THE SOCIAL ECONOMY
A global alternative
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A GLOBAL ALTERNATIVE

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INTRODUCTION

Gérard Andreck, Roger Belot, Jean-Claude Detilleux, Jacques Landriot, François Soulage

The deliberately provocative title of this collection of articles refers to a very real set of values, concepts and experiences. It thus demands a brief explanation.

Firstly, it is important to point out that behind these two seemingly opposed terms—social and economy—lies a reality that stretches around the whole planet, as well as an actual body of economic, social and environmental thought. In terms of the social economy’s universality, we can assert unequivocally that the social economy exists in various forms and, furthermore, with a certain degree of homogeneity, in virtually every country in the world. The social economy represents nearly 10% of world employment as well as nearly 10% of world GDP, and almost a third of the world’s population is connected with the enterprises and organizations that make up the social economy as employees, members or beneficiaries of their services. This universality is also reflected by the broad range of economic and social sectors in which the social economy operates every day, e.g. healthcare, personal services, banking, housing, education, agriculture and food processing, insurance, the environment, manufacturing, tourism, communications, information technology, sports, culture and the arts.

The body of economic, social and environmental thought that forms the foundation of the social economy’s enterprises and organizations is characterized by the key values of working together, working for others, working responsibly and, of course, solidarity, all of which feature in the social economy’s practices.
Working together is apparent just from the names of our main types of organizations, i.e. cooperatives, mutual societies and non-profit organizations. Our enterprises and organizations are built upon collective entrepreneurship and collective aims, whether they are run as private businesses or in partnership with the public sector as, for example, in the areas of social services and environmental protection.

Working for others means dealing with social issues by searching for appropriate solutions for the greatest number of people from the local to the global level based on economic redistribution and equity. This also often involves responding to the urgent crises that are all too frequent and too widespread around the world, e.g. hunger, disease, unemployment, poverty and homelessness.

Working responsibly means running our businesses democratically and sustainably with a constant concern for fairness, equality and solidarity, building long-term solutions for future generations, and protecting the environment.

Secondly, we need to explain that our use of the expression a global alternative in the title of this book is totally different from the usual meaning of the term globalization. Globalization normally implies strategic choices and single solutions and models, but here the word global instead refers to the geographical space and the processes that enable developing appropriate solutions and models at the local level. In this sense, globalization is constructed from all of these local projects. A global alternative means finding better solutions for the problems facing society and humanity, and this is indeed the challenge that our enterprises and organization are tackling every day. Without shying away from the issues of profitability, efficiency and economic viability, the social economy offers innovative solutions to the basic problems that human beings often face. This is the subject of many of the articles collected in this book.

One of the issues that remain to be solved is that of the visibility of the social economy’s enterprises and organizations. While located throughout the world, they are too discreet on the international scene, despite their strong presence on certain markets, their competitiveness and their ability in finding solutions to meet new needs. Although they have effective organizations representing them (like the International Cooperative Alliance), they have actually developed few transnational projects.

Concerned about this state of affairs, we wanted to invite our social-economy counterparts from other countries and other business sectors to meet—not at Davos (where the forum for capitalist businesses is held) nor even at Porto Alegre (where we have friends)—but rather in the Mont Blanc region. We also invited others who share our values (union leaders, representatives of international organizations, politicians, academics, researchers, etc.). Our aim was that they could all get to know each other better, share their experiences and develop joint projects, thus creating a space for working meetings. We also wanted to provide them with an opportunity for thinking about how to raise the profile of the social economy’s activities and credibility.

The articles collected in this book (taken from the first Mont Blanc Meetings) clearly demonstrate the richness and diversity of this social economy, which is flourishing in both the North and the South. New networks, forms of governance and ways of producing are gradually being developed to meet the growing concerns of men and women who want to lead more active and dignified lives and are inventing, along the way, another kind of globalization that is ambitious yet responsible and in which efficiency can be measured in social, civic and environmental terms rather than just the bottom line.

We hope this book will encourage others working in all the various kinds of organizations that make up the social economy to
join us in the Mont Blanc Meetings in promoting the social economy around the world. We especially hope that it will encourage others to become more interested in this different kind of economy and become actively involved in it whatever their degree of commitment. Our hope, which is addressed to everyone without distinction, is that the principles of democracy, the fair distribution of wealth created, mutual aid and personal self-fulfillment will improve lives around the world.
The social economy in the face of globalization

Roberto Savio (Argentina)

Introduction

It is probable that in the history of ideas, none has had such a quick rise and rapid fall as the theory of the free market, sometimes considered as a universal panacea, and which, consequently, also had its cosmogonic vision, known under the name of neo-liberal globalization. There is no doubt that this was not the case for Marxism, and even less so for the major religions which took many years and many social shocks before finding proselytes. If we analyze the headlines, imperfect mirrors of our times, the word globalization only began to appear after the fall of the Berlin Wall. And what is most interesting is that the term does not appear as a phenomenon of historical reference but as a vision without alternatives, the ultimate aim, which is to change the fate of the economy and world society definitively, without the possibility of the smallest modifications or the slightest straying from the initial strategic plan.

Before continuing, it might be useful to look at two aspects of the debate concerning the term globalization. The first would be a semiological debate and the second is conceptual. The term globalization is not synonymous with the term internationalization. Global is a term with a meaning that is more encompassing and definitive than the word international, particularly in English, which is the language of globalization. Global implicitly includes the idea of the deliberate, of strategy. For instance, the fight against terrorism is global. International is a term that is used to measure spaces and dimensions: the warming of the planet is international; however only global action can solve it. This might seem to be a marginal observation, but it explains why the English-speaking world uses the term globalization. The second observation I would like to make, which is conceptual this time, is that the world has always lived in a state of integration, with moments of acceleration, such as the discovery of the new world, market development following the industrial revolution, etc. The process of internationalization consequently is a natural, ancestral and salvational process, as long as cultural identities and multicultural richness are respected. But the globalization we are referring to is not the result of a natural historical process: it is a cosmogonic vision of an economic, cultural, political and social path based on neo-liberal visions and principles. That is why the World Social Forum in Porto Alegre meets under the banner of “another world is possible,” and that it proposes an alternative globalization, which could be, for instance, solidarity globalization.

Observations and consequences of the free market

The free market engenders a series of corollaries which have important repercussions: the obsolescence of the State as a manager of the economy since the free market works all by itself if no-one stops its progress; the idea that society does not move through an interest based on ideals but on the belief that the invisible hand of the market will solve everything, including hunger and injustice; finally, and this last corollary is capital for the third world, the need to eliminate all barriers and national defenses, given that worldwide integration can only work if the door is left wide open to competition. All this comes into play in a cultural and political context where the disappearance of the counterbalance of communism abandons us to an orgy of illusions which begin with the theory whereby the end of the history of humanity has sounded, and which ends with the hypothesis whereby we will know lasting and eternal world peace, supposedly, with the end of the Cold War.
The international system adapts rapidly to a single line of thought. The Washington agreement on the adoption of neo-liberal globalization as a single strategy was adopted by the World Bank (WB), the International Monetary Fund (IMF), the World Trade Organization (WTO), the American government, and is echoed in European institutions and governments. Constantly under pressure to make so-called structural adjustments, the Third World reduces public expenditure to lower the budget deficit and cuts spending on education and health.

But at the end of the 1990s, only ten years later, the single line of thought began to hear discordant voices, which soon became a chorus. Nothing was done to eliminate agricultural subsidies in the US and Europe, which weigh 9 times more heavily on the economies of developing countries than the aid they receive: international trade is everything but free since the North keeps its privileges for itself. The Western world is foreign to the thought that every cow in Europe receives 3 dollars in grants a day, 3 times more than what 800 million human beings receive in the world to survive; just as it turns its back on the reality of the figures when the 300 million dollars in agricultural subsidies destined for the United States and Europe are 9 times higher than the amounts given over to development. Thus the optical illusion of the reduction of Third World debt is transformed into a ritual. The amount of this debt has already been reimbursed twice: but the interest continues to run. It is enough to look at the case of Africa which pays back 300 million dollars of its debts every year, but which is going to receive 50 million dollars in aid decided on during a meeting of the G8 given over exclusively to Africa. Nobody saw the dividends of peace after the end of the Cold War: the military costs continue to be 40 times higher than international aid. And the reality is perhaps even worse since by my recent reading in Refrains by the Uruguayan writer Eduardo Galeano, spending on war in some countries comes to 2.2 billion dollars a day. The United States alone squanders an amount equivalent to the military spending of the 20 countries that follow it in this lamentable list of figures. theologians of free market theory are beginning to change camp. The best known cases are Jeffrey Sachs, who was the architect of the brutal passage from communism to capitalism in Russia, the radical privatization programmed in Bolivia, and who today works at the United Nations, and that of the Nobel Prize for Economics, Joseph E. Stiglitz who, at the World Bank, has confessed to his doubts on the path adopted, becoming all of a sudden the leading critic of the International Monetary Fund. Meanwhile, the statistics are becoming fatally eloquent. Almost 80 countries in the Third World are today in a more critical situation than they were 10 years ago. Education and health spending have dropped on average by 30%. The major flows of private investment, the credo of neo-liberal globalization, have been spread around the world not according to needs but opportunities, as could be foreseen. China received 30 times more investments over 2004 than Brazil. All these aberrations are perfectly summed up by Benjamin Mkapa, President of Tanzania, who no-one has accused of corruption or nepotism, when he said: “We have done everything asked of us. We have privatized the few public companies we had, and we have opened our borders removing protectionist customs tariffs. Our companies have been bought by foreign capital, which has almost always closed them or used them as a local base for international companies, increasing unemployment. The elimination of customs barriers had made it possible for all sorts of goods cheaper than those we could produce to come into the country, provoking a drop in craft industry and the micro-economy. We are waiting for investments, but no-one has come along.”

