Book Review

A Review of
Poverty Capital: Microfinance and the Making of Development
Ananya Roy. New York: Routledge, 2010

ABSTRACT
Roy explores how microfinance can be conceptualized as poverty capital: a convergence of development capital and finance capital that allows collaborations where development projects yield investment returns. Roy borrows the concept of global commodity chain analysis from Gereffi and Korzeniewicz (1993) and applies it to one particular commodity: development. This commodity is constructed and managed worldwide, and Roy focuses her research on four locations: Washington D.C., Bangladesh, Lebanon, and Egypt. Roy interviews the people who are paid to manage poverty and construct knowledge around development and microfinance, from Muhammad Yunus to field officers and interns in Grameen Bank, and other microfinance institutions (MFIs). Roy outlines how two different development consensuses – the Washington consensus and the Bangladesh consensus, once rival ideologies – have now merged and are collaborating in such a way as to negate the original purpose of microfinance, and indeed the founding intention of the Grameen Bank: to help the poorest of the poor. Development capital and finance capital work together to make profits through “socially responsible businesses” targeted at subaltern women. Through this process, commercial banks and foundations now provide securities to high-performing MFIs.

Roy’s redefinition of microfinance is a valuable contribution to the literature. Poverty Capital challenges the project of development, and urges practitioners to reflect on the nature and purpose of their work. One critique of the book is the rather ambiguous definition of poverty capital. However, with that flexibility, Roy invites further critical engagement with microfinance, and provokes this reviewer to consider other environments in which poverty capital may be constructed. In this review, I focus on the Microcredit Summit Campaign and its affiliate lobbying organization Results to show how the Grameen Bank has had the attention of members of Congress. These lobbying efforts facilitated Muhammad Yunus’ receipt of the Presidential Medal of Freedom in 2009.
INTRODUCTION

In 1972 Muhammad Yunus returned to Bangladesh after receiving a PhD in economics from Vanderbilt University. Yunus began teaching at Chittagong University, but in the wake of a famine in Bangladesh he became troubled by his realization of a disconnect between theory and reality (Muhammad Yunus Discussing the Power of RESULTS Volunteers, 2008). In 1976 Professor Yunus travelled to a village and found a woman who was making bamboo stools. Impressed by the stools, Yunus asked her how much she earned each day. She replied that she made two pennies a day. She told him that in order to buy the materials to make the stools, she had to borrow money from a moneylender. The moneylender only lent the money on the condition that she sold the finished stools back to him. Thus after selling them back at a price the lender set, she was left with very little profit.

Professor Yunus found 42 other people in the village in the same condition, and they all needed a total of just $27 USD to operate without moneylenders. So Professor Yunus lent them the money from his own pocket, and the woman went from making two pennies a day to $1.25 a day (Muhammad Yunus Discussing the Power of RESULTS Volunteers, 2008). This was the beginning of what would become the Grameen Bank: a bank built on the idea that poor people can and will pay back small loans, if only they are given a chance. This concept, known today as microfinance, has been increasingly influential among development practitioners throughout the world.

Yunus and the Grameen Bank won the Nobel Peace Prize in 2006 for their work to end poverty using microfinance (Roy, 2010, p. 89). Having received such prestigious recognition, the Grameen Bank and the Microcredit Summit Campaign set the ambitious goal of providing 175 million families access to microfinance by 2015.

In spite of the proliferation of microfinance, there has not been enough academic work that explores the discourses surrounding microfinance, the institutions that invest in it, and the partnerships which commercial banks and multinational corporations form with microfinance institutions (hereafter MFIs) (Roy, 2010, p. 30-31). Ananya Roy’s Poverty Capital: Microfinance and the Making of Development provides welcome insights into these subjects. Roy draws on Foucault’s (1969) ideas about the “rules of formation” in the production of knowledge and applies these to publications that have been circulated among development professionals and identified as “truth” regarding the effectiveness of microfinance. These publications have additionally informed best practices in managing MFI clientele (Roy, p. 35).

