

Class, Race and Corporate Power

Volume 2 | Issue 1

Article 2

2014

When Poverty Becomes Profitable: A Critical Discourse Analysis of Microfinancial Development in Haiti

Yaniv Kleinman

University of Chicago, yaniv.kleinman@gmail.com

Follow this and additional works at: <https://digitalcommons.fiu.edu/classracecorporatepower>



Part of the [Political Science Commons](#)

Recommended Citation

Kleinman, Yaniv (2014) "When Poverty Becomes Profitable: A Critical Discourse Analysis of Microfinancial Development in Haiti," *Class, Race and Corporate Power*. Vol. 2 : Iss. 1 , Article 2.

DOI: 10.25148/CRCP.2.1.16092112

Available at: <https://digitalcommons.fiu.edu/classracecorporatepower/vol2/iss1/2>

This work is brought to you for free and open access by the College of Arts, Sciences & Education at FIU Digital Commons. It has been accepted for inclusion in Class, Race and Corporate Power by an authorized administrator of FIU Digital Commons. For more information, please contact dcc@fiu.edu.

When Poverty Becomes Profitable: A Critical Discourse Analysis of Microfinancial Development in Haiti

Abstract

For the past thirty years, policymakers have lauded microfinance for its promises to reduce poverty and empower women in developing nations. First conceived by the Bangladeshi economist Muhammed Yunus and the bank he founded, microfinance has been hailed as a visionary project that promises to advance the economic interests of the poor by engaging them directly. Conventional studies by political scientists explore the place of microfinance in the global development architecture of international financial institutions, governments, and NGOs. Economic studies of its effectiveness are contributing to a crisis of legitimacy since they reveal that thousands of clients in developing nations continue to default on their loans due to predatory lending practices. Drawing on discourse analysis methodology, this article seeks to explain how microfinance, an industry embedded in the financialization of development, is now concerned with high financial returns for investments, not the social goals promised by its original *raison d'être*. Treating microfinance as a discourse, I argue that there is a fundamental tension between the short-term social goals promised by microfinance and the long-term financial objectives of sustainability of investors.

Keywords

microfinance, development, haiti, discourse, governmentality

Creative Commons License



This work is licensed under a [Creative Commons Attribution 4.0 License](https://creativecommons.org/licenses/by/4.0/).

Cover Page Footnote

I would like to specially thank Tianna Paschel, Matthias Staisch, Claudia P. Giribaldi and everyone at the University of Chicago who provided insightful comments and critiques of this paper.

I. Introduction

Microfinance is one of the most important economic phenomena since the advent of capitalism and Adam Smith.

(Vinod Khosla, Silicon Valley venture capitalist, 2004¹)

In the discourse of development – where everyone professes a will to improve the status quo – poverty remains an insoluble problem. Originally, the project of international development was inaugurated by U.S. President Harry Truman during the time of embedded liberalism and Keynesian economics after the Second World War. Development consisted of economic policies designed to assist poor nations and reduce global inequality by increasing the flow of aid from the Global North to the Global South. In the 21st century, however, the goals, purpose and methods of development have shifted from their earlier iterations. Rather than empowering national economies in the developing world, millennial development now aims to alleviate poverty as its first priority, taking as its guiding framework of metrics the Millennium Development Goals adopted by the United Nations. Books like the economist Jeffrey Sachs' *The End of Poverty: Economic Possibilities for Our Time*² and humanitarian rock stars like Bono from U2³ now herald anti-poverty campaigns as the goal and responsibility that industrialized societies have towards their non-industrialized counterparts.

During the 1980s, industrial development came to be associated with policies centered on the international financial institutions – the International Monetary Fund, World Bank and Bank of International Settlements – that actively promoted the privatization, deregulation and liberalization of world markets and became known as “The Washington Consensus.” Yet, after consecutive financial crises like the 1982 Latin American Debt Crisis and the 1997 Asian Financial Crisis,⁴ other alternatives were considered by policymakers to replace the ineffective and discredited policies of the Washington Consensus. To solve this crisis of credibility in development circles, policymakers sought a concept that resonated with the poor and powerless. One manifestation of this was the financial instrument known hereafter as “microfinance.” Its pro-poor and participatory policies were considered just, effective and a new paradigm for development that reversed the failures of its 20th century predecessor. Microfinance represented a rupture with the past.

From its inception, microfinance was designed to provide financial services to the poor. It operates under the logic that lending small amounts to the poorest of the poor is a viable solution to eradicate poverty. Its founder, the Bangladeshi economist Muhammed Yunus, a self-anointed “Banker to the Poor,”⁵ made as his point of departure the premise that “poverty is the absence of all human rights.”⁶ Yunus’ innovative vision targeted not only the poor, but lowest stratum of the poor. More than any other downtrodden group, Yunus sought with microfinance to assist and empower women.

Conceptually, microfinance rests its assumptions on the attractive entrepreneurial spirit of individuals. Unlike other policies seeking to alleviate poverty, it does not depend on a faceless mass of bureaucrats with no connection to their recipients. Thus microfinance does not rely on development aid or public spending. Rather, it focuses on bringing the borrowing institution and the lender into a relationship that excludes the state or any intermediary agent or institution. In

this respect, microfinance is consistent with the millennial goal of poverty eradication through its pronounced distance from notions of economic growth in developing nations.

However, despite its lofty aspirations and innovative approach, a critical examination of microfinance reveals that microfinancial institutions comprise a profitable industry with ties and links to international finance and the unpopular institutions it claims to replace. While microfinance finds appeal by promoting democracy, strengthening social capital ties and broadening human capital networks, it has also become an exploitative constellation of institutions that leave those they claim to help in worse conditions than they were originally. By targeting women primarily, microfinancial institutions claim to empower the most vulnerable sectors of society. By promoting communitarian networks and greater interconnection in civil society, microfinancial institutions also claim to fortify the glue that holds societies together. And by encouraging participatory systems of voting and representation, microfinancial institutions claim to be leading developing countries into new frontiers of democratic industrialization. Yet the thousands of women who have partaken in microfinancial initiatives have now been victims of predatory lending schemes with exorbitant interest rates that are beyond their abilities of re-payment.

This article explains how microfinance, an industry embedded in the financialization of development, is now concerned with high financial returns for investments, not the social goals promised by its original *raison d'être*. It asks two fundamental questions about its concepts and practices. First, what is microfinance supposed to do? Answering this question requires a broad examination of the various financial services that are furnished by microfinancial institutions (MFIs), including micro-lending, savings, remittances, micro-insurance and, in the case of Haiti, promoting participatory democracy, social capital and human capital. Moreover, microfinance relies on two different logics of democracy and social capital versus profitability and financial sustainability for investors. If these two logics are contradictory or mutually exclusive, how can these logics enter into conversation with one another for microfinance to sustain its credibility and continue to exist? My argument is that there is a fundamental tension between the short-term social goals promised by microfinance and the long-term financial objectives of sustainability of investors. Because microfinance no longer serves as a tool to eradicate poverty but also for greater investments and profitability, microfinancial institutions use discourses of democracy, social capital, human capital and empowerment to sustain their financial practices and continue bringing the poor into its bankable sectors. By incorporating new borrowers into capital markets that exceed local or national boundaries, microfinancial subjects become dependent to the same institutions that claim to free them from poverty and social exclusion. It is this fundamental tension between these contradictory logics that animates my argument.

Methodologically, I use the discourse analysis method of qualitative research employed forcefully by the philosopher Michel Foucault in his books and lectures. Foucault starts from the premise that discourse is a set of language practices, debates and incitements that require us to choose particular textual representations in particular instances. Foucault also considered every act to be embedded in a network of material practices; he rejected the traditional dichotomy made between ideational factors and material factors by arguing that they are deeply imbricated in each other. A discourse analysis requires identifying the historical conditions of possibility under which a phenomenon in question comes to the fore. Additionally, discourse analysis examines the various ways that discourse operates: first, by identifying the logic of the argument in the text and examining how the concepts are related to one another; second, by understanding

its effects, implications and ramifications. I also use Foucault's concept of "governmentality" introduced during his lectures at the *Collège de France* to understand new forms of governing that are traditionally emanating from the state. I use his concept of governmentality to illustrate how the recipients of microcredit are governed through new technologies of government that create, arrange and reconfigure subjects in developing countries.

As my case study, I examine a Caribbean country in the western hemisphere with a chronic history of poverty and scarcity: Haiti. Faced with an earthquake with enormous devastating consequences, the poorest nation in the western hemisphere is now a primal site for microfinancial initiatives and growing scales of privatization schemes. Taking Haiti as an empirical account, this article seeks to explain how the financialization of microfinance can be seen as a new form of governmentality - embodied by the constellation of the Haitian state, microfinancial institutions and international financial markets - aimed to create new subjects and produce discursive knowledge about them.