Instead of harmonizing the world, unbridled capitalism has fragmented it even more than it was before. In 1960, the richest 20% of
the world’s population was 30 times richer than the poorest 20%; today it is 60 times richer. And according to the last United Nations Human Development Report, nowadays the 100 richest people in the world possess the same capital as the poorest 1.5 billion. And for each dollar that comes from the production of goods and service, 20 dollars comes from financial speculation. There is talk of agreement to regulate the flow of goods and services valued at 500 billion dollars a day, but no-one talks of the regulation of the 2 trillion dollars in stock market and financial movements. The World Trade Organization has no counterpart in the financial world, and no-one has proposed anything along those lines.

The sociologist Alain Touraine observed that “there is no further conflict between the First World and the Third World. There is a duality, a Latin-Americanization of the whole world. There are as many rich and poor people in New York as there are in San Paolo, there is a world for the rich, a world for the medium rich, a world for the medium poor and a world for the very poor, all of which are planetary.” This is true, but they are not spread in the same way. The town of José C. Paz, in the province of Buenos Aires, had 8% unemployment before the gigantic application of the neo-liberal recipe of President Menem; today it has an unemployment rate of 70%. In Argentina, the neo-liberal experience seems more like a neutron bomb: it doesn’t affect structures, it just severely injures citizens. Argentina is still a country with big natural resources. Today the poorest 20% of the population receives 4.2% of national production, and the richest 20% controls 52.1%. Significantly, this gap between the rich and the poor increased 140 times between 1970 and 1999. That is why the fundamental trend of the current decade is to reject unbridled capitalism. The Washington consensus no longer counts any theologians or economists in its ranks, only civil servants; and naturally the multinational system and its allied political groups are on its side. What makes things more complicated is that the Cold War is not over. Before, the Empire of Good fought the Empire of Evil, which was geographically located in the Soviet Union. Now the Empire of Good is still alive but has converted to fight against the new Empire of Evil which is terrorism, perceived in its broad sense, without precise geographic zones or borders. War has been declared on “rogue states” that the Empire of Good defines at its discretion, which announces an endless war. To keep it eternally alive, the Americans spend 8 dollars out of every 100 on arms and 16 cents out of every 100 dollars on the war on poverty and destitution, which are, of course, the reasons which allow the Empire of Evil to constantly renew its recruits.

Civil society: reaction and mobilization

Running counter to all of this, there is a gigantic mobilization by what is today called the “civil society.” Everyone can remember how, in Seattle, during the World Trade Organization Conference, an improvised coalition of unions, social activists, ecologists and pacifists thwarted the conference. And no-one can today ignore the existence of the World Social Forum, which met in Porto Alegre for the first time in 2001, to denounce the dehumanized international situation and the Davos World Economic Forum as an illegitimate meeting where around a hundred people came together, solely on the basis of their economic strength, and took world decisions without a mandate from the people to whom the measures would be applied. In Porto Alegre, some 10,000 people were expected the first year and 15,000 came. Today the World Social Forum brings together some 130,000 people, to the extent that for 2006 an attempt will be made to organize the meeting simultaneously in various places around the world to solve the complexity of organizing it in one single place. It should be noted that there are two historic components at the
In Porto Alegre, these two generations met; initially their dialogue was difficult and even today there are still areas of tension. The second generation judged the first as not being politicized enough, too close to the system and sometimes distant from the underprivileged masses. For its part, the first generation considered the second as a victim of abstract radicalism, often biting the hand that fed it, because it could not make realistic compromises. But the meeting of the two groups came on the basis of the values which are, surprisingly, very close. They both consider that people, and not the market, are at the centre of society. Both consider that injustices can be corrected, and if this work is not done it is only through a lack of political will. Both consider, moreover, that unregulated capitalism is a destructive force and not a creative one. It is difficult to know whether this union, which brought together more than 100 million people for the anti-war demonstrations in 2003, would have seen the light of day without the major unifying element of the Bush administration. Just like in the 5th episode of the Star Wars saga (The Empire Strikes Back), the Bush government has succeeded in uniting very different sectors ranging from ecologists – appalled by climate change and Washington’s fight against the Kyoto agreement\(^5\) – to human rights activists – scandalized by Guantánamo, Afghanistan, Iraq and the head-on fight against the International Court of Justice, through the compromises on the war on poverty,\(^6\) not to mention the pacifist movements, outraged by a President who calls himself a “War President.” There is not a single sector of the civil society that the Bush administration has not offended with its non-solidarity policies, without dwelling on cases such as the war on United Nations multi-lateralism, the appointment of the hawk Wolfowitz at the World Bank (which a number of people have compared to hiring Dracula to manage a blood bank), and the appointment of the super hawk Bolton as ambassador to the United Nations.

World Social Forum from what are now called the global civil society or the Alternative Movement. The first generation of the civil society was born in the context of the development paradigm. Groups of citizens who identify themselves with the themes of development (human rights, women, the environment, the fight against poverty), facing the inability of the public system to influence these issues, organized into non-governmental organizations to insist on the voluntary and associative character. Some, such as Amnesty International (AI), Greenpeace (GP) and others, quickly become new international players, often more important than the corresponding chancelleries. It is from following these campaigns that the then Secretary General of the United Nations, Boutros Boutros Ghali, decided, in the 1990s, to organize a series of major conferences on these themes, the conclusions of which approved an action plan to find joint solutions.

For the first time civil society can take part in the conferences, although under limited conditions. This is how NGOs, for instance in human rights, which were considered by various governments to be subversive, have acquired their legitimacy by being part of the international agenda and becoming fully-fledged institutions in international and national life. However, NGOs owe their legitimacy to international institutions such as the United Nations with which they have worked in close relationships over many years. The second generation of the civil society was born out of these social and citizen movements which considered that the ravages of neo-liberal globalization and consent of governments are intolerable. It is this fight against neo-liberal international institutions which unites such different groups, some of which, such as Attac,\(^4\) were set up as reactions by citizens. The path is however the opposite of that of the NGOs and this second generation of the civil society gains its legitimacy from its positioning against institutions and not for them.
It could be said that in a certain way the alliance between the global civil society and the international institutions of the development paradigm persists. The second generation has also joined this alliance. One of the main themes of the last World Social Forum was to defend the United Nations from the decline that the Bush administration has inevitably condemned it to and to get the people that make it up to regain control, above and beyond government. The ILO report found, however, a significant echo in the World Social Forum and was the object of a dialogue between the representatives of the civil society and the unions working on the need for new alliances to find ways of balancing the decline in social justice and human development.

The absence of the social economy in the debate

Through the theme of new alliances we get to the central point of the discussion: the absence, in contemporary debate, of the needs and challenges of the social economy. Why this important element of the modern economy is absent cannot be explained; one of the reasons is perhaps that this subject was not on the Davos agenda and was not enough of a priority for Porto Alegre. But which elements could be said to be the common denominator of the various facets of the social economy? Clearly behind the idea of the social economy is the idea of cooperation, supported by the shared use of information and participative decision-making implying intangible benefits, which can be non-monetary but nevertheless real, and a perspective of society where the concept of the Common Good plays a transcendent role through its essential character in sustainable human development. These elements are common to the various disparate forms of the social economy, from the old cooperative world to the cosmos of the solidarity economy, through new solidarity and fair trade associations and through all the activities which support a different
lifestyle and quality of life, through to the “non profit” sector and the new economy based on the idea of sustainable ecology. The growth of the social economy has no visibility, on account of its lack of significant political attraction, but it is nonetheless still transcendent: what is really important is invisible to the eyes, as the old Chinese proverb goes. Today it develops in very modern forms in the field of insurance or finance, and it cohabits with the traditional cooperatives of before, which are still alive. Its size is much bigger than was thought, if only from a theoretical point of view. In Latin America alone in 1999, the solidarity economy sector held 5.2% of GDP, with sustained annual growth of 4.5%. This sector is said to have more than 60,000 companies today, representing almost 60 million members out of a total population of 300 million Latin-Americans. The Catholic Church—with Jean-Paul II’s call for an “economy of solidarity” during his visit in 1987 to the ECLAC (the UN Economic Commission for Latin America and the Caribbean)—was widely welcomed in the region. There has also been the theoretical contribution of the many social economy chairs which have appeared on the continent which have taken up the market concept showing that it was not and should not be a synonym of capitalism. Jeremy Rifkin, in his book The European Dream, quotes the study carried out by Johns Hopkins University, The Comparative Non Profit Sector Project. This study, carried out in 22 countries,

“considers that the civil society sector is a sector which mobilizes 1.1 billion dollars and that it provides jobs to more than 19 million full-time workers. In this country, the spending on nonprofit organizations represents an average of 4.6% of gross domestic product, and employment in these nonprofit organizations makes up 5% of all non-agricultural work, 10% of the services sector and 27% of all public jobs.

