

A CRITIQUE OF YUNUS AND HIS MICRO-FINANCE

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ABSTRACT. Micro-finance is a left wing attack on the free enterprise system; as such, it ought to be opposed by all freedom lovers, at least in its present format. Other baggage weighing it down is, if not absolute fraud, then, what might well be considered at least serious chicanery. A further criticism is the cult-like behavior now surrounding it. The present paper offers a critique of it, and thus constitutes a defense of private markets. This claim is a matter of prudential judgment, not praxeology. Micro-finance constitutes an unwarranted attack on the free enterprise system; it relies on a philosophy of positive rights. There are other better ways to “cure poverty” than this misbegotten scheme. This initiative, paradoxically, exacerbates impoverishment by placing investment resources in hands less capable of making it grow than would otherwise be the case.

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1. Introduction

Suppose there were a scholar named Jones who won the Nobel Peace Prize for cockamamie but voluntary non statist schemes to end poverty; he is lionized and financed by the usual socialist suspects such as George Soros (Open Society, 2006), and many left wing U.S. charitable organizations including the Ford and the Bill and Melinda Gates Foundations. As well, Professor Jones is persona very much grata on the part of numerous international institutions justly known for their denigration of free enterprise, such as the United Nations, the IMF and the World Bank.

Further assume that Jones's scheme was seen by him and virtually all others as an explicit attack on the market for not providing these new and creative opportunities for the impoverished. Stipulate that the purveyor of these products was unwilling to make publicly available the records of his "successes" even though he had been pursuing these policies for several decades. Posit that Jones saw over-population and marriage as the enemies of economic development; that he engaged in cult like activities with his "clients." Suppose, moreover, that Jones supports socialism, feminism, and other philosophies that have long denigrated capitalism, and claims they are an integral part of his program of reducing poverty.

How should, defenders of the free enterprise system, react to such a phenomenon? Certainly not by piling onto this particular bandwagon; for to do so would support socialism.¹

But, also, they would not react by attacking the schemes as rights violation either. These, too, are legitimate parts of the market, no matter what their origins, given that they do not impose on anyone against his will. We would content ourselves to make the point that the failure of the market to previously supply such goods, and thereby cure poverty, does not constitute a market failure. We might even cast aspersions on the success of these "market" offerings. This is precisely the spirit with which we comment on micro-finance. There is nothing intrinsically wrong with it, from a legal point of view; however, emanating from Dr. Jones as it does, it comes replete with all sorts of excess and very objectionable baggage. And even without these drawbacks, the idea is so problematic from a prudential judgment point of view, that it would be unwise to support it.

As it happens, Professor Jones does indeed have a real world counterpart. He is Professor Muhammad Yunus, head of the Grameen Bank of Bangladesh. In section II we discuss this man's career, and "contribution" to the eradication of poverty. Section 3 is devoted to a critique of the sort of "micro-finance" offered by this worthy. The purpose of section 4 is to offer some theoretical considerations. In section 5 we examine and reject an objection to our thesis. We conclude in section 6.

2. Professor Muhammad Yunus

Muhammad Yunus was born in 1940 in Bangladesh. He was awarded the Nobel Peace Prize in 2006 (http://nobelprize.org/nobel_

prizes/lists/all/) for his efforts in supposedly curing poverty, through micro-finance. But this is just the tip of the iceberg; his initiative has percolated over the entire planet. According to the Nobel Prize committee (http://nobelprize.org/nobel_prizes/peace/laureates/2006/press.html): “Grameen Bank has been a source of ideas and models for the many institutions in the field of micro-credit that have sprung up around the world.”²

But beneath this widespread acclaim, the enterprise is more than just a little bit of clay in its feet. According to J. Tucker (2006), Grameen(s)