Using the interpretive methods of critical discourse analysis, I examined primary documents produced and disseminated by institutions concerned with microfinancial development, including international financial institutions (The World Bank, GCAP), microfinancial institutions (Fonkoze, SOGESOL, Finca Haiti, BRAC development, Institute of Development), and philanthropic organizations whose funds are channeled to smaller NGOs operating on the ground (Clinton Global Initiative, Bill & Melinda Gates Foundation). I browsed a diverse collection of texts: from their mission statements and annual reports to articles and blog entries published on their websites. My objective is to discover, highlight and thematize how textual discursive practices allow us to understand the production of truth and power in microfinance. Drawing on the events in Haiti before and after the 2010 earthquake, this article explores how development projects such as microfinance produce knowledge about subjects in order to legitimize their practices.

There has been a wide-range of critical theoretical literature that situates microfinance in broader systems of financialization and modes of governance. Political anthropologists and geographers such as Li, Escobar, Ferguson and Watts are critical of the different ways that development programs create new forms of governance worldwide.⁷ Weber has noted the double processes of financialization of microfinance are tied to the neoliberal programs of deregulation of finance and liberalization of trade.⁸ Aitken argues that microfinance is another facet of neoliberalism – a political rationality that prioritizes the market, seeks minimum state interference, based largely on risk assessment strategies and the unstoppable search for favorable business climates.⁹ For Delaney, microfinance serves as a set of technologies of power that increase state power through the market.¹⁰ Roy, on the other hand, draws on the work of the sociologist Pierre Bourdieu to postulate a new type of capital, "poverty capital," referring to the effort made by financial institutions to capitalize on poverty. Poverty capital is engendered and circulated by international financial institutions and development agencies. Their aim is to profit from microfinance initiatives and to produce, circulate and regulate knowledge about the very poor and its most vulnerable members, including women and children.

But how do the discourses of social and human capital interact with financial sustainability for investors? How do microfinancial institutions use these discourses to find appeal with investors while creating new markets and high margins of profitable success? One of the best ways to answer this question, I argue, is through the discourse analysis method that compares the statements and documents released by development agencies. The goal in mind is

to understand microfinance discourse as a form of governmentality that hides beneath its public narrative. Foucault's method of discourse analysis and his concept of governmentality describes this best, since governmentality is concerned with the "conduct of conducts" and "the diverse forms of practice requires to render objects governable in particular ways."¹¹ Whereas the term "governance" is usually conceptualized within a centered network of institutions, governmentality relates to the different ways that subjects come to govern themselves and others. "It seeks out an analysis of the diverse assemblages of knowledge and practice through which objects become governable in distinct ways."¹² By employing these methods to textual analysis of development agencies in Haiti, my contribution to the literature is to extend and broaden the work done by critical development theorists on Haiti, investigate how these discourses operate in a post-natural disaster scenario, and understand how the two contradictory logics of microfinance operate at large. To that extent, the goal of my project is tease out the diverse and heterogeneous practices of governmentality that are seen through finance; the focus is on how knowledge of populations is a production of power, not simply on the material power as traditionally conceived.

Drawing from the work of theorists like Roy, Delaney, Weber and Aitken, I agree with their assumption that microfinance has been financialized and offers financial services that are incongruent with the social goals that it had originally in mind. But whereas the literature on critical development studies centers around Africa or South Asia, my article focuses on Haiti, the poorest country in the Caribbean and the Western Hemisphere. Although theorists like Aitken have applied discourse analysis to Latin American countries like Mexico, no one has either worked on Haiti or any other country in the Caribbean. What makes Haiti a special case is that it was flooded with microfinancial institutions after the earthquake. Whereas Aitken focuses on the transformation of NGOs into commercial financial institutions, this article, on the other hand, centers on microfinance, particularly as it is concerned with Haiti as a primal site of post-disaster reconstruction. My contribution to the literature is to demonstrate that microfinance, as a method of development, is another example of governmentality in Haiti, a case study absent in this literature.

II. The Origins and Logic of Microfinance

Microfinance is defined as the extension of credit to small groups of poor populations to fund micro-enterprise activities of their own. First conceived by the Bangladeshi economist Muhammed Yunus and the bank he founded, the Grameen Bank, microfinance is unique because it promises to advance the economic interests of the poor by engaging them directly.¹³ Yunus has boldly declared that access to credit is a human right, and with microfinance he sees a unique vehicle for empowering the poor and their rights. According to the *New York Times*, "in the decades since Mr. Yunus' first loan, microcredit has become one of the most popular antipoverty strategies in the world."¹⁴

The impact of microfinance can be gauged by the number of people who have in one way or another been affected by microfinance: In 2009, according to the Microfinance Summit Campaign, 128 million people worldwide received microfinance loans.¹⁵ The Grameen Bank, which employs 22,000 employees, has issued microcredit loans to 8.36 million people, of whom 97% are women.¹⁶ With its universal promises to combat and eradicate poverty in the new

millennium, microfinance is deemed a panacea for poverty reduction and the most powerful alternative to state-led development, according to its most ardent advocates. It is a universal method, for it can be used anywhere, by anyone, at any time. Roy asserts that the “ubiquitous idea” of microfinance “is lauded and deployed by development institutions and theorists of all stripes and varying ideologies as an important antidote to poverty.”¹⁷

A. The Discourse of Microfinance

For close to 40 years, as microfinance surfaced and became the subject of praise and adulation by different institutions, it finally captured the public's imagination in the 1990s. As one analyst put it, “none of the ideas put forth has had greater appeal or more endurance than microfinance.”¹⁸ In essence, the normative discourse of microfinance is imbued with a commitment to reduce poverty and empower women worldwide. As Dichter put it, “microfinance's anti-poverty promise can be stated in a couple of simple sentences: lend money to poor people who will invest in tiny businesses, and with their profits pay back the money and gradually rise out of poverty.”¹⁹ Similarly, Lewis T. Preston, former President of the World Bank, claimed that microfinance is “a particular way of reaching women, thereby helping to improve the incomes and well-being of their children and families.”²⁰ Despite its irresistible appeal, microfinance received an unprecedented degree of attention in 2006 when Muhammed Yunus received the Nobel Peace Prize for his creation and influence of the Grameen Bank. “Microcredit has proved to be an important liberating force in societies where women in particular have to struggle against repressive social and economic conditions,” declared the committee upon the prize announcement.²¹ The result of this discourse of empowerment has been the legitimization of the role of the MFIs in their objectives of poverty reduction.

At the most fundamental level, microcredit is defined as the provision of small loans to individuals in order to escape poverty, generate their own means of income, and empower themselves and the groups they belong to. In general, in addition to providing access to credit, it also provides microfinancial services such as options for insurance schemes or opportunities to save that enhance microcredit programs.²² The Grameen Bank has been considered an epitome of microcredit *minimalism*, or the practice of issuing credit without demanding training obligations, skills requirements or any conventional type of collateral from the borrower.²³ By providing credit directly to the poor, microfinance supersedes the state as an intermediary between rural households and international financial markets. This increasing role of eliminating the distance between microlending agencies and its recipients is seen as one of the prime benefits of microfinance as an alternative to other development practices.²⁴ Advocates of microfinance also contend that it may also contribute to the accumulation of assets, reduce vulnerabilities due to illness, and contribute to better education.²⁵

But the debate is far from settled on whether or not microfinance has been an effective and sustainable tool for poverty reduction. Different studies have yielded different results in different parts of the world. A 2009 study conducted by the MIT Poverty Action Lab study in India showed that microfinance has not had a direct impact or effect on reducing poverty or economic growth.²⁶ Another study made in Bangladesh found an insignificant impact on the levels of household consumption before or after the presence of microcredit programs.²⁷ Similarly, a report issued by the UK Department for International Development asserted that “no clear evidence exists that microfinance programmes [sic] have positive impacts,” concluding that

“microfinance has to be combined with other interventions.”²⁸ Critics also claim that microfinance is exclusionary of the poorest of the poor - they point to studies that have found that it is the “better off” poor rather than the lowest rungs of the poor who benefit from access to microfinance.²⁹ Others observe that supply-driven micro-credit initiatives ignore the “informal finance” practices that the poor resort for their needs. In some cases, recipients use their loans for emergencies or social traditions instead of entrepreneurial activities. Hence analysts point that, instead of using micro-loans to generate income, micro-credit borrowers have used their loan money for “cushioning effects” and “consumption soothing.”³⁰

Notwithstanding its failures, nowhere is the current crisis of microfinance starker than in its unintended consequences. Analysts say it is impossible to ignore the skyrocketing number of clients defaulting on their loans and the growing rates of drop-outs.³¹ Even in those countries where there's been a rise of microfinance, researchers have observed additional patterns of delinquency and multiple sources of borrowing by recipients.³² Global institutions like the International Labor Organization (ILO) now consider that microfinance is an insufficient tool to combat poverty, arguing that policies that insure farmers against natural disasters are also necessary.³³ The number of success stories are becoming fewer and rarer. "On current evidence," writes a senior fellow at the Center for Global Development in Washington, "the best estimate of the average impact of microcredit on the poverty of clients is zero."³⁴ As Hermes and Lensik put it, "even though several assessments of the impact of microfinance on poverty reduction have been made, there is surprisingly little solid empirical evidence on this issue."³⁵ To that extent, I am not interested in examining whether microfinance is an effective tool for economic development or whether is sustainable in the long-run. The question I would like to pose is different: How does the discourse of microfinancial development differ from that of its borrowers to that of its recipients?