Roy chooses not to write about people living in poverty, and instead explores the people who manage poverty for a living – people who traffic truth claims around poverty to justify continued NGO involvement in the lives of the poor. Poverty Capital provides an excellent and comprehensive window into the world of microfinance: the circuits of truth and capital that connect Bangladesh and other Global South centers of microfinance to Washington D.C., and to other locations of power in the Global North. This book is essential reading for practitioners of microfinance. Additionally, those interested in contestations of power, transformations of capital, international development, and the proliferations of public-private partnerships will appreciate Roy’s contribution to the literature. Those of us who work in nonprofits or are working towards graduate degrees to find employment in the nonprofit sector will certainly benefit from reading this book – even if we find Roy’s critique unsettling.

ROY’S METHODOLOGY

Roy used multiple sites for her fieldwork. Roy borrows the concept of global commodity chain analysis from Gereffi and Korzeniewicz (1993) and applies it to one particular commodity: development (Roy, 2010, p. 34-35). At first it is difficult to conceive of development as a commodity, but by the end of Poverty Capital one can see how Roy defines it as such. She explores “the construction and management of development, of its value, of its truths” in four main locations: Washington D.C., Bangladesh, Lebanon, and Egypt, by focusing on the people who are paid to study, manage, and construct knowledge around development and microfinance (Roy, p. 35). Roy chooses interviewees who represent the full spectrum – from the founder of Grameen Bank himself, Muhammad Yunus – to field officers and interns in Grameen and other NGOs. In all, Roy conducted over 120 interviews and five life stories with a wide range of actors in the microfinance field, in institutions ranging from the Grameen Bank to CGAP to Deutsche Bank to USAID to Hezbollah, in development agencies, NGOs, foundations, corporations, lobbying groups, universities, social movements, and congressional offices (Roy, p. 35).

Throughout this work, Roy draws not only on Foucault, but also on Spivak and her concept of “the permission to narrate” (Roy, p. 35). Roy explores who narrates, and who is even given permission to narrate development discourses.

While examining institutions in Washington D.C. Roy outlines the ideological battle over economic development. On the one side of this battle is the World Bank, and its associated Consultative Group to Assist the Poor (CGAP), arguing that what is needed to empower the poor – and work within the framework of what Bill Gates has called “creative capitalism” – is “a global microfinance industry integrated with financial markets” (Roy, 2010, p. 26). This approach highlights the possibility of MFIs and NGOs making substantial profits and reinvesting some of that money back into MFIs. This is the “Washington consensus on poverty” (Roy, p. 36). On the other side are groups like the Grameen Bank and the Microcredit Summit Campaign, or the Bangladesh consensus. These groups insist that the primary focus of microfinance should not be making a profit for investors, but empowering the “bottom billion” – those living in extreme poverty, or on less than $1 a day (Roy, p. 37). The Microcredit Summit is “crafting an alternative axis of power centered in Capitol Hill” with its opposition to World Bank discourses (Roy, p. 37). Roy’s outline of this battle is helpful, though later in the book Roy questions whether the two sides still oppose each other at all.

POVERTY CAPITAL

Roy develops the concept of poverty capital: a subset of what sociologist Michael Goldman (2005) has called development capital. Roy’s central claim is that poverty capital is represented by microfinance: “a subprime frontier where development capital and finance capital merge and collaborate such that new subjects of development are identified and new territories of investment are opened up and consolidated” (Roy, 2010, p. 30). Through this process, the Grameen Foundation (based in D.C.) now provides securities...
to high-performing MFIs (Roy, p. 203-204). These securities reward MFIs that make a profit rather than MFIs that improve the lives of the poor. Poverty capital is a relatively recent phenomenon brought about by the strange bedfellows of development professionals, NGOs, MFIs, and investors from developed countries – the latter of which are seeking new profitable investment opportunities. These uneasy alliances are solidified once both investors and development professionals realize that they have mutual interests that both benefit from targeting subaltern women as potential clients.