- is government subsidized
- exaggerates its repayment rate
- reportage of its balance sheet hides problem loans,
- is not subject to outside monitoring, unlike all other banks
- is owned by government to the extent of 6% of its assets,
- is owned 94% by borrowers who cannot sell or trade their stock.
- charges rates of interest that would be illegal for pawnshops and pay day check discounters (see below on this)
- highly publicized success stories are few and far between
- has facilitated large numbers of politically connected NGOs that have been able to cash in
- has been giving loans for thirty years; in true leftist fashion, these have been virtually limited to poor women.
- has been subsidized by the United Nations, the Bangladesh government, US foundations.
- has discovered a new “market” niche: borrowing money from *governments* at low interest rates, and lending out these funds to its clients at significantly higher rates
- the Bill and Melinda Gates Foundation, and the notorious socialist George Soros are heavy financial supporters of micro-finance.³

J. Tucker (2006) also mentions Yunus’s “Sixteen Decisions”⁴ that must be adopted by all borrowers, and read in part like a party platform for collectivist regimentation.

- “We shall take part in all social activities collectively.”
- “We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.”
- “We shall build and use pit-latrines.”

- “If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.”

3. Critique of Yunus-style Micro-finance

A. Women

This new “progressive” initiative is solidly based on the premise that men are the enemy of all that is good and true, and women in sharp contrast are the last best hope for wrestling poverty to the ground. It is no accident that Yunus’ loans are virtually all made to women; men are spurned. And this strategy is by no means confined to Bangladesh. According to the *New York Times* (1996):

Chicago’s Englewood neighborhood (is) where the Full Circle Fund, a scheme based on the Grameen concept, operates. The borrowers are *all women*, all working against great odds to become economically independent. Their stories are dramatic and powerful: The women in Bangladesh battle against the monsoon, disease, and the prejudices of their menfolk, while in Englewood, the crime and decay of the inner city ensure that each day is a struggle to survive and to make ends meet (material in brackets, and emphasis, all added by present author).

We have heard all of this before. It was part and parcel of the domestic initiative to “get men out of the house” so skillfully skewered by Murray (1984) in terms of failed welfare policies in the U.S. and Jacobs (), in terms of the failures of public housing. This attack on the family was also part and parcel of Stalin’s programs to eradicate social institutions opposed to his version of totalitarianism (mainly religion and the family). Let us say this loudly and clearly so that there can be no mistake about it: *men, too, are part of the family*. Denigrating them, ignoring them, making poor women independent of their husbands, is no way to cure poverty. Impoverished females are much better off marrying the fathers of their children, not the state, or Yunus, or Grameen bank. One of the most important explanatory variables for poverty is family break up. Slavery, horrific as it was, was unable to break up the black family; but the welfare system, far more insidious, did indeed have this effect (W. Tucker, 1984). Is this a matter of praxeology? No. But there is more than

sufficient empirical evidence attesting to the importance of an intact family in addressing problems of homelessness, juvenile delinquency, abuse, poverty. Yes, it is a staple of radical left feminism that women are exploited and degraded, and that, therefore, the best way to rescue them is to loosen or sever the ties between them and their men. Yunus and Grameen have certainly bought into this mischievous notion. But that does not in the least excuse supporters of micro-finance who clearly see this as an error, but only in other contexts.

It is no accident, then, that Yunus is highly popular with feminist statisticians. According to J. Tucker (1995) "The micro-credit movement got a big boost at the summer 1995 UN world conference on women. The person who received the largest round of applause was not Hillary Clinton or Bella Abzug. It was a banker, and a *man* no less: Bangladesh economist Muhammad Yunus." Well deserved.

Further, if Grameen had been lending for three decades to its overwhelmingly female clientele on a successful basis, surely this would have been a long enough time period for other members of this industry to find about this "success," and enter this field. That they have not done so tends to call into question Grameen's supposed accomplishments.

B. State Support

Grameen Bank does not pay any corporate tax, which is substantial, pegged at the rate of about 20% (J. Tucker, 1995). Other firms, thus, have to make up this shortfall in government coffers. Now, of course, the concept of tax expenditures is highly problematic. The state subsidizes us to the extent it fails to tax us only on the ridiculous assumption that this organization is really the proper owner of *all* our income, and, what they in their generosity do not call upon us to give them they are in effect donating to us. This is nonsense, on stilts. On the other hand, it cannot be denied that by taxing all other banks (corporations), the government does indeed give Grameen an unfair advantage vis-à-vis its competitors? Where is the case for in effect funneling resources in this particular direction?

