

“We Can Create a Poverty-Free World”

Professor Muhammad Yunus, Managing Director, Grameen Bank

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Program

1. Opening Remarks

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2. Lecture

Professor Muhammad Yunus
Founder and Managing Director,
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3. Comments and Questions

Comments:

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Questions:

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Mr. Satoshi Shinada, Undergraduate student,
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4. Closing Address

Professor Naohiko Jinno, Dean, Faculty of Economics, University of Tokyo

(Read by Professor Katsuhito Iwai, Former Dean, Joint Leader of COE-CEMANO Program, Faculty of Economics, University of Tokyo)

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Professor Muhammad Yunus and Grameen Bank

Professor Muhammad Yunus was born in 1940 in Chittagong, Eastern Bengal (now Southern Bangladesh). After graduating from Chittagong University, he went to the US to study as a Fulbright scholarship recipient. Professor Yunus has received an Economics Ph.D. from Vanderbilt University under the supervision of Professor Nicholas Georgescu-Roegen in 1971. His thesis was entitled, "Optimal Allocation of Multi-Purpose Reservoir Water: A Dynamic Programming Model." Then Professor Yunus returned to newly independent Bangladesh in 1972 and became the head of the Economics Department at Chittagong University.

Encountering the Bangladesh famine of 1974, Professor Yunus launched a pilot project to help forty-two poor stool makers in the village of Jobra by providing credit services. Being convinced by the success there, Professor Yunus established a collateral-free micro-credit project for the poor, "Grameen Bank," as an NGO in 1978. Five years later, the Grameen Bank Project was transformed into an independent bank by government legislation. In 2000, Grameen Bank has evolved into "Grameen II," which provides credit with greater flexibilities.

Professor Yunus has received numerous international awards, including the Ramon Magsaysay Award in 1984, Aga Khan Award for Architecture in 1989, World Food Prize in 1994, Fukuoka Asian Culture Prize (Grand Prize), and Nikkei Asia Prize in 2004. Professor Yunus has been nominated as a laureate of the Nobel Peace Prize.

The success of the Grameen Bank has made a significant contribution to economics research. The 2001 Nobel Economics Prize winner Professor Joseph Stiglitz formulated a mathematical model of Grameen bank fifteen years ago ["Peer Monitoring and Credit Markets," *World Bank Economic Review*, 1990, 4 (3), pp. 351-66]. According to the America Economic Association's Database (ECONLIT), more than one hundred academic articles have been published in the field of micro-credit, explicitly mentioning the success of Grameen Bank. Top academic journals such as *Review of Economic Studies*, *Journal of Political Economy*, *Economic Journal*, and *Journal of Development Economics* have published academic studies which analyze the success of Grameen Bank. Particularly, the micro-credit revolution stimulated research on joint-liability lending (which has been less emphasized in Grameen Bank). Moreover, a wide variety of econometric studies strongly support the view that micro-credit programs are effective in reducing poverty. Nowadays, standard development economics textbooks allocate at least one chapter for micro-credit and micro-finance, mentioning Grameen Bank explicitly. This is a manifestation of the importance of Grameen Bank as a practically relevant model of poverty reduction.

Professor Yunus once said that

"Bangladesh had a terrible famine in 1974. I was teaching economics in a Bangladesh university at that time. You can guess how difficult it is to teach elegant theories of economics when people are dying of hunger all around you. Those theories appeared like cruel jokes. I then dropped-out of formal economics. I wanted to learn economics from the poor in the village next door to the university campus"

We now offer you a chance to learn economics from Professor Mummad Yunus who himself learned economics from the poor in Bangladeshi villages.

(Written by Yasuyuki Sawada)

References

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Moderator: Professor Muhammad Yunus was born in 1940 in Chittagong, Eastern Bengal (now Southern Bangladesh). After graduating from Chittagong University, he went to the US to study as a Fulbright scholarship recipient. Professor Yunus has received an Economics PhD from Vanderbilt University under the supervision of Professor Nicholas Georgescu-Roegen in 1971. And I found his thesis was entitled “Optimal Allocation of Multi-purpose Reservoir Water; A Dynamic Programming Model.” So this sounds very fancy and a very form here title. And then Professor Yunus returned to newly independent Bangladesh in 1972 and became of the head of the Economics Department at Chittagong University. Encountering the Bangladesh famine of 1974, Professor Yunus launched a pilot project to help 42 poor stool makers in Jobra village—now Jobra village is very famous—by providing credit services in 1976. Being convinced by the success there, Professor Yunus established the collateral free microcredit project for the poor called Grameen Bank in 1978. Five years later, the Grameen Bank project was transformed into an independent bank by a government-based agency.

Professor Yunus has received numerous international awards, including the Ramon Magsaysay Award in 1984, which is called the Nobel Prize for Asia. And also Professor Yunus has been nominated as a Laureate of the Nobel Peace Prize. And as an economics professor, I would like to briefly mention that the success of the Grameen Bank has made a significant contribution to economics research. The 2001 Nobel Economics Prize winner Professor Joseph Stiglitz formulated a mathematical model of Grameen Bank in 1990, 15 years ago. According to the America Economic Association Database (ECONLIT), more than 100 academic articles have been published in the field of microcredit, explicitly mentioning the success of the Grameen Bank. Now starter development textbooks allocate at least one chapter for microcredit related topics, again mentioning the success of the Grameen Bank explicitly. It is not overemphasized to say that the Grameen model became a standard model in poverty reduction.

Professor Yunus once said, “Bangladesh had a terrible famine in 1974. I was teaching economics in a Bangladesh University at the time. You can guess how difficult it is to teach elegant theories of economics when people are dying of hunger all around you. Those theories appeared like cruel jokes. I then dropped-out of formal economics. I wanted to learn economics from the poor in the village next door to the university campus.”

Ladies and gentleman, today we have a truly special occasion to learn pure economics from Professor Yunus who can self-learn economics from the poor people of

Bangladesh and villages all around the world. Ladies and gentlemen, now I would like to invite Professor Yunus to the stage to have his speech which is entitled “We Can Create a Poverty-Free World.”

Professor Muhammad Yunus, Founder and Managing Director, Grameen Bank, Bangladesh: Thank you very much. I am so delighted to be here this afternoon as I am meeting many of my old friends here. It is a good occasion to get together again. And I am sure I will make a lot of new friends here. It is always exciting to come back to the university campus and meet the young people particularly. Young people who are looking for issues and principles to live for and look forward to. Sometimes the world looks too depressing and you wonder what role you have for yourself in such a depressing world. This story that we have gone through, experience that we have gone through comes up with a tremendous amount of excitement, excitement about the life that can be on this planet. And we talk about when we put the title to a lecture, “How to Create a Poverty-Free World.” Immediately the kind of reaction is generated, “that is a utopian idea”. Who says that there can be a world without poverty? So as I come from this issue, I gradually see at least two types of listeners. One who are absolutely skeptical, that this is impossible and cannot be done. It sounds nice, but is too far fetched. Human beings are born to have poor people among them. Poverty shall remain with us.

And the other extreme firmly believes, yes it can be done. And I say this because I belong to that group. I firmly believe this, with an exclamation mark! Can it happen, will it happen, not that way. So there is the group which is in between, who are not sure—maybe, maybe not. You cannot create something, when you do not believe. Before we can create something, we must imagine that it is possible. Then it becomes much easier to achieve that goal.

So I am going on in my presentation not because we have to create that, let us believe in it, otherwise we cannot create it. It is not that argument. The presentation that I will make is how I think things happening in the world. One of the kinds of revelations I had about the academic world since coming out of the academic world, is that I feel free to raise questions about the academic world. In the academic world, we have kind of taken ourselves away in abstraction, so far away, that we hardly take any contact with reality anymore. So that abstract world is very satisfying. We can fool around with all kinds of things and beautiful logical conclusions you can draw. And you get mesmerized by your own intelligence. But that has nothing to do with reality because you have moved to far away from reality and you have created a world of your own—an abstraction. So in

abstraction, you do not see the potential that presents itself every day. In order to face life as it is, the only way one can do is to be with it rather than to build another world of abstraction. So we need to connect these two worlds very tightly so that we have no chance to run away from it—run away from reality.

