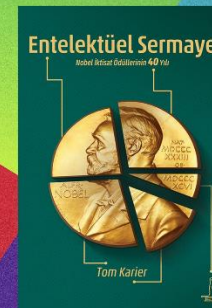
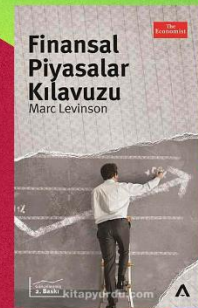
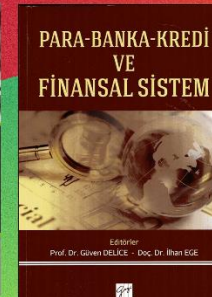


New Challenges, New Century, But Old Problems: Economic Crisis, Poverty and Others

İlhan EGE



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New Challenges,
New Century,
But Old Problems:
Economic Crisis,
Poverty and Others

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CHANGING WORLD AND ROARING TWENTIES

- Women took new roles and gained the right to vote with the 19th Amendment.



CHANGING WORLD AND ROARING TWENTIES

- African Americans received praise for works of art, literature, music, and contributions to society. These movements were called the Jazz Age and Harlem Renaissance



CHANGING WORLD AND ROARING TWENTIES

- Most of the US economy was strong, except for farmers who suffered from falling agriculture prices!



The Stock Market Crash of 1929

In 1929, the Stock Market Crashed!!

- The stock of a business represents the original money paid into or invested in the business by its founders.
- So... the stock represents how much money was originally invested in a business by the people who started the business.
- When someone starts a business, they divide the business into parts called shares.
- When people buy shares of a company, they are making an investment in that business.

- **Investment** - is putting money into something with the hope of profit
- Many people bought stock expecting **companies** to make money.
- But when the **stock** prices fell, many **investors** or, people who bought stocks, lost everything!

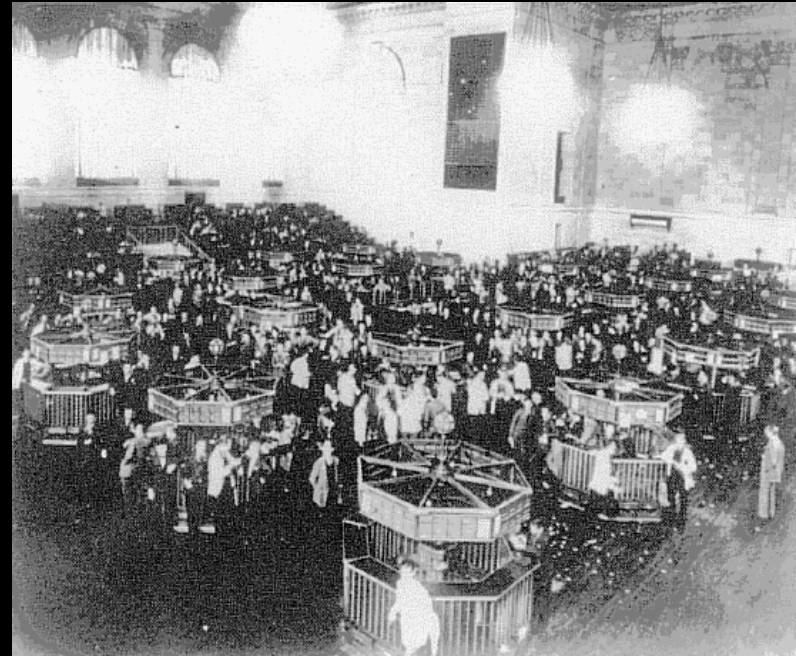


The Stock Market Crash of 1929

People were BUYING, BUYING, BUYING stocks in businesses that were not worth the amounts they were paying for them and the banks were loaning out more money than what peoples' investments were worth.

- The crash caused others to panic and sell the stock they had.

Banks were recalling loans. This meant they made people pay back loans early. But, many people could NOT pay!



The Stock Market Crash of 1929

- People could NOT pay, so banks ended up closing.
- People who put their money in the bank lost their life savings.



The Stock Market Crash of 1929 marked the start of the

Great Depression!

Why did it become the GREAT Depression ?

“The Domino Effect...”

- People lost their jobs after the stock market crashed. Therefore, many needed to spend their savings.
 - Savings – the money an individual sets aside for emergencies or special events
- When large numbers of people tried to take money out of the banks, many banks went out of business because they did not have the people’s money!
- Because people had so little money, they bought few goods.

Why did it become the GREAT Depression ?

“The Domino Effect” Continued...

- The producers could not sell what they made so they did NOT make a profit!
- Without a profit, factories could not pay their employees so the factory workers lost their jobs.
- When workers lost their jobs, they could not pay what they owed to banks or businesses.
- So more banks and more businesses began to fail.

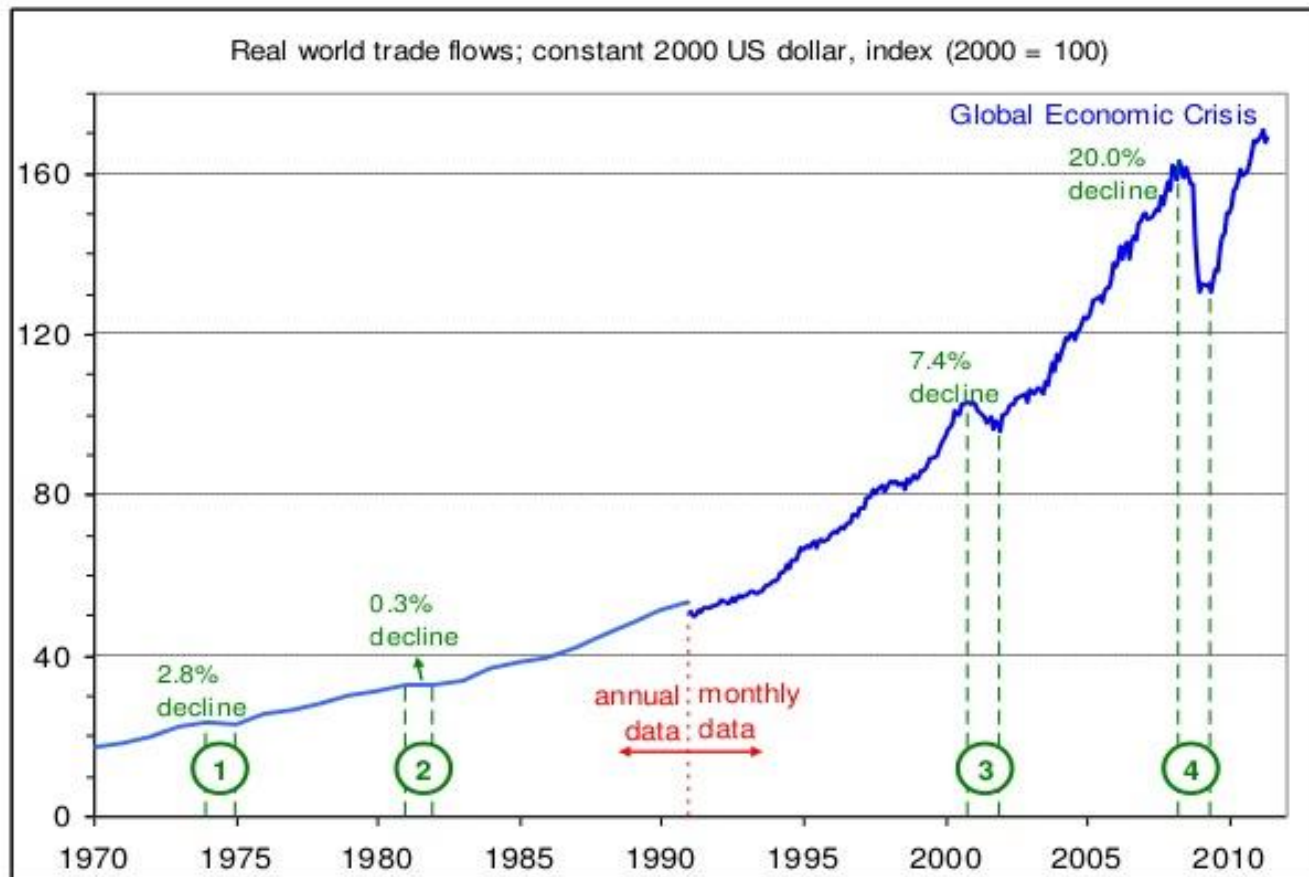
CENTURY OF ECONOMIC CRISIS

20th century

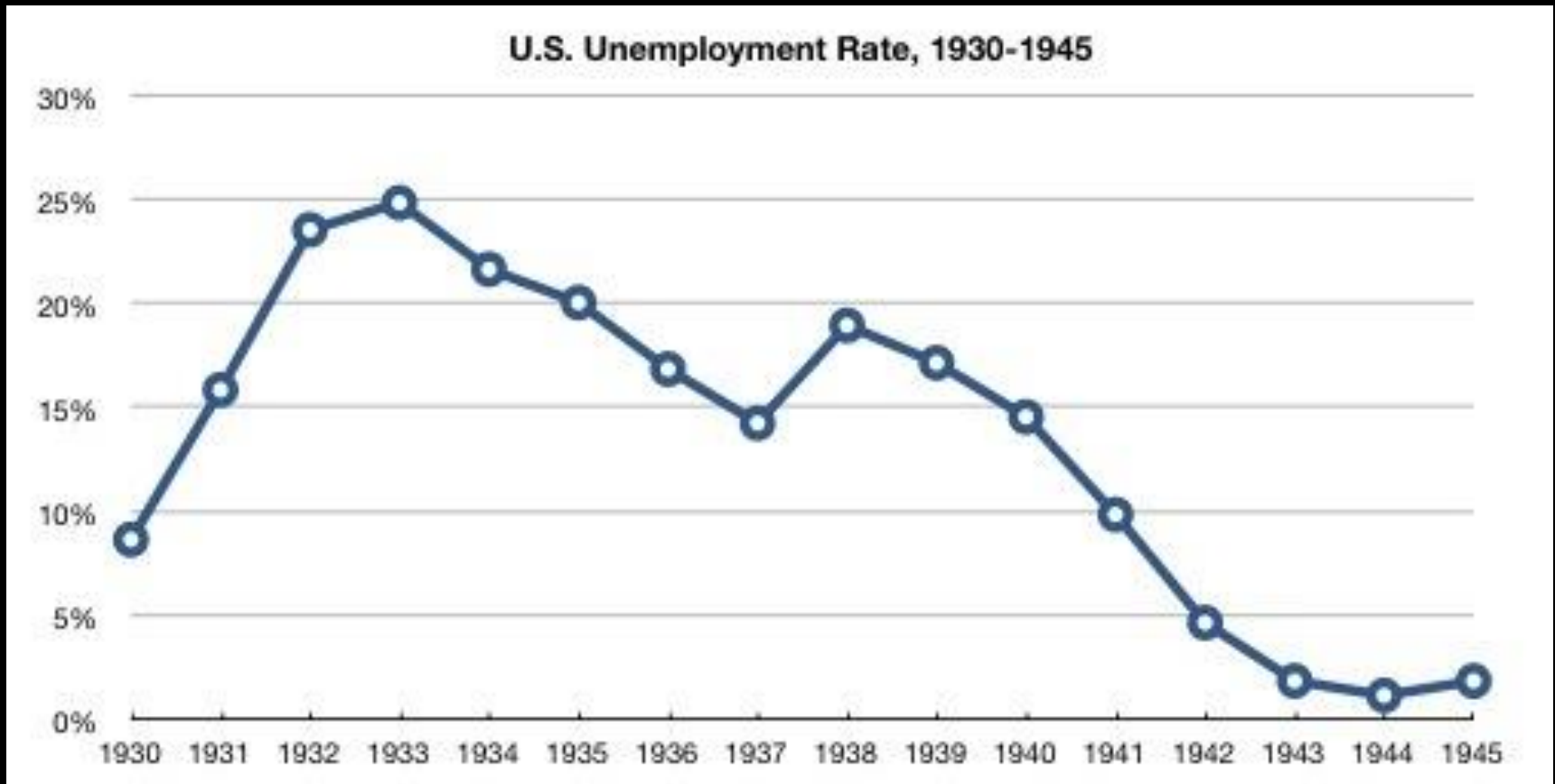
- [Panic of 1907](#), a U.S. economic recession with bank failures
- [Wall Street Crash of 1929](#) and [Great Depression](#) (1929–1939) the worst depression of modern history
- [OPEC oil price shock](#)
- [Secondary banking crisis of 1973–1975](#) in the UK
- [Japanese asset price bubble](#) (1986–2003)
- [Bank stock crisis \(Israel 1983\)](#)
- [Black Monday \(1987\)](#)
- [Savings and loan crisis](#) of the 1980s and 1990s in the U.S.
- [1991 India economic crisis](#)
- [Finnish banking crisis \(1990s\)](#)
- [Swedish banking crisis \(1990s\)](#)
- [1994 economic crisis in Mexico](#)
- [1997 Asian financial crisis](#)
- [1998 Russian financial crisis](#)
- [Argentine economic crisis \(1999–2002\)](#)

