

CAPITALISM AND COMMUNITY

John Elkington and Pamela Hartigan, **The Power of Unreasonable People: How Social Entrepreneurs Create Markets That Change the World** (Harvard Business Press, 2008)

Stephen A. Marglin, **The Dismal Science: How Thinking Like an Economist Undermines Community** (Harvard University Press, 2008)

Muhammad Yunus, **Creating a World without Poverty: Social Business and the Future of Capitalism** (PublicAffairs, 2007)

Peter Block, **Community: The Structure of Belonging** (Berrett-Koehler, 2008)

IN Search OF ENTREPRENEURIAL Spirit

by Margaret Wheatley and Carole Schwin

In June 2008, Bill Gates stepped down from day-to-day leadership of Microsoft. He wrote in *Time* magazine of wanting “to help create a world where no one has to live on a dollar a day or die from a disease we know how to prevent.” Gates’s new cause is “creative capitalism”; he intends to use innovation, entrepreneurship, and market creation to respond to the needs of the more than 4 billion people who, he says, “have been left out.”

But ameliorating poverty and eradicating disease will take more than new products, new business plans, and new markets. First, it will require a widespread recognition of the degree to which these escalating problems are unintended consequences of the global acceptance of free-market economics.

“In a world where the ideology of free enterprise has no real challenger,” writes economist and Nobel Peace Prize winner Muhammad Yunus, “why have free mar-



kets failed so many people? Unfettered markets in their current form are not meant to solve social problems and instead may actually exacerbate poverty, disease, pollution, corruption, crime, and inequality.”

Both Yunus and Gates have deep knowledge of free-market economics. But their approaches to using capitalism to serve the poor — the Grameen Bank and the Bill & Melinda Gates Foundation, respectively — are very different, and it is this difference that illuminates a second requirement for addressing intractable global problems: challenging the basic assumptions about human nature and human capacity that have made their way from free-market economics into much contemporary business practice.

The Western economic world view frequently assumes that creativity, talent, and generosity are not common human traits; that people, especially poor people, are not smart enough to act in their own behalf; and that community is not essential for quality of life. Yet anyone working in community — that is, working with a group of people with shared interests in a specific geography — quickly discovers that nearly all people are creative. They give generously of their time and selves to help others. They want to live together in community and create better lives for their children. This is true everywhere in the world, and if we are to solve dire global problems, it is critical for this view of people to gain ascendancy, in business models and even in economic theory.

This year, the best books on capitalism and community illuminate the assumptions about human potential embedded in the current free-market model and the possibilities for building a market economy based on more holistic assumptions. Drawing from a diverse set of experiences, cultures, classes, and perspectives, these four books seek a capitalism that uses the creative dynamics of entrepreneurship to address the most difficult issues faced by two-thirds of the world’s people. Where they differ significantly is in their expectations of who possesses the entrepreneurial spirit.

Rich Markets among the Poor

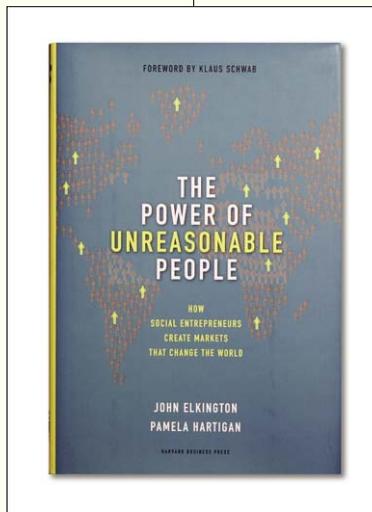
In *The Power of Unreasonable People: How Social Entrepreneurs Create Markets That Change the World*,

John Elkington and Pamela Hartigan show how capitalism is being successfully applied to Third World problems. Following in the footsteps of C.K. Prahalad, the authors point to the US\$5 trillion available in purchasing power at the “bottom of the pyramid” and conclude that it is possible to do well and do good simultaneously. Their book is filled with the stories of “unreasonable people” who have applied their drive and imagination to these nontraditional markets, a trend that they argue is “a new phase in the evolution of business, markets, and capitalism itself.”