Thirty years back, the world of microcredit did not exist. It was not in the dictionary. Today it is a familiar word. It may have many different interpretations, many different understandings of it. But the word is well-known. How did it happen? Why suddenly within 30 years a new word is born and became popular? That shows if something real, it has tremendous power. And microcredit is what? It became popular because it is real.

Poverty will be gone from the world, not because some intelligent economist found a theory about it, not because the world raised a lot of money to give it to the poor people so that they can come out of poverty, no such thing. It is not going to happen except that it will come from the individuals who suffer everyday from the misery of poverty. So that is the story that I will be telling you in terms of my own experience and seeing whether it makes sense to you or not.

And those who are not familiar with the Grameen story, I will briefly mention how it began. As I was introduced, I was a teacher of economics, teaching students in university. I was teaching in a university which is located in a rural area, not in an urban area. You can see the rural situation very clearly as it exists. And at the time when I was teaching in this university when I came back from the States, I took this job after Bangladesh became independent, we were faced with famine. Famine which took away lives from people. People were dying in hundreds, in thousands, in hundreds of thousands, not because of any disease or anything, just because they did not have just a handful of rice to eat. And that is the most uncomfortable situation that one has to go through teaching irrelevant theories of economics and then faced with the realities of the world outside the classroom.

So it began because I wanted to see if there was something I could do as a person, as a human being, not as an economist, because I saw in my textbook there is nothing that I can bring out and apply in a situation like that. It is more of just being a neighbor, a human being, a person trying to find ways in which people's lives could be slightly better than it was yesterday, even for a single day. So along the way, I discovered a lot of things, because now I am face-to-face with the reality of life of the people. I responded in my novice way, unprepared way, and right away I thought it would be a better way to do things, help people in this manner so they can resolve their own

problems.

And then one thing moved in a direction that I had never thought about. An isolated incident triggered the first reaction. And that isolated incident was a woman who was making a bamboo stool, a beautiful bamboo stool, but extremely poor. So I wanted to understand why she remained so poor, making such a beautiful bamboo stool. So after a long conversation, there was a lesson to learn. She earned only two penny a day by doing all-day work making bamboo stools because she could not sell her bamboo stools to the market. She had to sell it to the trader who lent her money to buy the bamboo which goes into the bamboo stools because she did not have the money to buy the bamboo. And the amount she borrowed from the trader was 25 cents. So for 25 cents of loan she became a slave laborer. So that was a big shock sitting right in front of you. It is not a textbook case that you read and had forgotten. It is a person. She suffers through it every day, and that led me to see if there are other people in that village in a similar situation.

I took a student of mine and went around and made a list. When my list was completed, another shock bit of news. I had 42 people on my list, and the total money they had borrowed from the money lenders was 27 dollars. And I could not believe that things like this can happen in this world. In our classrooms, we were talking about five-year national development plans, millions and billions of dollars of investments to change the economic situation of our Bangladesh and the poverty situation of Bangladesh by these investments. But we remained completely ignorant about people who suffer by not having access to less than one dollar a person in genuine enterprises that need to finance. And there is no institution, no policy, nothing. So my first response is to lend these 27 dollars to people telling them to return the money to the money lenders. And then sell your product wherever you can get the best price. You do not have to sell it to the money lender at the price that they decide. So that was the beginning. That was a kind of freak incident.

And probably small, other things could have happened to that and maybe forgotten, except for one thing—people got so excited about receiving those 27 dollars. And I kept myself asking the next question. If you can make so many people so happy with such a small amount of money, why should not you do more of it? So I was looking for doing more of it. So that pushed me to the idea that I should link these people in the village to the bank which was located on the campus. I thought my textbook knowledge says that the bank is the institution which is created to give loans to people. Here is a genuine case. Why should not the bank do that? I went to the bank manager. When I proposed to

him the idea that his bank lends money to the poor people in the village, he fell from the sky. He could not believe that I was talking about. He argued with me that the bank cannot lend money to the poor people because poor people are not very good.

So I picked a debate with him. I argued that they should do it. He argued back that they cannot do it. It is not the job of the bank to lend money to the poor people. Then he justifies it by saying that they are not creditworthy, meaning that they will not be able to pay back the loan. He refuses to give them the loan; it is a stupid thing to do. But my belief that this was the right thing to do and the bank should do it became stronger and stronger. Since I could not get it resolved, I started looking for high officials in the banking hierarchy to find a way to pursue it, to lend money to the poor people in the village. And it took me several months to find a way, but finding a way in their terms, in the bank's terms. I offered myself as the guarantor. I said, I will become the guarantor and sign all your papers. I will take the entire risk by myself. And you will get the money.

After my proposal, it took me another two months of constant negotiations with the banks, finally to agree to that. So in 1976, the first time I could take the money from the bank with me as a guarantor and give it to people in the village. And the bank manager says, you say goodbye to your money, because this money is never going to turn up. I said, I will take my chance. And I took my chance. The money came back. So that is the exciting thing about it.

But that did not change the mind of a bank manager. He thought, unless I do it in more villages, this would not be something quite demonstrated. So I did it in more and more villages. Still he did not change his mind. At one point, I thought, if I do it over the whole world, probably he would not change his mind because his mind is made. This is a very frustrating thing about the mind that I have learned over and over again. How a mindset plays tricks on people. We think we are seeing things, but we do not, because our mind does not allow us to see the things the way it is. Our mind always tells us to see things the way we are used to seeing things. We interpret things in our way because our mind is always telling us, "no, this is this". So it is very difficult to bring in reality, although we promise to ourselves we are absolutely independent, absolutely free. I am willing to talk to you with an open mind.

But I believe there is nothing called an open mind. And these mindsets come in the way we grow up, in the way we go through our experiences. And that is where universities play a very important role; academic institutions play a very important role. Most of our

mindsets are made in our academic institutions. If I am a student of Professor such-and-such, for the rest of my life, I remain indebted to Professor such-and-such. I speak the way he spoke, I argue the way he argued, because that is the way of learning. That is why we say such-and-such a school of thought, simply saying that you believe in the way you prefer to belief. No matter how much argument you bring to them, they are not going to be knocked off. So in the everyday world, mindset is a thing that we need to confront and see if we can make it a little bit changed in the face of reality. But it is very difficult. And I hope in future academic systems, the teacher himself or herself doesn't become the issue for the student. That it is the thought which becomes the important issue rather than the person. But this is very difficult. We have not found a way to do that yet.

So when we did that, we found out the mindset of the person, I said, if I continue this way, I will never get out of this. I am trapped. Trapped by the rules, trapped by the attitudes. One way to get out of it is to create a new bank, a new bank which will lend money only to the poor people. So then I tried to achieve that, arguing with the government to allow me the permission to set up the bank. Then that is a long story again. In 1983, we got the permission and created a separate bank, an independent bank called Grameen Bank. And we were absolutely delighted that finally we had our own bank we can run it the way we want it—we do not have to go through the old rules, old procedures which do not work the way it should work for the poor people. So the Grameen Bank was born and we continued to expand and expand.

And in the mean time, the critiques of Grameen, those who are the non-believers, who thought this is a silly thing to do, lending money to the poor people. Whoever heard of that? Nobody in the history ever did that. Why should we do that? And if we are not right, we thought, it was alright, we would collapse. Luckily, we did not collapse. We became stronger every day. We expanded every day. Then the ideas started spreading outside of Bangladesh. Many people in the beginning said, well it may work in Bangladesh, but it will never work in any other country. Bangladesh is a very funny country. All kinds of funny things happen in this country. So this is one of them.

So we were hoping and believing that this was not limited to the boundaries of Bangladesh. And fortunately, the reality presented a different situation. A professor from Malaysia was visiting Bangladesh. He got very excited about seeing Grameen Bank and the achievements it had made by that time. He said, can I do it in Malaysia? I said, why not? And after long preparations and so on, we started in Malaysia and it worked. In Malaysia, so for the first time we could say that look, it works in another country. There

were arguments that maybe it had something to do with Muslims. It has to be a Muslim country. I could not argue against it because I had no example.

So luckily, the next country was the Philippines, so I could at least say, look it is the Philippines. It is a Christian country, a Catholic country. Oh, maybe it is an Asian thing. It would happen only in Asia because people have to survive in a very difficult circumstance and so on. They could not hide behind that explanation that it was an Asian phenomenon because many countries in Africa, in Latin America started picking it up. And then they said, well, maybe these poor countries are too low, they are so desperate. That happened and another happy incident happened. A governor from a state in the United States invited me to come and help him set up a Grameen program in his state. This was the Governor from Arkansas, and the Governor happens to be Governor Bill Clinton. I had no idea who this guy was.