ECONOMIC CRISIS (Now)

Global Economic Crisis



UNEMPLOYMENT PROBLEM (1930s)

















UNEMPLOYMENT PROBLEM (Now)

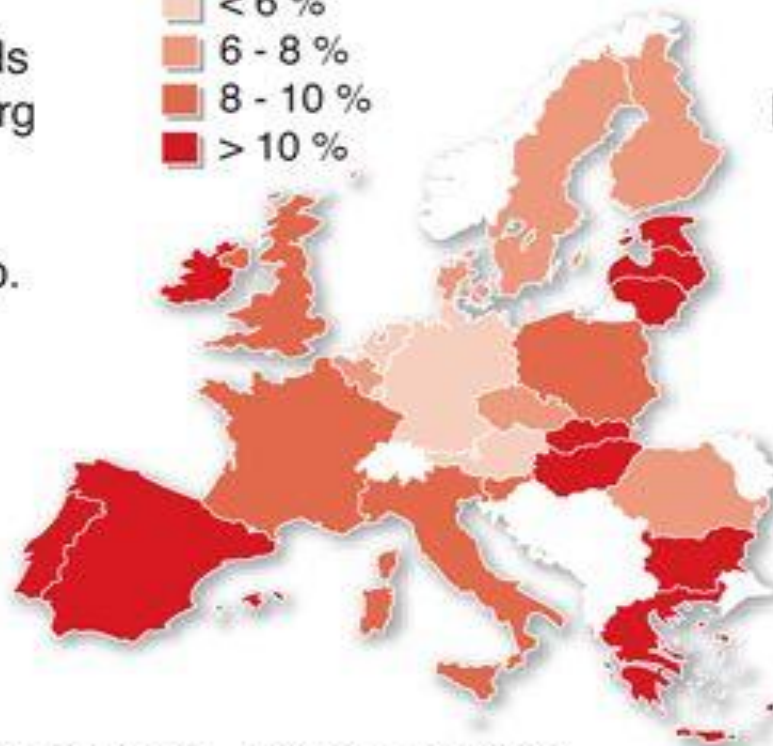
UNEMPLOYMENT IN EUROPE












Unemployment rates in January 2012, seasonally adjusted

Trend compared to previous month  Rise  No change  Fall



4.0		Austria
5.0		Netherlands
5.1		Luxembourg
5.8		Germany
6.5		Malta
6.9		Czech Rep.
7.2		Romania
7.4		Belgium
7.5		Finland
7.6		Sweden
7.9		Denmark
8.2		Slovenia
8.4		Britain
9.2		Italy

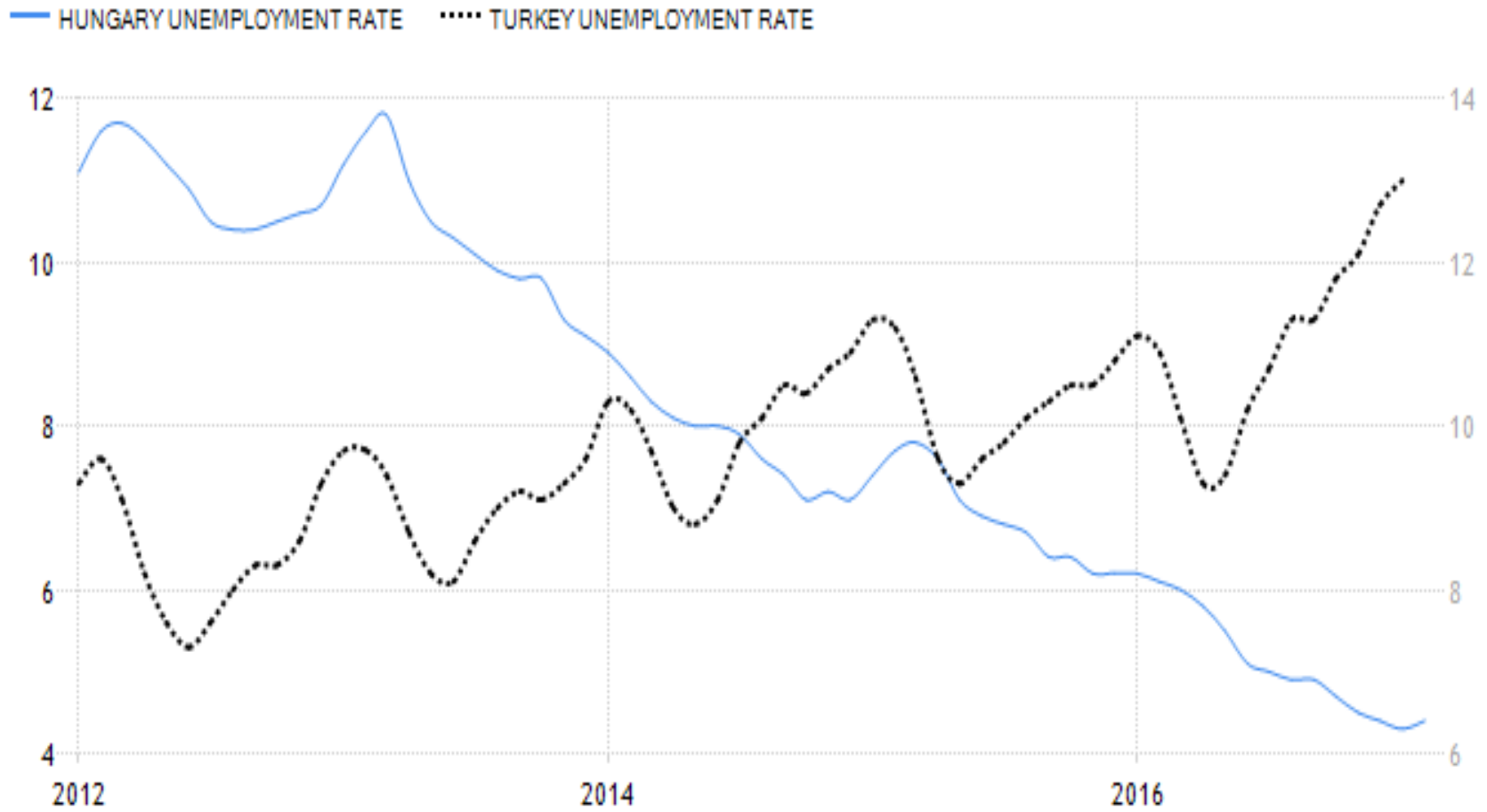


Cyprus		9.6
France		10.0
EU-27 average		10.1
Poland		10.1
Hungary		10.9
Bulgaria		11.5
Estonia **		11.7
Slovakia		13.3
Lithuania **		14.3
Latvia ***		14.7
Ireland		14.8
Portugal		14.8
Greece *		19.9
Spain		23.3

*November 2011 **December 2011 ***September 2011

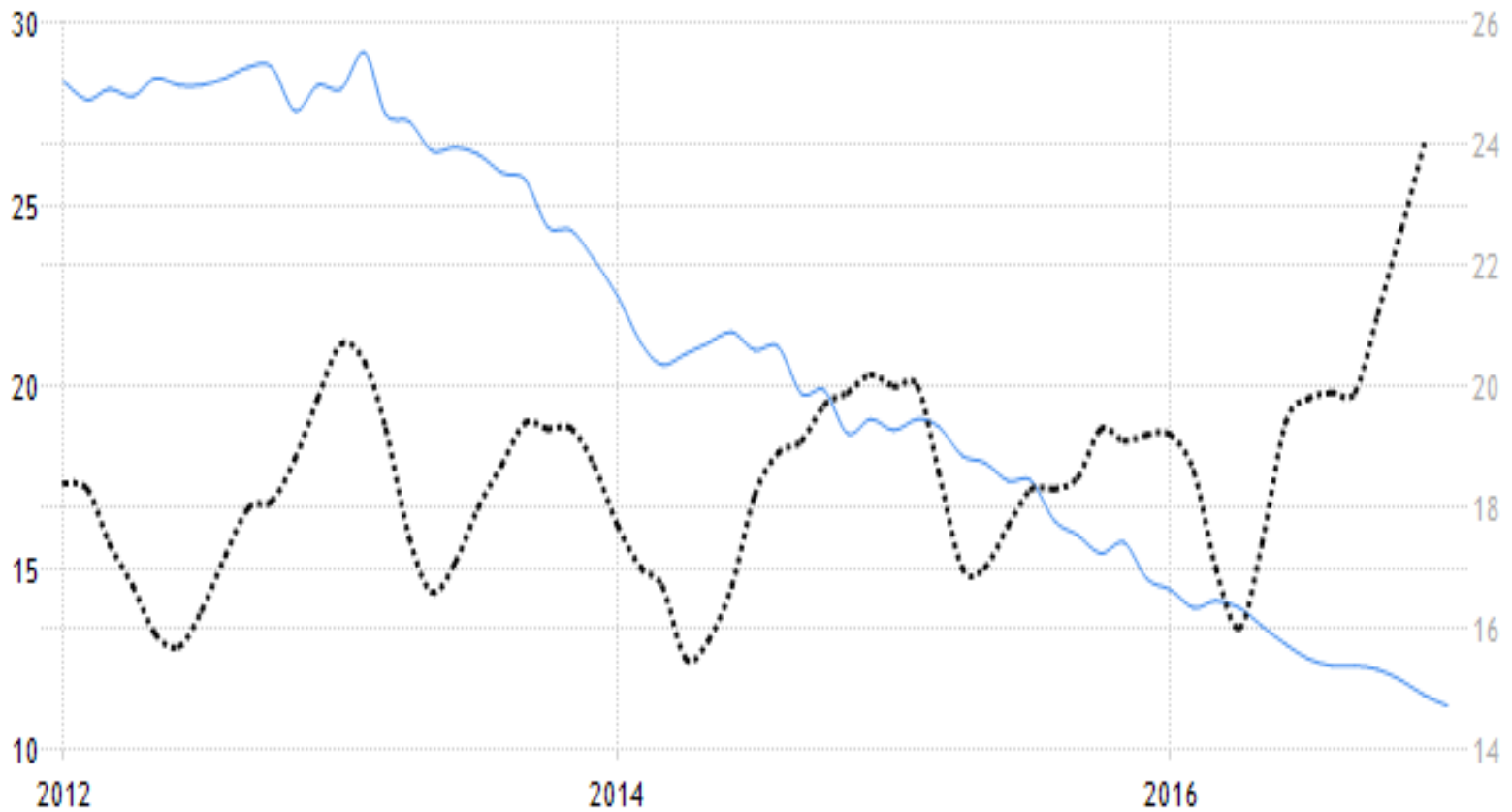
Source: Eurostat

UNEMPLOYMENT PROBLEM (Now)



UNEMPLOYMENT PROBLEM (Now)

— HUNGARY YOUTH UNEMPLOYMEN... TURKEY YOUTH UNEMPLOYMEN..