B. The Financialization of Microfinance

Originally, when microfinance was first conceived, it was a visionary and groundbreaking project. In the last two decades, however, microfinance has been absorbed by financial industries and become a practice for capital accumulation. Rather than interpreting it as just another, innovative paradigm of development, we can now speak of microfinance as an unbridled global industry, one where debt is the ultimate goal:

It is no longer enough then to talk about microfinance as a sector of development. Rather it is essential to talk about it as a industry where the commodity that is being produced, traded, and valued is debt.³⁶

Although international financial markets usually stand in contrast to the discourse of aid and development, microfinance has increasingly been linked with the deregulation of financial markets worldwide. Microfinance is now associated with the structural adjustment efforts of neoliberal institutions like the IMF and the World Bank. In this context, the financialization of microfinance refers to the unprecedented rise in financial practices that are now part of its lending efforts. As Aitken put it, "financialization has come to refer to the increasing prominence of financial calculations, practices and identities in domains previously governed in the name of other kinds of logics, including, recently, the realm of microfinance."³⁷ For example, the

Mexican microfinance initiative *Compartamos* makes a yearly profit of \$80 million by lending to 1 million women at interest rates reaching a 90 percent threshold. Whereas the “financial systems approach” to microfinance emphasizes MFI sustainability over outreach and poverty-reduction, the “poverty lending approach” emphasizes poverty reduction by providing credit with subsidized interest rates. Over the last two decades, the financial systems approach has prevailed, since MFI sustainability is now prioritized over effective outreach.

One of the promises of microfinance is to incorporate the poorest elements of society into the economic fabric of developing countries. This level of incorporation relates to the financial inclusion of those who have been traditionally excluded from access to mainstream financial institutions. Financial inclusion brings microfinancial institutions - including NGOs, who become financial intermediaries - closer together with its borrowers. But what seems like a poor initiative with positive social results may just be a veneer for the reproduction of capital accumulation. In her analysis of how this process of inclusion works, Aitken notes that a set of differentiated interest rates, sometimes including up to 30% to 50%, are charged to large groups of populations that cannot afford these credit loans.³⁸ Behind the hidden truths of microfinance, the poverty reduction agenda is turned upside down. Financial norms, once the anathema of development, take the place of social norms. Moreover, the empowerment of women promised by microfinance stands in murky waters and tides of uncertainty. For all the improvements that microfinance is credited with, the empowerment of women is now highly debatable. Growing numbers of women worldwide face crises of debt and are unable to maintain any durable savings accounts, some going as far as committing suicide in the face of social opprobrium and personal cycles of depression. Empowerment, to that extent, is now an empty signifier that is freely used by development agencies in exercises of self-appraisal, without even considering its depoliticizing consequences.

In the next section, I will explain how a discourse analysis can be a useful tool to understand how the two contradictory logics of democracy and human capital contradict with the need to attain financial and efficient markets by investors. However, before explaining my methodology, it is important to note that my discourse analysis is centered on one country: Haiti.

III. Methodology

A. Case Selection

To fully capture the history of development in Haiti, it is vital to examine the historical legacy of colonialism and perpetual debt. In 1804, Haiti became the first successful slave rebellion in world history. Its independence marked a radical departure from centuries of colonialism under Spanish and later French rule in the Caribbean. Located in the island of Hispaniola, Haiti was the most profitable colony of the French, surpassing all other colonies in its production of sugar and coffee. In 1825, France demanded “reparations” for property damage incurred during the 1804 revolution. The French threatened to invade Haiti if the latter did not fulfill its reparations obligations. In what may be considered one of the first examples of “structural adjustment” in modern history, Haiti had to borrow cash to repay this debt, which was bound by the constraints of the French. After the 120 years, Haiti finally repaid its debt of 150 million francs, the modern equivalent of \$21 billion.

Through the “structural adjustments programs” that Haiti acceded to during the late 1980s and 1990s, Haiti’s history has been characterized by unabated debt and political turmoil. With a population of 10 million inhabitants, Haiti has a current GDP per capita rate of \$771 in U.S. Dollars, with 80% of the population living on less than \$2 a day.³⁹ In January 2010, Haiti was struck by a 7.0 magnitude earthquake that further devastated its economy and wrought a severe human toll, with estimates of approximately 316,000 deaths as a result of the earthquake.⁴⁰ In economic terms, the earthquake resulted in a 9% economic contraction, and the loss of decades of work by NGOs operating on the ground.

As Haitians continue to recover from the damages of the earthquake, another reckoning force continues to take a severe human toll on Haitians: the cholera epidemic that has spread throughout the country. One of the most enduring consequences of the earthquake has been its horrific effects on the fragile infrastructure of water, sanitation and public health.⁴¹ The first documented case of cholera occurred in October 2010 – only nine months after the earthquake. After extensive medical research, repeated tests showed that cholera was introduced by UN peacekeepers from Nepal, where cholera is endemic. Since the first case was reported two years ago, the disease has spread unrelentingly, and the consequences have been catastrophic: 500,000 Haitians have been sickened, while over 7,000 have died. To the extent cholera has spread, the problem must be assessed systemically: the lack of proper water and sanitation systems in Haiti has exacerbated the situation.⁴²

Given the scope of the devastation in Haiti and the continuing cholera epidemic, Haiti is a case study that should be not ignored. Whereas previous analysts have focused on other regions (Africa and Asia) or other countries in Latin America (Mexico and Peru), Haiti and the Caribbean have been prominently ignored. It is in this context that I consider an investigation of microfinance in Haiti important for analysis. But before undertaking a discourse analysis, it is important to describe what it is and how it differs from other methods in the qualitative research in the social sciences.

B. Discourse Analysis and Governmentality

A discourse analysis of microfinance, as an analytical tool, has the potential to demonstrate how borrowers of microcredit are now subjects governed by development and financial institutions. The method of critical discourse analysis championed by Foucault begins with the assumption that issues of power mask themselves at a superficial level. Unlike social psychologists or linguists, critical discourse analysts understand their project as fundamentally political.

Critical Discourse analysts...analyze texts from a political perspective. Because they argue that language is a central vehicle in the process whereby people are constituted as individuals and as social subjects, and because language and ideology are closely imbricated, the close systematic analysis of the language of texts can expels some of the workings of texts and, by extension, the way that people are oppressed within current social structures. They integrate post-structuralist questions of power, truth and knowledge and Marxist concerns with inequality and oppression with their linguistic analytical methods.⁴³

A discourse analysis therefore identifies the historical conditions of possibility under which the phenomenon in question comes to the fore to understand how discourse works. The

effects and implication are therefore critical to understand the effects of a discourse on ways of thinking. But to understand its repercussions it is important to remember the conceptual meaning of governmentality. In his 1978 set of lectures *Security, Territory, Population* at the College de France, Foucault penned the term "governmentality" to refer to what he calls "the art of governing." Foucault defines governmentality as

The ensemble formed by institutions, procures, analyses and reflections, calculations, and tactics that allow the exercise of this very specific, albeit very complex, power that has the population as its target, political economy as its major form of knowledge, and apparatuses of security as its essential technical instrument.⁴⁴

In contextualizing his lecture within the history of sovereignty, Foucault sees governmentality, following La Perrière, as the "right disposition of things that one arranges so as to lead them to a suitable end." In order to govern the subjects within a territory, one needs to arrange them spatially in certain ways that allow the state to have knowledge over them. For Foucault, however, this governmentalization of the state is best understood within the context of legitimacy and sovereignty in the history of Western political philosophy.

