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# **The Theoretical Aspect of Muhammad Yunus's Dream-“Putting Poverty in Museums”**

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## **Abstract**

Poverty is an irrevocable curse of our existing institutional structure and a grey area of existing economic theories. The micro-credit can support a mere semi-subsistence economic structure since its targets are those poor people who are dependent on borrowings for their subsistence. The concept of social business described by professor Yunus is insufficient to put “poverty in museums” because the social businesses can not provide the incentives required for the entrepreneurs to stretch their business for the poor people beyond their existing business pace. This article describes an Unbiased Pareto Improvement (UPI) model to steadily integrate the poor people with mainstream economic activities. Eventually the economy will be benefited in terms of new values, welfare and employment opportunities.

## **1. Introduction**

The poverty at this point of time is most complicated challenge to the policy makers since it is prevailing after all possible trials and methods of poverty alleviation are made. On the other hand, by this time the world has reached its peak in terms of resources and technology. Poverty is an irrevocable curse of our existing institutional structure and a grey area of existing economic theories. Sometimes poverty is considered as a burden or a threat to peace. Amartya Sen (Sen, 1981) commented

there is a problem of poverty to the extent that it creates problems for those who are not poor and the real tragedy is, the non-poor people try not to allow the poor people to become so poor.

The poor people who are out off reach of the benefits that they produce for an economy eventually lose their property rights and become dependent on borrowings for their subsistence. Before the micro-credit program developed by Professor Mohammad Yunus, the Nobel Peace Laureate 2006, this market was dominated by informal private lenders at intolerably high interest cost. Micro-credit has come as a relief to the poor people with its big institutional support backed by government, non-government and foreign donor agencies. We have seen from the micro-credit programs that it helps the poor people to create small capital from zero-capital. The next section will look at the reasons behind Grameen Bank's success

and limitations of micro-credit programs. Now utilizing this first hand experience of working for the poor people professor Yunus is trying to promote social business to put “poverty in museums”. As he optimistically mentioned in his Nobel speech

I firmly believe that we can create a poverty-free world if we collectively believe in it. In a poverty-free world, the only place you would be able to see poverty is in the poverty museums. When school children take a tour of the poverty museums, they would be horrified to see the misery and indignity that some human beings had to go through. They would blame their forefathers for tolerating this inhuman condition, which existed for so long, for so many people.

Yunus (2006) defined our theoretical framework as “half-done” and “too narrow”. The third section discusses how realistic the concept of social business is in view of modern economic theories. The sections one to three constitute the first part of this article.

Neoclassical economics is too generalized and ‘concerned with efficient operation of markets, not with how markets develop’ (North, 1994). The mainstream economic theories do not address poverty directly. However, when all they fail to explain “incorrigible poverty” the economists dump blame on lack of good governance, political dishonesty, corruptions etc that never ends. These theories are not sufficient enough to describe why the growth rate of an economy does not touch many people who contribute for the development not less than the others. Institutional economics has an explanation in terms of property right but it ignores the fact about many people who are losing their properties or have already lost their properties not because of any fault on their side. Matter of fact, when allocation of resources are fully dependent on property rights labour power is undermined and the people like farmers, rickshaw-pullers, workers in the readymade garments factories fall in extreme hardship and micro-credit is not there until they become dependent on borrowing for their survival. The fundamental welfare theorems are concerned about sustainable competitive equilibrium. However, poverty is born where the welfare economics does not work or it is unrealistic and invalid. Zaman (2008b) mentioned that the welfare economics rather worked up to a certain range and the poor people were positioned after that range. Yunus proposed non-loss and non-dividend social businesses for them to provide all basic services they need. However, social businesses can not provide the incentives required for the entrepreneurs to stretch their business beyond their existing business pace.