LOW WAGES PROBLEM (1930S)



The Great Depression

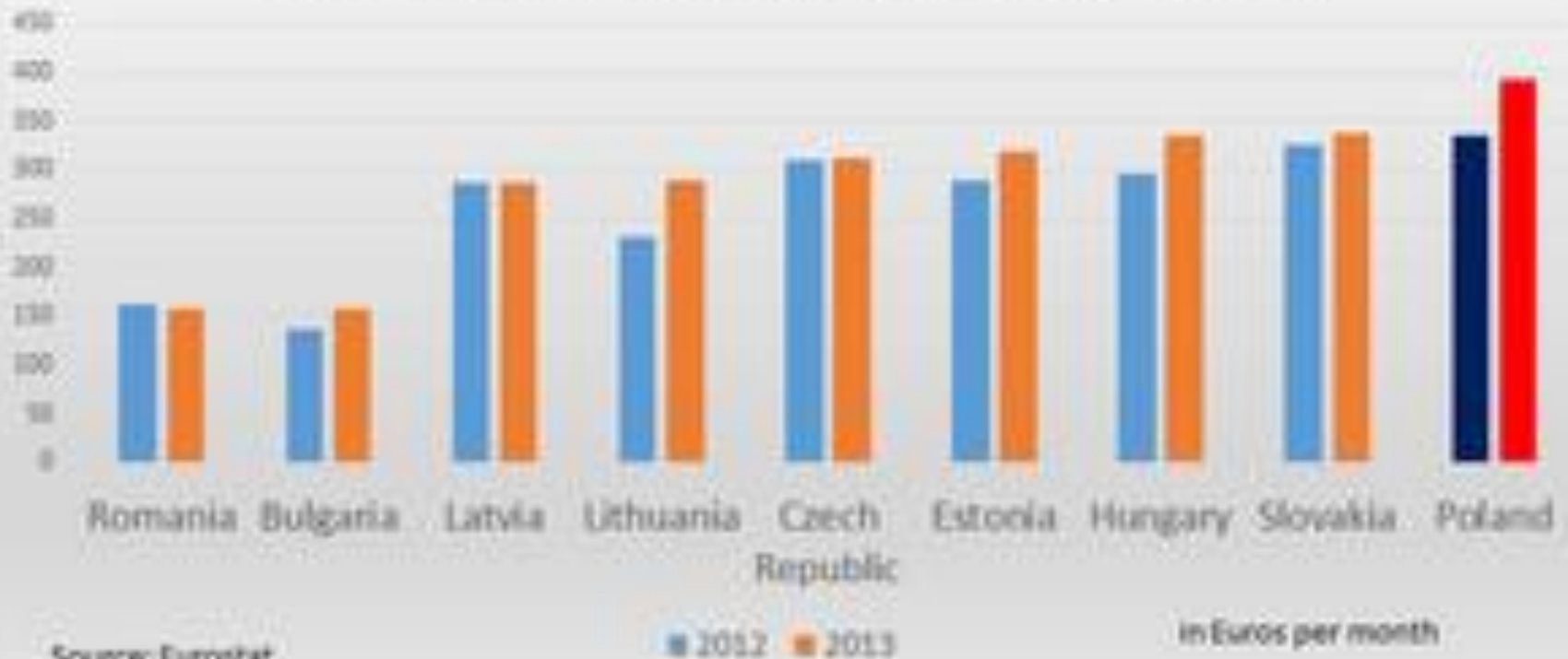
It was the worst economic crisis in US history.

- People had to rely on soup kitchens, which gave out free food to the poor, because they could not survive without this.

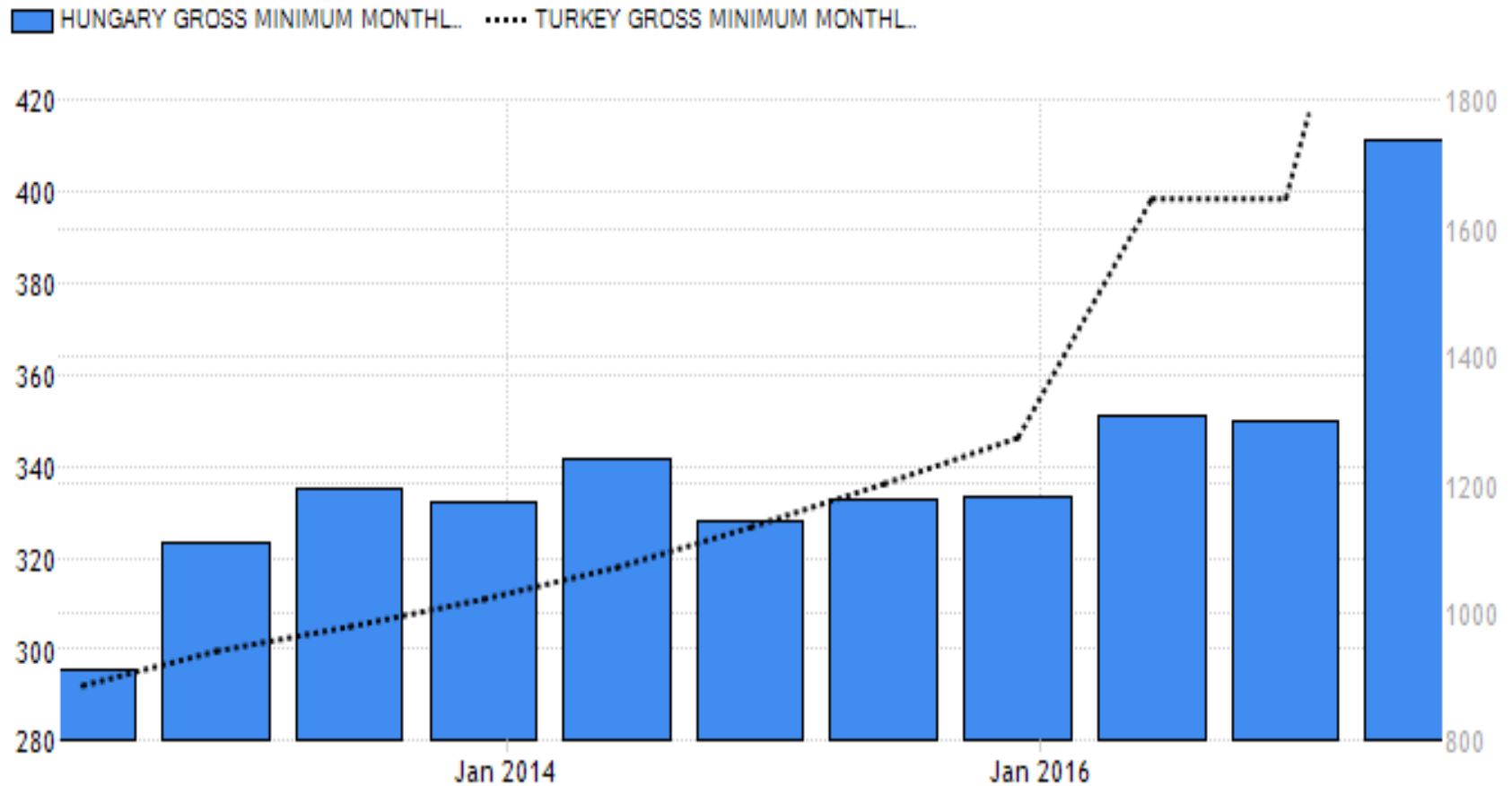


LOW WAGES PROBLEM (Now)

Minimum wages in former communist countries in Europe, 2012 and 2013

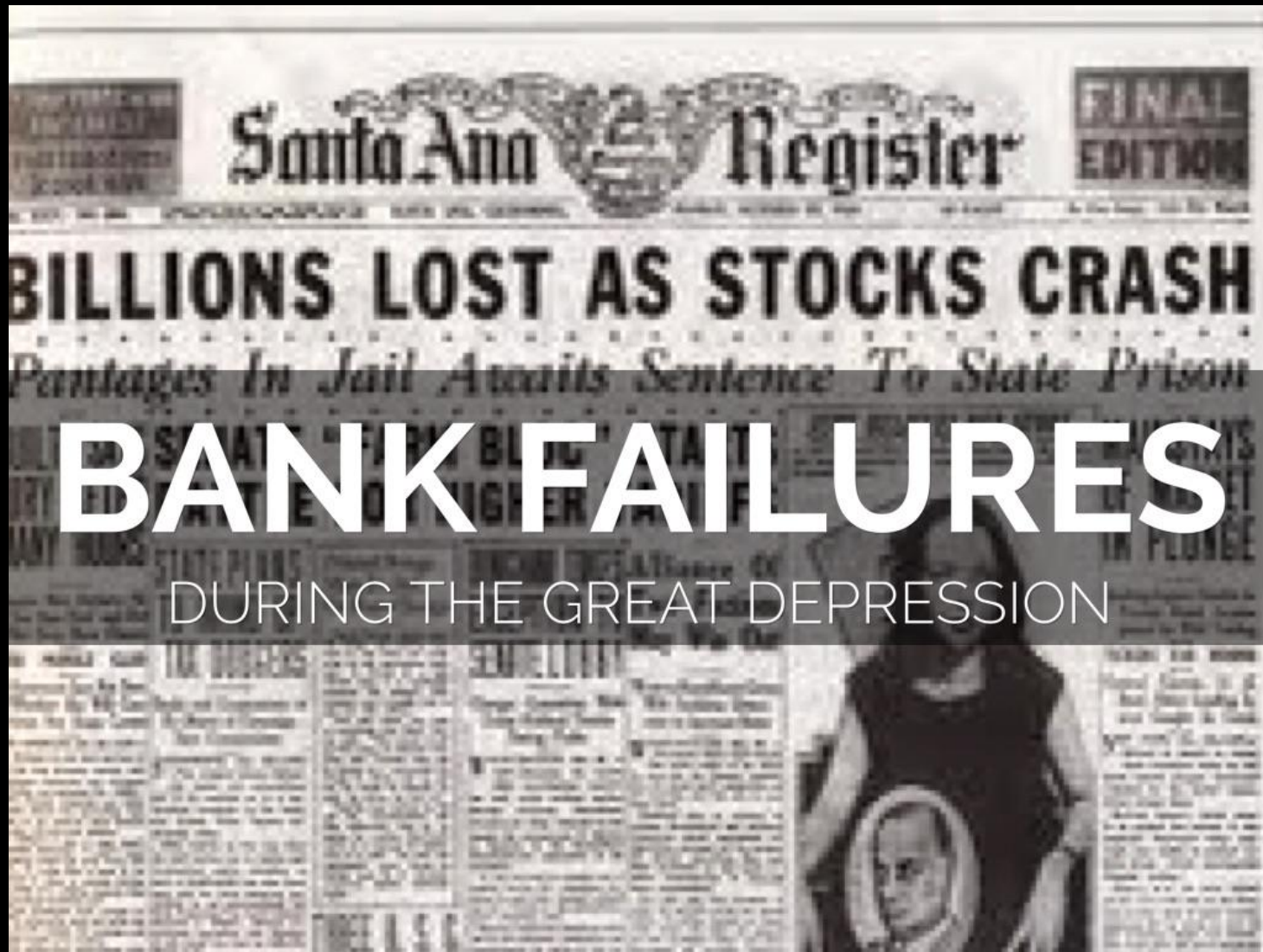


LOW WAGES PROBLEM (Now)