There is an argument that can be made on libertarian grounds for supporting micro-finance even if the government financially supports it (Block, 2002, 2004, 2006, 2007, Forthcoming A, Forthcoming, B). But this only applies to innocent people (e.g., libertarians)

seizing, or directing, state funds improperly mulcted from the long suffering taxpayer, toward the promotion of liberty and freedom. Ragnar Danneskjold (Rand, 1957) and Ron Paul (Block, 2007) certainly qualify. But Yunus, Grameen, Soros, et. al do not come within a million miles of opposing the ruling class (Domhoff, 1967, 1971, 1998; Hoppe, 1990; Hughes, 1977; Kolko, 1963; Mises, 1978; Oppenheimer, 1975; Raico, 1977; Rockwell, 2001) that oppresses us. Rather, they are members in good standing of this category.

Consider NPR in this regard. According to Duffy (2008), only about 2% of National Public Radio's budget is at present met by government sources. If we ignore this small amount of state funding, does this mean we have to *like* NPR? Support it? Regard it as an enemy of the ruling class and therefore on the side of liberty? Not a bit of it. Even though NPR is fully private (*arguendo*), we can still reject it as a biased source of leftist propaganda. We most certainly cannot justify government subsidies for this organization, at least not on libertarian grounds.

State subsidy for *any* enterprise, *ceteris paribus*, comes at the expense of other things that could be done with this money. If the government were to cease and desist this nefarious activity, other, better, things could be done with these funds.

C. Positive Rights

Yunus is an advocate of positive rights. In his view (*New York Times* Books, 1996) "Access to credit should be a human right irrespective of economic situation." But this is highly problematic (Block, 1986; Gordon, 2004; Katz, undated; Long, 1993; Mercer, 2001). For, if A has a right, B has an obligation to recognize it, and not act incompatibly with it. For example, if A has a right to go unmolested, then B has an obligation not to murder, rape, steal from, A. So far, totally reasonable. But this is a negative right, the right not to be aggressed against. In sharp contrast, Yunus is advocating a so-called positive right. How does this work? Again, if A has a right, B has an obligation to recognize it, and not act incompatibly with it. But this time, in the view of Yunus and other such commentators, there is a positive right, the right to capital, in this case. Here, if A has a right to capital, then B has an obligation to give A capital. But from whence springs this right? In the case of negative liberty, it is easy to answer this question: the right not to be exploited stems from the

libertarian non aggression axiom. To violate negative liberties is to act incompatibly with this axiomatic right. But this does not at all follow when we are considering “positive” rights. Here, the obligation to give the recipient capital (or, more typically, food, clothing and shelter, meaningful life experiences, whatever) actually amounts to a justification of theft. For, assuming that A and B are at arm’s length from one another (neither has previously violated the negative rights of the other), there is simply no justification for forcing B to give anything to A. If this is nevertheless coerced, it amounts to a theft. Presumably, the “justification” for this compulsion is that B is richer than A. But why should mere riches, presumably earned in an honest way,⁵ give anyone poorer a blank check on other people’s property. Yunus vouchsafes us to answer to this important question.

D. Tucker

J. Tucker (1995) is particularly scathing in his assessment of micro-finance, Yunus-style:

If Grameen can give loans to poor women without assets, why can’t Citicorp? Why are Western bankers keeping money from the poor? It must be greed, cultural barriers, bad training, or racism. Lack of collateral is but an excuse for hatred of the poor.

But if Grameen were really profitable, Western bankers wouldn’t need to be cajoled and harangued into copying it. They would rush to try his gold-spinning machine. Bankers would love to discover that the poor are 98% credit worthy. They would long ago have tossed out cumbersome formalities like credit ratings and collateral. It turns out, however, there’s more to Yunus’s banking scheme than meets the eye. Grameen is not a bank at all. Deposits from individuals and firms account for a mere 3% of its assets. The bank actually functions as a conduit for huge grants from governments and international agencies. That aid is then used as the basis of a credit pyramiding scheme that not only provides micro-loans but also funds a creepy form of feminist social engineering that wars against children and marriage.