In the world of microfinance, we can see this "ensemble" created and sustained by a constellation of international financial institutions, microfinancial institutions and NGOs that operate with the same objective in mind. It arranges its subjects and absorbs them into its rule. Perhaps more importantly, it renders them dependable on access to microcredit. Their arrangement, which includes ways to govern these subjects as a population, is different from those whose access to credit does not require microfinancial institutions. Whether as part of the World Bank or not, these institutions use methods to calculate the best strategies and tactics to lend micro capital and gain knowledge about the poor. Unlike Roy and others, who have examined microfinance as merely a new technology of government, I use the method of discourse analysis to understand *how* microfinance can continue to find so much appeal both to its borrowers and to those elite institutions that it continues receiving support. In her work, Roy did not evaluate the importance of using the discourses of human capital and social capital to create a logic of democratization that hides the basic elements of microfinance. Although the financialization of microfinance has received ample coverage in recent years, microfinancial institutions continue emphasizing its democratic potentials to hide or omit the effects that financialization has on its clients. It is this fundamental opposition between these two logics that I'm concerned with exploring using a discourse analysis.

IV. The Reality of Microfinance in Haiti

Given the detrimental state of public health and deteriorating conditions of poverty, there is an active presence of development NGOs and institutions in the country. To do a discourse analysis of microfinancial institutions in Haiti, it is important to recall the institutions that are operating on the ground. Not all NGOs are funded by the same Northern philanthropic institutions; therefore, not all organizations have the same amount of resources at their disposal. I read the statements and reports issued by the following NGOs: ACME, Finca-HTI, Fondespor, Fonkoze, Fonkoze Financial Services (SFF), IDM, MCN and SOGESOL. I also examined the

press releases, reports and statements released by the philanthropic institutions such as the Clinton Global Initiative, the Bill and Melinda Gates Foundation, the Institute of Development Studies, and the BRAC Development Institute. Lastly, I read the literature released by financial institutions like the Consultative Group to Assist the Poor and the World Bank.

Similar to other how microfinance operates in other countries, microfinancial institutions have capitalized on the number of borrowers that have become immediately “bankable” in Haiti. In the same way that Mexican MFIs have lent at rates unimaginable to their clients, the reality of microfinance in Haiti is that these loans exceed what clients can afford and make use of. Indeed, when borrowers were approved to receive microcredit loans, the interest rates have ranged between 30% to 55%. On the one hand, organizations like Fonkoze proclaim in their mission statement to seek “building the economic foundations for democracy in Haiti by providing the rural poor with the tools they need to lift themselves out of poverty.”⁴⁵ On the other hand, Alex Conts, the current president of the Grameen Foundation, admitted that “Haiti is one of the most complicated environments for anyone to do business [*italics mine*].”⁴⁶ As a country with severe infrastructural damage, low economic growth and poor state institutions, it therefore presents an opportunity for MFIs with a financial stability approach referenced above, which place sustainability over outreach and poverty-reduction, to gain momentum and credibility to fundraise substantial amounts from donors, philanthropists and state development agencies. But with such an exorbitant scale of interest rates, can microfinancial institutions really help and assist poverty-stricken Haitians amidst post-disaster reconstruction? As the investors transparency website www.mixmarket.org shows, the MFIs in Haiti are not lending to women to the low interest rates that are originally part of the scheme of microfinance. They still remain exorbitantly high and inconsistent with its principles:

Table 1: Microfinance Rates in Haiti

| Institution | Number of Borrowers | Interest Rates |
|--------------------|----------------------------|-----------------------|
| Fondespoir | N/A | 54.17% |
| SOGESOL | N/A | 53.14% |
| MCN | N/A | 46.13% |
| ACME | 21,906 | 44.88% |
| Fonkoze | 15,866 | 31.85% |

In the broader picture, articles like “Can Micro-Lending Save Haiti” in *The New York Times* place a high degree of hope and optimism that microfinance institutions can generate the type of growth, development and sustainability that is required in post-reconstruction development. For example, according to *Philanthropy News Digest*, 18% of microfinance clients have defaulted or at the risk of defaulting in Haiti, compared to the international rate of merely 3%, coupled with a staggering \$38 million in micro-credit loans that are outstanding in the

country.⁴⁷ Therefore, although post-reconstruction development has played a significant role in recovery efforts, microfinance has not been the answer everyone expected. When the Grameen Bank was founded by Yunus in the 1970s, his goal was to keep differentiated interest rates between 10-15% of every loan. By issuing small loans, paying back these loans would not be a problem. However, as the institutions demonstrate, the need to emphasize the gains in social and human capital by women creates a discourse that hides the costs involved to create financial inclusion.

There is a fundamental tension between the short-term social goals promised by microfinance and the long-term financial objectives of sustainability of investors. Although they promote democracy by increasing the extent of social and human capital, the financialization of microfinance continues unabated. These two contradictory logics of microfinance stand at odds and therefore should be investigated. In my next section, I will describe how and why human capital and social capital are emphasized in Haiti. More importantly, I will argue that they are used to mask the trappings of financial power that are being wielded by lenders.

IV. The Two Contradictory Logics of Microfinance

In its mission statement, the microfinancial institution Finca Haiti declares that “microfinance is an integral part of the relatively underdeveloped financial system.”⁴⁸ Correspondingly, the philanthropic Clinton-Bush Fund, which was established shortly after the earthquake, supports the mission of Finca Haiti on the ground. But it emphasizes to “help Haitian entrepreneurs, predominantly women, access the finance they need to develop their small and growing businesses, allowing them to support their families and communities.”⁴⁹ This emphasis on the entrepreneurial woman is necessary for continuing the inclusion of poor subjects into grander financial markets. Microfinancial institutions justify their conversion into financial inclusion on various grounds. In the next section, I will describe based on the documents released by institutions like Fonkoze and AIDG how financial sustainability and increasing bankable clients are essential for these institutions to operate in Haiti.

A. Investing in Profitable and Efficient Markets

One of the best examples of financial inclusion is Fonkoze, the largest microfinancial institution operating in Haiti.⁵⁰ Operating since 1994, Fonkoze, which calls itself “Haiti’s alternative Bank for the Organized Poor,” boasts up to 750 employees, 45,000 loan clients and up to 41 branches extended throughout the country. As proclaimed in its website, Fonkoze’s mission is to “provide Haiti’s poor with the financial and educational services they need to make their way out of poverty.” Fonkoze’s financial services for the poor include micro-lending, priced savings, remittance transfers, and currency conversion. Traditionally relegated and excluded, the bank has emphasized supporting the rural population of Haiti. For example, in an article written for a special report on Haiti sponsored by the Clinton Global Initiative, Fonkoze’s strategic analysts affirm that “Fonkoze found itself positioned to serve Haiti’s rural population before other banks were back on their feet.”⁵¹ As opposed to other development organizations, Fonkoze does not simply focus on Port-au-Prince. Its services are extended to “the rest of the country” in the rural communities “with far less economic activity.”⁵² This rural-urban divide is

of concern for the organization. Because banks have no interest in lending to poor women living in rural areas of Haiti, Fonkoze emphasizes its extended outreach and ability to connect with disempowered women.

To calculate their clients for sustainability, MFIs make a distinction from the “bankable” and “economically active” poor from those who are “unbankable” and therefore useless for sustainable purposes.⁵³ Although Fonkoze proclaims its social mission before its financial sustainability, it does not follow a cohesive posture. Fonkoze’s CEO, Anne Hastings, maintains that a “lack of sustainability is not a reason to close.” Yet later in the report she emphasizes the need for “sustainable business practices, a goal for which Fonkoze continually strives.”⁵⁴ In a quote that echoes the concerns about financial sustainability, one of the investors of Fonkoze told Hastings, “You can’t open the branch in a place like without doing a market study first...you need to be sure that the branch can eventually become sustainable.”