But I went there, talked with him, and both he and his wife Hillary Clinton became very excited and said, oh we need this in Arkansas. So we dared to set up a Grameen program in Arkansas. So at least now I can say it is not limited to poor countries because there are rich countries who are doing that. Then it spread in Europe in many countries—in Norway, in France, and in England, in Poland, and in many other countries. So it spread everywhere.

The question is what? What is so special about it? And the specialty comes back to the very start of our program, when I was making accusations, allegations against the existing banking system. My allegations were very simple. My allegation was the banking system has been designed in such a way that the poor cannot come anywhere near it. So it is by design, not by accident—sorry we forgot about you. It is not like that. It was designed that way, so they could not come in. This was my allegation.

The second allegation which was more difficult to swallow by my banker friends in Bangladesh, and the second allegation was, not only banking system rejects poor people, it also rejects women. They got very shocked—why do you say that? I said, well that is the reality. They tried to defend themselves by saying, no we are not against women, we are always giving loans to women. I said, but performance does not show that. I said if you take all the borrowers of all the banks in Bangladesh and look at the gender composition, if you can show me even if you have one percent of your borrowers as women, one percent, I will not argue that again. I will say you are absolutely fine people. You are even-handed with women, even if you have one percent. They had nothing to say. That was in the middle of the 1970s when I was arguing that.

Today it is 2005. I do not think they can present one percent even today. So there is something wrong in the system. It has not happened at that time, banking was not developed so much, and so on and so forth... You cannot say that in 2005 anymore. So it must be built into the system. So when I began my work, I wanted to make sure half the borrowers in my program were women. This is by decision. I have no arguments, I have no decisions, otherwise why I should have half the borrowers as women except for the question of equality and gender diversity. I thought it would be unfair to leave out the women. When we began, my colleagues, my friends, my students who were doing this work were totally frustrated. They said, "oh it is not going to work because if you insist on having women to join you, we will never get along anywhere because women do not want to come and join us. They do not want to take loans from us."

I said, "Let us not give it up. Let us hang on. Wait. See. It takes time. A woman can never experience in her life to take a loan independently for her own." You do not expect her to agree tomorrow, take the money and do it. This is absolutely against our tradition, against our culture, against our thinking. So we are again stuck up with another set of values, another set of customs that you are challenging. Women said, "Oh no, do not give the money to me, give it to my husband. I do not know anything about money. Why do you want to give me money?" Some said, "I never touched money in my life, so I do not want to touch it anymore. Touching money is trouble. You give it to my husband." They went on and on with all kinds of explanations why they should not take it.

I am telling my staff saying, "Look, let them tell what they feel, but you keep on explaining why it is so important that they take the money. Someday, somebody will take the money. And if she is successful, if she is doing well and the sky is not falling over her head because she took the money, her neighbor will get interested to take the money. If her neighbor takes the money, another person will become interested and gradually all the fears will disappear one day. And she will find it so exciting to take money, earn money, and do it herself."

It took us six years to bring the level of women in the institution to the 50/50 level. Once we did that, we saw what a difference it makes in people's lives in two ways. First of all, money that went to the family through the women brought so much more benefit to the family compared to the money going to the family through men—same amount of money. In one family, you went through women, in another family, you went through men. You see the difference. I am sure you are guessing at what difference it will be. One big difference is the children. The family where money went to women, children

are immediate beneficiaries of that money. It never fails. But if it enters through men, children are not the beneficiaries. Women always displayed a long-term vision. She is always trying to build up something for the future. Women always displayed some self-sacrificing mood, meaning that she does not want to take everything that came out of that money herself. She wants to please others in the family—children, husband, mother, parents, whoever are in the family. And she wants to be the last one to get any benefit out of it.

So if you look at the women's priority list of what she would do from the money she makes, from the money she borrows, you can almost remain assured that in that list, the number one position most probably will be occupied by the children. The children will be the primary beneficiaries. Then you go down the line to others. If you look at the last item, most likely the last name would be herself, at all if it exists on the list. If you can look at the imaginary list of a man, what would be his priorities whenever he brings in extra income, you can almost guess that probably he will be or his friends will be number one. And as you go down the list, others in the family will come at the very bottom. And men displayed impatience. He wants to enjoy it right away. He does not want to wait for tomorrow or the day after and so on.

So you go on noticing those differences every day. Then you wonder, "Why do you have to stick to this 50/50 rule? If your intention is to bring more benefits to the family, is not it a good idea to change that policy?" And we did that very quickly. We made the decision that from now on, we will focus on women. And gradually we moved to 60 to 70 to 80% very quickly. And 90-95% became part of our history. Today we have 4 million borrowers in Grameen Bank; 96% of our borrowers are women. And the Bank, Grameen Bank is owned by the borrowers. This is one piece people do not usually remember. This is a bank for the poor, for poor women particularly, and owned by the poor. And they sit on the board of this bank. It is not somebody high officials or others sitting on the board making decisions about this bank. It is the same woman who borrows from this bank. They send their representatives. Every three years, they have an election, and they send their representative to sit at the board to make the decisions about the policies.

And this is no small bank. It lends out right now at the rate of 0.5 billion dollars a year. Not only the lending of the money, the repayment rate has become such a legend by itself. It is nearly 100%, it is over 99% recovery rate of Grameen Bank. Poor people borrow, invest, earn money, pay back the bank with interest without fail.

So what do the banking theories tell now? Are they going to say poor people are not creditworthy today? Is it something they should be hiding themselves behind? Or we should be asking a different question, asking whether the banks are people-worthy rather than whether people are bank-worthy. And when it spread all over the world and demonstrated again and again and again that poor people are a much better credit risk than any other group of people. Because it is no longer Bangladesh, it is everywhere around the world they have shown that it can be done.

But still, if you look at the global situation of banking and financial services, half the population of the world do not have access to financial services. Half the population of the world cannot borrow from a bank; they do not qualify. They cannot even save because these savings are too small; the loans are too small for them to take. So, they are left alone. And in a world where financing is such a critical thing in everybody's life, when a financial system refuses to lend you money, refuses to provide you a service, it is almost like a death sentence. You have been pronounced economic death sentence. Economically, all you can do is to be a slave for others. You cannot go off on your own because financial doors are not open for you. So that is the question I have been raising again and again how unfair that system is and no fault of the people.

And I raise the question along with the issue of poverty. And the question of poverty is that poverty is not created by the poor people. So it is not the creation of the poor person—that I became poor because I made a mess of myself, so I became poor. It is my condition. It is not like that. To me, poverty is created by the system that we have built around us, the system which consists of the institutions that we have built, the policies that we have formulated, the conceptual frameworks that we have created for ourselves. So they created the poverty. If poverty is massive, our mistakes in those things are massive. That is why we have massive poverty.

How do you finish poverty? How do you end poverty? Change those institutions which created poverty. Change those policies which created poverty. Change those conceptual frameworks which created poverty. So in other words, you have to back to the drawing board. If we say, no, we will go on and we will give some money to the poor people, that is not going to solve poverty. Because you can give some money to the poor people today, but tomorrow, the same system will crank out more poverty because the system is working every day.

An example I give, a concrete example, is of financial institutions. I said if you go on doing the financial institutions as they are, shutting the doors to half the population of

the world, it cannot be an acceptable proposition. And to emphasize that, I keep saying that it should be accepted as a human fact. So it is a responsibility of the human society to build institutions so that every human being has access to credit. And it is possible. That is what Grameen Bank has demonstrated. It is possible. In the beginning, you could say, well it is possible for five years, ten years, but then it will be clear that it does not work. That is not how it works. It became a stronger bank, a profitable bank, and still expanding.

Some say “Maybe yes, you can lend money to the poor people, but these institutions will never be sustainable,” meaning that these institutions always have to be given some money by somebody as a charity so that they can lend money to the poor people. That is not what the Grameen Bank is. The Grameen Bank—where is this half a billion dollars that we get every year to lend money? We said we lend half a billion dollars each year. Where does this money come from? Are there big donors giving money to Grameen Bank? No. Is the Government of Bangladesh giving this money to Grameen Bank? No. Where does it come from?