Contrary to legend, Yunus wasn’t an independent entrepreneur when he started his bank. He used his personal wealth and high-level connections to arrange special privileges and millions in subsidies. Before the Grameen

Bank lent one Taka, he had government backing for fully 60% of its operations.

The UN International Fund for Agricultural Development provided Grameen with its first major loan of \$3.4 million. That Fund has consistently pumped money in ever since. In addition, Grameen receives grants and subsidized loans from the governments of Norway, Sweden, Canada, Germany, and even the Ford Foundation in the United States, not to mention the IMF and World Bank.

If the funds aren't given as gifts to Grameen, they are lent at below-market rates, usually 2%. Grameen Bank then deposits that money in fixed-term and short-term accounts in commercial banks that pay higher rates. Grameen makes a killing by pocketing the difference.

The bank says this is merely arbitrage, but if private citizens did this with government funds, it would be called graft. These ill-gotten profits are then used to pay 12,000 staffers and subsidize the loan operations that everyone claims work so well.

4. Theoretical Considerations

Micro-finance, as we have seen, is highly problematic because of the negative baggage it carries, mainly its association with Yunus, the UN, Soros, feminism, etc. Let us now, however, introduce some theoretical considerations, so that we may deal with a microfinance, untainted by any of these associations with that particular person. Would even such an initiative be free of objections? It would not. That is, micro-finance is per se problematic, and not just because of the present negative Yunus baggage it brings in its train.

Suppose Bill Gates wants to prove that the minimum wage law actually raises wages for the poor, or, indeed, for anyone else. Whenever the legally mandated wage level rises in any locality, Gates purposefully hires more unskilled workers there, in order to obviate the unemployment results that would otherwise occur.⁶ How should we react to this? How would the rational economist analyze this? Would we have to jettison our traditional analysis of this law: Of course not. Should such a practice be illegal under libertarian jurisprudence? No. Can we deny that this is a licit part of the market? No. After all, we stipulate that Gates earned his money honestly. Can we deny that, at least in some sense (Rothbard, 1997), Gates' policy is

mutually beneficial in the *ex ante* sense? Again, no. The low productive workers obviously benefit from the jobs Gates offers them, otherwise they would have scarcely accepted them. Gates, too, benefits, in the *ex ante* sense (heck, I'll throw in *ex post* for both employer and employee). Gates' welfare has increased. He persists in this behavior.

But, is this *all* that can be said about this curious economic episode? Yes, answer the free market supporters of microfinance. I demur. I think there is more, far more, that can be said about it. To wit, there are now not one but *two* senses of profits. Initially, the economic *axiom* about minimum wages reads as follows: as long as there is profit maximizing, or profit seeking behavior, a min wage above the productivity level of the workers will unemploy them. However, thanks to our imaginary Bill Gates, this no longer holds. Now, we have to distinguish *two* types of profit maximizing behavior. First, there is the ordinary pre Gates type of profit seeking. Here, our minimum wage axiom holds true. But second, there is the Gates type of "profit seeking." In this context, we are forced to amend our axiom: it no longer holds in this sort of scenario. But more: what are we as economists, as free market supporters, to think about Gates? How are we to assess this practice of his? Are we to support it? No, a thousand times no. it is up to us to expose it for the fraud (not legal fraud; remember, his actions are entirely legal) it is. If it is not a legal fraud, and thus criminal behavior, then precisely what kind of fraud is it? It is an attempt to mischaracterize reality; to fool us into thinking that the minimum wage law actually has no unemployment effects. A similar analysis applies to micro-finance. It, too, is an attempt to mischaracterize economic reality: the economic reality which claims that demanding collateral, looking at financial history of would-be borrowers, is a better way of allocating scarce investment resources so as to maximize wealth than are cockamamie schemes to short circuit usual financial practice.

Let me try again, with another example.

At my school, some of the free enterprise students hoist up a red sign that says "enjoy Capitalism," in the font used by Coca Cola. Some of these kids sell t-shirts with that logo. Now, consider a bunch of kids selling t-shirts that say "enjoy Socialism," or "enjoy Fascism."

