinner in honour of Prof Yunus's visit. The day-long event concluded after a brief East-West (Bengali and Scottish) dance and music performances, presented by The Nazrul-Burns Centre. This evening part of the Global Assembly was held at the Glasgow University Union Complex.

In response to the CfD's post-Global Assembly survey, 345 participants responded – 341 said they found the Global Assembly very interesting and would like it to happen again on new socio-economic issues hopefully in the presence of Prof Yunus.

The Global Assembly of 4th July 2010 has indeed marked the beginning of exciting Netgen Decade of the 2010s – sustainable community-building system design, youth job creation and opensource innovative entrepreneurial network – which would eventually replace the mindset of a *dismal science* with the joy of economics going way above zero-sum war-games.

Autostadt Embraces Grameen Sustainability

OTTO F WACHS
CEO, Autostadt GmbH
Wolfsburg, Germany

The Autostadt in Wolfsburg had the great honour to host the first Global Grameen Meeting in November 2009 and the Global Social Business Summit in November 2010, both convened by the Grameen Creative Lab, Germany. During these events the Autostadt welcomed many well-known resource persons from economics, politics, science and culture who took advantage of the chance to meet other people and institutions involved in social business movement, exchange ideas, share experiences and forge new projects. It was a special pleasure for all the participants to experience the thoughts and ideas of Nobel Peace Prize winner Professor Muhammad Yunus as the inspiring founder of the Grameen movement.

After the Meeting in 2009 the Grameen family came up with the idea to address an even broader public. Therefore public speeches by Prof Yunus and the well-known popular Brazilian writer Paulo Coelho were held during the Global Social Business Meeting in 2010. In order to enable the guests to experience concrete social business topics, projects and solutions, a 'marketplace of social business' had also been organised. We were glad to be able to support the Grameen organisations with our experience, since the Autostadt as the main communication platform of the Volkswagen Group has been addressing the theme of human mobility in all its facets to a wide range of target groups for over ten years. One example of the topics that the Autostadt embraces is 'sustainability', which our guests can experience in an exhibition of 25 interactive stations that relate the different aspects of sustainability to the everyday-living and experience of our guests.

The two events of the Grameen Family also had an inspiring and, as we hope, lasting effect on the people and work here at the Autostadt. It was the way in which Prof Yunus and his fellows dealt with their challenges: we were able to see a group of people who did their work with a lot of joy, which is also expressed in the seventh principle of Prof Yunus's 'social business' idea that says *do it with joy*.

I am proud that the Autostadt was able to host the two Grameen meetings and I hope that thereby we were able to contribute to the further development of the Grameen Family's plan to create a world without poverty.

2011 Global Microcredit Summit

November 14 - 17, 2011

Valladolid, Spain

Featuring a Plenary Paper by Nobel Peace Laureate
Prof Muhammad Yunus

**Social Businesses and Microfinance:
Building Partnerships with Corporations and Other Entities to Speed Up the End of Poverty**

Join her Majesty Queen Sofía of Spain, Nobel Peace Prize Laureate Muhammad Yunus, Sir Fazle Abed of BRAC, and more than 2,000 delegates from over 100 countries at the 2011 Global Microcredit Summit. During the Summit – the 15th organised by the Microcredit Summit Campaign – delegates will have the opportunity to participate in six plenary sessions, more than 50 workshops, more than 30 associated sessions, a variety of day-long courses, and other events. In addition, the Summit will offer delegates the opportunity to participate in field visits to leading microfinance institutions around the world in the days before the Summit to observe their work first-hand.

For additional information and to register visit:

www.globalmicrocreditsummit2011.org

Call for Papers

The Journal of Social Business (JSB)

The Journal of Social Business (JSB) aims to achieve a balance between academic and practitioner community. The Journal is verily focused on 'Social Business and New Economics Paradigm' – *one that places people at the centre, not on the periphery*. Given social business entrepreneurship is an interestingly emerging global phenomenon, the Journal will be prominently international in its realm by both scholarship and real world experiences.

The JSB invites contributions that offer creative ideas, observations and analysis in the following areas – Community Economics, Microcredit, Microfinance, Mapping of Social Business and Sustainable Economy, Human Relations Economics, Moral Philosophy and Business Ethics, Poverty and Welfare Economics, Multiple Faces of World Poverty, Poor-friendly Technology, Social Business Economics, Social Business and Third Sector/ Public Sector /Corporate World.

The JSB welcomes contributions that discuss these issues in new and imaginative ways, particularly if they point to new scope of application, reform and policy recommendations.

The next issue of the JSB will appear in July 2011. For full consideration, proposals must be received by 30th April 2011. Notice of acceptance will be sent to paper contributors by 7th May 2011.

Guidelines

The title of the paper and the author's name, address, affiliation and a contact telephone number should appear on the first page of the paper. In case of more than one author, full correspondence details – postal address, telephone and fax numbers and email address – of the corresponding author should be furnished.

Papers should include an Abstract of no more than 125 words, and up to six keywords which between them should characterise the paper.

Papers should be typed in double spacing. All pages of the paper must be numbered. Papers should not exceed 30 double-spaced pages, including abstract, notes, tables, figures and references.

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