“Various European nations pride themselves on their levels of employment in the nonprofit sector. In Ireland 11.5% of all employees belong to the nonprofit sector, and in Belgium 10.5% have found a job in this sector. In the United Kingdom 6.2% of the workforce is in the nonprofit sector, in France and in Germany the number comes to 4.9%. Italy currently has more than 220,000 nonprofit organizations and the nonprofit sector employs more than 630,000 people full time.

“During the 1990s, the growth in employment in the nonprofit sector in Europe was more intense that in any other region in the world, with an average increase of 24% in France, Germany, the Netherlands and the United Kingdom. Only in these countries did the extension of nonprofit jobs come to 40% of total growth in jobs, i.e. 3.8 millions positions.

“It is interesting to point out that in the ten European countries where income data is available, the turnover of products and services represented between a third and a half of the income for the nonprofit sector between 1990 and 1995. In global terms, out of the 22 countries with known data, 49% of nonprofit income comes from products and services turnover. In the United States, 57% of all non profit income comes from products and services turnover.”

We can translate all of this debate in terms of the civil society which is a natural ally of the social economy but not in the facts. This discussion really concerns values such as fairness, justice, participation and the defense of humanity. It is these values which motivate the civil society and which are, to put it another way, the same values which are the driving force behind the world of the social economy. Proof of this is that the two sectors reject the values of neo-liberal globalization: profit as a final and legitimate aim, competition as a fundamental element in economic relations, the market as God, as law, as a mechanism which is turned solely towards capitalistic enrichment. And above all, capital as a value and the ultimate means of society, which leaves the person with no other way out than to be turned into a simple marginal element of production and an essential factor in consumption.
Conclusion

The participation of the social economy in the debate on world governance is urgent and indispensable. In effect, this so strategic of sectors is absent from world forums and, consequently, from the resulting debates on ideas. Logically, there should be a Third World Forum, apart from Davos and Porto Alegre, where the sectors that the ILO report presents as being indispensible to the greater world economy—i.e. the sectors of the solidarity economy, the world of cooperatives, the nonprofit third sector, entrepreneurs from fair trade and sustainable ecology, all the sectors of the social market—can come together to exchange ideas and experiences, can organize an alternative system and adopt action plans in line with their joint ideas, stimulating world governance. This work can no longer be done at the national or local level. In each country, and in particular in Europe, the social-economy sector has a voice and a weight; if we carry on without creating a worldwide strategy we run the risk of neo-liberal globalization continuing to bulldoze over the solidarity economy. With its creation, this new way of working will gain the support of the global civil society, the World Social Forum and the whole world movement which is looking for a fairer and more participative society. But the best alliance comes between equals, and it is not a question of getting better participation than Porto Alegre. It is a question of making sure there are three World Forums: Davos, Porto Alegre and the World Social-Economy Forum, as a fully-fledged player. Strong and vigorous links would stem from this. And the millions of people waiting for a fairer society will see a new hope in this process: that of a solidarity economy which is here to last.

Roberto Savio is President Emeritus of Inter Press Service and chairs the Communications Commission of the World Social Forum. After studying economics and international law, Roberto Savio began working as an assistant researcher in international law at the University of Parma. He soon specialized in the media, particularly in Latin America. In 1964, he founded a nonprofit cooperative, the Inter Press Service, made up of journalists and experts specialized in international communications for development. IPS quickly became the fifth largest press agency in the world, providing daily information and detailed analysis on economic development. Since 1973, Roberto Savio has been a consultant in information and communications technology for many developing countries. He has worked closely with various international organizations in this sector such as the United Nations, UNDP, UNEP, UNFPA, Unicef and Unitar. In 1999, he was appointed as a senior advisor in strategy and communications for the director-general of the ILO. He was asked to join the international committee of the WSF at Porto Alegre when it was first set up.
A composite reality

“The social economy? That’s what we do every day,” declared the representatives of the Indian dairy products cooperative Amul and representatives of Japanese mutual societies and cooperatives during the first Mont Blanc Meetings. This remark shows that they were a bit surprised that we Europeans were still debating the meaning of the concept. It especially highlights the fact that the best way for the social economy to gain greater recognition is by promoting its practices from the global to the local level. Despite the debates, all around the world there are organizations and enterprises with a cooperative, mutual or nonprofit form (including, for example, charities and self-help organizations) that have been created and developed by men and women who have decided to take control of their social, cultural, economic and financial activities. They have chosen to get involved in an autonomous and participatory way in production, distribution, finance, service provision etc., seeking what the ILO calls “decent, free, dignified and safe living conditions.” Between the Grenier de l’argent micro-bank in Mali and the powerful Canadian cooperative banks, between Max Havelaar and the traditional consumer cooperatives, between a workers’ micro-cooperative in Brazil and the massive Spanish cooperative group Mondragón, exist differences of scale and business type, yet there is also a common thread that needs to made more visible, the thread that weaves together the principles of democracy, people before profits, mutual aid, freely chosen collective ownership, and personal self-fulfillment—of the person who is at the center of these social-economy organizations, enterprises and banks. However, these companies and organizations do
not always know each other, and they are little aware of their global significance. While some organizations, such as the International Cooperative Alliance (ICA), the Association internationale de la mutualité (AIM) and some regional federations have been providing statistics for a number of years, it is much harder to gather information about nonprofit organizations and charities and even harder for the less formal, local, social economy, which is based upon small-scale grassroots initiatives. The social economy is comprised of clearly defined components (cooperatives, mutual societies, large nonprofit organizations, foundations and similar type organizations) and a scattering of sometimes “underground” components that however play a crucial role in local communities. Some of them change over time from one type to another. For example, micro-banks and micro-service organizations gradually become more visible and distinct, helped by the networks and associations they form.

Diverse and complex, the social economy is present in every sector and has developed as easily in market sectors as in non-market sectors and in monetary environments as in non-monetary environments. It rejects the rules and boundaries of the capital-centered economy and the categories imposed by some of the major international organizations. It thus does not fit into traditional systems for measuring organizational performance and particularly stock market indices that track the transactions of corporate globalization. The indicators designed by the United Nations Development Program (UNDP) and the International Labor Office (ILO) come closer. Nonetheless, a few snapshots of the social economy can be presented to give an idea of what it is today.

**Agricultural cooperatives**

The International Cooperative Alliance and regional cooperative federations indicate that cooperatives (in farming, fishing, manufacturing, banking, retailing, etc.) affect the livelihoods of more than 3 billion people and that there are 750,000 cooperatives with over 775 million members around the world (in 100 countries). These figures alone demonstrate the sheer scale of the formal cooperative sector worldwide and help explain why it received so much attention during the various events that were organized as part of the United Nations’ 11th International Day of Cooperatives in July 2005. Cooperatives are found on every continent around the world, a fact that is still too often unknown even to those working in them, while proponents of the dominant free-market system are always quick to argue that each one is just an exception. While the existence of farming and fishing cooperatives and credit cooperatives in Africa is well known, we too often forget that in the Middle East there are, for example, more than 53,000 cooperatives in Iran with a total of 3.2 million members and that in Turkey there are more than 50,000 cooperatives with a total of 8.1 million members. The figures are of course even more impressive for Asia. There are 446,800 cooperatives with a total of 183 million members in India; 32,000 cooperatives with a total of 160 million members in China; 42,500 cooperatives with a total of 20 million members in Vietnam; 7,500 cooperatives with a total of 200 million members in South Korea; 32,200 cooperatives with a total of 35.7 million members in Indonesia, etc. Of course, we know that these cooperatives are not all the same and are not all regulated to the same degree. Some of them are also not as independent from government as one would like. However, they play an important role in these countries and in the social economy.

There is also a dynamic social economy in South America, and governments often rely on it when launching new micro-credit and agricultural programs. There are 7,400 cooperatives with a total of 5.8 million members in Brazil; 8,100 cooperatives with a total of 9.1 million members in Argentina; and there are also cooperatives...
in Chile, Colombia, etc. The strength of the cooperative movement in Canada is well known. Quebec alone has 3,200 cooperatives with a total of 7.4 million members. However, it is often forgotten that there is also a very dynamic cooperative sector in the United States, where there are 27,600 cooperatives with a total of 150 million members. While the social economy is also very strong in the European Union, in particular in Western Europe, it is experiencing a revival in Central and Eastern Europe, particularly in Poland and Hungary, where nonprofit organizations with social objectives, cooperative banks and mutual societies are being created or revived that play a role in "social cohesion and local community development," according to the European Economic and Social Committee.

**Mutual health insurance and healthcare**

According to the Association internationale de la mutualité (AIM), a substantial number of people are also members of mutual societies that provide health insurance and healthcare services. For example, in Israel, 5 million people belong to a mutual society; in southern Africa (South Africa, Namibia, Botswana and Zimbabwe), there are 152 mutual societies with a total of 7 million members; in Algeria, there are 20 mutual organizations with a total of 12 million members; in the Ivory Coast, one mutual society has over 420,000 beneficiaries, etc. In Latin America, there are 1.3 million beneficiaries in Argentina, Colombia and Uruguay. In Europe, the mutual health insurance sector is particularly well established in France, Belgium, the Netherlands and Ireland. It is in the process of being redeveloped in countries such as Poland and is strong again in Slovenia. In addition, there are other related organizations in the healthcare sector, like healthcare charities and other nonprofit insurance organizations.

