

# D-Lab Development

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GET NOTES FROM JESSICA



## Teaching Class at Harvard

General thinking of people:

Poor people lack resources, then people give money to the gov't, and the gov't makes things for them. And that will create progress.

At the end of the day, the history of progress, is the dispersion of power.

- Concentrated power causes problem.
- Giving aid to central gov't is a corruption creating approach
- Try to do the same thing to innovation (dispersion of power).

Historical example of property rights in England  
King not being able to tax people,  
and the development of Parliament.

Because there needed to be a democratic gov't.

Compromises King had to make, created checks and balances, to the point where Parliament was the ruler. Compromises need to be made when there is a shortage of power. The more dispersed, the more economic value for common means, the greater the public good.

## Private Sector Leading International Development

Gov't main point is governing. When it gets into other business, it distracts itself.

The question is not "what is the role of gov't"  
but "how do we get good gov't"  
How do you make sure you have a good gov't?

If the gov't owns the economy, then that is not a good gov't.

There can't be too much power, that no one can challenge the mistakes, or wrong doing of the gov't. You need newspapers, media, businesses. Create jobs and opportunities in many places. Need many companies to have good gov't.

IE one gov't, and one company, would be bad

## "Dispersion of power through innovation and enterprise.

Explain china government?

Read a book by Prof. Huang of sloan school

EXAMPLE: after 76 when Mao died, many villagers took advantage of the power vacuum. Defying the rule of communist rule.

The next gov't validated that (written in book by jefferey sachs). One of the reasons did well, is that 90% of population was employed in the villages. Many other things happened. China gov't expected, that they would get oil money, and farm certain projects, but they never found oil. So then in 1982, they opened up certain export regulations. The agricultural development before, gave rise to entrepreneurship. When gov't intervened, gave rise to many problems.

## "Capitalism gives rise to democracy."

{radical idea, you may not accept}

They come about because no one succeeds in preventing them. Example of the monarch of England, when entrepreneurs from below start to make things happen. It will lead to democracy in China.



## On Aid Distribution...

Limitations to model?

See the broader picture... If my neighbor is doing better, that alone might be good for me. It will be too much for any particular model to solve all problems. We should leave some problems for you to solve, there are lots of things to do.

## ON NGOs role...

Economic vitality comes from capitalism, from profits. NGOs are better than giving money to the gov't. The gov't belongs to all citizens. If I corrupt the gov't, then I hurt everyone. If an NGO goes out of business, I don't hurt anyone. A business is not doing well, it goes down the drain. It is a dispersion of power. Lots of NGOs trying lots of different things. Compete with each other to get funding. If one NGO goes down, the world is not as worse off if gov't goes down. Even better, if you are innovative enough, if you are innovative, you create value.

For Profit can grow organically, can lead to economic vitality. An NGO has to find more funding, can't grow organically. NGO still better to fund than to fund a gov't.

Imagine if we had funded the British Monarch from outside, that might have hurt England. What if the Pope had provided soldiers, and put down democracy?



## Non-profit? Drawing line of making profit out of poor?

Can be hazard, when there is a non-competative situation. Only one person selling aspirin, and selling for high price of extortion. Can happen, when a person is in monopoly with government.

1. Means there is corruption in gov't, big problem

2. If I am making too much profit, means someone else will find a way to get into business, to make a profit for themselves. A self correcting device. Profit is then a good thing (as it allows for self correction).

Competition, and opportunities, can arise from desire to make profits. Hiring brothers, getting wages, higher wages when competition comes in.

We are educating young people that profits are bad for poor countries. That gov't don't work, have an NGO (a non-government). Solve problems in this country through profit, and in poor countries through gov't.

## On Business

Better to have someone creating a business, than no one at all. Even better, if the local people are. If they can't, then a foreigner creates one, and local guy learns something, then that is alright.

At the end of the day, our set thinking of what is good. We don't need all that thinking. The human brains are the most valuable thing. Poor countries have plenty of brains, just not being allowed. We think we need to give them resources.

Poor countries are wasteful... they have time, so that's a thing to waste. Wasting children because they don't have electricity. Have to utilize the things we do have. Haven't been able to, because we've been blocking them, and given others the ability to block them. (HOW is this happening)

## Intellectual Property

I don't know what is really necessary.

Fundamental problem, dealing with country where people don't have any rights, not even property rights. And we are thinking about IP rights. There are other problems, that people already have. There are real problems of property rights, from bad governments of those countries, from aid to these countries.

Digital properties in western countries, then Microsoft wants to sell software... etc. Thinking of our own vested interest. We have started to think of IP rights before more basic rights have been addressed.

England used to have ideas, and America stole when developing. When America developed enough, then in our own interest, we pushed to protect IP. Has to be underground demand for protection of rights. Another reason for bottom of development. That is why there is piracy in developing country, desire is not there, because there is coming a one way IP.

When is it good to start a business in a place...

We are under the economic burden of thinking we need a large opportunity cost, because of our MIT education. If you free yourself from that, and think of what you are content with.

Then once you have designed something, and are content with it, can re-evaluate it.

If it is adding value to lives, then you have done something useful.

Depending on your contentment, better to start small, easier to manage.

## Scales of Capital

AS long as you are CREATING VALUE then I am not so concerned with scale.

If you make one cow produce twice as much milk, then you why can't you take that to other villages? Why is everyone so concerned with scale and large amounts of money?

I just don't think scale matters.

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