SOURCE: TRADINGECONOMICS.COM

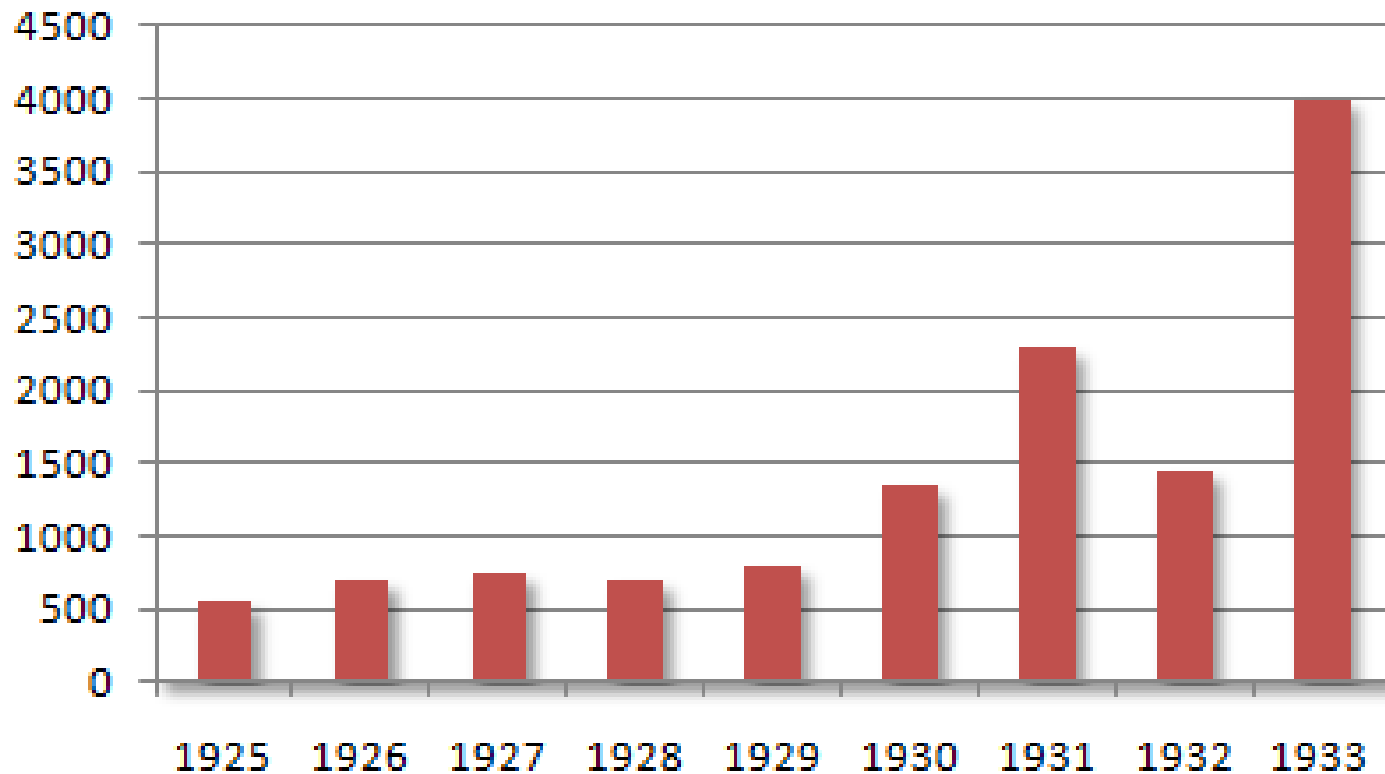
BANK FAILURES PROBLEM (1930s)



BANK FAILURES PROBLEM (1930s)

Bank Failures in the 1920s and 1930s

Source: The Great Depression by Murray Rothbard



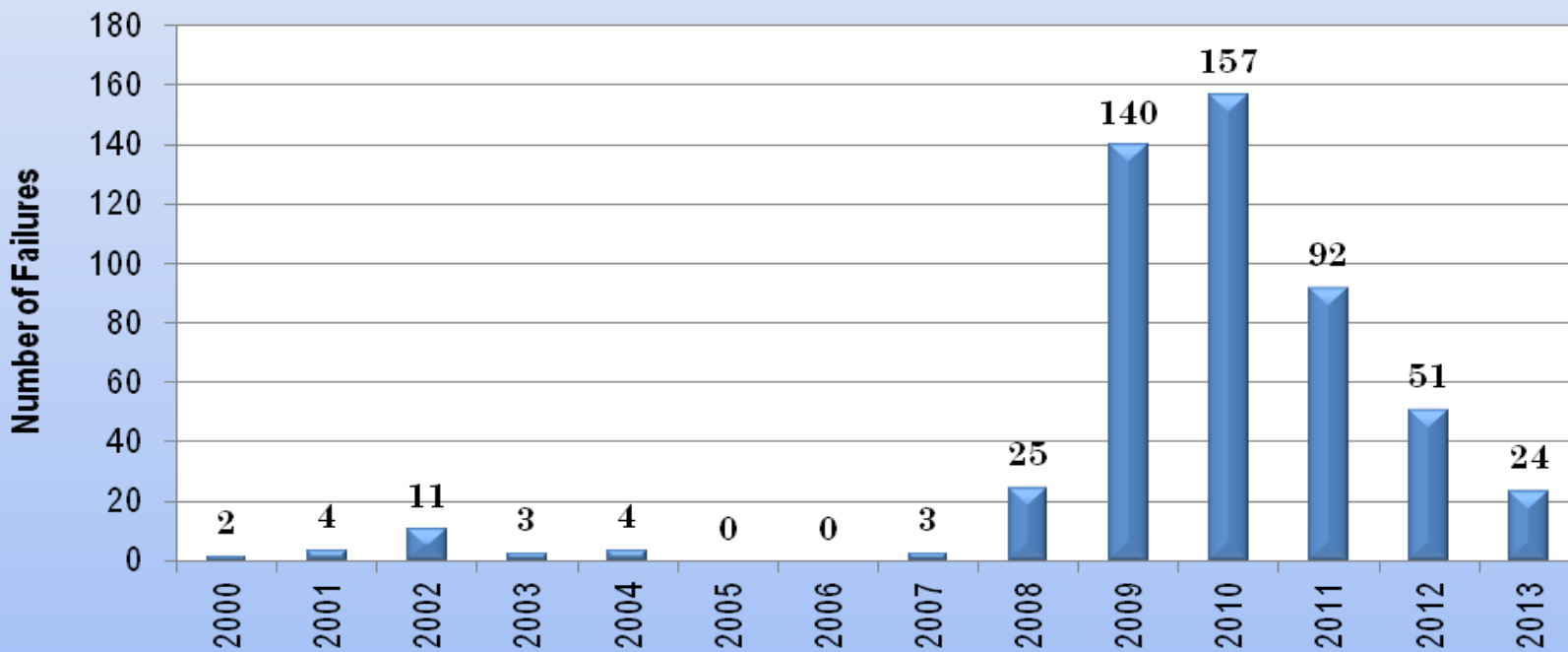
BANK FAILURES PROBLEM (1930s)



BANK FAILURES PROBLEM (Now)



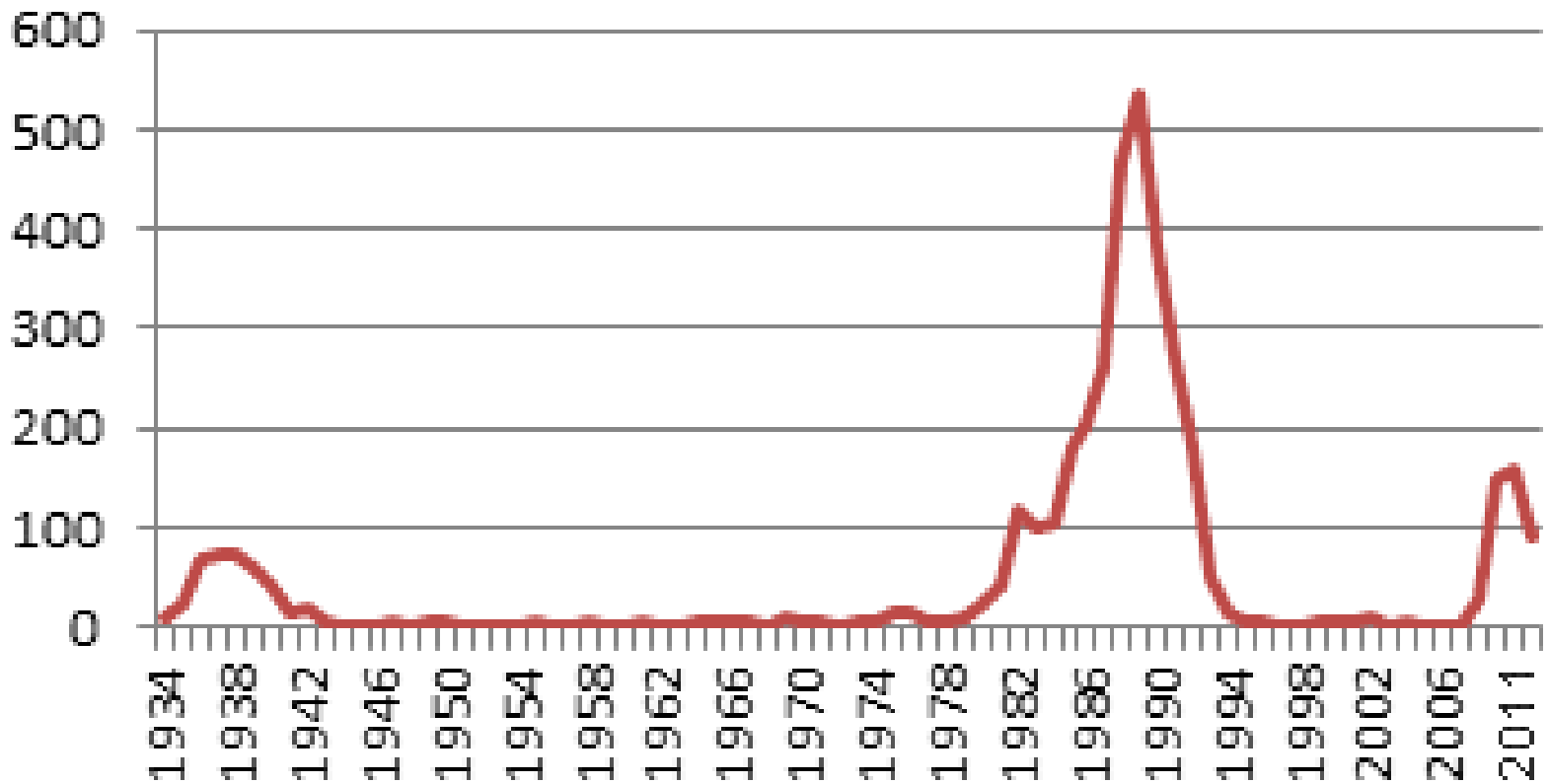
U.S. Bank Failures*
2000 to 2013



*Source: F.D.I.C.