**Nonprofit organizations**

A snapshot can also be given of the nonprofit sector, but the available information is incomplete and less precise, even though we know there are nonprofit organizations in Japan, the United States, Canada, Western Europe and a revival in Central and Eastern Europe. The most visible part is comprised of NGOs involved in the areas of humanitarian aid, conservation and environmental protection, healthcare, education, religion, etc. Research by Johns Hopkins University on the nonprofit sector (mainly “institutionalized” nonprofit organizations) confirms the important role this type of organization plays, particularly in Europe, the United States, Israel and Australia.

This composite picture gradually changes when we include the various micro-organizations in the economy that are often based upon very local, grassroots initiatives with social objectives. These often prefigure the future, visible and institutional social economy and are rooted in urban and rural areas where groups of citizens and local communities have invented new participatory processes on the economic, social and political levels. They seek to marry effectiveness, equality and mutual aid through a combination of support from volunteers, local government and investors. This creative social economy is taking shape throughout South America, Asia and in economically deprived areas in the North.

**A significant share of the market**

These cooperatives, mutual societies, nonprofit organizations and other related organizations can be examined from other angles. The ICA highlights cooperatives’ significant market share. Finnish cooperatives within the Pellervo group produce 74% of the country’s meat; fishing cooperatives in Korea have a 71% share of the fish market; the cooperative bank in Cyprus has a 30% share of the market; health insurance and healthcare cooperatives in Colombia
provide coverage for 25% of needs; Indian cooperatives have a 65% share of the dairy products market, etc. Similarly, AIM points out that mutual health insurance companies have a 55% market share in Slovenia, 40% in Ireland, etc. There are many more examples with similar figures.

Although this overview is patchy, some clear conclusions can be drawn. Social-economy organizations and enterprises created by employees, consumers or individual entrepreneurs have a significant presence in farming, fishing, retailing, banking, insurance, healthcare, social services, humanitarian aid, micro- and small-scale manufacturing, trades, housing, etc. Besides the conventional indicators (share of GDP, etc.), the social economy is also strongly rooted in the community.

**Meeting needs**

The social economy satisfies basic needs (food, healthcare, housing, education and training, particularly, but not solely, in developing countries). It thus plays a crucial role in providing goods and services that are appropriate for the real needs of these countries, involving local communities while taking into account environmental and societal factors. This social economy fosters independence and equality. It is supported by social, labor and indigenous peoples’ movements. In the words of the director-general of the ILO, it involves “cooperating to fight poverty.” It has established a place in the most advanced sectors, such as banking. It is worth dwelling on the banking sector for a moment. There are no fewer than 10,000 credit unions in the United States with a total of 83 million members; the Caisse Desjardins in Quebec alone has 5 million members; there are more than 1,110 credit cooperatives in Brazil with a total of 1.45 million members; among the fifteen members that made up the European Union prior to the 1st of May 2004, there were already 3,750 cooperative banks and savings and loan associations with a total of 37.3 million members, etc. These banks and savings and loan associations often have more than a 20%, sometimes even 30%, share of the banking market in these various countries. This is therefore a powerful component of the social economy, as are the farming and food processing cooperatives or the parts of the social economy involved in insurance, healthcare, social services, etc. Flexible and able to adapt to local conditions and the varying requirements of different economic agents, cooperative and mutual organizations play a vital role in local communities in both the North and the South.

The social economy around the world can be looked at from another angle, in particular in terms of jobs. This task is however harder as the available data in this area is even patchier. The ICA mentions a total of over 100 million employees in 100 countries for cooperatives alone. Studies on nonprofit organizations in developed countries suggest that they represent about 7% of non-agricultural employment on average. Trying to measure the social economy’s share of GDP is even more complicated, even though we know that the percentage must be as high as 12% in the original fifteen member states of the European Union and is likely to be similar in other economically comparable regions around the world. It is also clear that this figure must be higher in the southern hemisphere, where farming and fishing are still the main economic activities and where cooperatives play a decisive role. It would be interesting to know how the role of the social economy is evolving in emerging economies, where the secondary sector is growing to the disadvantage of the primary sector and where the tertiary sector, in which the social economy is active, is still nascent.
helping micro-projects show that effective partnerships can be formed between the different parts of the social economy. They are also a sign of an enriching relationship between local economies based on redistribution and a social economy that can compete on the market and help these micro-organizations. The part of the social economy that is already established strengthens the part that is springing up from grassroots initiatives and provides it with resources and visibility. The North has itself seen micro-projects created in its own regions that are based on experiences observed in countries in the South. This is largely the case of the micro-banks in developed countries, which have been helping to integrate marginalized groups. The most advanced forms of the social economy, which are a mixture of the tertiary and fourth sectors, have appeared in the social and economic landscape of the most developed countries—most successfully in the personal services sector and lagging in communications. Social-economy enterprises in farming, fishing, light manufacturing, trades and housing continue to have shared features in the North and the South even if there are clear differences between one continent and another. This colorful tapestry unquestionably deserves greater study to identify future lines of action for the social economy around the world, as the social economy is observed to be relevant for every sector and extends from the primary sector to the fourth sector, from the micro to the macro level, and from redistribution to competition. Its integrating capacity, integrating people in society culturally, socially and economically, is a common thread that runs through all of these variations.

Conclusion
According to the United Nations (referring in particular to cooperatives), “the livelihoods of more than half the planet’s population depend on the social economy.” A series of global transformations

The search for new development models
From other perspectives on the social economy around the world, it is safe to assume that it is undergoing change. Its most basic grassroots forms are experiencing growth in countries looking for new development models. This is particularly notable in Latin America, not just in Porto Alegre, but in many states in Brazil and in other countries such as Peru, where communal and cooperative systems are used by people living in the poorest urban areas (on the outskirts of big cities) and in rural areas where land ownership is a major issue. This is also true on other continents. Local communities on the initiative of or supported by local government are setting up self-managed projects (production, housing, community affairs, etc.). Elsewhere, nonprofit organizations, cooperatives and mutual-aid societies are all creating new links between local communities and government. This is often the case in Africa, as in Cameroon for example, where restructuring agricultural production is based on joint initiatives and new cooperatives. Micro-finance is another example, which became famous at the start of this century and has spread from Bangladesh to South America and Africa. Cooperatives and social enterprises created on the outskirts of big cities (Sao Paulo, Rio de Janeiro, and elsewhere around the world) are another illustration (the social economy is an economy of social ties).

All these social-economy experiences draw their strength from civil society and are growing. These kinds of organizations and enterprises have started forming networks and associations that extend beyond their original geographical area of activity and have been trying to create interactive exchanges between the North and the South. They co-exist with the more established social economy, which sometimes operates in the same business sectors (e.g. farming), but they have at times had difficulty developing a dialogue with it. However, the instances of major cooperatives and mutual societies
also depend on it, and it can have an impact on them. The creation of fair-trade networks, which are largely based on cooperatives and mutual-aid associations, demonstrates this, as have for several years the synergies developed among NGOs involved in humanitarian aid or conservation and environmental protection. There is a vast fertile ground for partnerships waiting to be cultivated, e.g. transnational projects between mutual and cooperative financial service providers. In other globalized areas, like communications, which are threatened by the bulldozer of capitalism, there has been almost no investment as yet. New specific instruments, including financial instruments, need to be developed to help companies in the social economy avoid the risks of degenerating into the mainstream.

There is no shortage of opportunities for the social economy around the world. It represents a real social force and probably underestimates its economic impact. It especially under-utilizes its own potential and its own capacity in a period when a growing number of citizens and governments are looking for solutions that are not bound to the State or free-market ideology. This is even more so since its system of freely chosen collective ownership, which can be handed down from one generation to the next and from one group of people to another, gives it a sustainable foundation that has become essential.

This is just a small selection of snapshots and impressions, but hopefully it will give those involved in the Mont Blanc Meetings an even better understanding of the worldwide social economy, not just to make others more aware of what it represents but especially to foster transnational partnerships that can create a new form of globalization that puts people before profits.

A GLOBAL VISION OF THE SOCIAL ECONOMY

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2. FOUR NATIONAL CASES OF SOCIAL-ECONOMY DEVELOPMENT

Present worldwide and in almost every business sector, the social economy plays a particularly important role in both national and local economies. A large number of cooperatives, mutual societies and nonprofit organizations are market-oriented and demonstrate every day that it is possible to be economically efficient, competitive, profitable and viable while being more democratic, equitable and humane.

These enterprises and organizations with people-centered objectives (which can be legitimately compared with conventional companies whose sole objective is too often profit) constitute a real alternative to the supposed single and dominant model of capitalism.

Furthermore, social-economy enterprises often provide a new start and real jobs for people who have been left behind by the dominant model, e.g. minorities, women, the disabled and the long-term unemployed.

The four examples presented in this chapter show that the social economy offers real solutions that enable people to lead better lives both in emerging countries like India and Brazil and in the most developed countries. Who would imagine that in countries that are bastions of capitalism, like Japan and the United States, the social economy is not only present but rapidly growing?
The solidarity economy in Brazil
Paul Singer (Brazil)

Overview
The Brazilian solidarity economy is comprised of 14,954 enterprises that employ 1,251,882 people, 65% male and 35% female. Of these enterprises, 44% are located in the Northeast, the poorest region in the country; 17% are in the South and 14% in the Southeast, which are the richest regions; 13% are in the North and 12% in the Central West, which are the least populated regions and where the boundaries of the solidarity economy are still unclear.