These unreasonable entrepreneurs have all the traits generally associated with traditional entrepreneurs, but, according to Elkington and Hartigan, they also have an ability to “spot dysfunction in the current system” and a willingness to “transition the system equilibrium to a different — and more functional — state.” In the process, these stars are creating new organizational forms. One such model is the hybrid non-profit, in which for-profit businesses generate revenue to support not-for-profit activities. The Aravind Eye Care System of India, for example, operates a for-profit business that treats more than 2 million patients a year, and provides resources and training to similar firms in other countries. Its high-quality market-rate services finance no-cost or very low-cost services for patients who are unable to pay. (See “The Innovation Sandbox,” by C.K. Prahalad, *s+b*, Autumn 2006.)

The authors quote Ibrahim Abouleish, who founded Sekem. As described in the book, Sekem is an Egyptian holding company of six diverse businesses, including biodynamic farming, plant-based pharmaceuticals, financial services, information technology, and human resource services. “The Sekem initiative,” says Abouleish, “was founded to realize the vision of sustainable human development. It aims to contribute to the comprehensive development of the individual, society, and the environment.”

Elkington, founder and director of the strategy consultancy and think tank SustainAbility, and Hartigan, managing director of the Schwab Foundation for Social Entrepreneurship, offer viable answers to a question that



Bill Gates asked in *Time*: “How can we most effectively spread the benefits of capitalism...to people who have been left out?” However, two troubling assumptions underlie their work. The first concerns human nature. The capacity to apply innovation, creativity, and entrepreneurship to the bottom of the pyramid is assumed to be a special quality present in only a few people. The second concerns quality of life. Calculating the purchasing power of the world’s poorest is a useful carrot to entice entrepreneurship, but the poor are perceived solely as potential consumers, rather than as contributors to a thriving community-based economy.

Homo Economicus Grows Up

In *The Dismal Science: How Thinking Like an Economist Undermines Community*, Stephen A. Marglin seeks to offer a more balanced view of *Homo economicus*. The Harvard economist argues that assumptions underlying free-market economic theory — that human beings are independent actors with perfect knowledge driven solely by self-interest and insatiable desires for ever more wealth accumulation, a drive that ultimately is manifested as the well-being of the nation-state — are more cultural mythology than universal truth. And he lays the negative consequences of capitalism at the feet of this erroneous world view.

Marglin says development economists in particular subscribe to two dominant views of people and societies. The first asserts that humans are essentially the same whatever their cultural context. The citizen of a developing nation — the “other” — is thus seen as “a miniature adult, and development means the tender nurturing by the market to form the miniature Indian or African into a full-size American.” The second view places great emphasis on cultural dissimilarities and sees the “other” cultures as needing “structural transformation and cultural improvement” to take on the “adult” qualities of the industrialized nations.

Both views share an unrelenting “confidence in the superiority of Western culture” and therefore imply the inferiority of other cultures. They also lead to a standard of human development, Marglin writes, that is measured by “progress from intuitive, inarticulate, cooperative, contex-

tual, and personal modes of behavior toward rational, principled, competitive, universal, and impersonal modes of behavior; that is, from ‘weak’ modes generally regarded as feminine and based on experience to ‘strong’ modes regarded as masculine and based on algorithm.”

The loss of these cultures matters deeply — not only to the people who live in them, but for the spiritual and ethical well-being of those in the West. The price we pay for global material progress, Marglin writes, is “the weakening to the point of breaking of ties of community.” He invites readers to “reflect for a moment on the ethical implications of destroying ways of being that are different from our own” and the impact it has on our ability to learn about community and restore “balance to our own lives.”

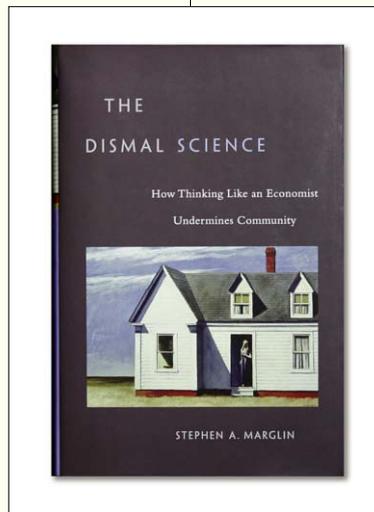
The Dismal Science should be read for its view of an alternative economics that accounts for the interests and capabilities of community. Individualism is balanced with a more holistic, multi-dimensional view of human nature; algorithmic knowledge as the sole legitimate source of wisdom is balanced with the experiential, intuitive, and sensory knowledge needed to function in an uncertain world; the nation-state as the only legitimate social grouping is balanced with allegiances to family, neighborhood, and community; and unlimited materialism and a mind-set of scarcity (no matter how

rich, you never have enough) are equilibrated with more noble aspirations in a culture of abundance.