BANK FAILURES PROBLEM (Now)

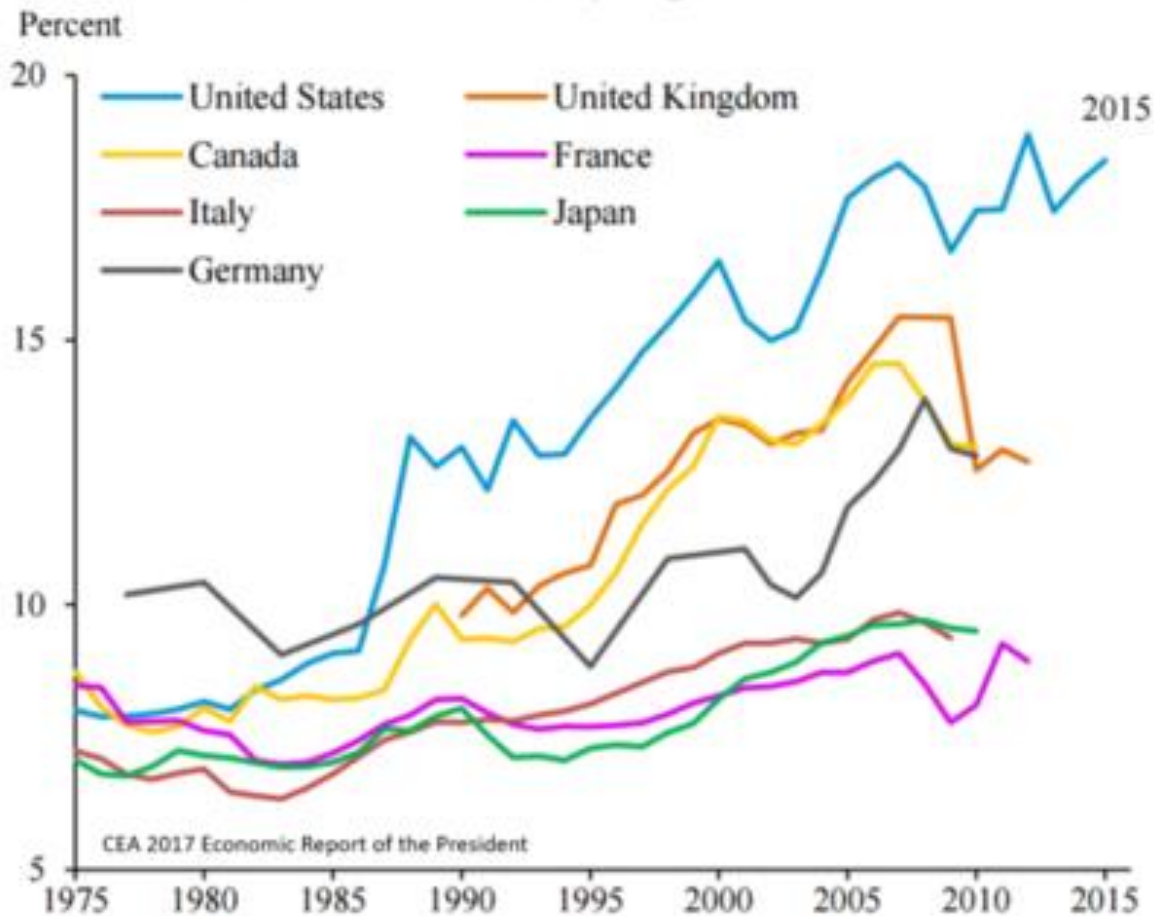
Number of banks failed



INCOME INEQUALITY PROBLEM



Share of Income Earned by Top 1 Percent, 1975–2015



Source: World Wealth and Income Database.

INCOME INEQUALITY PROBLEM



The Great Depression

Herbert Hoover was the president when The Great Depression started.

Most citizens blamed **Hoover** for the **crisis**.

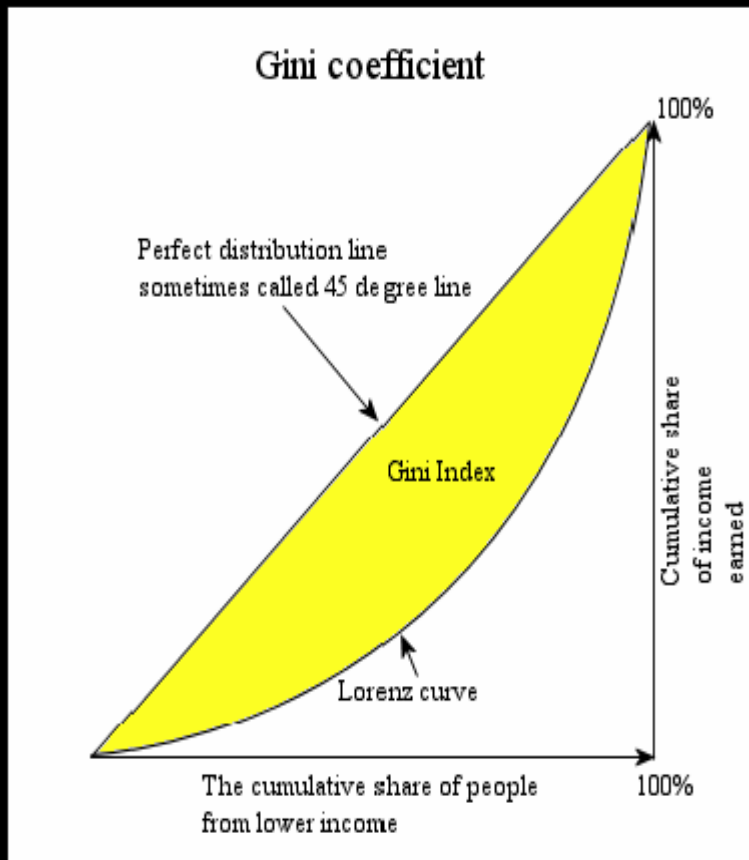
During the depression many people lost their **homes** and had nowhere to live; so they built shacks out of scrap pieces of wood and metal.

These soon became **communities** where poor homeless people lived.

They were called "**Hoovervilles**" after Herbert Hoover.



Measures of income inequality

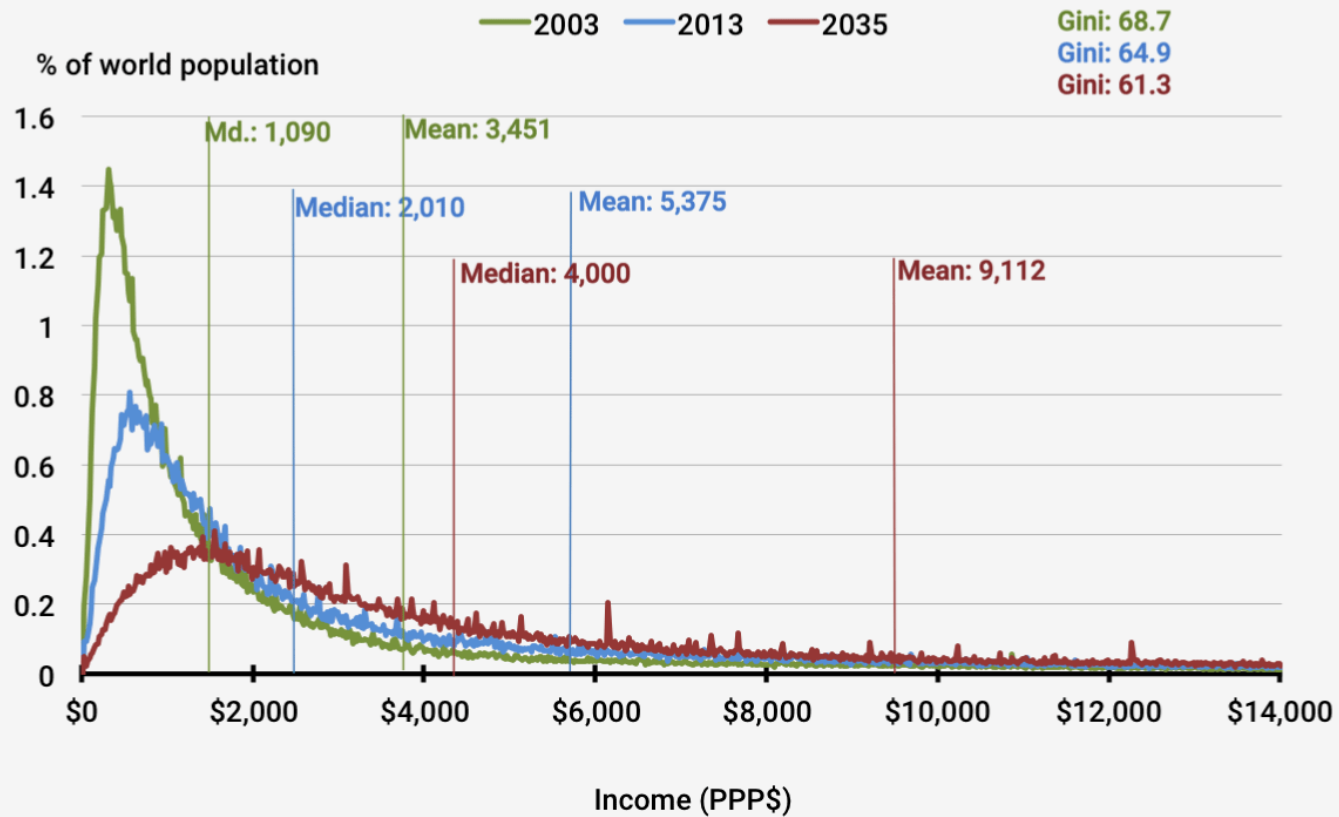


Gini coefficient - most prominently used as a measure of inequality of income distribution or inequality of wealth distribution. It is defined as a ratio with values between 0 and 1.