It comes from the deposits of the bank. As a bank we take deposits and we lend money. This is the classical way a bank works—intermediation. But this is an interesting intermediation in Grameen Bank. What I say is correct, but it needs a little bit more information on that. Seventy percent of the deposits, which Grameen Bank has, comes from the borrowers of Grameen Bank. So borrowers of Grameen Bank keep their savings in Grameen Bank and borrow from Grameen Bank. So every time I give one dollar as a loan, 70 cents out of that dollar comes from a loaner. And each year debt component is increasing because in the mean time, she is saving more and more. People ask us, why does she borrow? She has money.

I say yes, if you look at yourself, you will see the same thing. You have money but at the same time you borrow it, because fund management tells you that it is more profitable to keep the deposits in the form or your cash in the form that you want at the same time you carry on with your work with the loan. In Grameen Bank, when the borrowers keep saving, they are looking for a long-term asset building objective. So while they are building assets for the future, they are carrying on their business activity in the short-term environment by borrowing from Grameen Bank. It makes perfect sense. Everybody does that. Nobody has advised them, but they figure it out. They do not withdraw the money from Grameen Bank and then say I do not need to borrow, because it brings a better life faster the way they do it than other ways. So this is how it works.

Then there are other arguments. I am sure many of you have heard them. But, it is good only for the top layers of the poor people. There are poor people who are at the top of the poor people, there is a middle level of the poor people, and there is a bottom level of the poor people. So microcredit is good only for the top level of the poor people. We are going and showing them that in Grameen Bank look, we have always worked at the bottom of the poor people. So why do you keep repeating yourselves—it is good only for the top layer of the poor people? Everybody knows the past story how Grameen Bank originated. We started out giving 27 dollars to 42 people, less than a dollar a loan. So they are not the top layers of the poor people. That is how we do it. But they love their argument so much; they do not want to abandon it.

So last year, we picked up something which we did in the past many times, but not in a concentrated way. We started a program on our own. We said let us give loans to the beggars who make a living by begging from other people. In Bangladesh, begging in the rural areas means a woman or a man who goes around in the village door-to-door, just asking for some rice. So how do I do it? Give her one handful of rice. And for the whole day she will go around knocking at every door because she does not have anything to eat. So people will contribute some rice. At the end of the day, she will pick up two kilos of rice or two and a half kilos of rice. And that becomes a means for her family and herself until the next day. And when she needs more, she will go back again collecting rice. This is not for one day. This is not for one week. This is her lifelong living, because she could not find any other way to live. And there are many, many such beggars in Bangladesh. So we decided, let us focus on beggars.

We told our staff, not only do we want beggars, but we want the most difficult of the beggars, meaning that not only is she begging, but her parents were also beggars. And it will be good if you find someone who is a beggar, her parents were beggars, and her grandparents were also beggars—third generation beggars. Why do we want to select such a difficult person? We want to demonstrate money works for everybody, not just for the top layer of poor people. What do we tell them when we find one beggar who is willing to work with us? What do we tell her? We tell her, look, you go around in the village door-to-door every day. It is a very difficult task. It is difficult in rain, sunshine, hot sun, winter, but you do it for survival because it is the only way, I do not know. Even in the monsoon, heavy rain, but you cannot stop because you have to go and find some food.

So we tell them look, as you go from house to house begging from others, would you

care to do carry some merchandises as you do it, for example, some cookies some lozenges, some candies, some toys for the kids? After all, you are going there anyway. So take a box with you. When you are there, you can open the box, show the kids, and show the housewife you have something to sell. Maybe some of them will buy something from you. If they do, you have a business. And if you see that people are really coming forward to support you and buy things from you, you may decide one day, I can make money by doing this. So from that day on, you do not have to beg. You are just a traveling salesman. You go around and sell things to other people. And they loved the idea.

In the beginning of last year we thought maybe we will have 3,000 or 4,000 beggars in our program to see how it works. The pressure on us was so much that at the end of the year we had over 25,000 beggars in that program. The typical loan for a beggar is nine dollars. With excitement, I said that pressure was on us. Where did the pressure come from? The first pressure came from our own staff. They got so excited about seeing the excitement in the beggars, they said, "May I take one beggar into my program?" We are doing it in a selected way. So everybody wanted to have a beggar. So finally, we said okay, each Grameen Bank staff can serve one beggar, no more. And they were very happy. And then we found out we had 12,000 staff in Grameen Bank. Then we found out the number exceeded 12,000 and was at least 14,000. We said, how come we have 14,000, we are supposed to be fewer than 12,000. And some admitted that they had more than one. Once they found out that some of them had more than one, others said how come they have more than one and we have only one. So we made the goal two. So that is why we ended up by the end of the year with 25,000—still a little more than two, because that would be 24,000.

Because they got so excited by seeing how life gets different by this tiny amount of money. And they get emotionally attached to these women that they are serving, the beggars that they are serving. And some of them already quit begging completely. And we are challenging our staff, we said our real success would be by next year, by December—this December we have 25,000—if we look back to these 25,000 beggars next December 2005, if we see that at least half of those beggars are no longer begging and they are making a livelihood of their own and businesses and asking for more money and expanding their businesses and so on, that will be such a joy for all of us that we have done something that has touched people's lives. And also, this would give a big story to the people who are arguing that credit is only good for the top poor people. It is no good for the bottom, no good for the middle. So people come up with their mindsets and stay behind their mindsets no matter what you try to show to them. So this is the

problem that we keep on facing.

I would quickly add a few more pieces and then stop talking about Grameen Bank and then touch a general principle that I want to speak on. Always right from the beginning there is something called “16 Decisions” in Grameen Bank. Some of you may be already familiar with it. One decision says, we shall send our children to school and make sure they stay in school. Bangladesh is a country where literacy rate is low. And if you go to the poor people, literacy rate is absolutely low. Of the 4 million borrowers that we have, probably 95% of them are illiterate, cannot read and cannot write. So right from the beginning of Grameen Bank in the early years of the 1970s, one of the things we have been trying to promote, as you come to Grameen Bank, you go through these 16 Decisions, decisions you have you adopt yourself, not us. And send your children to school and make sure they stay in school. And we promoted this idea in a big way. And we saw that yes, all the children were in school. Because our idea is to make sure second generations in these families are different—they do not repeat the first generations who are borrowing from us. They will be slightly better off than their parents. So first we thought that they should make sure that they get them to school.

At that time, our idea was that they could go through primary school at least, and we were not expecting more education than the primary school. Because for the poor people, sparing their children to go beyond primary school is very difficult because they want to get the children out and earn money somewhere. But a few years later, we started noticing, not only are they in school, but many of them are moving into high school. And a few years later we saw not only are they in high school, but many of them are going to the colleges. But nine years after that we started noticing children of Grameen Bank are in medical schools becoming doctors, in engineering schools becoming engineers, in universities becoming top professionals. We said, my God, we had no realization what could happen by a simple encouragement that we made. Their children are coming to the universities.

So quickly, we made a decision, two decisions. One, we introduced scholarships. So Grameen Bank gives scholarships at all levels of the schools to the bright students who are performing very well in the classes, topping the classes where all the children of all kinds of families are there, but it is the son or daughter of the poorest person who is topping the class. So we want to celebrate that by giving them scholarships. So Grameen Bank gives out more than 7,000 scholarships each year. So this is a big event for young kids to receive some money from the bank as recognition of their talent and their capacity to learn. Then the second decision that we made would be student loans.

Anybody who was into professional schools like engineering, medicine, or in university departments, their entire financing is done by Grameen Bank. So the children do not have to worry about whether their parents will be able to support them in higher education. We tell them, do not worry. Just concentrate on your education, get the best education you can get, and we will take care of your financing. So we are giving finances to them. And every university in Bangladesh, you will find Grameen family members; children are in every single university and professional school studying with the Grameen Bank financing.

Our idea is if you can have this kind of second generation, there is no slipping back into poverty again. See, taking people out of poverty may not be as difficult as we think. But the real difficult part is to keep them out of poverty, because it is very easy to slip back into poverty. Once cyclone, one flood in Bangladesh will push many families back into poverty. So we are saying if you can build up the second generation in such a way that slipping back into poverty will be impossible and their families will be moving above the poverty line, way, way up, so that it will be easy to get back. So this is what the second generation is coming out. And as we looked to the second generation, we also looked at something else attractive—the power of information technology. We thought if we could, along with microcredit, if we could bring information technology to the poor people, it would be fantastic. And the opportunity came to set up a mobile telephone company in Bangladesh, because the Government of Bangladesh was floating some licenses to set up mobile phone companies in Bangladesh and we decided to apply for a mobile license.