The social business model proposed by Yunus should dedicatedly work for poor people, which is quite different from the ‘complete market’ assumption of the fundamental welfare theorems. Zaman (2008b) described that in an incomplete market, part of population of an economy established an inefficient equilibrium with the remaining population. The fourth section uses Zaman’s inefficient equilibrium concept to explain poverty and proposes his Unbiased Pareto Improvement (UPI) concept to counteract the inefficiency barrier. The fifth

section describes a realistic application of UPI to establish social business where the poor people will be motivated to make tiny savings and their information will be stored in a database for providing life-long institutional assistance. The sixth section extends this model to industrial sectors to create market dynamics in a poor economy by means of workers share. The macro-economic policies can be formulated in a way that the workers will intend to dominate in the mother industry and on the other hand, the main owner's share will spawn a number of different or similar industries or businesses.

## **2. The Grameen Bank's Micro-credit Program**

Poverty is an institutional failure not from the part of the poor people. Yunus has blamed that the 'poverty is created by the institutions and concepts that have made up our social system and the policies that we pursue' (Yunus, 2006). The government is supposed to support for minimum subsistence for the poor people of a country. Eventually the poor people have to depend on borrowing for their subsistence. Before Yunus has started micro-credit programs more than thirty years back from now, in Bangladesh they had the only source of borrowing money were the private informal individual money-lenders. Still the informal money-lending is a very demanding business in urban and rural areas since there is none to help the poor people in case of treatment, daughters wedding or any other urgent need of money. A typical interest rest is TK20 per month for TK100 that is 140% per year. The borrowers then scramble for paying the interest for months after months virtually he becomes a bonded slave to the money-lenders. Sometimes this is the only source of money to the urban poor people since micro-credit organizations are not lending money to them due to their unsettled addresses. The micro-credit programs have utilized the same business opportunities of the informal money lenders in rural areas as a large scale social business with long-term vision. On the other hand, the poor people also have got the opportunity to add some surplus for their own on top of their subsistence.

Grameen Bank gives loan to rural poor people for cow rearing, paddy husking, rural trading that are organizing production there even in small scale. In this way the micro-credit organizations are cycling some money in rural areas and eventually raising economic density in those areas. Otherwise that money would be siphon off to urban economy. Group dynamics is the one of the main reasons of high recovery rate (99%). One of a family member takes loan but due to "high" concern within the family in a rural area, the other members virtually share the liability of the loan. That is why normally a loan is given to a woman (97% of 7.0 million borrowers are woman), particularly to a mother whose concern for the family is the highest so that the combined efforts of the family make her able to pay the monthly installments. The other family members are also benefited by the surplus they produce

together. Thus the micro-credit organizations are working under capitalist framework and become sustainable as profit making company. Although the view of Mohammad Yunus is to plough back the profit to Grameen Bank again and make the poor women its majority shareholders. This kind of business he named as “social business”.

Despite many micro-credit programs, huge numbers of landless people are migrating from rural areas to urban areas but to live unsettled and uncertain life. It is true that without these programs the number could be much higher. All of the migrant people are very hard workers but they have to live an uncertain life without having savings, health security, education facility etc. For example, in the garments factories of Bangladesh, the women workers work 12 to 14 hours a day for only \$10 to \$30 per month and no other facilities. Many of them have to work all of the holidays just to get \$2 bonus per month. In Bangladesh, about 1.5 million garment workers in 3000 garments factories are any better than the slaves of the medieval age except that they are not in chains. It is found, not unusually, that many of them are working with severe illness just because hunger is unendurable. Perhaps slavery is better than this because slaves get food without working during their sick period.

One may ask why there is so much relish about micro-credit. Why we are not emphasizing industrial development to provide employment? In that way, people would get a higher income and stronger financial support than what they are getting through the micro-credit. Micro-credit programs would do far better if it were supported by the very needful policy support for industrial developments by the government and the entrepreneurs. Despite all efforts of poverty alleviation by government, non-government or micro-credit organizations, poverty in Bangladesh has reduced 58.8 percent in 1991/92 to 49.8 percent in 2000<sup>1</sup>. This statistics does not include the population who are vulnerable to poverty because of natural disaster or price hike. The rate of poverty reduction was not always consistent. In last thirty years, the poverty has been alleviated by 10% too. One news paper commented that if we can maintain the same pace of last thirty years, it would take about 300 years to get rid of poverty in Bangladesh. We are in fact only these many years behind from Yunus’s dream.

