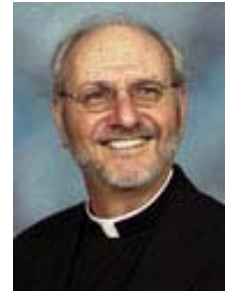


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## To Their Credit

The Grameen Bank, literally in Bangla "Bank of the Villages," began by extending small unsecured loans to the poor in Bangladesh. Its founder, Dr. Muhammad Yunus, who earned his doctorate in economics at Vanderbilt University, discovered the power of credit in the 1970s when he loaned \$26 to 42 skilled able-bodied people without collateral who were struggling to earn their livelihood in the bondage of moneylenders. Eureka! They all repaid. Since then 50 million people have escaped acute poverty through Grameen Bank loans, which earned it and Dr. Yunus the 2006 Nobel Prize for Peace.

Yunus believes in a human right to credit. The market disagrees. Lending institutions demand collateral as security before giving a loan. Yunus believed human relationships could substitute for physical collateral, and he proved it.

In small villages of Bangladesh he organized lending circles of five people, mainly women, who pledged to repay any loan given to any member of their circle. Each circle joined with six to eight other circles to form a loan center, and weekly all 30 to 40 members met to discuss their projects and make their loan payments. If one defaulted on her loan, the others of the circle were denied further loans. What the impoverished women lacked in material possessions, they made up for through determination and mutual responsibility. The Grameen Bank consistently collects 98 percent of its unsecured loans.

Small loans Yunus credits with lifting millions of villagers out of acute poverty, something the Grameen people measure in concrete ways: by having all school age children attending classes, all family members eating three meals a day, a rainproof house, a sanitary toilet, clean drinking water and the ability to repay their loan.

Yunus has no delusion that everyone in the Less Developed Countries (LDCs) will suddenly slide into middle class existence, but he believes the massive unemploy-

ment of millions in LDCs can be addressed in part by self-employment. A sewing machine secured by a loan can turn a widow to gainful employment. A rickshaw puller with a loan can go from perpetual renter to self-employed owner of an asset.

The microcredit extended by the Grameen Bank addresses the needs of poor people operating in the informal sector, those engaged in small-scale labor-intensive work such as trading, tailoring, food preparation, shoe repair and the like. In LDCs, hundreds of millions of people make their living in these trades. Consider that half of the world's adult population accounts for only 1 percent of all global wealth.

Critics of microcredit schemes point to their limitations at addressing the structural causes of poverty. Informal sector work, fiercely competitive and typically unregulated, could reduce workers to near-slave conditions. Much of the small-scale work involves long hours at home with low pay working on handicraft production, such as sewing garments or weaving rugs. These critics lament the barriers to development posed by the loss of land rights for peasants, the privatization of essential public services and the cutbacks in health and educational spending—all promoted by neoliberal globalization.

The proverb, "Give a fish and a person eats today, teach to fish and a person eats a lifetime," needs one proviso: "Provided the person has access to the fishing pond." Muhammad Yunus and the Grameen Bank are teaching villagers through group solidarity to rise together. Now People of Faith in the industrialized nations must partner with the poor of the world by reexamining the structures of globalization that keep power and wealth for the few and allow only microcredit for the many.

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*The Catholic Conference of Kentucky (CCK) is an agency of the Catholic Bishops of Kentucky, established in 1968. It speaks for the Church in matters of public policy, serves as liaison to government and the legislature, and coordinates communications and activities between the church and secular agencies. There are 406,000 Catholics in the Commonwealth. The Bishops of the four dioceses of KY constitute CCK's Board of Directors.*