Regarding the t-shirt sales of "enjoy Socialism," or "enjoy Fascism," here are some questions, and my answers to them.

1. Would this be legal in the free society? Yes
2. Is this act compatible with libertarianism? Yes
3. Could this be a venture of Students in Free Enterprise⁷? At least theoretically, yes
4. Would this teach business practices to students? Yes
5. Would this promote economic welfare in the sense that all voluntary acts promote welfare? Yes, necessarily so
6. Would this promote economic welfare in the sense of GDP? Well, yes, at least in the short run; however, if these sales convinced most people to become socialists or fascists, then no
7. Is this act compatible, not with libertarianism, but with *promoting* libertarianism, something very different (despite the inability of some to see this distinction)? No, of course not.

Now, let's ask and answer the same questions with regard to micro finance

1. Would this be legal in the free society? Yes
2. Is this act compatible with libertarianism? Yes
3. Could this be a venture of SIFE? Yes
4. Would this teach business practices to students? Yes
5. Would this promote economic welfare in the sense that all voluntary acts promote welfare? Yes, necessarily so
6. Would this promote economic welfare in the sense of GDP? No. Those who get the loans under micro finance have less credit worthiness than those who would otherwise obtained these loans⁸
7. Is this act compatible, not with libertarianism, but with *promoting* libertarianism, something very different (despite the inability of some to see this distinction)? No

Unlike free market environmentalism, which is clearly distinguished from the left wing Gaia environmentalism, micro finance is indistinguishable from the Yunus variety.

Free market environmentalism would not be acceptable to any self respecting socialist; micro finance certainly would be.

What would be the free market equivalent of supporting micro finance? It would be an attempt to repeal the legislation that set up the Federal Reserve System (Fed). Students who support micro finance are not trying to end government regulations that reduce the ability of banks to lend to the poor. Rather, they are trying to set up

firms to lend to the poor. If libertarian students followed that path, instead of trying to end the fed, they would be setting up firms to give money to people hurt by the Fed.

5. Objections

Objection 1. Efficient markets hypothesis

To take the position of the present paper would be to say that when investment banks were first developed they constituted an attack on the free-market system because had it been profitable to engage in the activities they undertook, commercial banks would already have done so. This is incorrect. Of course, this argument applies to any new endeavor ever undertaken; such endeavors must be de facto attacks on the free-market system because, obviously, if they were profitable the free market would have already undertaken them. Since when did you become a believer in and advocate of the efficient markets hypothesis? Although it may well not be profitable for commercial banks to undertake micro-finance because their overhead is too high, it is possible that micro-finance would be profitable for them and the reason they have passed up such a profitable opportunity is because they didn't realize it would be profitable. Certainly Steve Jobs passed up an opportunity thereby creating a lacuna in the market which Bill Gates filled. Your argument means that Bill Gates is an example of market failure. In other words, the existence of micro-finance banks in no way constitutes an attack on the free market, save in the fevered minds of statists who view any unsolved problem in the entire world as proof of market failure.

Response 1

We must distinguish between two types of micro-finance. One, the Yunus variety, which comes replete with all sorts of socialist, trendy, cultish feminist accompaniments. Two, the pure or Platonic kind of micro-finance, the one unencumbered by this baggage. The thesis of this paper is that *only* the former variety constitutes an "attack" on the market. The latter form is indeed part and parcel of the marketplace. It is as compatible with it, I contend, as were the Packard automobile company, Pan American Airlines, United Shoe machin-

ery company, and other firms that could not withstand the competitive process. There is one difference however. Micro-finance, and none of these others, has been greeted with an outpouring of financial charitable support from thousands of left leaning political types who like nothing more than to embarrass the market in this way. Those bankrupt business firms, too, could have been kept alive if, for some reason, there were similar voluntary support from numerous socialists.