Most solidarity enterprises are involved in farming (64%). The rest are in services (14%), food processing (13%), textiles and footwear (12%), crafts (9%), manufacturing (6%), solid waste recycling (4%) and banking (2%). The predominance of farming explains why there are a lot more men than women in the solidarity economy; the primary sector continues to be a male-dominated sector.

The solidarity economy is economically very diverse in Brazil, a country that is characterized by great inequalities. The poorest third of solidarity enterprises have an average monthly revenue of barely 445.10 reais (R$), i.e. one and half times the minimum wage. As these are collectively owned enterprises, the average income of those working in them is obviously far below the legal minimum wage (which is actually only in force in the most developed parts of the country). Next come enterprises that have a monthly revenue between R$1,000 and R$10,000, with an average of R$3,744.66, and which represent 44% of all solidarity enterprises. This group should therefore also be regarded as poor. The enterprises with revenue between R$10,000 and R$100,000 have an average of R$30,301 and represent 18.6% of the total; they are considered the “middle class” of solidarity enterprises. Lastly, we find much bigger enterprises or enterprises that have higher revenue per worker. There are 449 enterprise with revenue between R$100,000 and R$1,000,000, with an average monthly revenue of R$279,114, plus 61 enterprises that have a revenue above a million reais per month with an average monthly revenue of R$5,723,019. They comprise 3.6% and 0.5% respectively of all solidarity enterprises and represent the economic elite. The total monthly revenue of all solidarity enterprises combined is R$567.7 million, which gives an average monthly figure of R$37,959, i.e. just above the average for the R$10,000 to R$100,000 segment.

Surveying the solidarity economy
When Brazil’s National Office for the Solidarity Economy was created in June 2003, in the Ministry of Labor and Employment (SENAES/MTE), one of its main tasks was to help set up a comprehensive database on the solidarity economy. This objective was only achieved after two and a half years of work following the creation of the Information System on the Solidarity Economy (SIES).

To set up the SIES, a working group was formed, composed of researchers and interviewers from SENAES and from members of the Brazilian Solidarity Economy Forum, which included the Solidarity Development Agency of the CUT trade union federation,2 the Unitrabalho Foundation,3 the network of university cooperative incubators, the Mineiro Solidarity Economy Forum, FASE,4 and IBASE.5 Also part of the working group were researchers from IPEA,6 UCSal,7 and the Office for Land Settlement in the Ministry of Agrarian Development (DST/MDA). The working group met several times to launch the project and to define the terms solidarity economy and solidarity enterprise.
The SIES survey focused on solidarity enterprises, but it also covered bodies that supported, advised or promoted the solidarity economy. In this first part of describing the survey, we will limit ourselves to the information on enterprises. There were two phases to developing the information system. During the first phase, state-level committees (EGEs) were formed in every state of the Brazilian federal republic, i.e. 27 in total. The composition of the EGEs was similar to the composition of the national working group, with representatives from government agencies, universities, and the state-level solidarity economy forums, which had been created during 2003 and 2004.

During the first phase, a list of solidarity enterprises was established in each state based on the Ministry of Labor’s national business registry, information from bodies that supported solidarity enterprises, and information collected by the committees in each state. It is likely that besides the enterprises listed there were an unknown but probably significant number of solidarity enterprises that had not been contacted and whose members had no idea that they were an integral part of the solidarity economy. Consequently, a campaign publicizing the solidarity economy concept was launched mainly in the regions and places where it was assumed that these enterprises might exist. One of the procedures adopted in this first phase was the “dissemination and posting of forms on the Internet to encourage the spontaneous declaration of solidarity enterprises.”

During the second phase, a visit was carried out in all the listed enterprises to fill out a detailed questionnaire. The responses obtained enabled determining whether or not the listed enterprise could be considered a solidarity enterprise. The data collecting was left to the responsibility of each state committee. In each of them, a unit, usually connected with the state solidarity economy forum, was responsible for this work. It is worth mentioning that this second

Everyone agreed that a central principle of the solidarity enterprise should be self-management, understood as the collective ownership of the means of production and their democratic management, and the egalitarian participation of all workers with each person having one vote in decision-making processes. On this basis, the characteristics of a solidarity-economy enterprise were defined as follows.

“a) They are collective organizations ... above the family level whose members are workers.... The people who work in the enterprise are, in the vast majority, owners or co-owners in charge of collectively running the business and allocating surpluses.

b) They are permanent organizations (they cannot be temporary businesses). Besides enterprises that are already up and running, also included are enterprises in the process of being set up once a group of members is formed and its economic activity defined.

c) These organizations may or may not be registered locally since the only thing that matters is whether they actually exist or trade regularly.

d) These organizations carry out the economic activities of producing goods and services, providing loans (this includes credit cooperatives and rotating savings and credit associations managed by the member-workers themselves), marketing (buying, selling and trading commodities, products and services) and ethical retailing. The economic activity must be permanent and the enterprise’s main activity, i.e. the organization’s raison d’être.

e) They are simple or complex economic organizations. Organizations of whatever size or form are included provided they have the characteristics listed above. Complex economic organizations are groupings of nonprofit organizations or cooperatives, complex cooperatives, and enterprise networks or their equivalents.”
phase was expected to be completed before the end of 2005, which may have led to the omission of some enterprises. However, this missing data will probably be recuperated in the coming months as the SIES becomes better known. One of the objectives is to facilitate the creation of solidarity-enterprise networks and to foster business relationships between enterprises. The SIES database will be continually updated by users.

Characteristics of solidarity enterprises

Only 54% of solidarity enterprises are registered with the federal tax authorities, a legal requirement for running a business. The rest, nearly 7,000 solidarity enterprises, are informal. They do not pay any taxes, but nor can they provide goods or services under federal, state, or local government contracts. They are also excluded from markets in which legal enterprises—both solidarity and conventional—operate and which have to declare every sale they make. As in other countries, the informal economy is tolerated in Brazil because the disadvantaged do not have enough income to pay taxes. If they were severely punished, they would be forced to turn to more serious crimes to survive. Clearly running businesses illegally, the whole world of the informal economy is poor and self-contained. These are poor people who do business with other poor people, live illegally on the outskirts of the cities, and have created a whole range of subsistence activities. The people involved in this economy survive despite their precarious situation and lacking a means of consumption. In these conditions, mutual aid becomes the key to survival for the most vulnerable and disadvantaged.

Of the nearly 15,000 solidarity enterprises in total, a majority (54%) are nonprofit organizations. Next come the “informal groupings” (32.4%), cooperatives (10.7%), conventional businesses (1.2%) and other types of enterprises (1.3%). As 46% of solidarity enterprises are not listed on the CNPJ, we can conclude that, besides the informal groupings, an additional 13.6% of the enterprises, probably nonprofit, also exist in the informal sector.

In estimating workers’ earnings in the solidarity economy, it is worth first pointing out that 77.7% of the enterprises have employee-owners, which is not the case for the remaining 22.3%. The latter are comprised of self-employed people, either individuals or families, who become members of the enterprise for group purchases or sales. As they are busy managing their own businesses in their workplaces, offices, etc., they cannot personally supervise the collective marketing activities which, at the end of the day, are done by hired outside help. The credit cooperatives and rotating savings and credit associations also rely on the same procedure.

As we know that 64% of the enterprises in the Brazilian solidarity economy are involved in farming, we can conclude (until there is more precise information from cross-tabulated surveys) that the majority of the 1.22 million members must be small independent producers who are members of purchasing, marketing or credit organizations. The fact is that only 336,000 people (i.e. 27.5% of members) earn their living by working in solidarity enterprises. The rest, i.e. 888,000 people, must be smallholders, the self-employed, people who recycle waste or others.

The monthly earnings of the 336,000 members who work in half of the enterprises are divided into the following groups: a) up to R$100 in 30% of these enterprises, with an average of R$60; b) R$100 to R$300 in 42%, with an average of R$221; c) R$300 to R$500 in 14%, with an average of R$412; d) R$500 to R$1000 in 10%, with an average of R$732; e) over R$1000 in 4%, with an average of R$2,709. Groups a) and b) are obviously very poor and represent nearly 75% of the enterprises; the members of groups c) and d) can be considered “less disadvantaged;” and only those belonging to
enterprises with no more than ten members, 62.6% are women; those with 11 to 20 members are half female (49.8% to be precise); and finally, in enterprises with 21 to 50 people (40.1% of the total) and the largest enterprises with over 50 members, only a third of the employees are women (34%).

Small associations, informal groups and cooperatives which provide cleaning and maintenance services or sell prepared meals, medicinal plants, clothing, toys, etc. are clearly predominantly male, and they usually represent families obviously made up of people of both sexes. As a result, the participation of women in cooperatives of micro-producers is very likely under-reported because a large part of this female activity is concealed in family-owned businesses.

Challenges facing the solidarity economy

Among the difficulties that solidarity enterprises face, the most frequently mentioned are marketing (61%); borrowing (49%); advice, training, and technical and managerial help (26%). As the total of these percentages is greater than 100%, the responses are clearly multiple. Through contacting the solidarity enterprises directly it was confirmed that most of them suffer from an inability both to market production and borrow money.

There are usually two types of marketing difficulties. The first type is caused by the enterprise’s internal shortcomings such as being unable to find enough customers or not having the interest or knowledge in bookkeeping to avoid unpaid orders; the second type, which is more frequent, comes from a lack of capital. As a result, prices are too high, the enterprises cannot meet their deadlines due to cash shortages, and they cannot even meet the requirements of buyers.
who count on regular deliveries of large quantities of goods. The first
type of marketing difficulty was mentioned by 24.3% of enterprises
and the second by 37.3%.