Marglin’s work is part of a courageous inquiry under way in some areas of the global development community; people there are examining the intended and unintended consequences of many years of intensive development work and huge expenditures of funds. His clear expression of the assumptions underlying many Third World interventions and development efforts helps explain the West’s record of terrible failures.

Starting 4 Billion Engines

Muhammad Yunus, the author of the year’s best book in this category, *Creating a World without Poverty: Social Business and the Future of Capitalism*, is the planet’s most recognized “unreasonable entrepreneur.” He and the Grameen Bank have demonstrated the power of a new



economics based on the creative potential that exists in everyone, including those traditionally discounted: the most economically poor citizens of the world.

In accepting the 2006 Nobel Peace Prize, Yunus stated that “poverty is created because we built our theoretical framework on assumptions which underestimate human capacity, by designing concepts which are too narrow (such as prevailing views of business, creditworthiness, entrepreneurship, employment) or developing institutions which remain half-done (such as financial institutions, where the poor are left out). *Poverty is caused by the failure at the conceptual level, rather than any lack of capability on the part of people.*” (Emphasis added.) Yunus’s aim is to demonstrate that creativity and entrepreneurship are universal human capacities that, when properly financed and nurtured, can transform the lives of the two-thirds of the world’s population currently living in poverty.

Yunus’s use of microcredit to finance this transformation is legendary, and the evidence of its success, particularly in his native Bangladesh, is indisputable. The Grameen Bank, formalized in 1983, has provided more than 7 million poor people (97 percent of whom are women) in 78,000 villages in Bangladesh with \$6 billion in microloans, which have been repaid at a rate of 98.6 percent. The bank already has served 80 percent of Bangladesh’s poor (its goal is to serve them all), and nearly 60 percent of these borrowers have now worked their way out of poverty. Grameen’s borrowers are also its owners, holding 90 percent of its shares, and with the exception of several years in which Bangladesh faced catastrophic floods that resulted in significant loss of life, homes, and livelihoods, the bank has been profitable since its inception.

Bangladesh, once called “an international basket case” by Henry Kissinger, is now described by Yunus as a “living laboratory” for human self-transformation. He thoroughly documents how over the past two decades, the poverty rate has dropped dramatically; economic growth and incomes are on the rise; population growth has slowed; and health care, life expectancy, educational opportunities, and access to shelter, sanitation, and telecommunications have all improved. Meanwhile, the Grameen model has been replicated in developing countries around the world. In 2006, the Microcredit Summit Campaign, which involved 137 countries, set a goal to lift half a billion people out of poverty, which is not unreasonable given the model’s past success rate.

It is difficult to read Yunus’s book without shaking

one’s head in disbelief. The most difficult problems of the poor, those that we in the West keep trying to solve *for* them, are being solved by the poor themselves. Yunus likens the poor to bonsai trees, which possess all the qualities of a larger tree, but are planted in too-small pots. And he redefines development and quality of life in noteworthy ways:

To me, the essence of development is changing the quality of life of the bottom half of the population. And that quality is not to be defined just by the size of the consumption basket. It must also include the enabling environment that lets individuals explore their own creative potential. This is more important than any mere measure of income or consumption.

Yunus describes a partnership between Grameen and the French multinational Groupe Danone to exemplify the evolution of a “social business.” The purpose of the joint venture, formalized in March 2006, is to “reduce poverty by a unique proximity business model which brings daily healthy nutrition to the poor.” The venture combines Danone’s expertise at producing yogurt with the skills of local businesswomen. The result is a highly nutritional yogurt now produced in small plants in Bangladeshi communities and sold by local women to their neighbors for a decent profit. Production, retailing, and consumption are close to one another, and local people are engaged at every stage of the process.