Gini = 1 perfect inequality

Gini = 0 perfect equality

GLOBAL INCOME DISTRIBUTION



SOURCE: Tomas Hellebrandt

BUSINESS INSIDER

DARK
COLUMBIA
DAILY TRIBUNE
CAGLECARICONS.COM
4/7

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WELL, I
LEFT YOU
HALF!
WHAT ARE YOU,
GREEDY?



POVERTY

- Poverty is a situation in which a household's income is too low to be able to buy the quantities of food, shelter, and clothing that are deemed necessary.



The poverty trap



POVERTY

- According to from Worldbank statistics,17 percent of people in the developing world lived at or below \$1.25 a day in 2011.
- Poverty is important problem for developing countries.
- Microfinance is one of methods for poverty reduction.

CHILD POVERTY

1 IN 5 CHILDREN LIVES IN POVERTY



POVERTY PROBLEM

TABLE 1: REGIONAL AND GLOBAL POVERTY, 2005, 2010, 2015

	Number of poor (millions)			Poverty rate (% population)		
	2005	2010	2015	2005	2010	2015
East Asia	304.5	140.4	53.4	16.8%	7.4%	2.7%
Europe and Central Asia	16.0	8.4	4.3	3.4%	1.8%	0.9%
Latin America and Caribbean	45.0	35.0	27.3	8.4%	6.2%	4.5%
Middle East and North Africa	9.4	6.7	5.4	3.8%	2.5%	1.9%
South Asia	583.4	317.9	145.2	40.2%	20.3%	8.7%
Sub-Saharan Africa	379.5	369.9	349.9	54.5%	46.9%	39.3%
World	1,337.8	878.2	585.5	25.7%	15.8%	9.9%

Source: Authors' calculations

SOLUTIONS





Microfinance

Why are people excluded from certain financial services?

- **Lack collateral or guarantors**
- **A bad credit history**
- **Gap in the communication / lack of confidence in the Banks**
- **Doubt of the bank of the repayment capacity**
- **Lack of access to financial infrastructure and services in remoted areas**

WHAT IS THE ALTERNATIVE?

MICROFINANCE

MICRO



- **Micro-entrepreneurs**
- **Self-employed**
- **Low income populations**
- **Excluded populations**

FINANCE



- **Business & educational loans**
- **Savings**
- **Micro-insurances**
- **Remittances**
- **Micro-entrepreneur training**
- **Coaching & workshops on health, hygiene, etc.**

Definition of Microfinance

Microfinance is the offer of financial & non-financial services to people **excluded from the traditional banking system. The services are **adapted** to the needs of the target populations**

Microfinance is a tool against poverty by enabling the beneficiaries to :

- **Create** sustainable activities to increase their incomes
- **Reduce** external shocks
- **Improve** the living conditions of entrepreneurs and of their families
- **Empower** people and mainly the women

Microfinance ve Microcredit

Microfinance, is banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In general, banks are for people with money, not for people without. And this credits' name is microcredit.



Yunus and the Grameen Bank



- 1970s: War against Pakistan, flooding, famine
- 80% of the population living in poverty
- Yunus: Economist trained in the US teaching at Chittagong University (southeast Bangladesh)
- 1976: Yunus started a series of experiments lending to poor households in nearby Jobra
- Activities financed: rice husking, bamboo weaving
- Finding: poor borrowers without collateral making profits and repaying

- Financing out of his own pocket could not meet growing demand
- Yunus convinced the Bangladesh Central Bank to help him set up a special branch that catered the poor of Jobra
- Another trial in Tangail (North Central Bangladesh) assured success was not region-specific
- Grameen went nationwide, village by village, thanks to donor agencies: IFAD, Ford Foundation, and the governments of Bangladesh, Norway, and the Netherlands

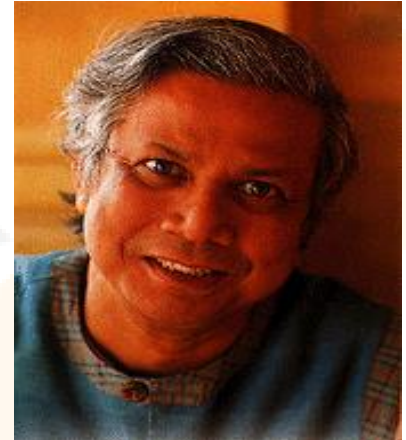
Microfinance in the world

How did all start?

On the field Prof. Yunus saw that

- Even poor people and women need loans
- They can have an activity and repay

**Yunus'
idea**



Prof. Muhammed Yunus

Founder of the
Grameen Bank,
Bangladesh

- Set up financial institutions with a social mission
- Listen to the needs and constraints of the excluded & offer them adapted financial tools to empower themselves (solidarity groups)

Spirit: SUSTAINABILITY

Microfinance in the world

- Grameen Bank was established in 1974 by Muhammed Yunus.



MICROFINANCE SECTOR

- Microfinance sector is grown rapidly.
- Today, around the world approximately 100 microfinance institutions are in this sector.
- These microfinance institutions have 8,005 branches and they serve 20,760,000 people.

--→ Rapid growth

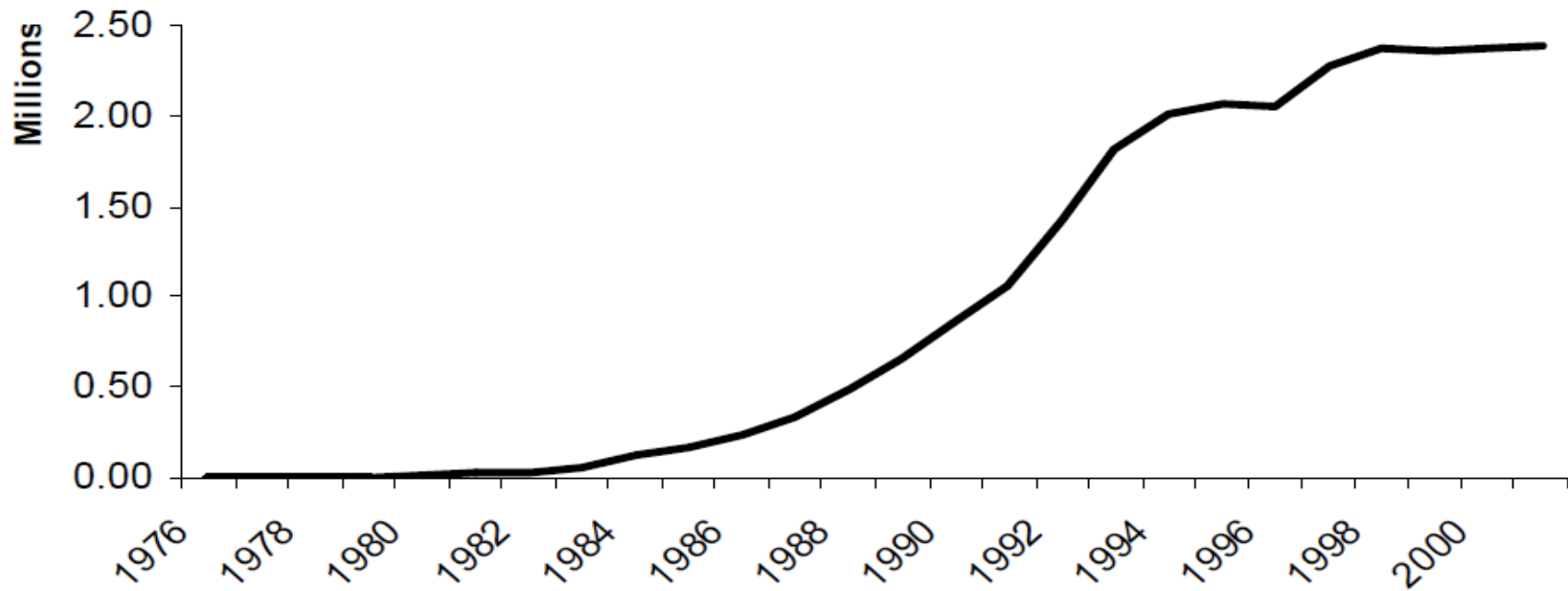


Figure 1.2: Growth in Grameen Bank Membership, 1976-2001

Source: Grameen Bank *Annual Reports* (various years)

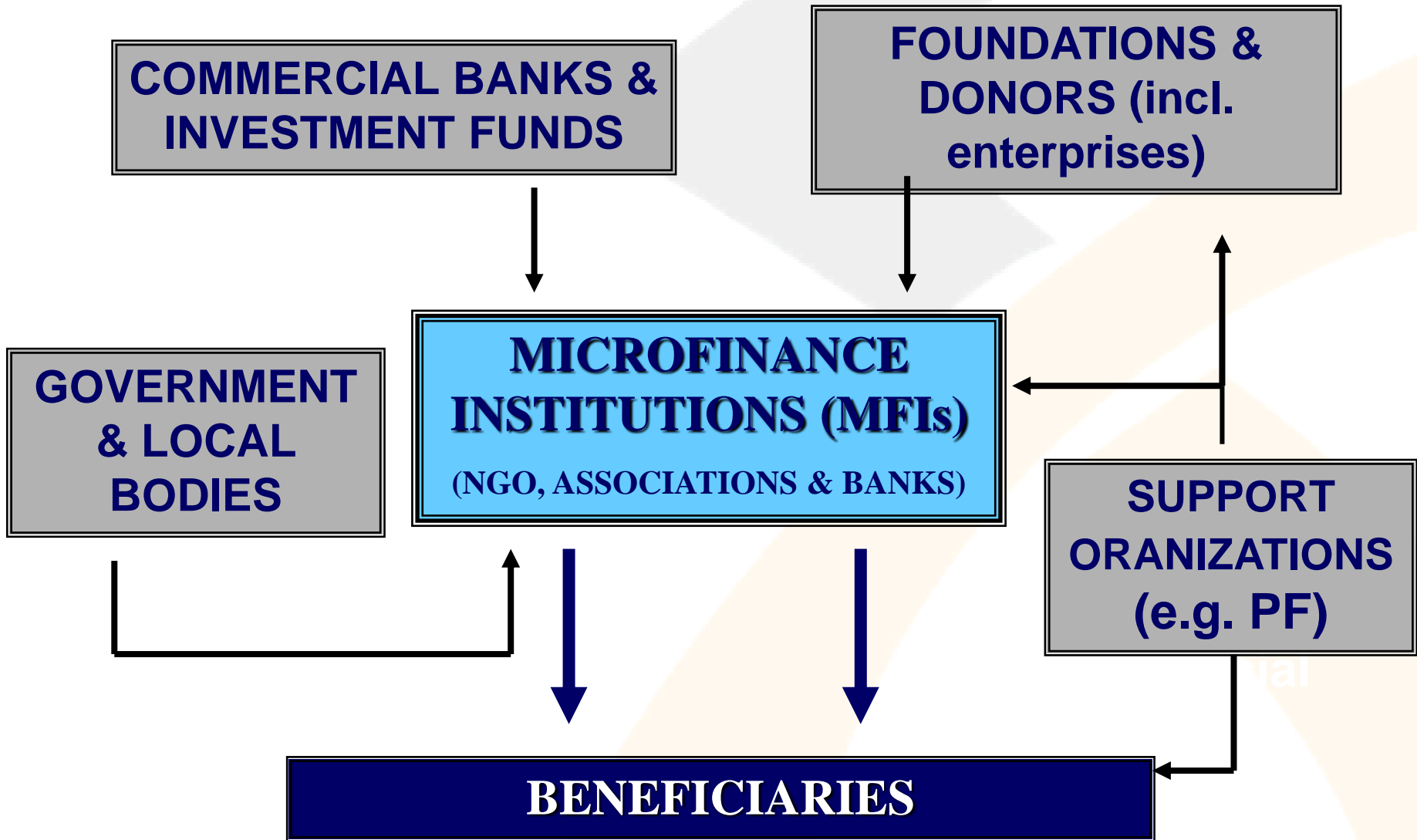
Microfinance in the world



- Grameen Bank-Muhammed Yunus took Nobel Prize in 2006



Microfinance Institutions



Why Targeting Women?