The first type of difficulty comes not just from the workers’
inexperience but also from the specialization imposed by capitalism,
which dictates that the jobs of buying and selling go to those who
have the best schooling and appearance and excludes people who
come from the most disadvantaged backgrounds and do not have
educational qualifications. The latter are stuck in simple manual pro-
duction jobs and in work that has little responsibility. These class
biases are very often internalized by the poor, and this becomes espe-
cially apparent whenever they try to break the vicious circle that
imprisons them within the informal sector.

As the internal markets of marginalized communities are almost
always saturated, both because of consumers’ limited purchasing
power and excess supply caused by unemployment in the formal
economy, the only alternative that remains for solidarity enterprises
in this situation is to get new customers from the middle class.
The marketing problems described above become apparent when
they try to do this in practice. Very few poor people would dare
to approach customers from a higher class, who intimidate them.
The fact of not knowing how to avoid unpaid orders shows that it is
hard for a worker to refuse payment on credit or to require guarantees
or references from someone from a higher social class. However,
cash-flow problems could be solved more easily if the enterprise
could borrow money at an interest rate and with a repayment period
that were reasonable. Prices tend to be high because of low produc-
tivity, probably due to a lack of machinery, the purchase of which
would require loans that are currently inaccessible to small busi-
nesses. The inability to fill large orders and ensure regular deliver-
ies also comes from this lack of access to credit.

This takes us straight to the other major hurdle that the solidar-
ity economy in Brazil faces, and this is the lack of credit. Most of
the capital (61.4%) comes from the members themselves and only 12.3%
from lenders. During the past twelve months, of the enterprises
that needed to borrow money (70% of all enterprises), only a quarter of
them were able to obtain a loan. The remaining three-quarters had
to manage with cash-flow problems and insufficient investment.

It is interesting to examine what the sources of financing were
for the 2,618 enterprises that obtained loans during those past twelve
months. Among these enterprises, 54.4% of them turned to public
banks and only 18.1% to sources of finance within the solidarity
economy itself, e.g. public and private micro-credit organizations
and credit cooperatives. Only 5.4% of enterprises borrowed from private
banks, and the rest turned to other sources.

The exclusion of the poor from access to the services of the
Brazilian financial system is old and well-known. This affects family-
owned farms and a wide range of urban and rural micro- and small
businesses. The Lulu government has tried to open access to credit
for the poor. Two of its policy measures should be mentioned: the
creation of simplified banking accounts up to 1,000 reais that do
not require proof of income and provide equal access to micro-credit
loans, which could even be increased over the years. These accounts
have been opened mainly in public banks and have topped five
million reais in the last two years. The other policy measure was the
creation of the Aid to Family Farming Program (PRONAF) which
provides the neediest farmers with subsidized micro-credit and
cancels the debts of low-income workers. PRONAF has been around
since 1996, but it was more than tripled by the present government.
The program is also operated by public banks. These policy measures
probably made it possible for more than half of the solidarity enter-
prises to obtain micro-credit loans in 2005.
Finally, as for the third hurdle (need for advice, training and support), most enterprises have been able to get some kind of help. Government agencies helped 34.6% of them and 36.9% received support from solidarity-economy organizations, e.g. NGOs and “civil-society public-interest organizations,” development agencies run by the unions, and the university incubators of popular cooperatives and cooperatives of technicians. Another 17.6% of enterprises were aided by System S, which is a group of organizations that provide assistance and training that was created by legislation but funded and managed by enterprises from different sectors of the economy.

**Conclusion**

This picture of the solidarity economy in Brazil in 2005 is far from complete. I hope it at least gives a general idea of this mode of production and shows some of its problems but also some of its potential. Thus it is worth mentioning another set of findings from the survey. In the solidarity economy, 59.5% of the enterprises are connected with social and working class movements, which include the local community development movement (30.3%), the labor movement (27.4%), the landless workers’ movement (23%), the environmental movement (13.6%), etc., and 58.3% of them are involved in social programs in the areas of education, employment, healthcare, environmental protection and housing.

As to the challenges, they unquestionably stem from the poverty that affects most of the solidarity economy in Brazil today. While specific measures are important, as we have seen earlier, the solution to these problems requires reducing poverty in the country, by reducing both the number of poor people and the enormous disparity that exists between the “middle class” and the poor. The solidarity economy is today a form—perhaps the most effective form—that civil society has invented for tackling these problems.

The solidarity economy brings together a part of the poor and teaches them how to support each other in many different ways. Only mutual-aid offers them the chance to escape poverty through their own economic, social and political efforts. In my opinion, this is the historic role of the solidarity economy in Brazil in the 21st century.

**Paul Singer** is currently head of the National Secretariat of the Solidarity Economy in the Ministry of Labor and Employment of the Brazilian federal government. He is an economist and was a university professor for a large part of his life. He is the author of numerous works on labor economics, development, local community and urban economics and, over these past ten years, the solidarity economy.

**NOTES:**

1. 1 real = 0.38 euros or 0.49 US dollars.
2. The CUT is Brazil’s largest trade union federation and has over 6 million members.
3. Set up as a foundation, Unitrabalho is a national research network made up of 92 affiliated universities and higher-education institutions.
4. FASE is an NGO that campaigns for human rights, workplace democracy and the solidarity economy.
5. IBASE is a research institute that works on social and economic issues. Its mission is to foster democracy by fighting inequality and encouraging greater citizen participation.
6. IPEA is the Institute of Applied Economic Research.
7. UCSal is the Catholic University of Salvador.
10. The CNPJ is the national business registry.
Do nonprofit organizations profit a nation?

B.M. Vyas (India)

Introduction

Let us start with this teleological axiom: nothing can exist unless it contains within itself the reason for doing so. Extending this a little, nonprofit organizations—at the end of the day—are businesses and cannot escape earning their keep. This ensures their sustainable long-term existence and the quality of their outcomes. Having said this, what is it that marks the social economy out from the conventional economy? The conventional economy aims at generating income out of demand that is easy to identify and profitably satisfy. Period. The social economy seeks to satisfy demand that is often implicit and hidden and that often have a social relevance rather than a purely economic one. Income is comprised not merely of revenues, but also of social capital.

The social economy in India

India has been experimenting in the domain of social economics since ancient times when water management in villages effected through collective action. Agricultural taxes were carefully regulated so as not to render unviable the maintenance of collective water management structures. The ancient scripture of Manusmrti put a cap on agricultural taxes at one-sixth of the produce. While the colonization of the country along with its attendant taxation policies (agricultural taxes during the British rule had gone up to two-third of the produce) destroyed the social economy of water in the Indian countryside, other institutions have since sprung up through the socio-economic fabric of India—making significant difference to the lives and aspirations of its people. A few examples may be discussed in this paper.

The white revolution

If we consider the mid and late 1940s, the period featured a population on the brink of explosion, available food resources woefully inadequate to provide food security, thus the country depended substantially on imports for feeding its burgeoning population. Post independence, the leaders at the helm of the country had their work cut out for them—ensuring food security. On the food grains' front, the nation had to wait till the mid sixties for any substantial initiative. This is the time when the so-called ‘Green Revolution’ brought about a quantum jump in availability of wheat and rice (and later on other crops) in the country.

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<td>132</td>
<td>116</td>
<td>470</td>
</tr>
</tbody>
</table>

Excluding oilseeds, sugar, roots, tubers, milk, and milk products

Meanwhile, on the milk and milk products’ front, the farmers of Kheda district had already started a quiet revolution. This revolution
was to go a long way in giving shape to a movement that would eventually make India not only self sufficient in milk, but also the highest producer of milk in the world.

<table>
<thead>
<tr>
<th>Year</th>
<th>Milk Production (Million Tons)</th>
<th>Per Capita Availability (gm./day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>17</td>
<td>124</td>
</tr>
<tr>
<td>1960-61</td>
<td>20</td>
<td>124</td>
</tr>
<tr>
<td>1970-71</td>
<td>22</td>
<td>112</td>
</tr>
<tr>
<td>1980-81</td>
<td>31.6</td>
<td>128</td>
</tr>
<tr>
<td>1990-91</td>
<td>53.9</td>
<td>176</td>
</tr>
<tr>
<td>2000-01</td>
<td>80.6</td>
<td>220</td>
</tr>
<tr>
<td>2001-02</td>
<td>84.4</td>
<td>225</td>
</tr>
<tr>
<td>2002-03</td>
<td>86.2</td>
<td>230</td>
</tr>
<tr>
<td>2003-04</td>
<td>88.1</td>
<td>231</td>
</tr>
<tr>
<td>2004-05 (Provisional)</td>
<td>91</td>
<td>232</td>
</tr>
</tbody>
</table>

### Table 2: Milk production and availability in India

A new concept in dairying

Milk is a perfect example of a perishable commodity. Given this, the producer is always at a disadvantageous position vis-à-vis the market. While shortage conditions during summer months may see good price realization, a flush winter season would see a fall in realization. However, the moment value is added to milk in the form of, say, milk powder, butter, ghee etc, the bargaining power of the producer increases appreciably. By adding value, we are effectively insulating the producer from the vagaries of the commodity market. Where the livelihoods of millions of farmers are bolstered by and dependent upon dairying, it is obviously of great importance to ensure that they receive fair returns for their produce all the year round. What the farmers of Kheda achieved in the form of the Amul Pattern of cooperative dairy production was nothing short of a new concept. Pre Amul, the dairy industry was basically hostage to a network of middlemen and commission agents who cornered the best part of revenues generated from the milk business. Obviously, the farmer was invariably left holding the thin end of the stick. The private system of dairying may be represented as in Fig. 1.
The Amul Pattern brought in a new conception of dairying wherein the producer farmer had a direct interface with the consumer. This was achieved through direct control of the farmer member of the dairy cooperative over the hitherto esoteric functions of processing, marketing, brand building and management. The new system may be represented as in Fig. 2.