### **3. The Concept of Social Business Vs Modern Economic Theories**

Mohammad Yunus (2006) in his Nobel speech came up with a proposal to create a poverty-free world called “social business”. He defined the social business as

profit would be ploughed back into the company to expand its outreach and improve the quality of its product or service. A social business will be a non-loss, non-dividend company.

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<sup>1</sup> Household Income and Expenditure Surveys (HIES) of the Bangladesh Bureau of Statistics

The idea of social business sounds very good but seems to be very unrealistic. First, he did not mention what were the assumptions behind the social business model. A social business concept is a departure from the underlying assumptions of mainstream economic theory based on competitive general equilibrium theory formalized by Arrow (1964) and Debreu (1959). The social business model do not focus on the complete set of market rather its market contains only the poor people, who have lack of information, skill, money or everything. That is, the market needs to be segregated, one is for poor people and another is for non-poor people. No investor is going to startup this business unless they are given incentives. From the startup to up and running, in every step, this kind of business will require government intervention and enforcement. The same or similar goods and services will be offered by traditional businesses for non-poor people. Yunus did not make it clear whether there would be two competitive markets, one for the poor people and another for the non-poor people or just one competitive market for non-poor people. Without a complete set of assumptions the concept of social business can not be modeled in real life.

Second, the basic of any business is that it will run risk. A business should always take the challenge to maximize its profit with a probability of making loss. If a business is assumed to be “no-loss” that means any loss will be compensated by government, then the business will be vulnerable to bureaucracy and politics and consequently may develop a tendency to make loss. We have experiences that in the long run, this kind of business can not be sustainable unless the government is run by idealistic people Yunus proposed gradually to make the poor people shareholders of the social business. What will be the value if the poor people become shareholder of a loss making business?

Third, the decision of re-investment depends on whether it will be beneficial for the investors or not. On the other hand, a company has its optimum size depends on its business area, the market where it is operating, management quality, the company’s ability to grow, external economics and so many other factors. An investor must have right to take his dividend. An entrepreneur or investor must not keep all his money in one basket. If a business does not allow that, it will not only violate the basic right of the investors but also violate fundamental concept of a business.

Fourth, Yunus (2006) has assumed that poverty alleviation should be at the centre of the development objectives of government. Poverty is considered as outcome of inefficient allocation of resources. The first welfare theorem confirms Adam Smith’s ‘invisible hand’ hypothesis that competitive equilibrium tends toward efficient allocation of resources. The second welfare theorem suggests that any efficient allocation will be sustainable by competitive equilibrium. Putting them together, the economic theories are equally concerned about both the theorems to bring a sustainable competitive equilibrium. However, focusing on

poverty alleviation instead of competitive equilibrium is just half cycle of the fundamental welfare theorems.

Fifth, the social businesses will require big motivation as such that the people who will be directly involved with social business like the entrepreneurs, the managers, the employees and even their government counterparts will be committed to doing good to people and the world. Yunus described his dream entrepreneurs as

by defining "entrepreneur in a broader way we can change the character of capitalism radically and solve many of the unresolved social and economic problems within the scope of the free market. Let us suppose an entrepreneur, instead of having a single source of motivation (such as, maximizing profit), now has two sources of motivation, which are mutually exclusive, but equally compelling - at maximization of profit and doing good to people and the world.