“One billion people in the world are illiterate and two thirds of those people are women.”

- Muhammed Yunus

Group lending methodology

- Key to the success of rapid growth
- Group of potential clients form groups (5 members)
- Loans made to individual participants within the group
- Joint responsibility: if a member defaults all members have to pay for her or else the entire group excluded from future loans
- Group lending under joint responsibility gives costumers incentives to select responsible partners, to (peer) monitor, and repay
- A five-member group is in turn part of a larger "center" composed of eight groups

Different from traditional credit

Table 3: Distinctive Features of Microfinance

Category	Conventional Credit	Microcredit
Ownership and Governance	Profit maximizing institutional and individual shareholders	Downscaling bank or Upgraded NGO In the latter case, shareholders are mainly nonprofit institutional shareholders
Client Characteristics	Diverse formal businesses and salaried individuals. Geographically dispersed clients.	Low-income entrepreneurs with rudimentary family businesses and limited formal documentation. Located in specific geographic area.
Product characteristic	Larger amount Longer term Lower interest rate	Smaller amount Shorter term Higher interest rate
Lending Methodology	Collateral and formal documentation Monthly repayment	Character and cash flow analysis through on-site inspections Weekly or bi-weekly repayment

Source: Created by author, using information in Rock and Otero (1996)

Under the the Grameen “classic” methodology

Advantages:

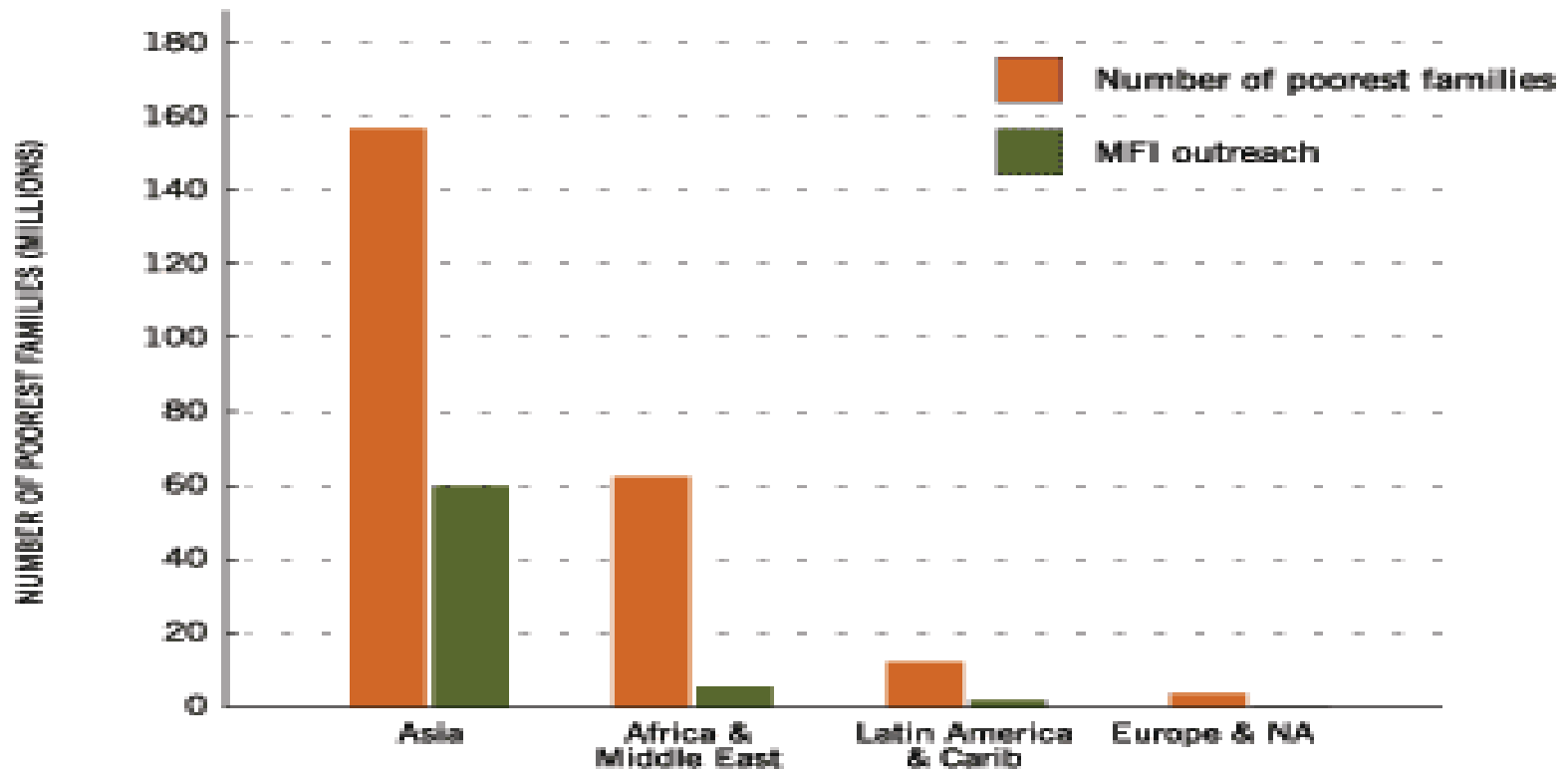
- Economies of scale
- “Agency Costs” were reduced as the bank delegated screening, monitoring, and loan enforcement onto the borrowers via “social sanctions”
- Efficiency gains: borrowers faced lower agency costs
- Promotion of mutual assistance and solidarity (insurance)

Disadvantages

- Group lending under joint responsibility difficult to replicate in sparsely populated areas
- “Social sanctions” difficult to impose on close relatives
- Scarcity of much needed “group leaders”
- Attending frequent repayment meetings time – consuming and costly for the borrowers
- Risk aversion
- Scope for collusion undermines the bank’s ability to harness “social collateral”
- Too harsh on borrowers as member were experiencing negative idiosyncratic shocks

Microfinancing Services

REGIONAL BREAKDOWN OF ACCESS TO MICROFINANCE SERVICES

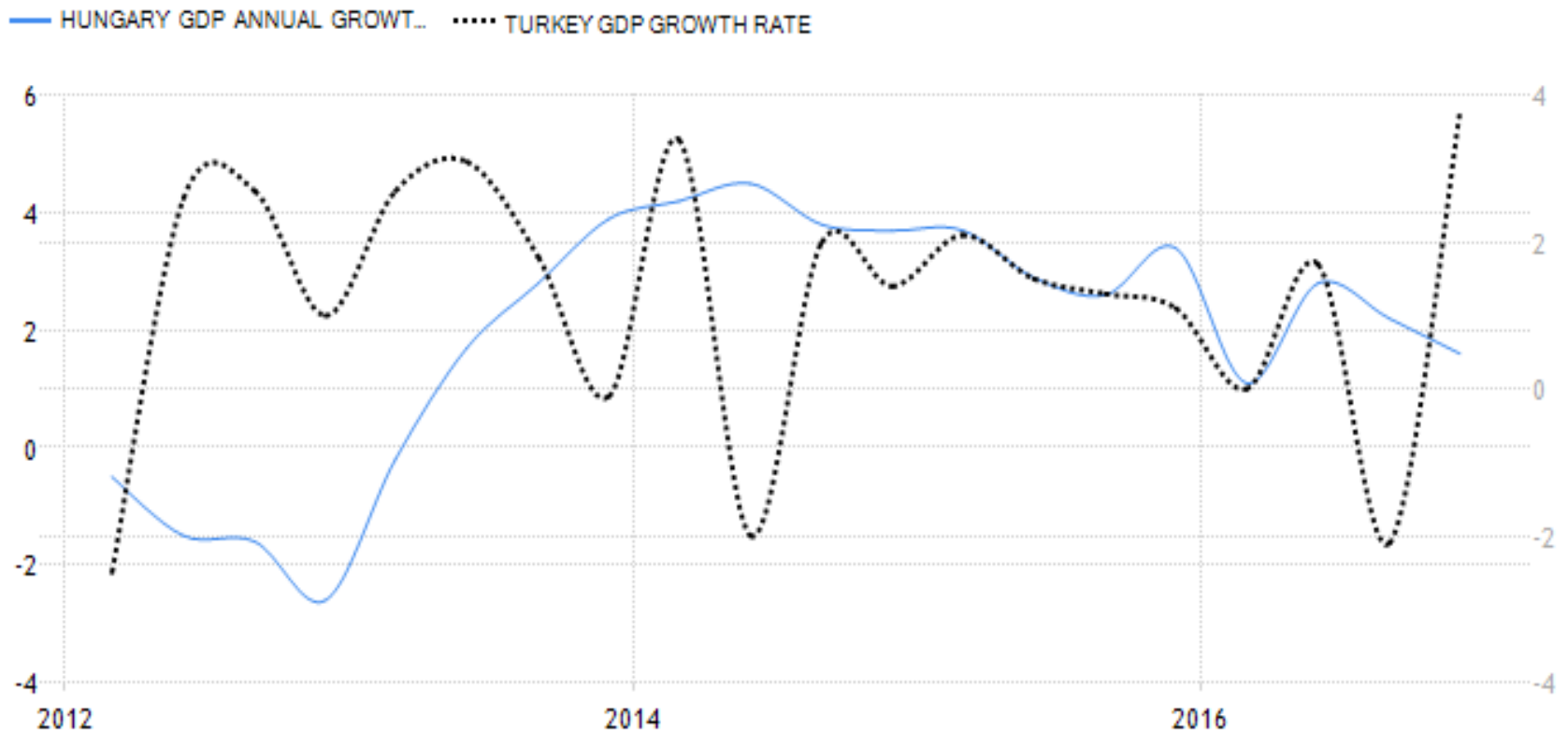


Microfinance in the world

- **10,000 MFIs manage a global portfolio of US\$30 Billions**
- **In a range from 150 US\$ to 7,000 US\$, the average loan size is US\$ 450**
 - **150 Mio micro-credit active clients**
 - **300 Mio micro-saving active clients**
 - **50 Mio micro-insurance active clients**