An important result of the Amul Pattern of dairying was the advent of a system of dynamic evolution. When the farmer came into direct contact with the market, she got direct and immediate access to feedback regarding customer requirements. This not only sharpened her ability to respond and adapt very quickly to evolving customer tastes, but it also instilled into her the ability to anticipate and shape market requirements. Thus, the farmer not only became market driven, but also a market driver.

What the Amul Pattern does is very intuitive. Real empowerment comes to the poor only when they have complete control over a resource designed to provide an assured flow of reasonable income. Consequently, the starting point for the Amul Pattern is to ensure that the marginal family has ownership of one or two milk animals. This is not a difficult proposition in the Indian context. The next step is to ensure that the family has access to a central place where its daily milk produce may be deposited. This milk is then collected, processed (into milk and milk products) and sold in urban markets as value for money products. The returns generated are given back to the family based upon fat and SNF (Solids Not Fat) content of its milk. The family of the marginal farmer has the animals. The urban market has the need for nutrition and taste. What Amul does is to simply bring them together into a win-win situation. The average milk yield of a buffalo is about 5-6 liters per day. Given the ownership of two animals, the family is assured of an incremental income of approximately Rs. 5000 per month for about 300 days in the year. This outcome is in no way inferior to what is achieved by other kind of poverty alleviation program.

The spin-offs in social terms are no less impressive. Dairying in the rural families – from maintenance of cattle to selling of milk – is
water resources programs, improving the environment, arresting distress migration, improving the socio-economic status of rural people and striving for their overall development. This is catalyzed by facilitating the growth of local institutions that support and sustain the natural resource management programs.

Its project area is classified as a drought-prone semi-arid region of the country and is predominated by tribal and rural poor who struggle for existence. The project area is spread across three states in five districts of Rajasthan, Gujarat and Madhya Pradesh, covering more than 130,000 households and about 775,000 people under natural resource management activities. More than 550 tribal villages have been touched under various program interventions by Sadguru. Another 125 villages have been helped by other NGOs with the support of Sadguru. In addition to the direct implementation, technical and training inputs are regularly provided by government departments and NGOs in many other states of India.

Revival of rivers is an important focus area for the organization. Under the Sadguru approach, the total course of the river is harnessed through a series of masonry check dams at suitable intervals on the same source. This ensures that optimum water is harvested and distributed to all the villages along the source. As a result, 40 local rivers and streams have become perennial, against the pre-intervention scenario of drying up from November onwards. Another 20 local rivers and streams are in the process of being harvested at optimum levels.

Self-help groups
SEWA is a trade union registered in 1972. It is an organization of poor, self-employed women workers. These are women who earn a living through their own labor or small businesses. They do not generally the domain of the females. Hence, the Amul Pattern ensures that rural women have control over a substantial portion of the family income. This not only empowers them through economic independence, but also ensures that required investment is made in children’s education and in the development of the girl child. Such investments have been seen to have a multiplier effect upon the income and socio-economic status of successive generations.

The Amul Pattern may sound simple. However, a lot of ingenuity has gone into evolving a system of collection, processing, distribution, marketing and brand building that is efficient enough to at once reconcile the ostensibly conflicting tasks of delivering value for money products to the consumers while paying the highest possible procurement price for raw material. This has been possible through the vision and commitment of leaders like the late Shri Tribhuvandas Patel and Dr. Verghese Kurien. Today – apart from Amul itself – the Amul Pattern may be seen at work across India in such dairy brands as Aavin, Him, Mahananda, Milma, Nandini, Omfed, Parag, Sanchi, Saras, Snowcap, Sudha, Verka, Vijaya and Vita that are nothing but Amul in different forms.

Natural resource management
Established in 1974, Navinchandra Mafatlal Sadguru Water Development Foundation is a non-governmental organization that is non-political, nonprofit making and secular. It is recognized by the Department of Rural Development of the government of three states: Rajasthan, Gujarat and Madhya Pradesh. The organization receives funds from the state and central government, national and international funding agencies for its rural/tribal poverty alleviation natural resource management programs.

Its main objectives are to improve the living condition of rural and tribal people by developing environmentally sound land and...
obtain regular salaried employment with welfare benefits like workers in the organized sector. They are the unprotected labor force of the country. Constituting 93% of the labor force, these are workers of the unorganized sector. Of the female labor force in India, more than 94% are in the unorganized sector. However their work is not counted and hence remains invisible. In fact, women workers themselves remain uncounted, undercounted and invisible.

SEWA’s main goals are to organize women workers for full employment and self-reliance. Full employment means employment whereby workers obtain work security, income security, food security and social security (at least healthcare, child care and shelter). SEWA organizes women to ensure that every family obtains full employment. Self-reliance means that women should be autonomous and self-reliant, individually and collectively, both economically and in terms of their decision-making ability.

Supportive services like savings and credit, healthcare, childcare, insurance, legal aid, capacity building and communication services are important needs of poor women. If women are to achieve their goals of full employment and self-reliance, these services are essential. Recognizing the need for supportive services, SEWA has helped women take a number of initiatives in organizing these services for themselves and their SEWA sisters. Many important lessons have been learnt in the process of organizing supportive services for and by poor women. They provide these services in a decentralized and affordable manner, at the doorsteps of workers. Further, supportive services can be and are themselves a source of self-employment. For example, midwives charge for their services and crèche workers collect fees for taking care of young children.

Also, women are ready to pay for the services and, in fact, this results in the financial viability of the supportive services. They do not have to be totally dependent on subsidies and grants. Some supportive services like savings and credit, health and childcare have formed their own cooperatives. These cooperatives have gained operational self-sufficiency. SEWA bank has achieved financial viability for many years now, while the other cooperatives are steadily moving towards this.

SEWA organizes workers to achieve their goals of full employment and self-reliance through the strategy of struggle and development. The struggle is against the many constraints and limitations imposed on them by society and the economy, while development activities strengthen women’s bargaining power and offer them new alternatives. Practically, the strategy is carried out through the joint action of union and cooperatives. Gandhian thinking is the guiding force for SEWA’s poor, self-employed members in organizing for social change. They follow the principles of satya (truth), ahimsa (non-violence), sarvadharma (integrating all faiths, all people) and khadi (propagation of local employment and self-reliance)

SEWA is both an organization and a movement. The SEWA movement is enhanced by its being a confluence of three movements: the labor movement, the cooperative movement and the women’s movement. But it is also a movement of self-employed workers: their own, homegrown movement with women as the leaders. Through their own movement women become strong and visible. Their tremendous economic and social contributions become recognized.

Also, there is a lot to be done in terms of strengthening women’s leadership, their confidence, their bargaining power within and outside their homes and their representation in policy-making and decision-making. It is their issues, their priorities and needs which should guide and mould the development process in our country. Toward this end, SEWA has been supporting its members in capacity-building and in developing their own economic organizations.
The rapid progress made by SEWA in organizing women in Gujarat led to a demand for creation of similar organizations in other states too. SEWA Bharat was thus set up in 1982 in response to this demand. Its main aim is to facilitate the formation of new member organizations across the country and to promote their growth and development. SEWA Bharat is, therefore, a federation of SEWA member organizations, with the mandate to highlight issues concerning women working in the informal sector, and to strengthen the capacity of the organizations that serve the interests of these women. Presently nine such SEWA member organizations are working in 35 districts of seven states, and together they accounted for a total membership over 7,00,000.

Healthcare
Tribhuvandas Foundation
The late Shri Tribhuvandas K Patel, the founder chairman of Amul, was once going around a village. He chanced upon a remark by a woman: “In this area it is better to be a buffalo, for they are so well looked after.” Shri Tribhuvandas K Patel was extremely concerned and came up with the idea of a cooperative-linked human healthcare program.

That was how the Tribhuvandas Foundation came into effect, in 1975. Actual work commenced in 1980, with just one village. Today, the Foundation’s activities encompass 641 villages in the recently divided Kheda and Anand districts, which makes it the largest non-governmental organization in South Asia. This is possible because of the vibrant dairy cooperative infrastructure of Amul.

The first milk cooperative in Gujarat was, however, established way back in the 1940s in the village of Hadgud in the erstwhile district of Kheda. It was initiated by Sardar Patel and subsequently handed over to the then local leader, Tribhuvandas Patel, who was appointed its first chairman. Tribhuvandas Patel went on to serve the cooperative for 25 years. And when, on his retirement, he was given Rs.650,000 by the dairy farmers as a token of their appreciation of his selfless service, he put it all back to form the Trust. The National Dairy Development Board (NDDB) has contributed enormously in sustaining the Foundation and also helps periodically monitor its effectiveness and growth.