Yunus did not mention how an entrepreneur will be motivated to become philanthropists as well. The social business theory will be sustainable as long as the people who will run the businesses will have good moral values and commitments toward those businesses. The poor people will have very low impact on the success and sustainability of the social businesses. The real situation in Bangladesh tells otherwise about doing well to people. We see that industries established in the 1980s in different locations are now scrap-heaped around the country although the owner or the people responsible to run them grabbed lots of benefit out of them. The nationalized industries which were generating profits are now at the verge of collapse. The private sectors are more interested in merchandising than in manufacturing. The labour intensive garments factories making their owners rich very fast but keeping the garments workers in spiral of hardships.

Sixth, Yunus (2006) proposed to introduce social business in sectors like healthcare, financial services, information technology, education and training, marketing and renewable energy for the poor people. Most of them are large investments and only government or its subsidized companies can do them. Why should the health services and education be businesses for the poor people? Already government has been providing them at free of cost. One of the reasons may be that Yunus has noticed services deteriorate when offered for free. Then where will the poor people get the money to pay the bills? None of the other sectors has anything specific to poor people. Information technology, renewable energy, marketing are not something to be prioritized as their prime needs. We may refer to C.K. Prahalad's (2002) 'bottom of the pyramid' concept that the poor people need 'everything'. The technology has given huge potential to the producers. If the poor people gains purchasing power, the market will automatically stretch and due to economics of scale of production, the cost will reduce. On the other hand, the income of an economy is segregated into profits and wages, where the capitalists save all their profits by means new machineries and technologies and wage earners

spend all their wages to buy the products produced by the capitals. Thus human interaction with the production factors results in distribution of their incomes. The key point is linking the illiterate and currently unskilled poor people with these processes by means of employment. However, Yunus did not focus on employment generation.

Lastly, Yunus (2006) also blamed our economic and social system and conceptual framework and asked for a change. Unfortunately it is close to impossible to change our mindset and our institutions. In new institutional economics institution is a very comprehensive term. Hodgson (2006) defined institutions as

systems of established and prevalent social rules that structure social interactions.

Language, money, law, systems of weights and measures, manners and firms (and other organizations) are thus all institutions.

Therefore, we need to identify which institutions or which parts of our conceptual framework are to be changed. Yunus did mention to alter the definition of property right. However, he knows that is not going to change since those who are beneficiaries of existing property rights are also our policy makers. Without much thinking it can be said that the whole situation of poverty would change if there were a land reform. Yunus would suggest distributing the lands to the farmers who use the land to produce crops. Instead of that he is promoting social business because he may have thought that social business will require less troublesome changes in our mindset and in our institutional framework than that of land reform.

#### **4. Zaman's Inefficiency Equilibrium**

Zaman (2008b) defined a new concept of inefficient equilibrium game where part of the players form a coalition and they constrain the other players in a way that whatever strategies they (the outsiders) take, each player in the coalition will always receive better payoff than that of the any player outside the coalition. This concept can be applied to explain many complex problems like poverty and unemployment. For example, the employed workers establish an inefficient equilibrium with the unemployed identical individuals in an economy. The economy has certain capacity of employment under certain conditions. When these conditions will change, the employment capacity of the economy will also change, which will lead to another inefficient equilibrium for unemployment in the economy.

This concept of inefficient equilibrium can be used to interpret a real life economy where the restrict assumptions of general equilibrium theory are not valid. Zaman defined that part of the population of the economy could be abstracted as a coalition, namely Pareto Efficient Coalition (PEC) for whom the assumptions of the general equilibrium theory were valid and that part established an inefficient equilibrium with the remaining population, called as Pareto Improvement Space (PIS). This model was also enhanced to describe dynamic aspect of

welfare where the lump sum allocations from government were supposed to move the equilibrium position further into PIS and bring allocation efficiency for the economy. He further explained if that did not happen in an economy, then the economy would be considered as 'allover biased' toward the PEC. In a highly biased economy, the lump-sum redistribution from government also do not work beyond the inefficiency barrier rather reinforces the inefficiency.