After the long procedural tangle, finally after several years, we got the license and called it Grameen Phone and brought those phones to the villages of Bangladesh. We launched the program in 1997 and explained to people in the government saying that we want the mobile phone company so that we can take the mobile phone in the villages of Bangladesh, because villages did not have telephones in Bangladesh at that time. And then put these telephones in the hands of the poor women in Grameen Bank. Grameen Bank will loan the money, she will buy the phone, and sell the service of the phone and make money. People said “you are crazy”. Nobody would do such a thing. Why should a woman sell services of a telephone? Nobody would pay for that. And she will be wasting her money. I said no, our idea is that a lot of people will be interested to make use of our phone to call relatives, to call doctors, to call the market to find out the market price and so on. And she will make a lot of money. This was in 1997. Today, at the end of 2004 and the beginning of 2005, we have more than 100,000 telephone ladies in Bangladesh—all from villages. We call them telephone ladies because they sell

telephone service. If you want to call anywhere around the world or you want to call anywhere in Bangladesh, you go to her, pay her, and then you call. And she makes money; she makes very decent money. Having just one telephone is a kind of key to get out of poverty, right away. As simple as that.

We professors can argue for days and days whether she will or whether she will not. But with one telephone, it is sealed and done. So a telephone becomes such a coveted possession to have one because it is a sure success to get out of poverty. And everyday we are coping for the demands for them, demands for telephones, and we are bringing more and more telephones to them. And Bangladesh is a country where 70% of the people do not have any access to electricity. Seventy percent of the people have no access to electricity. Electricity is something of the privilege of the city folks. Villagers do not see much of electricity. How do you bring wire phones all over Bangladesh having no electricity?

We made a very quick solution to that. We created a company called Grameen Energy, or basically Grameen Solar Energy Company. It sells solar panels. So all we have to do when we are selling the telephone to a telephone lady, that telephone comes with a solar panel. She does not even know that in cities they do not have a solar panel. She thinks telephones go with solar panels and all these gadgets. So she does not miss the electricity. She generates her own electricity. Thank God the sun is there and plenty of it. So she charges her battery and she continues in her affairs. So again, the solution came from that—information technology.

And there are many other ways information technology can change people's lives. But today those who are designing information technology are not looking at that dimension of how much it can do. So this is one dimension that we have to look at. Another area where we need to do something and we have been trying to do in a small way is health care. Most of the families that we have studied have gone out of poverty in 10 years and 12 years. Today half Grameen borrowers have moved out of poverty. Every study that has been done on Grameen Bank tells how quickly people get out of poverty by doing things by themselves.

But we studied families who are having difficulties getting out of poverty--10 years, 12 years, 15 years, but still they are in poverty. What is the common cause? Health, there is a sick person in the family. Either the husband is sick or the father is sick or she is sick. Whatever money she is earning goes to the care of the sick person. She cannot move because she just goes around annually the same circle. She cannot expand her circle.

And there is nobody to look after her health situation. And our health program that we are trying to bring to the poor people in an affordable way to help insurance and so on. But is still is a very small proportion of our program.

So opportunity is arising; that is what brought us to Tokyo this time. We are very grateful to Dr. Tokuda and Tokushukai Medical Corporation. We are going to go in a big way in health care in Bangladesh. We have just finalized our discussion about setting up two large hospitals like Tokushukai has done lots of hospitals in Japan. Now there will be two hospitals in Bangladesh with the same quality of service, but basically dedicated to reaching out to the poorest people in Bangladesh so that the poorest people can also afford the finest medical care. And we want to make sure that it works in a sustainable way. It is not a charity hospital. It is a hospital which will earn for itself and go. At the same time make sure health care services can be brought to the poorest people in Bangladesh. And I am sure it will work out. And this will be a wonderful relationship between Japan and Bangladesh. That Japan has helped us overcome the healthcare problems of Bangladesh, particularly poor people in Bangladesh. I want to thank Japan and thank Dr. Tokuda and Tokushukai Medical Corporation for helping us in that. And I am sure next time I come here and talk about Grameen Bank and poverty, I will give you some new stories about the health care program and we will all enjoy listening to them.

The last point quickly, because my time is running out. I said institutions are at fault, policies are at fault, and conceptual frameworks are at fault. And now we go on just the last part, the conceptual framework part. All we have right now is a capitalist system of economy, free market economy. And we gamble a lot that free market economy creates such a tension, such a difficulty for the poor people, bypasses the poor people. The rich get richer, and the poor get poorer and so on. But we cannot do anything about it, because that is the only system we have got. Communism has collapsed. So there is no alternative system that we can fall back on and get excited about future possibilities of treating all human beings with the same dignity they deserve.

And this particular framework of the capitalist system, I have been arguing that the capitalist system has been interpreted very narrowly. And that this narrowness of interpretation has created all the problems and continues to create more problems as the poor get globalized. In a globalized world, these problems will be magnified in so many directions. In a wider interpretation of capitalism, what would it be? What is it done narrowly? I give one example of narrow interpretation, which is the narrow interpretation of business. In the present conceptual framework of capitalism, business

always means business to make money. There is no other kind of business in the economic field. That is why the fundamental of business is the maximization of profit. And we design all our system where every business person or every entrepreneur is trying to maximize their profit.

I said that is where we went wrong. People are not only money-makers. People have lots of different dimensions. One dimension of people has been completely ignored in the narrow interpretation of capitalism; people also enjoy doing things for other people. But if you enter the field of economics, all you see people doing is things for themselves, not for other people. So the part has been completely miscalculated. So if you install that into the system, saying there are two kinds of businesses. Businesses to make money, this is one type of business which already exists. There are other types of businesses—businesses to do good to people. Are there any people like that who want to do business and do good to people? Think if you can think of someone.

How about Dr. Tokuda? Would he come under business one, the business to make money? Does he take time to become the richest person in Japan? Is this his ambition? Or does he come into category number two, business to do good to people? By any definition, he does not belong to business number one. He belongs to business number two, the business to do good to people. Those people exist, but our field clearly does not recognize them. And who became poorer for that? Our theory has become poorer for that. Our world has become poorer for that. Our world has become difficult for that. By not recognizing Dr. Tokuda and his kind.

There are many young people here today who would like to become someone who would like to solve social problems by business. We want the business, we want to stop—if it is pollution—I can design a business to solve the problem of pollution, and in a business way, but not to make money. In other kinds of businesses we are saying, how much money are you making? This business is a business, but a business of the kind which is non-loss business. It does not lose money. There are organizations called non-profit organizations, which are charity organizations. I am talking about a business which is a non-loss business, which does not lose money, but the aim is not to make profit. The aim is to reach out to more and more people. So we can create companies to address pollution, address homeless people in a business way. I am not making money, but I am addressing the issue of homeless people. Address poverty—Grameen Bank is a social business enterprise. You are not listening to me because Grameen Bank earns lots of money; that is not why we are here. You are interested in Grameen Bank because it helps people get out of poverty. You want to know how we do that.

If I wanted to sell shares of Grameen Bank today in this audience, I am sure I would sell a lot of shares. Everybody would like to buy a share of Grameen Bank. I receive lots of emails around the world from people saying, can I buy a share of Grameen Bank? So what about them? They are part of this work. How come we do not have any arrangements in our field to build structure for them? In our real structure for them? There is only one Tokyo Stock Exchange. You go to the stock exchange to do what? To buy a share. Why do you want to buy a share? You want to make money. There is no other purpose. You want the money today or you want the money tomorrow; that is the only difference. Whether you want appreciation or you want dividends, but that is the only thing Tokyo Stock Exchange stands for.

I am suggesting that there will be another stock exchange in Tokyo—the social stock exchange. I will go there to find a company which is doing good to women in Africa, or women in Bangladesh, or wherever they want to. The company which is doing good to children—taking them out of the slums, out of the drugs, out of crimes, and giving them good education and good health, and helping them to be dignified human beings. There are 15 companies listed on the social stock exchange of Tokyo and I want to see which one to my mind is the best that I want to support. And I put my money behind it. Do you think there are people who would be going to that stock market? I am sure there would be hundreds of thousands of people who would go to that stock market. And my guess is people would go to both the stock markets. If they want to make money, they would put the money there, and all those who want to do good to people and feel good that as a human being, I am useful to another human being. But that has been ignored totally by the economics of capitalism that we know about. That needs to be corrected.