Furthermore, acknowledging that lending in the Haitian currency, the gourde, would not be profitable after borrowing in American dollars, Hastings states that “it doesn’t make sense to borrow in dollars and then lend in gourdes if by the time the gourdes are repaid they no longer have the same value.” She justifies Fonkoze’s acquired commercial license because “there was simply not enough capital to reach the scale that would be necessary to make *the institution profitable*” [emphasis mines]. After going through a process of commercialization for financial sustainability, Fonkoze changed its name to Finansye Fonkoze (SFF), which translates as Fonkoze Financial Services. Unlike its original vision, which did not depend on financial sustainability, the purpose of loans is to maximize financial returns by partaking “in the business of getting people out of poverty.” Fonkoze now offers insurance plans to protect micro-credit investments for lenders and borrowers. Its goal was not simply to issue microcredit, but more importantly to deliver other financial services, including savings and currency conversion that are seen as part of its institutional growth and greater reach:

Other foundations and micro-credit institutions throughout the developing world have faced the same challenges of sustainability, scale, and capital. Prodem in Brazil, the Grameen Bank in Bangladesh, and CARD in the Philippines began as foundations and not-for-profits but had made the transition to full-fledged microcredit commercial banks.⁵⁵

Other microfinancial centers make their intentions to capitalize on investments more explicitly. State regulations on investment are considered a burden to the free market and private enterprise. Affirming the value of entrepreneurship at a smaller level, or what they call “micro-entrepreneurship,” MFIs in Haiti like Société Générale Haitienne de Solidarité (SOGESOL) affirm the need to maintain returns for their investment. As stated in their mission statement, SOGESOL seeks “to promote Haitian micro-entrepreneurship, to adapt traditional banking services to the micro-entrepreneurs needs, to satisfy the clientele while *respecting efficiency and profitability standards*” [emphasis mines].⁵⁶ Other institutions like GCAP make it more clear what they mean by “efficiency and profitability standards”:

By equitable we mean ensuring that the increasing commercial focus of microfinance, or ‘access to finance,’ doe not leave some poor people, regions or countries behind...and that sound business practices are respected. By efficiency we mean helping to make local financial systems operate more efficiently.⁵⁷

The emphasis on efficiency is of great importance for microfinancial institutions. Whereas its earlier goals were geared toward delivery of services, its present focus on efficiency does not take into account whether its goals are compatible with those subjects it seeks to empower.

B. Promoting Social Capital and Democracy

In various instances, annual reports released by MFIs show a concern with either the education of their constituencies, their staff members or the role of education in fostering a democratic society. More importantly, although the recipients of microfinance have the ability to borrow micro-loans, the words and expressions that are routinely used connote that these poor women are fundamentally entrepreneurial but ignorant about economics. For example, Denis O'Brien, the chairman of the privately-owned Digicel Group, states in one of the reports for the Global Clinton Initiative that Haitians are "poorly educated" and lack the opportunities for "income generation."⁵⁸ O'Brien further argues that Haiti's problems are "over-analyzed" and that the "reasons behind each of these problems may be complex."⁵⁹ These "over-analyzed" problems include issues as distinct and unassociated as weak political leadership, lack of food security, poor education, poor access to healthcare, violence, and environmental degradation. O'Brien also states that Haiti has an "enviable market access" and a "young population" that can elicit the "international will" that is necessary to overcome its current problems. Yet, O'Brien startlingly ignores Haiti's history of foreign interventions, its half a century of recurrent dictatorships, and the beleaguered position it has assumed for the past two decades. O'Brien assumes that Haiti has fair and equal conditions for international trade, when clearly from its case of rice and pigs with the United States, this is absolutely not the case. Finally, O'Brien triumphantly announces that "making sure the private sector is at the forefront of redevelopment efforts is the key," assuming that the culture of dependency he decries will somehow vanish or peter out through ongoing foreign direct investment initiatives. All this points to the lack of recognition that analysts put to the role that international organizations have and continue to play in Haiti's socio-economic development.

In the case of Fonkoze, which seeks to provide the "educational services they [Haitians] need to make their way out of poverty," they assert that Haitians "know nothing about organizing economically" and traditionally have "no control over the economy."⁶⁰ This even more evident with Fonkoze's hiring practices. The literacy requirement is implicitly tailed toward those in Port-au-Prince: "Fonkoze seeks to hire employees who are literate; that is, they can read and write confidently in Haitian Creole."⁶¹

The use of creole itself is used in many of the organization's programs. For example, Fonkoze explains to its clients, particularly women, that the organization is driven by the desire to eradicate *lamizè*, the misery of poverty. To illustrate this, in its *2010 annual report*, the "Staircase out of Poverty" presents a hierarchy of regaining one's humanity by escaping out of poverty. Part of this hierarchy involves stepping out of abject poverty to attain the means of entrepreneurial dexterity. Fonkoze begins by providing education services (*ti kredi*) to health services (*chemen lavi miyo*).

Figure 1: The Staircase Out of Poverty

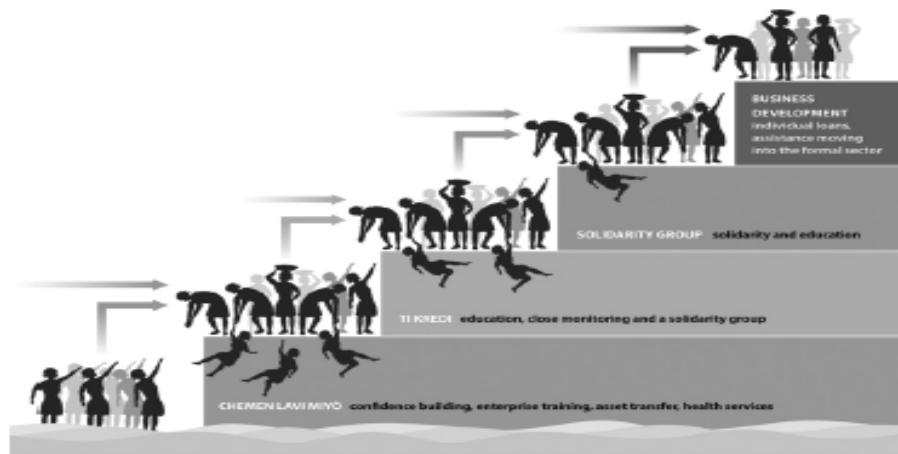


Figure 1. The Staircase Out of Poverty.

Its focus, then, becomes the individual, not the structural and political conditions that have led to poverty all around. “We believe that for Haiti to develop sustainably, we need to apply the same thinking we use in developed nations,” asserts Catherine Lainè, the Deputy Director of the Appropriate Infrastructure Development Group (AIDG).⁶² In order “To Build a Better Haiti,” the title of Lainè’s report, developing institutions “need to invest in human capital and long-term business development.”⁶³ The entrepreneurial subject, in the “staircase out of poverty,” not only borrows but invests in “the small and medium enterprise sector.” To appeal to these clients, Fonkoze created new financial products such as “hot credit” lines of expediency, disbursed after only 3 months. Lainè’s assumptions, in substance, start with her opposition to what she considers unnecessary and burdensome regulations to private enterprise, and its undermining effect on Haitians skills, knowledge and experience.

The focus on the concept of human capital is a remarkable feature of millennial development that sets it apart from its practices in the mid-20th century. Whereas the focus of the World Bank and other financial institutions were tribes, communities or entire societies, millennial development focuses on increasing the possibilities for the individual to maximize his or her human capital. In economic thought, the concept of human capital was popularized by Gary Becker from the Chicago School of Economics.⁶⁴ Becker defined it as the bundle of skills, knowledge and abilities inherited or acquired by the individual in modern capitalist production. It is possessed and inseparable from the subject. Through his concept, Becker radical extended economic analysis to the domains of society that were previously outside of the market and studied by sociologists. By extending human capital to labor, a concept previously theorized as a passive factor of production in its relation to land and capital, Becker sought to re-conceptualize *economic capital* in its totality.

Various authors writing for the publications of microfinance emphasize the abundant human capital that exists in Haiti. Under conditions of poverty, human capital is wasted, they argue, because it is no longer used. As Roy remarked, the subject of poverty is seen as “dead capital” that is rich in assets that can alternatively be converted into economic capital and

financial capital: “The ‘mystery of capital’ is how such dormant and defective assets can be transformed into liquid capital, thereby unleashing new frontiers of capital accumulation.”⁶⁵ In the case of Haiti, this concept of human capital abounds. In a Clinton Global Initiative report aptly titled “Haiti’s Potential Waiting to be Fulfilled,” O’Brien laments the “huge untapped potential” to exercise and make use of human capital.⁶⁶ The young population is ready to work, O’Brien argues. Its human capital is waiting to be exercised. This young population represents “a large latent labor force of energetic, diligent, and committed workers who have the enthusiasm and optimism to bring their country forward.”⁶⁷ The World Bank would concur with that statement. In the line of publications that have been published after the earthquake, The World Bank diagnoses the problems of poverty in relation to its low human capital:

Although both women and men face poverty-induced difficulties due to *limited human and financial* capital, women face greater obstacles. In Haitian agriculture in particular, it is widely recognized that gender is the primary influence on the division of labor and employment prospects [emphasis mine].⁶⁸

In a similar fashion, Lainè observes some of the troublesome and unmanageable issues that have affected Haiti can be solved by investing in entrepreneurs. These are difficult but malleable problems, however. As financial operations like AIDG can aid these entrepreneurs by investing in the facilities that are necessary to generate and flourish this squandering dead capital: “Many would-be entrepreneurs or star-ups in developing countries that aim to effect positive social change often flounder because they lack the business skills, technical skills, networks and capital to survive in the hostile business environments of their home countries.”⁶⁹ Microfinance opens the possibilities for attaining these goals, as the worth recipient of micro-loans is one who can acquire and maximize his/her human capital and build on the spirit of entrepreneurship.