Objection 2. Collateral

Austro-libertarians, such as the author of the present paper, are, presumably, impressed with entrepreneurial breakthroughs, since they appreciate entrepreneurship in general, and, in particular, when new institutions are introduced. It is thus more than passing curious that the present author does not welcome at least one initiative of micro-finance: that it breaks new ground in terms of demanding either miniscule collateral for loans, and, in many cases, none at all.

Response 2

If this really were an entrepreneurial breakthrough, one that was profitable, it would indeed deserve approbation, on that ground alone. But this is hardly the case. For the government has beaten the forces of micro finance to the punch: it has for decades given subsidized loans to farmers with little or no collateral considerations. Then, too, there was the venerable Chrysler bailout of 1979 which consisted of loan guarantees⁹ which were not forthcoming from the (relatively) private banking industry, with its concern for financial viability based on, among other things, collateral. The more recent sub prime loan debacle is yet another case in point. Here, based on the findings of “racism” on the part of local lenders, the Boston Fed (Federal Reserve Bank of Boston, 1992, Block, Snow and Stringham, 2008; Liebowitz, 2008; Liebowitz and Day, 1998) was instrumental in promoting “ninjaa”¹⁰ loans.

Objection 3. Voluntariness

It comes with particular ill grace for a libertarian to object to micro finance, given that this institution is an entirely voluntary one, and

that mutual agreement in commercial matters is a basic axiom of this entire political philosophy.

Response 3

It is by no means clear that microfinance, at least Yunus style, is entirely voluntary. His Grameen bank, after all, accepts government money, and indeed, is partially owned by the state (J. Tucker, 1989, 1995), with Yunus's acquiescence.¹¹ Were this contrary to fact claim true, then microfinance would of course be congruent with the libertarian twin axioms of non aggression and private property rights based on homesteading.¹² However, it would not necessarily be compatible *promoting* libertarianism, an entirely different matter. The Jonestown poison cool-aid mass suicide¹³ was also entirely voluntary at least for the adults who took part in this depraved episode of human history. But mass deaths hardly encourage free enterprise, or, indeed, much of anything else.¹⁴

Suppose workers go pro union even though it hurts them, economically. They become inculcated with the "don't ever cross a picket line"¹⁵ mentality; they lose out since they have to accept jobs with lesser remuneration than would otherwise be the case. Can this be voluntary? Yes. Does this promote economic freedom? Well, this practice is certainly compatible with the free enterprise system. Will it promote GDP in the sense of producing more goods and services than would otherwise be available. To ask this is to answer it: of course not. Ditto with micro finance.

6. Conclusion

Muhammad Yunus has now achieved world wide notoriety. When he speaks, people listen. This applies to the very rich and powerful. It is too bad that he is not a devotee of Smith (1776). If he were, he would be using the megaphone he has been given to promote free enterprise and private property rights for poor countries such as Bangladesh.¹⁶

States J. Tucker (1995): "Agree or disagree with Grameen's femino-socio-financial engineering, there's no economic miracle worth copying in the Grameen model. At best, its operations are wasteful and Ponzi-like; at worst, they are parasitical, usurious, and communistic. This bank would not be viable apart from the govern-

ment subsidies and financial trickery, facts which prove that its grandiose claims are false. The Grameen Bank's fame is a consequence of its far-leftist social agenda, not its economic successes."

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NOTES

1. But did not the left take the lead in opposing the imperialistic war of the U.S. against Viet Nam? It did. Does this mean that libertarians should not have favored an end to this aggressive incursion? Not at all. Only, that those who consistently favor freedom should have *distinguished* their opposition to this undeclared war from those who linked it with criticism of capitalism, free trade, private property rights, etc. In any case, there is a disanalogy here. U.S. departure from Viet Nam was an unmitigated good. The same cannot at all be said for micro-finance, even apart from its leftist baggage.

2. For more hagiography on micro-finance, see Armendariz and Morduch, 2007; Bornstein, 2005; Ledgerwood, 2001; Prahalad, 2006; Yunus, 2003. For an unwarranted critique of micro-finance (yes, there can be such a thing) on the ground that it charges high interest rates and is therefore usurious and should be prohibited on *both* grounds, see Jan, no date. See also Ledgerwood, 2001, Morduch, 1999, Tripathi, 2006. For a critique of micro finance, see Block, unpublished.