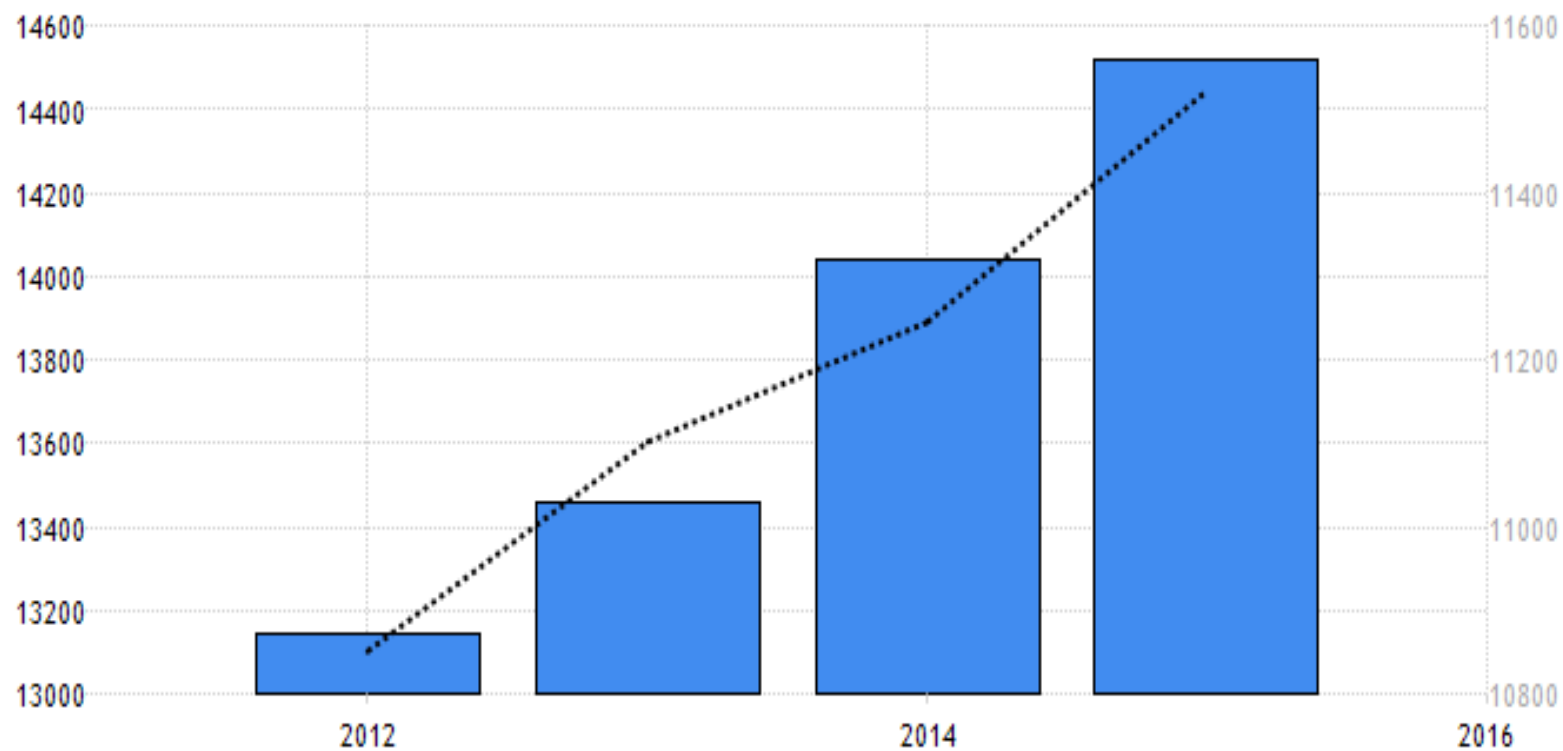
Sources : CGAP, BIT, Microcredit Summit, PlaNet Finance

COMPARISON OF HUNGARY AND TURKEY (GDP GROWTH %)



SOURCE: TRADINGECONOMICS.COM

■ HUNGARY GDP PER CAPITA TURKEY GDP PER CAPITA



SOURCE: TRADINGECONOMICS.COM

INNOVATION AND ENTREPRENEURSHIP





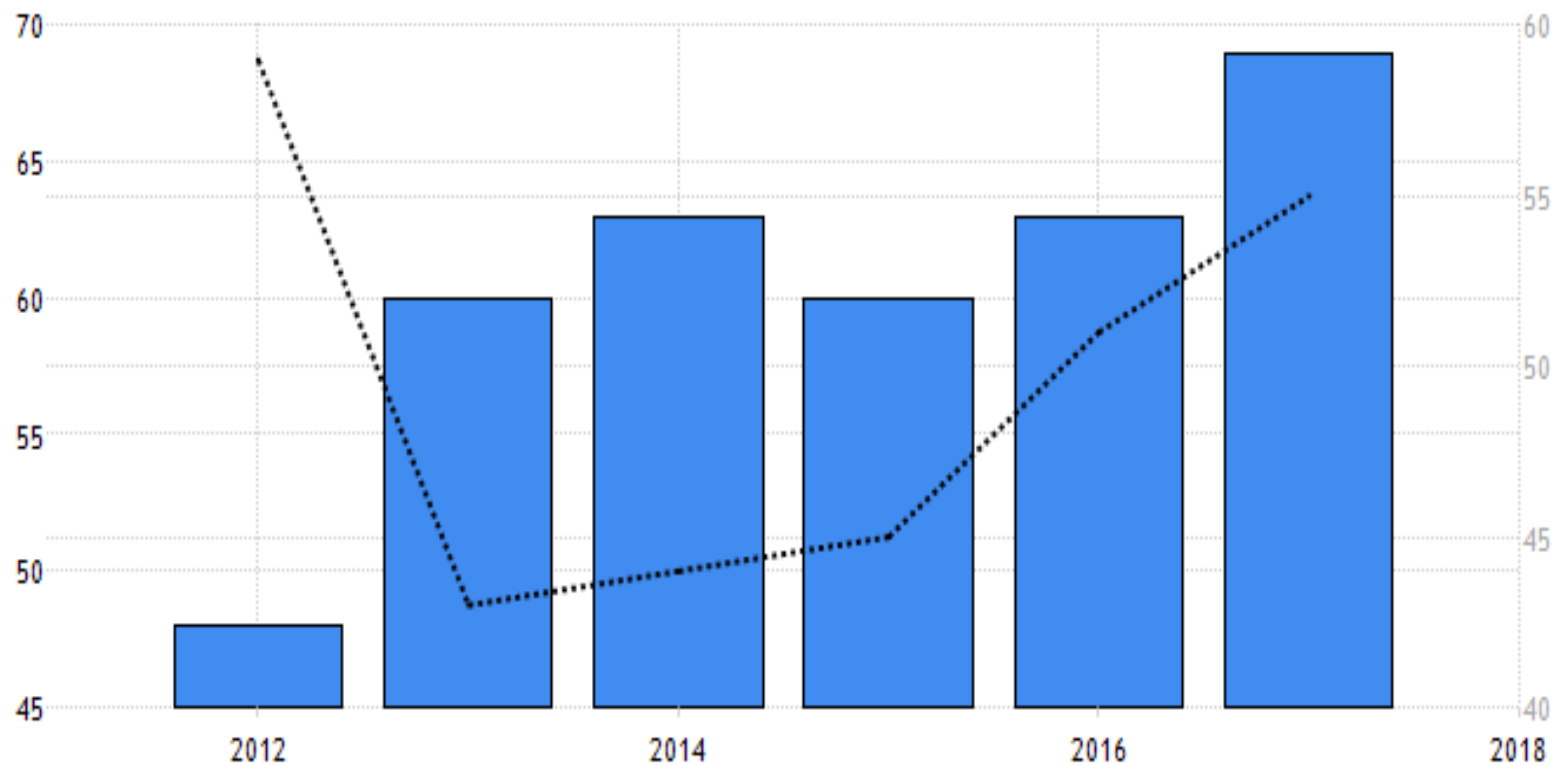
CREATING THE FUTURE

Change the Questions, Change the World!

Global Innovation Index 2016 rankings

Country/Economy	Score (0=100)	Rank	Income	Rank	Region	Rank	Efficiency Ratio	Rank	Median: 0.65
Switzerland	66.28	1	HI	1	EUR	1	0.94	5	
Sweden	63.57	2	HI	2	EUR	2	0.86	10	
United Kingdom	61.93	3	HI	3	EUR	3	0.83	14	
United States of America	61.40	4	HI	4	NAC	1	0.79	25	
Finland	59.90	5	HI	5	EUR	4	0.75	32	
Singapore	59.16	6	HI	6	SEAO	1	0.62	78	
Ireland	59.03	7	HI	7	EUR	5	0.89	8	
Denmark	58.45	8	HI	8	EUR	6	0.74	34	
Netherlands	58.29	9	HI	9	EUR	7	0.82	20	
Germany	57.94	10	HI	10	EUR	8	0.87	9	
Korea, Rep.	57.15	11	HI	11	SEAO	2	0.80	24	
Luxembourg	57.11	12	HI	12	EUR	9	1.02	1	
Iceland	55.99	13	HI	13	EUR	10	0.98	3	
Hong Kong (China)	55.69	14	HI	14	SEAO	3	0.61	83	
Canada	54.71	15	HI	15	NAC	2	0.67	57	
Japan	54.52	16	HI	16	SEAO	4	0.65	65	
New Zealand	54.23	17	HI	17	SEAO	5	0.73	40	
France	54.04	18	HI	18	EUR	11	0.73	44	
Australia	53.07	19	HI	19	SEAO	6	0.64	73	
Austria	52.65	20	HI	20	EUR	12	0.73	43	
Israel	52.28	21	HI	21	NAWA	1	0.81	23	
Norway	52.01	22	HI	22	EUR	13	0.68	55	
Belgium	51.97	23	HI	23	EUR	14	0.78	27	
Estonia	51.73	24	HI	24	EUR	15	0.91	6	
China	50.57	25	UM	1	SEAO	7	0.90	7	
Malta	50.44	26	HI	25	EUR	16	0.98	2	
Czech Republic	49.40	27	HI	26	EUR	17	0.82	21	
Spain	49.19	28	HI	27	EUR	18	0.72	48	
Italy	47.17	29	HI	28	EUR	19	0.74	33	
Portugal	46.45	30	HI	29	EUR	20	0.75	31	
Cyprus	46.34	31	HI	30	NAWA	2	0.79	26	
Slovenia	45.97	32	HI	31	EUR	21	0.74	39	
Hungary	44.71	33	HI	32	EUR	22	0.83	17	
Latvia	44.33	34	HI	33	EUR	23	0.78	28	
Malaysia	43.36	35	UM	2	SEAO	8	0.67	59	
Lithuania	41.76	36	HI	34	EUR	24	0.63	75	
Slovakia	41.70	37	HI	35	EUR	25	0.74	36	
Bulgaria	41.42	38	UM	3	EUR	26	0.83	16	
Poland	40.22	39	HI	36	EUR	27	0.65	66	
Greece	39.75	40	HI	37	EUR	28	0.61	84	
United Arab Emirates	39.35	41	HI	38	NAWA	3	0.44	117	

■ HUNGARY COMPETITIVENESS RANK TURKEY COMPETITIVENESS RANK



SOURCE: TRADINGECONOMICS.COM



CREATE
THE **FUTURE**

Young People, You Have the Power to Change the World

- Young people, technology companies, academics and non-profit thought leaders were invited to find workable solutions to empower the global youth population.
- Young people, you are often heralded as the leaders of tomorrow, yet in reality they are already leading important change today.



Thanks for your
attention

Creating Our Future