This tragedy of “untapped potential” of human capital reflects the potential for the realization of some unfulfilled but attainable progress that is at the core of development. It worth pointing out that this realization is built directly with the individual, not through the state. As Roy put it, “microfinance writes out the role of the state and instead focuses on the creativity of poor entrepreneurs and the success of local institutions in enabling such entrepreneurship.”⁷⁰ Because the state impedes the free circuit of capital under markets, it is bracketed out as a method for achieving progress, especially in sites of post-disaster reconstruction.

The concept of social capital has not only been instrumental in the discipline of sociology to understand relations in society. In development, the World Bank uses it in its programs to denote the links between development aid and the growth of civil society. As stated in the World Bank’s website, “social capital, when enhanced in a positive manner, can improve project effectiveness and sustainability by building the community’s capacity to work together to address their common needs, fostering greater inclusion and cohesion, and increasing transparency and accountability.”⁷¹ In its relation to economic development, civil society now signifies the ties that escape the market but that are important to build cohesion and progress. Thus, “social capital can be conceptualized as a remedy for market failure, as a non-economic ‘glue’ that holds societies together,” as Roy argues.⁷²

C. Illustration: Fonkoze’s Solidarity Centers

Using the genealogical method of his later works, Foucault effectively argued that in order to understand how power relations function in society, the specific sites under which they operate are important for a critical analysis. Therefore, isolating these “meticulous rituals of power,” as Foucault called them, enabled him to undertake the discourse analysis that is necessary “to localize and specify how power works, what it does and how it does it,” in the words of his American interlocutors.⁷³ As they put it, “the rules and obligations which emerge from these rituals are inscribed in civil law, in moral codes, in the universal laws of humanity that claim to temper and prevent the violence that would supposedly exist without their civilizing constraints.”⁷⁴

In the workings of microfinance, we can see how these “meticulous rituals of power” take place. International development institutions such as the World Bank maintain that social capital is a vital component for development writ large. On a micro-level, Fonkoze applies the concept of social capital through its “solidarity centers.” Fonkoze’s solidarity centers are considered the seeds of a new democratic structures – and a new democratic political culture – for the future. Unlike commercial banks, Fonkoze provides small loans to small female vendors in the countryside, or *ti machann*. Whereas commercial banks provide large loans, Fonkoze focuses on small loans and group lending. In this group, each loan recipient is grouped with four other women to form a “Solidarity Group.” Each Solidarity Group, in turn, is aggregated with 6-10 other solidarity groups to form a “Solidarity Center.” The Solidarity Centers “meet near client’s homes for loan disbursement, repayment, education, and solidarity meetings.” All these financial services, according to Hastings, contribute to a “tremendously powerful sense of community.” But the Solidarity Centers are not just a vehicle for community empowerment. According to Hastings, they are “a truly democratic institution.”⁷⁵ Upholding the tradition of representative democracy in Western liberalism, members form regional assemblies where they vote for representatives for a national assembly located in the capital, Port-au-Prince. For Fonkoze, the Solidarity Centers are capable of enacting something that the state is unable to achieve. Hastings explains the formal rules and procedures that animate its democratic ethos:

Each center selects a chief who represents it at caucuses for the entire branch. These branch-wide caucuses elect representatives to a national assembly that meets once a year in Port-au-Prince and, among other functions, elects a minority of the Fonkoze Board of Directors.

Though social capital is the “glue” that builds Haiti after the earthquake, this reliance on social capital is deployed for ulterior reasons. Social capital is consistent with the logic of profitability because it reassures investors that their loans will be paid with a higher interest rate than promised. In other words, social capital reassures those who financialize microfinancial institutions that there will not be a high and broad risk of default by the lenders. By including women in groups as borrowers, what institutions like Fonkoze do is to create a de facto form of collateral in case one of them defaults. Although microfinance is based in the absence of collateral forms of guarantee, the Solidarity Centers offset this problem and minimize the risk of loan defaults. It only leads microfinance institutions to deal with groups instrumentally, since it reduces administrative costs while creating opportunities for motivating repayments. The objective is not to recognize the political divisions and inequalities that exist at large in Haiti, but to depoliticize these historical practices in order to create avenues for repayment that are more feasible, less time-consuming and more effective. As the geographer Katherine Rankin put it, “Donors thus consider microfinance to be a ‘win-win’ approach to development because

investors can mobilize bonding social capital to enhance the financial viability of banking with poor women, and poor women gain access to both social and financial resources that allow them to help themselves through the market mechanism.”⁷⁶ This de facto forms of collateral are significant because they contradict the values and democratic élan of microfinance, since women are grouped together as a way of governing and maintaining control over their investments.

Indeed, women constitute the vast majority of recipients of microfinance. The empowerment of women is itself a discourse that has permeated the workings of microfinance since its inception. For example, the entire 15,866 recipients of microloans from Fonkoze are women. Similarly, Finca Haiti states in their website that “our average client is a married woman with 3-7 children, who sells food stuffs, cookware, charcoal, used clothings, or soft drinks in a local market near her home.”⁷⁷ The poor, vulnerable woman is representative of the ideal subject of microfinance. Although she lacks education, she is well-equipped to become an entrepreneur and future investor. The gendered subject of microfinance reflects the idea of The Third World Woman that developing institutions such as the World Bank have been stressing in their operations. She can build human capital and increase her social capital, while at the same time build solidarity links with other women to represent the success of microfinancial operations.⁷⁸ Despite this obvious focus on women, the “hidden transcript” of microfinance omits that the differentiated interest rates of its focus have not changed.

To ensure profitable and efficient markets, microfinancial institutions insist on the freedom of its borrowers to dispose of their small loans as they wish. But as demonstrated by the Solidarity Centers and the use of de facto forms of collateral for poor women, these forms of participatory democracy do not advance any tangible political rights or liberties but merely ensures the governance of its borrowers. The contradictory logics of microfinance are clearly seen in Haiti through the workings of Fonkoze, Finca Haiti and other microfinancial institutions. The differentiated interest rates that have thrived under microfinancial schemes can only continue to exist insofar as the discourses of human and social capital are employed. Because human capital and social capital enjoy such unqualified support by Northern development agencies such as the GCAP, the creation of entrepreneurial subjects who possess the freedom to invest and subsist on their own is vital for the development project of microfinance. More importantly, these entrepreneurial subjects are consistent with the neoliberal vision of undermining the state by guaranteeing the “self-reliance” and “ingenuity” of individual citizens who the passive consumers conceptualized by *homo economicus* instead of political subjects with control over their own affairs and livelihood.

VI. Conclusion

In this article, I examined how the discourse of microfinance is centered on poverty as its structure of knowledge while governing microfinancial clients by controlling their conduct. In order to understand this discourse and its continuing appeal, I drew on Foucault’s conceptual schema of discourse, power and governmentality.

First, I located this discourse in its social-historical conditions, and emphasized its *effects* of the production and reproduction of knowledge. Second, I used Foucault’s concept of power as a productive force instead of a static, linear and repressive force. Third, I used Foucault’s concept of governmentality as the art of governing outside the bounds of state and political institutions. In the final analysis, the conceptual schema of discourse, power and governmentality

allows me to re-think microfinance as a discourse of development that treats the poor as an object of knowledge and social capital as its central organizing principle.

There are two levels that one needs to understand about the discourse of microfinance: a conceptual level and empirical level. At a conceptual level, microfinance is founded on two contradictory logics of financial sustainability and socio-economic development. First, the logic of financial sustainability includes prospects for growth, profitability and the expansion of unregulated markets that can be directed precisely at poor populations. Second, the logic of socio-economic development is hinged upon the idea of empowering women, strengthening social and human capital and promoting participatory democracy at the local and national level. In this article, I explored how these discourses operate and whether they enter into conversation with one another. More importantly, I focused on what these discourses *do* and *the effects* they create, rather than focusing on the truth or falsity of these discourses.

At an empirical level, microfinancial initiatives have been implemented across a wide array of developing nations. In the 21st century, microfinancial initiatives currently operate throughout Latin America and the Caribbean, including in the poorest nation in the Western Hemisphere, Haiti. In Haiti, microfinancial initiatives play a role in how microfinance is interpreted by clients. But what remains puzzling about Haiti is that microfinancial initiatives are radically reconfiguring family and community relations, a realm that is usually consigned to civil society and left untouched by the state.

One example of this reconfiguration is the large initiative *Fonkoze*. *Fonkoze* forces its clients in rural communities to strengthen the social capital in towns by forming Solidarity Centers. However, by forcing its clients to organize collectively in Solidarity Centers, *Fonkoze* creates a *de facto* form of collateral in case one of the clients defaults. Although the idea of microfinance excludes collateral forms of guarantee, the solidarity centers offset this problem and minimize the risk of loan defaults. These collateral forms of guarantee are significant because they contradict the values and democratic spirit of microfinance, since women are grouped together as a way of governing and maintaining control over their investments.