3. For more on the close connection between Muhammad Yunus on the one hand, and the likes of George Soros, Ted Turner, the Clintons and other leftists, see Clemons, 2008; Alam, 2006; Open Society Institute, 2006; *The Daily Star*, 2006.

4. <http://www.grameen.com/bank/the16.html>. Another principle is "We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters wedding. We shall keep our centre free from the curse of dowry." But is not the dowry system a voluntary one? (It is of course not illicit to offer voluntary contract X on condition that voluntary behavior Y will be eschewed.) How would we in the west feel if engagement rings were prohibited as a means of obtaining a loan? To be sure, this would be voluntary, and thus compatible with libertarian law, but, still, it has a cultish feel to it. When it is realized that without a dowry, marriage is made more difficult in many underdeveloped countries, we see the cult for what it

is: an attack on marriage and the family. Many religious people ought to be at least discomforted by such an initiative.

5. The “legitimate title transfer” of Nozick, 1974.

6. For the argument that minimum wage laws raise unemployment levels for unskilled workers higher than they otherwise would be, see Becker, 1995; Block, 2000, 2001; Block and Barnett, 2002; Burkhauser, Couch, Wittenburg, 1996; Deere, Murphy and Welch, 1995; Gallaway and Adie, 1995; Landsburg, 2004; McCormick and Block, 2000; Neumark and Wascher, 1992; Rothbard, 1988; Sohr and Block, 1997; Sowell, 1995; Williams, 1982.

7. <http://www.sife.org/Pages/default.aspx>

8. Says Hazlitt (1979) in this regard: “The farm or tractor that is lent to A cannot be lent to B. The real question is, therefore, whether A or B shall get the farm. This brings us to the respective merits of A and B, and what each contributes, or is capable of contributing, to production. A, let us say, is the man who would get the farm if the government did not intervene. The local banker or his neighbors know him and know his record. They want to find employment for their funds. They know that he is a good farmer and an honest man who keeps his word. They consider him a good risk. He has already, perhaps, through industry, frugality and foresight, accumulated enough cash to pay a fourth of the price of the farm. They lend him the other three-fourths; and he gets the farm. There is a strange idea abroad, held by all monetary cranks, that credit is something a banker gives to a man. Credit on the contrary, is something a man already has. He has it, perhaps, because he already has marketable assets of a greater cash value than the loan for which he is asking. Or he has it because his character and past record have earned it. He brings it into the bank with him. That is why the banker makes him the loan. The banker is not giving something for nothing. He feels assured of repayment. He is merely exchanging a more liquid form of asset or credit for a less liquid form. Sometimes he makes a mistake, and then it is not only the banker who suffers, but the whole community; for values which were supposed to be produced by the lender are not produced and resources are wasted.”

9. <http://www.google.ca/search?hl=en&q=Chrysler+bailout+&btnG=Google+Search&meta=>

10. No income, no job, no assets, no address.

11. For an assessment of whether, and under what conditions, it is compatible with libertarianism to accept governmental aid, see Block, 2002, 2004, 2006, 2007, forthcoming B, unpublished A

12. Bergland, 1986; Hoppe, 1993; Rothbard, 1973, 1982.

13. <http://www.google.ca/search?hl=en&q=Jonestown+poison+cool-aid+mass+suicide+&btnG=Google+Search&meta=>

14. Perhaps the deaths at Masada (<http://www.jewishvirtuallibrary.org/jsource/Judaism/masada.html>) are a counter example; if so, they are one that proves the rule.

15. Rothbard, 2004; pp. 625–627.

16. According to Gwartney and Lawson (2006, 54), the 2004 Bangladeshi economy was in such dire straights, and thus its people suffering from impoverishment, because of too much “government enterprise and investment” (it scored only a 4 out of a possible 10), poor “legal structure and security of property rights” (2.7), lack of “freedom to exchange with foreigners” (5.4), excessive “regulation of credit, labor and business” (5.4). Nowhere is there any mention of insufficient micro-finance.

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