We have to find those social business enterprises, those social business entrepreneurs so that more and more of them like Dr. Tokuda will be coming into the businesses and the business will be of a different kind. So you will have a choice. How much of what you want to be associated. And the more and more social businesses take over the market, the better and better the world will be. And if we can reach out to those corrections, these are tiny corrections at the beginning, but this will lead to a world which will be completely free from poverty and we can believe very strongly in that. Even the world leaders have started believing in it. They have started declaring the Millennium Development Goals to reduce the number of poor people by half by 2015. If you can reduce the number of poor people by half by 2015, guess by which date the world will have no poor left? If you go half the way in 10 years from now, how many more years does the world need to come to the level where there is not a single person who will

remain poor? That is a little arithmetic I will leave behind for you. Thank you very much.

Moderator: Thank you very much Professor Yunus again. Now we would like to proceed to the next session in the program. I would like to invite Professor Yoichi Izumida.

[break in tape]

Professor Yoichi Izumida, Graduate School of Agricultural and Life Sciences: I will try to organize my comments by summing up the experience of the Grameen Bank, and after that, I would like to make some comments on what Dr. Yunus already mentioned today. I would like to skip about the history of the Grameen Bank. My comments are based on three information sources. These are available by accessing to the internet web.

The performance of the Grameen Bank is very impressive. We, as the researchers, always wonder why the Grameen Bank has been so successful. There might be several reasons for explaining the sensation. I just listed four of the reasons for the success. Number one is that the Grameen has given the hope to poor people especially to women. Second factor is its method. The method is very simple, flexible and powerful. And the third is that the lending operation is designed for creating the self-reliant innovative attitude. And the fourth is an emphasis on entrepreneurship.

Let me explain about the last factor, the most important factor for the success. In the field of aid, the following case of fish is often illustrated. There are several ways for assisting people. The simplest way is just to give fish to people. Second way of assisting is giving fishing net to people with the instruction of the method of catching fish. Of course the second way of assisting people is better, but still people receiving these two ways of assistance can be regarded as passive.

I think the Grameen way is different. Empower people, so that they can find a way by themselves to overcome their situation. The people who receive this kind of assistance will be very active and innovative. Grameen's methods contain this element .

I had read several articles and lectures of Professor Yunus in website. I found that Professor Yunus. was very optimistic. Sometimes I felt that he was too optimistic. He always trusts the potential capacity of the people. In addition, he is very active, and a man with many ideas.

His idea is very simple and straightforward, but very powerful. Let me show one example. This is a quotation from one interview article. “The most important step to end poverty is to create employment and income opportunity for the poor. But orthodox economics recognized only wage employment. So if there is no employment opportunity, create jobs by yourself”. Indeed, self-employment is the quickest and easiest way to create employment for the poor. For that purpose Grameen Bank will provide credits.

Also his idea of the social entrepreneur is very interesting. He referred this idea in today’s lecture. But I feel this idea has some controversial points. In my understanding, personal profit-driven motive is very strong, and is sometimes stronger than the socially objective-driven motive. So if the enterprises having the personal profit-driven investor compete with the social enterprise, social enterprises may lose in competitions.

These are my final remarks, because of time limitations. I skipped many parts of my presentation. Finally I would like to offer two remarks.

First, I would like to say that I envy Bangladesh people. Bangladesh is, one of the poorest countries in the world, but can have such an influential and innovative person. Professor Yunus once mentioned that in the future children will not know what poverty is, so we will have to take them to the museum of poverty. But in a sense it is very lucky for one country to have serious social problems that young people can tackle. Now in our country, Japan, we have few social problems, and sometimes I think that we need this kind of very serious social problem that we have to tackle.

Second remark is about the limited role of economics. In the lecture today, Professor Yunus referred critically to the economics, especially the economics with elegant models. However, if you read Professor Yunus’ papers, or lectures in the internet, you will notice that his discussion way is that of the economist. Maybe the experience in studying economics has helped his way of raising questions, and of analysis. I am a bit relieved because I am one of the economists.

I have some questions that I want to ask to Professor Yunus but because of time limitations now I will stop my comments here, and I will pass the remaining questions to the students here. Thank you very much.

Moderator: I would like to ask for students to ask one question each, and after that I

would like to invite Professor Yunus to respond together.

Mr. Satoshi Shinada, Undergraduate of Faculty of Agriculture: I am very impressed that Professor Yunus started microfinance which is very innovative and effective way of creating a poverty free world. Currently I study economics at Tokyo University and hope to play a big role for alleviating poverty in the future. While I am studying economic theory I sometimes feel some gap between studying and practice. I wonder how to combine theory and practice. When I see your career I guess you owe your success in Grameen Bank to your academic background at least to some extent. Maybe you will say that economic theories are useless, but I think there is a way to combine theory and reality. Considering that point would you give me some concrete advice about how I can make the most of studying economics or what I should do to complement studying economics in order to create other innovative ideas like Grameen Bank.

Ms. Kimie Tanaka, Undergraduate of Faculty of Economics: Thank you for coming here and giving your speech. I think I have to thank especially for your supporting women through your system. My question is about treating the cares of emergency causes. You know we have just seen a terrible disaster, the tsunami, in Asia. You have some similar terrible disaster in your country like floods. My question is if there is any special treatment in the case of emergency like the temporary natural disasters.

Mr. Masahiro Shoji, Student of Graduate School of Economics: Thank you for the lecture. I am in Ph.D program. The lecture was very impressive and I have interest in microcredit. But I have a question about the grants rather than credit today. Grameen and the other institutions offer some financial assistance during natural disasters, for example the flood in 1998 or last year. So I believe it is a very important activity. But some articles say that the governments cannot identify the poor people because the government agents do not live in rural areas. Then the social assistance by governments cannot reach the really poor households. In contrast I believe one of the distinctive properties between Grameen Bank and other institutions is close communication with local households in rural areas. So my question is whether Grameen can alleviate the informational problem through the local network in each village so that the really poor households can get social assistance. That is all. Thank you very much.

Ms. Rumi Shimbo, Student of Graduate School of Agricultural and Life Sciences: Thank you very much for your exciting lecture. I am taking up Master course in Professor Izumida laboratory. I would like to ask you three questions. I am sorry I have

to make one question but I have three. Within my experience I understand that the poorest of the poor are not really benefited from the microcredit. They need not only credit for enterprise loans but they need also consumption loans for their survival. The first question is that in your speech you mentioned about giving loans to beggars. I would like to know what is the reason for the success of reaching the poorest of the poor in Grameen Bank? The second question is do you think that Grameen Bank is now in a commercialized state? The third is do you support the view that commercialization of microfinance institutions and poverty alleviation of the poorest can merge together?

Professor Yunus: Well, thank you very much. Very important questions. I do not know whether I can give you all the answers to satisfy you, but I will try. First, going back to the earlier comments about whether social business entrepreneurs exist. This is my way of looking at it, that yes, they do. One can have a different view that they do not. Whether profit motive is the stronger motive than social consciousness. This is a debate. Which one is the more compelling urge in human beings? My own feeling is that social consciousness is a much stronger feeling in human beings than profit motive. If one is not stronger than the other, at least one is not weaker than the other. There is an edge on each other.

Particularly on the social consciousness side, I think it is infectious. If somebody shows something that he has done something good to other people others want to say “how come I am not doing that?” It touches other people immediately. It touches people’s emotions, people’s greater values and ideas and so on. If you move for a moment away from the economics and the economic world that economic literature has created, generated this world, if you go into politics, if you go into social service, if you go into religion, you will see how self-sacrificing people can be in religion, in politics, people give their lives. People commit suicide from not being able to do things for their own nation or own people. People spend a lifetime in prison because they feel something important for the politics of their nation. They do it because they feel so strongly about the other people. How come the moment we have entered the economic world suddenly they all disappear. They all want to make money, forget about everybody else. This cannot be true. Because these are all human feelings. So, simply it cannot expend or clear it out. Wrong. And it dealt with only one aspect of human life. And that is where the theory of capitalism went wrong. And that is what I am saying that we must get it corrected. Because of immediate abstraction for our needs it worked for a while as an immediate abstraction. But for explaining how human beings behave that is absolutely a very narrow way of looking at people and interpreting them—that all they want is to make money.