All in all, this analysis of microfinance in Haiti complicates the primordial discourse of aid and development. In substance, development in Haiti no longer simply comes packaged in the form of “aid.” Neither is it merely exercised through the elimination of tariffs or the creation of export-processing zones. Instead, development in the form of microfinance is considered an investment in human and social capital that will lead to free and entrepreneurial individuals with the potential to thrive independently of state interference. As evidenced in Haiti, this form of development is creating new forms of governance that are unaccountable, undemocratic and potentially unsustainable.

A discourse analysis of primary documents of key microfinancial institution will reveal these same discourses at work. As argued above, through the trappings of human capital and social capital, microfinance is clothed behind the veils of democratic development, yet its spread and maintenance depends on the production and reproduction of financial markets based on unattainable interest rates and a culture of dependency between the borrower and the lender. This relationship between the political rationality of democracy and financial markets is captured in microfinance in a manner unseen with other projects of development. For this reason, it remains vital to continue to investigate the breadth and depth of microfinance in other sites. But insofar as its logic depends on other discourses, the popularity of microfinance must be gauged carefully

and put to the test of whether or not it advances or prevents the interests of its borrowers and the well-being of populations. It makes no sense to speak of “development” if that is not the case.

Endnotes

¹ Roy, Ananya. 2010. *Poverty Capital: Microfinance and the Making of Development*. New York: Routledge, p.1

² Sachs, Jeffrey. 2006. *The End of Poverty: Economic Possibilities for Our Time*. New York: Penguin.

³ Bono. 2007. “Guest editor’s letter: message 2U,” *Vanity Fair*, July. Online. Available HTTP:

<http://www.vanityfair.com/magazine/2007/07/bono200707> (Accessed April 20, 2012).

⁴ See Stiglitz, Joseph. 2003. *Globalization and its Discontents*. New York: W. W. Norton & Company, pp. 89-113.

⁵ Yunus, Muhammed. 2003. *Banker To The Poor: Micro-Lending and the Battle Against World Poverty*.

⁶ Yunus, Muhammed. 2006. “Nobel Lecture,” Nobelprize.org. Online. Available HTTP:

http://www.nobelprize.org/nobel_prizes/peace/laureates/2006/yunus-lecture-en.html

⁷ Tania M. Li, *The Will to Improve* (Durham, NC: Duke University Press, 2007); Arturo Escobar, *Encountering Development: The Making and Unmaking of the Third World* (Princeton, NJ: Princeton University Press, 1995); James Ferguson, *Global Shadows: Africa in the Neoliberal World Order* (Durham, NC: Duke University Press, 2006); Michael Watts, “Development and Governmentality.” *Singapore Journal of Tropical Geography* 24 (2004): 6-34.

⁸ Weber, Heloise. 2004. “The New Economy and Social Risk: Banking on the Poor?” *Review of International Political Economy* 11 (2004) 356-386.

⁹ Aitken, Rob. 2010. “Ambiguous Incorporations: Microfinance and Global Governmentality.” *Global Networks* 10 (2) 223-243.

¹⁰ Delaney, Jim. 2011. “The Tools of Empire: Micro-finance, Neoliberalism, and the Vietnamese State.” *Canadian Journal of Development* 29 (3-4), pp. 313-327.

¹¹ Aitken, “Ambiguous Incorporation,” p. 225.

¹² *Ibid.*, p. 227

¹³ Dugger, Celia. 2006. “Peace Prize to Pioneer of Loans to Poor No Bank Would Touch.” *The New York Times*, October 14, 2006.

¹⁴ *Ibid.*

¹⁵ Green, Adam Robert. “Microfinance Craze Conceals Multiple Plans,” *Inter Press Service*, June 2, 2011.

¹⁶ Madeleine Bunting, “Muhammed Yunus banks on beating the enemies of microfinance,” *The Guardian*, July 18, 2011.

¹⁷ Roy, *Poverty Capital*, p. 22.

¹⁸ Dichter, Thomas, “Too Good to be True: The Remarkable Resilience of Microfinance.” *Harvard International Review*, pp. 18.

¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ Dugger, “Peace Prize to Pioneer.”

²² Weber, Heloise. 2004. “The ‘New Economy’ and Social Risk: Banking on the Poor?” *Review of International Political Economy* 11(2) 363

²³ *Ibid.* p. 364.

²⁴ Hermes, Niels and Robert Lensik. 2011. “Microfinance: Its Impact, Outreach and Sustainability.” *World Development* 39(6), pp. 875-881.

²⁵ *Ibid.*

- ²⁶ Dichter, Thomas, "Too Good to be True: The Remarkable Resilience of Microfinance." *Harvard International Review*, pp. 18.
- ²⁷ Hogue, Serajul. 2004. "Micro-credit and The Reduction of Poverty in Bangladesh." *Journal of Contemporary Asia* 34(1), pp. 21-32.
- ²⁸ Madeleine Buting, "Microfinance's sober reckoning," *The Guardian*, August 18, 2011.
- ²⁹ Some examples includes having a required amount saved before the loan can be given, a minimum amount that the borrower must accept, or force the borrower's company to have legal recognition from the state. See Hermes, "Microfinance," p. 877.
- ³⁰ Dichter, "Too Good to be True," p. 21.
- ³¹ Weber, "The New Economy," p. 365.
- ³² Dichter, "Too Good to be True," p. 19.
- ³³ Cabitza, Mattia. "Bolivia's first crop insurance scheme promises to empower farmers," *The Guardian*, August 19, 2011.
- ³⁴ Walt, Vivianna. "Does Microfinance Really Work? A New Book Says No," *Time*, January 06, 2012.
- ³⁵ *Ibid.*, p. 876.
- ³⁶ Roy, "Poverty Capital," p. 53.
- ³⁷ Aitken, "Ambiguous Incorporations," p. 229.
- ³⁸ Aitken, "Ambiguous Incorporations," p. 224.
- ³⁹ International Monetary Fund, Haiti, <http://www.imf.org/external/pubs/ft/weo/2011/01/weodata/weorept.aspx?sy=2008&ey=2011&scsm=1&ssd=1&sort=country&ds=.&br=1&c=263&s=NGDPD%2CNGDPDPC%2CPPPGDP%2CPPPPC%2CLP&grp=0&a=&pr.x=30&pr.y=10>
- ⁴⁰ Daniel Costello, "Can Micro-Lending Save Haiti, The New York Times, November 13, 2010, national edition.
- ⁴¹ Dalal, Meera. "Cholera in Haiti: From Control to Elimination." Al Jazeera, January 12, 2012, English edition.
- ⁴² Ives, Kim. "Lawyers for Haiti Cholera Victims Tell UN: 'Immunity Cannot Mean Impunity.'" Institute for Justice and Democracy in Haiti, April 11, 2012.
- ⁴³ Sara Mills, *Discourse* (London, UK: Routledge, 2004), 118.
- ⁴⁴ Michel Foucault, *Security, territory, population*: lectures at the Collège de France, 1977-1978 (New York: Picador/Palgrave Macmillan, 2009), p. 108.
- ⁴⁵ See <http://www.fonkoze.org/aboutfonkoze/whoweare/ourmission.html>
- ⁴⁶ Quoted in Costello, "Can Micro-Lending Save Haiti."
- ⁴⁷ "In Haiti, Micro-Credit May Be a Fragile Lifeline," *Philanthropy News Digest*, November 20, 2010.
- ⁴⁸ Quoted in Finca Haiti's website: <http://www.finca.org/site/c.6fIGIXMFJnJ0H/b.6088557/k.B2DB/Haiti.htm>
- ⁴⁹ <http://www.clintonbushhaitifund.org/programs/entry/finca>
- ⁵⁰ See www.fonkoze.org
- ⁵¹ Hastings, Anne et al. 2010. "A Bank the Poor Can Call Their Own." *Innovations: Technology, Governance, Globalization*. Fall edition, Vol 5, p. 14
- ⁵² *Ibid.*
- ⁵³ Roy, *Poverty Capital*, p. 69.
- ⁵⁴ *ibid.*, p. 14 and 18.
- ⁵⁵ Hastings, "A Bank the Poor Can Call their Own," p. 15.
- ⁵⁶ Taken from <http://www.mixmarket.org/mfi/sogesol>
- ⁵⁷ GCAP. 2008. "GCAP IV: Strategy Building Local Financial Systems." Located in <http://www.cgap.org/p/site/c/template.rc/1.9.40791/> (accessed on April 20, 2012).
- ⁵⁸ O'Brien, Denis. 2010. "Haiti's Potential Waiting to be Fulfilled." *Innovations: Technology, Governance, Globalization*. Fall Edition, Vol 5., p. 7
- ⁵⁹ O'Brien, "Haiti's Potential..." p. 7
- ⁶⁰ Hastings, Anne et al. 2010. "A Bank the Poor Can Call Their Own," p. 17-18.
- ⁶¹ Fonkoze. 2010 Annual Report. Washington, D.C.: Fonkoze USA, p. 5.
- ⁶² Laine, Catherine F. 2010. "Building a Better Haiti." *Innovations: Technology, Governance, Globalization*. Fall edition, Vol 5, p. 40.
- ⁶³ *Ibid.*