Roy is careful to note that she herself is among the group of people who she describes as invested in managing or studying poverty (Roy, 2010, p. ix, x). Thus Poverty Capital is both an external look at circuits of truth and capital that connect Washington D.C. to the Global South, and an introspective journey that leads Roy to conclusions about her own work as director of Berkeley’s Blum Center for Developing Economies (Roy, p. ix). Roy notes in the preface that the book is dedicated to her students at UC Berkeley. These millennial students are passionate about alleviating poverty, and Poverty Capital will no doubt be valuable to those of us who share that passion. Roy reminds us that the discourses surrounding poverty are not limited to those produced by NGOs and MFIs. Indeed, discourses circulating within academia are very much a part of the larger discourse on poverty and microfinance.

THE MICROCREDIT SUMMIT CAMPAIGN AND THE GRAMEEN BANK

One of the biggest assets for microfinance in terms of its legitimacy in the Global North is its capability of appealing to ideologues on the right and the left, especially in US politics. Microfinance appeals to progressives as a means of successful development, especially when compared to the many admitted failures of previous development efforts such as providing foreign aid to corrupt and dictatorial regimes. Conservatives are attracted to the self-help, pull-yourself-up-by-your-bootstraps aspect of microfinance, and the idea that it is not a “hand out” but a “hand up” (Roy, 2010, p. 94, 98). In this context, the Microcredit Summit Campaign has begun educating and lobbying on behalf of the Grameen Bank in US communities and in Congress. Roy explores the connection between Grameen and the Microcredit Summit Campaign and how this relates to circuits of poverty capital and developmental “truths” (Roy, p. 89-99). Her findings are critical of the role of the Microcredit Summit Campaign and other organizations that lobby on behalf of MFIs in developed nations in order to secure government funding and publicity for MFIs (Roy, p. 98).

The Microcredit Summit Campaign was created by the Results Educational Fund in 1997 (Roy, 2010, p. 93). Results is a US-based grassroots advocacy organization, whose aim is to create the political will to end the worst aspects of poverty, and seeks to do so by training individuals in how to effectively lobby their representatives on issues related to eradicating poverty. Results aims to create the political will to end the worst aspects of poverty, and seeks to do so by training individuals in how to effectively lobby their representatives on issues related to eradicating poverty (Results website, 2012). In 2006, one of these issues became the focus of microfinance as a model to effectively alleviate poverty. Karim notes that at the 2006 Microcredit Summit in Halifax, it was announced that microfinance had successfully reached 100 million poor households (Karim, 2011, p. 211). Following this, the legitimacy of microfinance as a tool to fight poverty – particularly the model of the Grameen Bank – increased, and Results began a push for more legislation to appropriate government funding towards MFIs (Results website, 2012).

Roy notes that the Microcredit Summit Campaign has challenged the conventional wisdom of the World Bank and CGAP on effective models for development (Roy, 2010, p. 94). Instead of focusing on markets, the Microcredit Summit Campaign says the focus must be on those living in extreme poverty, especially women. All the familiar arguments of how empowering impoverished women can help their communities are deployed in support of the Grameen model. By telling the stories of these women, Results trains citizens on how to effectively lobby congressional representatives and then make the appeal to appropriate government funds towards the Grameen Bank.

Despite the public claims of the Microcredit Summit Campaign (as well as Results and other affiliate groups) to embody the alternative to the Washington consensus, Roy shows there is a “hidden transcript” that is not used in these lobbying efforts (Roy, 2010, p. 120). Roy exposes the odd partnership between the Grameen Bank and Monsanto. The partnership began in 1998, and that same year Vandana Shiva criticized the partnership in an open letter to Muhammad Yunus (Roy, p. 137). The Grameen Bank soon pulled out of the partnership – but at the 2006 Microcredit Summit, which Roy attended, “prominent among the sponsors, its logo blazing on all conference material, was the Monsanto group, the notorious agro-business…the partnership seemed to have been revived” (Roy, p. 136-137). Consequently, Roy questions how much the Grameen consensus now actually challenges the Washington consensus – or whether they substantially differ anymore (Roy, p. 133-137).