Yunus’s concept of a social business is one that fully covers its costs through sales of goods and services that fill a market need. This is a nonloss, nondividend enterprise, owned by one or more individuals who invest in the business in the interest of social benefit, rather than personal profit. Unlike social business models that rely on donations, gifts, and grants, this model returns the initial contributions of investors and becomes self-sustaining over time. Even though investors are repaid at some point, they retain their ownership, management interest, and commitments in the venture. To Yunus, the investment opportunity is and will continue to be attractive to those who seek wise use of their money as well as measurable social benefit. “A charitable dollar can be used only once,” he writes. “A dollar invested in a self-sustaining social business is recycled endlessly.”

Grameen’s partnership with Groupe Danone has

many rich outcomes, but of special note is the impact on Danone's culture and employees. Grameen Danone is only a \$1 million business within a \$16 billion corporation, yet Danone's CEO credits it with giving the company a new vision. Employees follow the joint venture's progress with interest, discuss it continually, and frequently mention it with pride when discussing their company in public.

Mother Teresa said that the greatest poverty she experienced was in the United States. She was describing the nation's spiritual poverty: its excessive materialism and competition, its loneliness, its increasing sense of meaninglessness. Having worked deeply in community in the U.S. and the Third World, we agree, and we attribute this spiritual poverty to the West's profound misperceptions about human capacity and quality of life that have been illuminated in Yunus's work. If you must choose only one of these books to read, *Creating a World without Poverty* should be it. It will startle you, challenge your assumptions, and inspire you.

Re-creating Community

We believe that community engagement is the easiest and most effective way for people to see past the blinders of Western economic thought. It is also a compelling way to discover that all people of all ages are capable of creating truly innovative solutions when they care about their work. And that is why Peter Block's wise book on how to create community, *Community: The Structure of Belonging*, is so important.

Several years ago, Block, a well-known consultant and author, moved to Cincinnati, which had been torn apart by racial turbulence in 2001. He became a dedicated servant leader there, spending several hours a day working to build a sense of community and create a more cohesive, healthier city.

Community, to Block, is about membership, feeling part of something larger than oneself, feeling at home, relating to the rest of the world — and participating in, owning, and being accountable for what one creates with others. It matters not whether the community is a small group, a neighborhood, a city, a multinational corporation, a global governance organization, or any other structure. Organizing any human enterprise is an exercise in developing community.

Block has applied rigor and years of experience in honing his understanding of how people can work together to create what they need and desire, "a future dis-

ting from the past." He focuses on the structures of belonging, giving detailed attention to the many elements of design, location, and process that contribute to having productive conversations, gatherings, and relationships. He says, for instance, that conversations should be structured around questions that evoke not answers, but commitment, accountability, and the possibility for transformation. These include questions of *invitation* (not mandate, coercion, or persuasion); questions about *possibilities*, how we wish to live in the future (not problems to be solved); questions about *ownership* that lead people to accept responsibility; questions about *dissent* that leave space for authentic doubt and reservations; questions about *commitment* that evoke promises and accountability for observable results; and questions about *gifts* that surface what we and others can bring to the quest for a different future.

This book, as Block writes, is "for anyone who wants to be part of creating an organization, neighborhood, city, or country that works for all, and who has the faith and the energy to create such a place."

Ultimately, what makes Block's book, and indeed this entire category of books, so compelling to us is its basis in a world view that relies on human creativity, generosity, and people's innate desire to work together for a better future. The stories and examples, drawn from such different places and cultures, profoundly challenge the assumptions about human nature embedded in our economic theory and, therefore, in our lives. If we are to find our way out of the problems that besiege us, foremost of which is the destruction of human capability and our faith in one another, we need to be bold enough to realize that human nature is the blessing, not the problem. +

Margaret Wheatley (info@margaretwheatley.com) works with organizations and communities globally to maintain capacity in chaotic times. She is founder of the Berkana Institute, which assists local communities in the Third World, and the author of four books, including *Leadership and the New Science: Discovering Order in a Chaotic World* [Berrett-Koehler, 1993] and *Finding Our Way: Leadership for an Uncertain Time* [Berrett-Koehler, 2005].

Carole Schwinn (carole@berkana.org) is cofounder of InGenius, a Michigan-based consultancy that works with organizations committed to bringing people together to improve the quality of life in their communities. Her work with InGenius and the Berkana Institute has taken her to Japan, India, Thailand, Canada, New Zealand, and South Africa.