An economy having incorrigible poverty is "allover biased" and therefore, poverty exists in the structural asymmetry of the economy. The poor people are not only poor in terms of income disparity but also they have to embrace an undignified position as if they were destined to accept it. They have to accept a different world, different ethics, different treatment and everything different. What is most appealing is the state of poor children. They cannot groom up to their full potential. It needs reengineering of the society from cultural, economic, legal and religious perspectives<sup>2</sup>. The low graded health care, education, low dignity are in fact, all different faces of poverty.

The concept of coalition is also a meeting point of institutional economics and neoclassical economics since a coalition supports methodological individualism and the assumptions of general equilibrium theory. By complying with neoclassical economics it can be assumed that institutions do not matter (that means they work well) within a coalition. On the other hand, institutions matter when a coalition interacts with another coalition or with a non-coalition. The inefficient equilibrium highlights the areas of our institutional structure that are problematic and therefore, need attention for proper analysis and reform. However, it is almost impossible to change our institutional structure so does the poverty by depending on traditional economic theories. There are always 'way outs' in an existing institutional structure like good governance, political stability, literacy, corruption reduction, strong financial market and so on, which are no less difficult than poverty reduction itself.

In another article Zaman (2008a) described that a market is not uniform or equal behaving for all segments of economic agents rather it is distributed on layers of energy states. The rich people are on the upper energy states and the poor people are on the lower energy states. In cases where welfare dynamics do not present, the outermost layer people are more vulnerable and they may fall in deep rooted poverty and spiral of hardships. In an 'allover bias' economy the people on the upper layer of markets ride over benefits of economic growth whereas there are chances that the outer layer people may lose their freedom to share the benefits and gradually fall down to the outermost layer. Eventually the market energy of the outermost layer becomes very weak. In this situation most of the contributions of its outermost layer individuals will be accumulated on the upper layers so will be the government revenue

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<sup>2</sup> Notes added from Towfiqul Islam. I am grateful to him for his valuable suggestions.

expenditures. A corrupted government official normally does not take bribe directly from a poor individual but takes from a rich contractor or businessman. A huge amount of free money circulates on the upper layer which gives birth of money grabbers in a highly political environment. Whatever is the way to gather money on the upper layer, the money mostly circulates among the pockets of the grabbers. Therefore, there exist fierce contentions among them to dominate over each other to grab and control of the institutions so that they can establish monopolistic decision making process to dictate the economy as per their interest and wish. However, the individuals who are not corrupted but are supportive to this structure also get indirect raise of their salaries. Consequently, the net result is that the rich individuals become richer and costs of property ownership become high, increasingly unreachable to outermost layer individuals.

From institutional economics perspective, the individuals in the PEC are those who get benefits of existing property right policies and the individuals in the PIS are those who are the sufferers of existing property right policies. Zaman also described that any institutional effort had two components, Biased Pareto Improvement (BPI) and Unbiased Pareto Improvement (UPI). Grameen Bank's micro-credit program for poor people is criticized for imposing very high interest rate but it is doing many good things that otherwise would be impossible to achieve. The part of interest that is perfectly converted into their human value is UPI for the economy. The remaining part is transaction cost for the poor people but BPI for the economy. The UPI for the poor people can make them a collective body so that they will gain more bargaining power to interact with the Pareto Efficient Coalition and as a result the inefficiency equilibrium barrier will deplete over time. Zaman described that a well-designed UPI policy if implemented steadily and aggressively for the poor people, it would provide incentives for the government and the entrepreneurs to stretch their periphery toward them. The changes will be reflected in the market, in the institutions and in every means of government support like 'redistribution', policies, law & order or whatever as required. The concept of UPI is pretty opposite to the lump-sum redistribution concept of the second fundamental welfare theorems. The rest of this article very briefly describes a real life application of UPI.