CONCLUSION

I offer two criticisms of the book, both of which relate to Roy’s definition of poverty capital. First, Roy’s focus on abstractions – such as the convergence of development capital and finance capital – can potentially obscure cultural norms of kinship, honor, and shame with which women have to interact, particularly in Bangladesh (Karim, 2011, p. xvii). As Karim notes, these cultural norms play a powerful role in Bangladeshi village life, and kinship obligations often require women to give their loans to male relatives (Karim, p. 86). However, to be fair, Roy has made explicit her intention to study “poverty experts,” instead of studying people living in poverty (Roy, p. 32). In so doing, Roy prompts more dialogue between development practitioners and anthropologists who study communities where MFIs have a presence.

Second, as noted by Christophers, Roy’s definition of poverty capital is somewhat anticlimactic: “Roy calls microfinance poverty capital, but she offers only a limited conceptualization thereof” (Christophers, 2011, p. 948). It is clear that poverty capital encompasses microfinance. Yet, though there are hints that poverty capital involves more, it is not fully spelled out. The reader is left wondering about the specifics of the interplay between finance capital and development capital. That being said, a loose definition of poverty capital also offers opportunities for further research. For example, to what extent are the circuits of truth (which connect Washington D.C. to Dhaka and other centers of microfinance) a function of the language of development discourse? That is to say, does poverty capital exist in a similar form in publications on development written in Bengali
or Arabic? Or does that distance from DC-centric development discourses allow for different understandings of the nature and purpose of development? Reading Poverty Capital provoked me to ask these questions.

Roy's book is a harsh critique of microfinance and of its claim to alleviate poverty and empower women. This is in fact what most of microfinance's proponents claim that it is doing (Roy, 2010, p. 33). At a conceptual level, it is difficult to oppose empowering poor women. But as Roy shows, there is much more at work here when it comes to microfinance: collaborations between MFIs and multinational corporations, as well as financial institutions that dominate discussions about microfinance. I do not have room here to discuss other aspects of Poverty Capital, but suffice it to say Roy's explorations of how microfinance operates in Lebanon and Egypt — as well as her discussions of microfinance evangelicals, double agents, and native informants — only augment our understanding of a multifaceted global microfinance industry.

Poverty Capital is indeed about development professionals who manage poverty, but it is also about millennials who want to eradicate poverty. I recognized myself on several pages of this book, e.g. "a generation of world citizens eager to tackle the urgent problem of persistent poverty, brimming with enthusiasm as they spend their summers in Guatemala to Ghana..." (Roy, 2010, p. 4). I realized what had bothered me about Results (in college I volunteered for a year with Results), and the model of lobbying representatives on behalf of microfinance. There was a development discourse at work, and a very dogmatic one at that. I was helping the Microcredit Summit Campaign educate the public, and lobby Members of Congress on behalf of the Grameen Bank — for free.

If lobbying is out, then what can millennials do? Roy suggests one must dare to narrate on one's own. Dare to question the status quo of the Washington consensus, and dare even to question the Bangladesh consensus and others who supposedly offer alternative narratives. Roy's appeal to consider Spivak's emphasis on accountability encourages her students to develop their writing and critical thinking skills so as to contribute to the debates surrounding microfinance and development. After reading Poverty Capital, I agree with Roy. Let us consider the nature and purpose of development, and whether microfinance is actually a useful tool to that end. After all, money should serve the mission, not the other way around.

AUTHOR AFFILIATIONS

Kevin Johnson (kevinj7@uw.edu) is a 2014 MPA candidate at the Evans School of Public Affairs. He is also pursuing an MA in South Asian Studies at the Jackson School of International Studies, where he wrote the first version of this review. His professional interests include international development and nonprofit management, particularly in India.

ACKNOWLEDGEMENTS

Kevin thanks Susmita Rishi (Interdisciplinary Ph.D program in Urban Design and Planning, UW) for recommending Poverty Capital.

BIBLIOGRAPHY


New York: Pantheon.


Muhammad Yunus Discussing the Power of RESULTS Volunteers. (2008). From the author's collection of volunteer resources provided by Results to group leaders. For similar "laser talks," see http://www.development.results.org/skills_center/multimedia_resources/


END NOTES

1. In fact, the introduction to this review is my rewording of one of the “laser talks” provided by Results to citizens as a resource for lobbying on issues related to poverty.