- ⁶⁴ Becker, Gary S. 1962. "Investment in Human Capital: A Theoretical Analysis," *Journal of Political Economy*, Vol 70, No. 5, Part 2: Investment in Human Beings, pp. 9-49.
- ⁶⁵ Roy, Ananya. 2011. "Slumdog Cities: Rethinking Subaltern Urbanism." *International Journal of Urban and Regional Research*, 35: 223-238.
- ⁶⁶ O'Brien, Denis, "Haiti's Potential...", p. 7.
- ⁶⁷ *Ibid.*, p. 8.
- ⁶⁸ The World Bank, "Haiti: Fostering Economic Empowerment for Female Agricultural Producers." <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22746256-menuPK>
- ⁶⁹ Lainè, "Building a Better Haiti," p. 39.
- ⁷⁰ Roy, Poverty Capital, p. 63.
- ⁷¹ World Bank. "Overview: Social Capital." <http://go.worldbank.org/C0QTRW4QF0>
- ⁷² Roy, Poverty Capital, p. 63.
- ⁷³ Hubert Dreyfus and Paul Rabinow, *Michel Foucault: Beyond Structuralism and Hermeneutics* (Chicago, IL: University of Chicago Press, 1983), 110.
- ⁷⁴ *Ibid.*
- ⁷⁵ Hastings, Anne. "A Bank the Poor Can Call Their Own," p.
- ⁷⁶ Ranking, Katharine. 2002. "Social Capital, Microfinance and the Politics of Development," *Feminist Economics* 8 (1), p. 19.
- ⁷⁷ Finca Haiti, "Haiti." <http://www.financa.org/site/c.6fIGIXMFjnJOH/b.6088557/k.B2DB/Haiti>
- ⁷⁸ Roy, Poverty Capital, p. 69.

BIBLIOGRAPHY

- Aitken, Rob. 2010. "Ambiguous Incorporations: Microfinance and Global Governmentality." *Global Networks* 10 (2) 223-243.
- Becker, Gary S. 1962. "Investment in Human Capital: A Theoretical Analysis," *Journal of Political Economy*, Vol 70, No. 5, Part 2: Investment in Human Beings, pp. 9-49.
- Bono. 2007. "Guest editor's letter: message 2U," *Vanity Fair*, July. Online. Available HTTP: <http://www.vanityfair.com/magazine/2007/07/bono200707> (Accessed April 20, 2012).
- Bunting, Madeleine. "Muhammed Yunus banks on beating the enemies of microfinance." *The Guardian*, July 18, 2011.
- Cabitza, Mattia. "Bolivia's first crop insurance scheme promises to empower farmers," *The Guardian*, August 19, 2011.
- Costello, Daniel. "Can Micro-Lending Save Haiti?" *The New York Times*, November 13, 2010.
- Dalal, Meera. "Cholera in Haiti: From Control to Elimination." *Al Jazeera*, January 12, 2012, English edition.
- Delaney, Jim. 2011. "The Tools of Empire: Micro-finance, Neoliberalism, and the Vietnamese State." *Canadian Journal of Development* 29 (3-4), pp. 313-327.
- Dichter, Thomas, "Too Good to be True: The Remarkable Resilience of Microfinance." *Harvard International Review*, 18-21
- Doner, Richard F. Bryan K. Ritchie and Dan Slater. 2005. "Systemic Vulnerability and the Origins of Developmental States; Northeast and Southeast Asia in Comparative Perspective." *International Organization* 59(2).
- Dugger, Celia. 2006. "Peace Prize to Pioneer of Loans to Poor No Bank Would Touch." *The New York Times*, October 14, 2006.

-
- Escobar, Arturo. *Encountering Development: The Making and Unmaking of the Third World* (Princeton, NJ: Princeton University Press, 1995)
- Ferguson, James. *Global Shadows: Africa in the Neoliberal World Order* (Durham, NC: Duke University Press, 2006)
- Fonkoze. *2010 Annual Report*. Washington, D.C.: Fonkoze USA
- Foucault, Michel. 2010. *Security, Territory, Population : Lectures at the Collège de France, 1977-1978*. New York: Picador/Palgrave Macmillan.
- 2010. *The Birth of Biopolitics: Lectures at the Collège de France, 1978-1979*. New York: picador/Palgrave Macmillan.
- GCAP. 2008. “GCAP IV: Strategy Building Local Financial Systems.” Located in <http://www.cgap.org/p/site/c/template.rc/1.9.40791/> (accessed on April 20, 2012).
- Goldsmith, Arthur. 2001. “Foreign Aid and Statehood in Africa.” *International Organization* 55(1)
- Green, Adam Robert. “Microfinance Craze Conceals Multiple Plans, *Inter Press Service*, June 2, 2011.
- Hastings, Anne et al. 2010. “A Bank the Poor Can Call Their Own.” *Innovations: Technology, Governance, Globalization*. Fall edition, Vol 5, p. 14
- Hermes, Niels and Robert Lensik. 2011. “Microfinance: Its Impact, Outreach and Sustainability.” *World Development* 39(6), pp. 875-881.
- Hogue, Serajul. 2004. “Micro-credit and The Reduction of Poverty in Bangladesh.” *Journal of Contemporary Asia* 34(1), pp. 21-32.
- “In Haiti, Micro-Credit May Be a Fragile Lifeline,” *Philanthropy News Digest*, November 20, 2010.
- Ives, Kim. “Lawyers for Haiti Cholera Victims Tell UN: ‘Immunity Cannot Mean Impunity.’” *Institute for Justice and Democracy in Haiti*, April 11, 2012.
- Laine, Catherine F. 2010. “Building a Better Haiti.” *Innovations: Technology, Governance, Globalization*. Fall edition, Vol 5, p. 40.
- Li, Tania M. *The Will to Improve* (Durham, NC: Duke University Press, 2007)
- Mills, Sara. *Discourse* (London, UK: Routledge, 2004).
- Moss, Todd, Gunilla Pettersson, and Nicolas van de Walle. 2006. “An Aid-Institutions Paradox? A Review Essay on Aid Dependency and State Building in Sub-Saharan Africa.” *Center of Global Development Working Paper* 74(1)
- O’Brien, Denis. 2010. “Haiti’s Potential Waiting to be Fulfilled.” *Innovations: Technology, Governance, Globalization*. Fall Edition, Vol 5., p. 7
- Ranking, Katharine. 2002. “Social Capital, Microfinance and the Politics of Development,” *Feminist Economics* 8 (1), p. 19.
- Roy, Ananya. 2010. *Poverty Capital: Microfinance and the Making of Development*. New York: Routledge.
- 2011. “Slumdog Cities: Rethinking Subaltern Urbanism.” *International Journal of Urban and Regional Research*, 35: 223-238
- Sachs, Jeffrey. *The End of Poverty* (New York: Penguin, 2006).
- Shwartz, Herman. 2007. “Dependency or Institutions? Economic Geography, Causal Mechanisms, and Logic in the Understanding of Development.” *Studies in Comparative International Development* 42: 115-35⁷⁸

-
- Walt, Vivianna. "Does Microfinance Really Work? A New Book Says No," *Time*, January 06, 2012.
- Watts, Michael. "Development and Governmentality." *Singapore Journal of Tropical Geography* 24 (2004): 6-34.
- Weber, Heloise. 2004. "The 'New Economy' and Social Risk: Banking on the Poor?" *Review of International Political Economy* 11(2) 356-386
- The World Bank*, "Haiti: Fostering Economic Empowerment for Female Agricultural Producers." <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22746256-menuPK>
- World Bank*. "Overview: Social Capital." <http://go.worldbank.org/C0QTRW4QF0>
- Yunus, Muhammed. 2003. *Banker To The Poor: Micro-Lending and the Battle Against World Poverty*.
- Yunus, Muhammed. 2006. "Nobel Lecture," Nobelprize.org. Online. Available HTTP: http://www.nobelprize.org/nobel_prizes/peace/laureates/2006/yunus-lecture-en.html