## **5. A Realistic Model of Social Business**

### **5.1 Introduction**

The origin of the suffering of the poor people is because of lacking property right. Establishment of property right is very fundamental in our capitalist world. Yunus has shown how poor people can make small capital from zero capital by means of micro-credit. However, we have seen in the second section that borrowing itself has limitation. Micro-credit is

criticized for locking the poor people with borrowings and organizing production in a semi-subsistence level. 'Greenhouse Care Economics' (Zaman, 2001) described that property ownership can be started from tiny savings. If a lot of poor people are motivated to make tiny savings, then their collective savings will become a shield against the causes of poverty. This shield may lead to unbiased Pareto improvement (UPI) for the welfare and livelihood of the poor people. The improvement areas are to be set with some local qualitative and quantitative bench marks and that will eventually improve macro economic benchmarks.

## **5.2 Grameen Bank May Start Operation in City and Urban Areas**

This article proposes that Grameen Bank or a similar bank (say, Greenhouse Care Bank<sup>3</sup>) dedicated to poor people may start its operation in city and urban areas and motivate the poor people for making tiny deposits. The account opening and savings process can be made as simple as collecting stamps so that illiteracy will not be a problem and the urban operation will not require lots of field workers. The alternative of deploying lots of field works can be self selection (Rothschild and Stiglitz, 1976). That is, the poor people will be self motivated to open accounts with the Grameen Bank, consequently they will be registered in a comprehensive database by no extra cost or effort. This database will represent them as an organized segment of an economy so that they can be cared, educated and entertained in an organized way. This is how Grameen Bank or similar institution can make the best use of information technology for poverty alleviation.

Where will the poor people get extra money for making deposits? Initially this will be a problem. But later, when the poor people from every corner will be registered with this program, a collective bargaining power will be established which will increase wage of the day laborers, poor rickshaw-pullers, house servants, beggars and so on. A portion of their additional income will be saved and on the other hand, their greater propensity of consumption by the rest amount will reinforce investment multiplier. A student of economics can try the concept of demand and supply to find out how then the economy will reach at another equilibrium point and no one will be affected by the increased wage rate.

## **5.3 Insurance Services by Grameen Bank**

An ideal government must ensure education and health care for the poor people. We see that these two sectors are full of inefficiency and corruption. On the other hand, they are also two flourishing private sectors. In this reality, let's assume that poor people deserve health and education care at the cost they can afford. Thus we can make health and education sector more accountable to the poor people. This is where the Grameen Bank may introduce an

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<sup>3</sup> Zaman (2001) used the name "The Greenhouse".

insurance company for the poor people. To distribute the costs and risks, this program shall also be extended for non-poor people with differentiated premiums and services.

A certain percentage of one's monthly tiny deposit may be assumed as a premium of his insurance policy. A company must provide some welfare to its workers. Which hospital or school will provide the welfare services to the poor people at a lower cost? The existing government subsidized hospitals or schools should be considered at first to provide the welfare services. The welfare services must be subsidized as usual and contribution of the insurance policies will be nominal but the insurance company must ensure the indented services by means of co-ordination, surveillance or monitoring the service delivery to their clients. Eventually service delivery of the government hospitals and schools will improve. Only improving management efficiency of the government hospitals, the medical services can be made far better than existing private clinics since they already have better doctors, better medical stuffs and better equipment. This is how a poor man's unit money will get more value to buy the welfare services.

#### **5.4 Introduce Banking & Accounting Business for Industrial Workers**

The Grameen Bank (or say, the Greenhouse Care Bank) may introduce a new business to provide banking & accounting services for industrial workers. Similar to urban banking, the deposit of Taka1 of a participant will be inclusive of his predefined insurance premium, monthly savings and fees (say schooling and training). The services need to be deployed close to the workers grip. For that reason industry affiliation of the bank will be essential and that may also open other business opportunities and few co-workers can be employed as their part-time agents. This bank will also facilitate to introduce the concept of workers share described in the next section, which will be key to bring dynamicity in an economy. This bank may also open another business for corporate banking services for the company.