That is why I am saying that once we incorporate them into our theory you will see how many people now say, “Hey, we did not know about that. How come? Now we would like to join and participate in that.” And if we take for example a straw poll among the young people in the university in the economics class, who would like to become a businessman to make money and who would like to become a businessman to do good to people? After explaining that both ways are available and see which way they would vote, and this is their first reaction, and that would be an indication of how young people particularly see themselves and their future. About the question from Shinada, about the gap between reality and theory, this is related to that. That reality is something that we have to have eyes open all the time.

A sense of my presentation was we get blinded by study things. Studying or acquiring knowledge is supposed to give us more insights, seeing things more clearly, but my feeling is it does almost the reverse. We get blinded because of the way it has been presented to us. There must be a struggle both on the part of the teacher and part of the students to know this is not ultimate, particularly in social sciences it is very important. This is a kind of working theory, work in progress. You as students, your job is to see if you can take it to the next level. If you take economics as given, then that would be dangerous thing because it is about human beings. Our ideas are changing, the arranging of the society, arranging of power, these are important things for us. We always want to contribute not in a marginal way, write something to substantiate or write something to shoot down something, but to restructure the whole thing. That is where our challenge, the new generation’s challenge, is.

What is the world to be? The first starting point for the new generation, the way you asked the question is, “Decide what kind of world you want to create.” As if you are the one who is creating the whole world. And what would that world need? Describe that, this is the kind of work to do. Once you have described the bare essentials of that world that 20 years from now, or 25 years from now that you want to create, once you have described that, now come back to 2005. How do you get there? What do you need to get there? Work for them because if you work for them, you will get closer to it. Before that you have to define what that world should be.

Do not take the world as it is. That would be very wrong. Then you just have a kind of recycling ourselves over and over again. That is not progress, progress is when you decide, and that is your reality and you move into that direction. That is the challenge for young people. Whatever that world is, if I were designing that world for myself, I

would design that world, where there is not a single human being suffering from misery. My job is to see how do I get there, so that that world will end up something where not a single person is suffering from misery or poverty?

Thinking about emergency situations that we cope in Bangladesh, you see Bangladesh is a country described as a country of disasters. There is always some form of disaster to take place, particularly huge big floods, we always have small floods all the time, nobody even puts in on the newspaper, but when flood comes to real big nationwide, then it hits the headlines around the world that so many millions of people became homeless. So many thousands became homeless and it does not even get a headline in our own newspaper. When it gets millions and millions than it gets into the news.

Last year in 2004, we had again a very bad flood. Half the population of the country was affected by the flood. Millions and millions became homeless. So this is part of our life, we have no control of this water. We continue to think about it, how to control flood, have it flood in a controlled way, but we have not gone there yet. Any institution you build in Bangladesh has to be flood proof or disaster proof, otherwise you are wiped away. When we designed Grameen Bank, we made sure that flood proofing, disaster proofing is included and it is included. All our rules are very specific, as soon as we get hit by the disaster what we do.

For example, just to give an elaboration. All our staff knows, even if a local flood takes place, which we do not know from the central office in Dhaka, in some remote village, there is a flood and all the homes are under water and so on, what should they do? Our rules specify, the moment any kind of disaster hits your area, immediately declare yourself as a disaster area. The moment you declare yourself a disaster area, then the whole branch of units of the bank transforms itself into a humanitarian organization. It is no longer a bank anymore. It is a humanitarian organization. The staff of the bank should be running around to save people. This is their job now. All banking activities cease to exist. You go ahead save people, save the borrowers, save the non-borrowers, find them a dry place, find them shelter, find them food, and find them emergency medical services and so on. It is all your responsibilities. You cannot say sorry, I am also affected, no. You now take the role of the humanitarian organization.

Then you may be asking where the money is? Use Grameen Bank's money. That money is at your disposal, we will not ask any questions, use the money, save people. That is your job. Then we will come back later on when you are out and we will support you and make it in a big way so that you can help the other people, children particularly.

Many children die in flood. Families take shelter in the beginning on their roof top, whatever hut they have with a slanting roof, they go to the rooftop because the house is under water. The children are with them. They try to protect the children, but when the mother is sleeping the little baby drops into the water. The mother wakes up and the baby is gone and later finds the dead body and so on. It is a very dangerous kind of situation. It is not a very easy way that okay, you live here for a while. You are constantly fighting for your survival and so on. So you try to see how to protect them, take them away from the roofs. Find some place where they have a dry place to sleep and bring some food and so on. This is one elaboration.

Then comes the rehabilitation phase, when you are trying to put them back into their houses. Grameen Bank immediately issues housing loans to build houses again, all over again. Recoup your losses. You get fresh loans, so that you can start buying again, seeds, whatever you need to do, so that you can start all over again. The standard part that we have that we communicate to our staff is that if people die there is no sense in Grameen Bank surviving. Who does Grameen Bank survive for? So if people survive, Grameen Bank survives, otherwise it has no meaning. So this is one way of describing how we do our thing.

Tsunami, yes, same kind of thing, we are saying that first relief operation is fine, needs to be done. But beyond relief is the most important part coming, how do you rehabilitate them? People lost members of their families, how do you rehabilitate them? Lost everything deposits, how do you rehabilitate them? You can do charity, give them money. Probably money will not do the job. You need institutional build up so that they can, people can encourage each other, people can inspire each other. Take the kind of shock they have gone through and start living their life all over again and look forward to their new life. So this is a very critical phase that families have to go through.

About grant, as he mentioned, grant yes. For grant relief and all that, my standard explanation is I am all for grant and relief but it has to be time-bound. It has to be limited to a period. Grant or relief should not be for unlimited period. If people live on relief or people live on donations for an unlimited period, they lose all their capacity to take care of themselves. They lose their initiative to fight for their own existence. And it is the challenge-taking capacity of human beings is what makes human beings. So you should not do anything which disturbs the capacity to take challenges. Human life is built on taking challenges after challenges, and that is what life is all about. So giving charity doles and kind of monthly checks on welfare is creating a different kind of world for themselves.

I almost describe by saying a welfare system, the way we have seen practiced in the west, creates a world for the poor people, or other disadvantaged people, unemployed people, as if it is created like a human zoo. Like in the zoo with animals, all healthy animals live there you feed them, you take care of them, you make treatments of them, the doctors are waiting to check them out. But they are not the real animal because they are not in their natural home—going and getting the prey and doing their thing. So if you are taking charge of a number of people to be fed by the state or community or the society, they are not performing their human functions, and you have taken away the instinct of being a fighter, a creator, a creative person. And that is a big damage to a human being.

So the real thing would be to create the environment gradually. Help them so that they can fight and achieve. Sometimes fighting does not make sense because you have not done anything to support that fight because all the relevant support system has not been created. Like, for example, in my case I talked about the banking. Even if I ask them to go and earn for yourself, say I do not have the money. How do we go and make them earn money if I do not have the money? So you need to create the financial institutions before you ask someone to go and make money. So these are the kinds of things about the grant part that comes to me.

You said about the government machinery does not work. Yes it is, because any kind of bureaucratic return is always trying to please the people at the top rather than real getting into the action part of it. They are more on the paper shuffling business than real action type of thing. A real pity. Who is a poor person, is that such a secret? You will be there and you will see who he is, who she is. We make up as if this is such a big secret, somewhere KGB has to be sent or CIA has to be sent to find it out. It is not like that. It is simply we are not interested to find out. If we go around, check out our neighbors we will find out who is poor and who is not poor. And that is true for everywhere else. And if you are saying that we want to reduce the number of poor people by half by 2015 and we do not even know how many we have right now, who they are, how are we going to do that? First responsibility is to list them, who they are, and make sure we have this list for 2005. How many of these people will get out of poverty this year, or this month. Because it will be reduced by half by 2015 only if 10 people get out of poverty today, and 15 people get out of poverty tomorrow and so on and so forth, so that is all adds up. Month after month, year after year, by 2015 half the poor people are out of poverty.