#### **5.5 Establishment of a Big Agro-marketing Network**

An agrarian economy itself has a limit since the products produced in the rural areas are always undervalued by its semi-subsistence market structure. Many agricultural products are sold at few times higher prices in city areas than that the farmers actually get in rural market. This is because of involvements of many middlemen or intermediary traders in between farmers and the retailers in urban and city markets. Simultaneously, the agricultural products can be tunneled to the highly demandable urban market through a comprehensive marketing network established by involving the rural poor people in this business. Grameen Bank may utilize her strong footing in rural areas to establish this network as profit making social

business. If the crops are sold at market price in urban market, the profit will directly go to the farmers and their relatives, the urban poor people directly or by means of welfare.

### **5.6 How is to start?**

Let us imagine that an economy is composed of many quanta of economics. A geographical region may be considered as a quantum economy. To implement this model massively throughout a country, we need to translate this high level model to further low level based on the real needs and opportunities of each quantum economy. At the startup, it is required to conduct a very comprehensive study about the local needs and opportunities for a particular area in view of the global needs and opportunities of the country. The next step will be to design the best suitable plan for that quantum economy based on the study result. Therefore, before starting up any operation we need to set up a Research and Development Center. Initially a local office may act as a branch office and a R&D center. C.K. Prahalad (2002) positioned huge number of poor people of an economy (or global economy) at the 'bottom of the pyramid (BOP)' with immense need. He showed that there was synergy between the needs of the poor people and the needs of the big companies. Therefore, we may expect that the initial funding for conducting R&D study can be managed from some of those companies.

## **6. Creating Dynamics in a Poor Economy**

### **6.1 Workers Share**

Workers' share in a company will be a radical one toward the way to create dynamics and eradicate poverty. If the low paid workers (whose wage is below a certain level) of a company have little ownership of the company, it will not only make beneficial them but also make beneficial all other investors of the company. In this way one's ownership entitlement (Sen, 1981) will become a part of his operational holding. Therefore, his concern to the others will develop a family attitude in a wage employment sector. By course of time a unit industry will have a growth and each of the workers will have more capital to work with. His wage rate will rise along with the rise of his marginal product. There will be more income of the workers and ideally, they will not intend to withdraw their capital as long as it will provide higher wages and other benefits.

The workers' share must be protected by a legal and policy framework. That must accommodate existing legal and policy framework of corporate business and off course, also accommodate the workers' right to realize commercial value of their share any time on demand by keeping total investment of a production unit intact.

## 6.2 Internal Dynamics

Let us consider a company where its workers are lowly paid but however, they are holding a portion of the company's stocks purchased by their tiny savings. If the company's profit is not good, it will not be attractive investments to them. In this situation, let us be a bit imaginative that government decides to tax refund equivalent money to the poor workers proportionate part of the corporate income tax to their respective accounts with Grameen Bank. This should be applicable for the primary clients (registered workers) of the bank if they retain their primary shares. In this way a worker will earn higher rate of return on his investment than the other common shareholders. The bank will act as an accountant of the workers and keep track of all of their money or dividends.

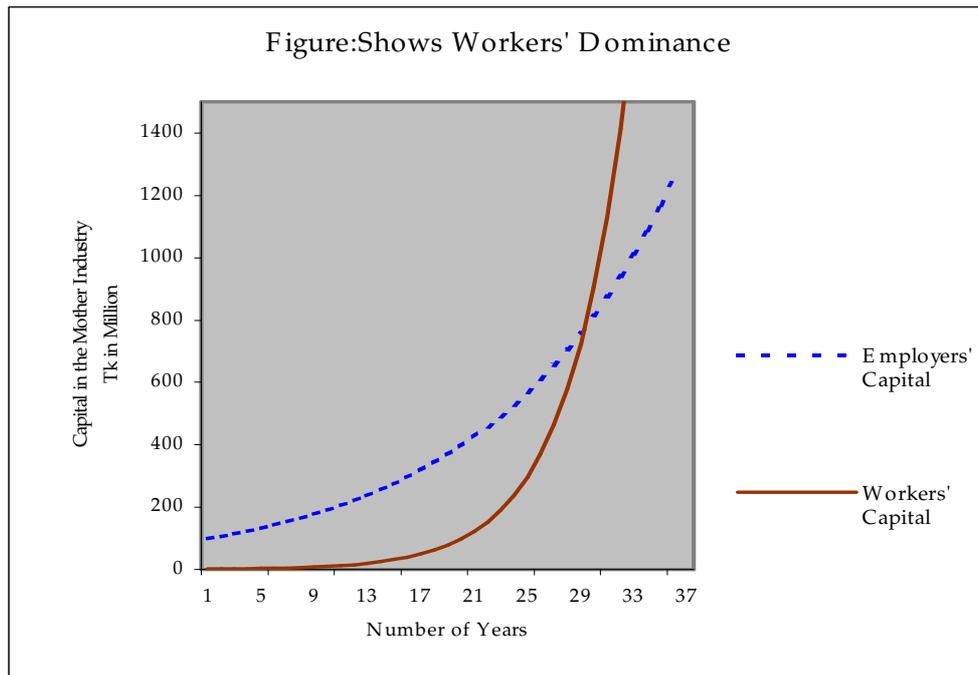
For example, if a company earns 12% after tax profit, then a worker will receive 20% return at 40% corporate tax rate, which will be 8% higher than that of the other common shareholders. Eventually, the workers collective share in a quantum economy will be accumulated more rapidly than that of the other owners. Someday in the period of perpetuity the workers collectively will intend to dominate over the other owners of the company. We may call this tendency as "internal dynamics" of the company.

## 6.3 External Dynamics

The portfolio nature of investment tells that an entrepreneur not to put all of his eggs in one basket. Therefore, he must withdraw a part of his profit (say, in terms of dividends) from the mother industry for otherwise investments. His investment portfolio will be triggered by the "internal dynamics" for diversified investments but will create new job opportunities and will absorb new workers. This tendency may be named as "external dynamics" of a company.

Let us see a simulation result where each of 200 workers in a company contributes Taka 7,000 for buying the company's share. Say, the other shareholders total capital is Taka 100 million. Then the total capital in the company will be 101.4 million. If the industry makes 15% after tax profit at 40% tax rate, then considering government tax refund, the workers capital would be accumulated at 25% rate. If the other shareholders shift 50% of their profit for external investments, it will take 29 years to achieve workers' collective dominance in the company. By that time the other owners' capital will be equivalent to giving birth of 18 equivalent industries (assuming 4% inflation rate).

The main objective of workers share is not to provide higher income of the workers. But this will give them opportunity to participate in decision making for more health care, education and other welfare support from their companies. By contributing more on welfare the owner can delay the pressure of workers dominance in the mother industry. The external dynamics will act as a potential source of industrial development of an economy.



## 7. Conclusion

Yunus always convey the message that poverty is not created from the part of the poor people. This means that the root cause of poverty lies on the side of the non-poor people. The concept of Zaman's inefficiency equilibrium (Zaman, 2008b) tells that poor people are living under a set of constraints imposed by non-poor people. Poverty will sustain when most of the efforts for poverty reduction whether by government or by non-government are biased. These efforts are pretty stereotyped at functional level-the same work force, the same mindsets, the same processes but only paper works are different. However, every effort has a biased and an unbiased component. The success of microcredit program is very much dependent on its unbiased component. The stronger and steady is the unbiased component in the poverty reduction model, the more will be the success. The UPI model described in this article can be used as a guideline for our policy makers and entrepreneurs to set their long term strategies for alleviating poverty and as well as bringing dynamicity in the economy.

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