So it is a question of doing it and being willing to do it. It is a hard decision, it is a tough

decision and we have to make clear effort. But intensive work is needed to be done only for 10 years, this is 2005 and the whole thing will be over by 2015. We do not have to go there in 2015—“oh, let us sing some other songs, forget about the old song 2015 Millennium Development Goals.” That would be a shame to the whole of mankind, that we made a decision and never cared to implement it. So this is what we need to do and that is what we energize ourselves to do.

But the poorest of the poor I mentioned in the Beggar Program. Yes, they need lots of things for survival, but income is the first element of survival, how do you create income? As I said giving financing in their hand creates some way of earning money for them, like I was giving you the story of the telephone lady making money by selling the telephone service. So in our Beggar Program we said, “Hey, why do we not give a telephone to one of the beggar women to find out how she does it?” Why not? After all it is a loan. If we can give a loan to somebody else, why cannot we give a loan to a beggar woman? She starts her telephone business and made money and something. Some said “Well, you know she does not have the capacity to handle the telephone, she does not even know how to operate the telephone, and she does not understand the language of the telephone and so on.” We said, “Okay, but if we give her the telephone as a loan, financed by Grameen Bank, then she can find a partner who is very smart in running a telephone business.” So this partner is expert in running a telephone business, but I am the owner—I am the beggar woman—I am the owner of the telephone, so we go into management partnership. So I give the management contract to my partner. So she works, runs the company and we split the profit. It goes on everywhere. You have a house you rent it out, do you not? So why can you not rent it out and make money? Or go into a joint business—you have the money, she has the skill, you have the equipment, she has the skill, and so on and so forth. It is all possible.

It is a question of misunderstanding if you just said “Oh, money does not help the poor people, they need something else.” Everybody needs something else. Who says only poor needs something else? Everybody needs health, everybody needs education, and everybody needs everything else. So we are not saying do not give them anything else except credit. Somebody almost interprets that microcredit people are saying “Give them, the poor people, microcredit and hey, watch out, never give them anything else.” We never say that. We say give everything else as best as you can, but do not forget microcredit, it helps very much. That is all we are saying.

So do not say that poor people, the poorest people need something else and other people do not. Everybody needs it, and she needs it too. But if you prepare the microcredit like

phone for the beggars, for the poorest, other things become so much easier to put into it after that platform has been built. Healthcare becomes feasible, education becomes feasible. Look at all the women, all the families in Grameen Bank, 4 million families. The children are in school and we could not have done it if there were not organized in the Grameen Bank free work and so on and so forth. We could not have given them the student loan if they are not organized in the Grameen Bank system and so on.

So all this happened because we could organize it. We could not bring healthcare, we could talk to Dr. Tokuda to bring healthcare system which would immediately take it to the poorest people, because we knew we have organized 4 million families sitting out there, right there. And Grameen Bank is not alone now; there are many other organizations who have organized it. It becomes so easy to reach out to them when you have organized them. So microcredit is not simply the money part of it, it is a whole elaborate system that you talk about. So that becomes very important.

Commercialization, that takes me back into that interpretation of business. Business to make money, business to do good. Microcredit, which microcredit? Microcredit to make money or microcredit to do good to people? We in Grameen Bank chose it as a business to do good to people. If somebody said, “Aha, we want to make microcredit very good, you can make a lot of money in it. Let us go and do that.” Let them do that, money lenders have been doing it for years and years ever since human beings came onto this planet. Money lenders are doing it all the time giving loans to the poor people and squeezing every drop of their blood in the process. If that is commercialization, thank you, I do not need it. I have no business with that. But if you want to run it, let them run it, we will compete with them. That is commercialization.

If commercialization means running it as a business, Grameen Bank runs as a business, it makes profit. Last year in 2004 it made at least US\$16 million in profit. So it is a profit-making organization, it is owned by the poor people. Ever since it became a bank, all those years, only initial three years it incurred losses, otherwise every year it made profit. So I do not see any controversy on that part. That is why one of you said, social business enterprises and non-loss organizations. That is the point I am emphasizing—it is not the money-making part which is exciting about it, it is the reaching out to people part that is the most exciting part. So microcredit in that part, for me, is the most exciting thing. But if somebody wants to run it to make money for themselves, the world is open, they can do that. So that is commercialization.

And poverty, yes, we would like to give the benefit of microcredit—the best possible

part of it—to go back to the poor people, rather than somebody else taking away from them. So that they can make use of them as best as they can and get out of poverty as fast as they can. All other necessary elements can be organized around them, like I said about the information technology—how best to bring information technology to them so that information is not something missing out from them. So they can access information every time, so that nobody in the middle can take advantage of their situation and give them wrong information or bad information. They can get to the root of the information and make their own decisions. Also health and education and of course microcredit. Once we can ensure that, I do not think anybody can really push the people down there to remain poor people, nobody can do that. People will just get out of those holes they have been pushed into and become just as human being as anybody else, anywhere in the world.

Thank you, and thank you for asking these questions, these are very important questions. I hope you will study them as you learn. Thank you very much.

Moderator: I know everybody would like to ask many questions, and also even a couple of people are interested in launching the Grameen Beggar Program in Shinjuku Tokyo, but because of the time pressure I am sorry to say we have to proceed to the closing remarks.

Our closing remark is by Professor Naohiko Jinno, Dean of the Faculty of Economics, University of Tokyo. The message is going to be delivered by Professor Katsuhito Iwai former Dean and joint leader of CEMANO program.

Professor Katsuhito Iwai, Joint Leader of CEMANO, University of Tokyo: Okay, time is short so I will have to be quick.

I am standing here in three different capacities—part as a joint leader of the research centre for The Research for the Market Economy and Non-Market Institutions who help organize this last lecture. Second, as the former Dean to the Department of Economics, who helped to launch and set up this research institute. And third, and most importantly, as a representative of Professor Naohiko Jinno, the current Dean for this Department of Economics. Professor Jinno, to his regret, was unable to attend this seminar, so I have to substitute.

Now, as all of you, I was deeply moved by this lecture. When I have time, I would like to express my gratitude in each these three different capacities. But of course time is

running out and I have to confine myself to read a message to Professor Yunus on behalf of Professor Jinno—this is written by Professor Jinno. This is his message and I will read it, but I have to be quick.

It is a great honor for us to be able to host Professor Yunus lecture. On behalf of the Faculty of Economics, the University of Tokyo, I would like to extend my gratitude to Professor Yunus and all the participants.

The recent integration of national economies into a single global market has given rise to sharp conflicts within global market standards on the one hand, and region-specific political systems, social structures and cultural norms on the other. These conflicts have created an urgent need to identify ways to bridge the gap between market economy and non-market institutions.

One and a half years ago, our faculty has launched the 21st century centre of excellence program called The Research Centre for the Relationship between Market Economy and Non-Market Institution or CEMANO for short. For Asia to establish an international research centre whose goal is to provide comprehensive intellectual framework that is capable of understanding the direct of relationship between market economy and non-market institutions. One important research focuses is on economic development especially on the roles of non-governmental institutions or non-governmental organization in reducing poverty and enhancing human development.

Needless to say, that Grameen Bank has been hailed as one of the most successful such organizations and the so-called microcredit revolution it has ignited has helped millions of people in developing countries getting out of their poverty. It is not an exaggeration to say that the Grameen Bank Project has become one of the most valuable intellectual assets for the humankind.

I am glad—this is my addition—I am glad to add that this intellectual asset is not a private property, but a public good to which everybody around the world has free access.

On this occasion I would like to express our deep respect and great esteem for Professor Yunus and his colleagues in the Grameen Bank who, over so many years, have labored so hard in the battle against poverty.

Thank you very much.

Moderator: I would like to express cordial gratitude to Professor Yunus for his wonderful lecture and also to everybody participating today and for your cooperation in carrying out today's lecture. I hope that we can continue to hear further about real economics and frontier economics from Professor Yunus and also Grameen.

Now, I would like to formally close today's lecture by Professor Muhammad Yunus. Please give a big hand...

Professor Yunus: Just one attention, my colleague and my student, when we started in the village in Bangladesh in Chittagong, today is here. Devalt, is number two in Grameen Bank.

It is not usual that we attend meetings at the same time, because he is at Dhaka, I am here or somewhere, but on this occasion we are together here. When I was talking about I took my students, I did this with my students, he is one of the first ones who started work. And he remained with Grameen Bank like many other students who remained with me, that is what today makes Grameen Bank.