Initially, an extension worker from the Foundation would visit the villages and apprise members of the Dairy Cooperative Society (DCS) of the need to promote healthcare and education among the villagers, especially women. The DCS, in turn, had to agree to a few conditions such as providing an honorarium to the village health worker, ensuring minimum infrastructure at the local DCS, and setting aside a part of the profits for the Tribhuvandas Foundation.

The Tribhuvandas Foundation has, over a period of time, developed an integrated approach based primarily on maternal and child healthcare, balwadis, income-generating activities for women and environmental sanitation. Of these, maternal and child health remain its core activities, the aim of which is to introduce basic preventive healthcare know-how through trained local VHWs (village health workers). The workers are trained to provide treatment for common ailments, provide basic antenatal and childcare, identify TB patients and supervise their treatment. They also carry out various health-education activities. Meanwhile, field workers who are employees of the Foundation supervise their work and, whenever necessary, refer patients to doctors.

A common malaise among villagers has been the practice of using overdoses of medicines and injections prescribed by private medical practitioners. Over the past 20 years, however, the Foundation has opened up four sub-centers to reach out to the farthest
villages in the region. The sub-centers, all headquartered at Anand, are situated at Balasinor, Kheda and Tarapur. This ensures effective decentralized healthcare delivery with nutritional rehabilitation centers for undernourished children and family-planning centers located at all these points.

Besides operating silently at the village level the Tribhuvandas Foundation can, in many ways, be said to have pioneered methodologies in healthcare, the most noteworthy being effective community participation. Not only has the overall health of women and children in the area improved, there has been a dramatic decline in infant and maternal mortality rates. Controlling severe malnutrition levels among pre-school children and spreading awareness about basic health needs have been major achievements of the Foundation.

A highlight of the Foundation has been its success in spreading awareness about the use of safe delivery kits by the village dais. The disposable and hygienic kits are assembled at the Foundation and are supplied to a number of government and non-governmental organizations working in the field of women’s health.

Another important activity that goes on throughout the year is that of the patchwork and quilting department where traditional patterns and the intricate, delicate embroidery work of Gujarat are adapted according to the needs of the growing clientele.

The Foundation has also made forays into the field of rural energy and environment sanitation. Recognizing that a clean environment is the prerequisite of good health, several low-cost latrines and portable ovens are being constructed. The Foundation also periodically conducts “save energy” workshops in the villages and emphasizes the use of video programs to spread awareness and enhance the learning capabilities of the villagers, especially in matters related to health.

In the initial years the Tribhuvandas Foundation was funded by UNICEF and the overseas development administration (UK); the AMUL now supports it financially and has been doing so for a long time. The organization is working towards becoming self-reliant though this may take a while.

Aravind Netralaya
Under the leadership of Dr. G. Venkataswamy, Aravind Eye Hospital was founded in the town of Madurai in 1976 with the mission to eradicate needless blindness in the state of Tamilnadu. Now in its 25th year, Aravind’s innovative eye care delivery system is recognized as a model for other developing countries. Much importance is given to ensure that all patients are accorded the same care and high quality service, regardless of their economic status. As a result of a unique fee system and effective management, Aravind is able to provide free eye care to two-thirds of its patients from the revenue generated from the other third of its paying patients.

Aravind follows the principle that large volume, high quality service result in low cost and self-sustainability. Aravind’s network of hospitals has the distinction of being the most productive eye care organization in the world, in terms of surgical volume and the number of patients treated. With less than one percent of the country’s ophthalmic manpower, Aravind performs about five percent of all cataract surgeries in India.

Given the magnitude of blindness and the challenges faced in a developing country, the Government alone cannot meet the health needs of all. Realizing this predicament, Dr. Venkataswamy wanted to establish an alternate healthcare model that would supplement the efforts of the Government and also be self-supporting. Hence, in 1976, he established the GOVEL Trust to initiate eye care work. Under this Trust, the Aravind Eye Hospitals were founded.
Today, Aravind is more than an eye hospital. It is:

- A social organization committed to the goal of eradication of needless blindness through comprehensive eye care services.
- An international training center for ophthalmic professionals and trainees who come from within India and around the world to teach or to learn, to offer their skills and to acquire new ones.
- An institute for research that contributes to the development of eye care.
- An institute to train health-related and managerial personnel in the development and implementation of efficient and sustainable eye care programs.
- A manufacturer of world-class ophthalmic products available at affordable costs.

**Conclusion**

The story of the social economy in India does not end here. Apart from the institutions depicted above, there are many more that are working away towards their stated or unstated objectives. These objectives may be multifarious in nature, but they have an underlying theme: social relevance and generation of social capital.

With the relentless globalization of local economies getting to be an inescapable reality, many of these institutions of the social economy have to change their natures and strategies as the market and State policy environment changes to accommodate the conventional economy. However, the felt need for a well-oiled social economy is not going to go away as the conventional economy is going to stay blind to equity issues at least for the foreseeable future. And therein will lie the *raison d’être* for a vibrant social economy.

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**NOTES:**

2. Source: Indiastat.com
5. Source: www.sewa.org
The Japanese social-economy sector at a crossroads: Promising prospects and the difficulties it faces
Nobuji Kasuya [Japan]

In Japan the concept of the “social economy” was not widely known until recently. The concept was introduced in the 1990s by a group of Japanese academics studying cooperatives (Kenji Tomizawai et al.). Unfortunately, we had neither formal nor informal organizations covering the three families of social-economy organizations (cooperatives, mutual societies and nonprofit organizations), nor did we have any experience of working with them. However, there were other organizations evolving in their own ways that make up for the failures of both the market and the State and seek an environmentally and socially sustainable society in the 21st century.

An overview of each family of the social economy in Japan

Nonprofit organizations
One of the biggest events that changed the landscape of the social economy in Japan was the sudden emergence of nonprofit organizations. At the same time as the introduction of the concept of the social economy, a Japanese edition of Drucker’s *The New Realities* was published (1989), informing us that “the emerging nonprofit sector,” which he thought was indispensable for revitalizing 21st century society as a vigorous civic society, had already become a “new reality” in the U.S.1 Shortly afterwards, *The Emerging Sector* (Salamon2 & Anheier3 eds.) appeared, reporting that nonprofit sectors were emerging not only in the U.S. and Western Europe, but also in Japan to our a little surprise.

However, a more epoch-making fact was that a large number of volunteers had rushed to devastated areas all over the country at the time of the Hanshin-Awaji earthquake disaster in 1995 and demonstrated that a society of active citizens had also begun to grow in Japan.

In the wake of the Hanshin-Awaji earthquake disaster the importance of the role and potential of nonprofit organizations became widely known. A new law on nonprofit organizations (promoting specific nonprofit activities) was passed in the Diet in 1998. It opened the way for unincorporated associations to obtain nonprofit legal status far more easily. Naoto Yamauchi4 describes this as follows:

“‘Civil society’ has become a topic of interest for the Japanese media and has penetrated public discourse... Politicians, bureaucrats, and even the general public are becoming increasingly more interested in the potential roles of nonprofits in Japanese society.”5

However, the nonprofit sector in Japan has been facing many difficulties in developing its potential. In a sense, it is at a crossroads.

Cooperatives
To state the conclusion first, the cooperative sector is also at a crossroads.

Agricultural cooperatives
In Japan, cooperatives have a fairly long history that started around the beginning of the last century. At first, they spread mainly among the self-employed working in primary sector industries such as agriculture, forestry and fishing. They functioned as the government’s tools of protectionist policies for agriculture, organizing almost all agricultural households. In their heyday, they enjoyed an overwhelming market share not only in farmers’ sales and purchases, but also in rural savings, credit and mutual insurance, etc. However, the high growth rate of the Japanese economy dramatically decreased the share of agriculture in GDP and employment. In addition, as trade
They, too, are growing, processing and selling regional agricultural products, creating a new regional culture. They have gone a step further. In addition to contracting to grow kenaf and cotton to make paper from non-wooden pulp for environmental education, they started a “farm for communication” to show urban-dwellers about how living things grow and how valuable it is to be in touch with nature. They also opened a restaurant, serving regional cooking with regional earthenware, publish cook books of traditional recipes, and provide tours of the farming and craft-making experience in conjunction with the municipal traditional crafts museum.6

Social welfare services
Of course, by far the greatest number of voluntary organizations are those that provide home or institutional care services for the aged and children. The agricultural cooperatives provide trained care-workers and the facilities for care services.

Revitalization from the bottom up
One of the most remarkable facts is that in the midst of the crisis in Japanese agriculture and the agricultural cooperative movement, which hitherto looked very much like a quasi-state bureaucratic system, the biggest challenges to it have been coming from the bottom, by the long-oppressed female sex, though up to now these developments have been very limited in scale and scope.

Consumer cooperatives
The most vigorous parts of the social economy in today’s Japan are workers’ collectives as well as nonprofit organizations. But before coming to that, I would like to mention the development of consumer cooperatives, out of whose activities worker collectives were born.
The postwar cooperative movement was initially characterized by the growth of consumer cooperatives as institutional consumer cooperatives were set up in factories, offices and universities. Following that, community-based consumer cooperatives were formed, whose members, mainly housewives, purchase goods at the cooperative’s stores and/or through a kind of collective-purchasing scheme run by groups (called “han”) associated with small number of members who live in the neighborhood and have face-to-face relationships, the latter being characteristic of Japanese consumer cooperatives. Their main aim is “to get better quality goods at cheaper prices.” This is one of the main features of the second generation of cooperatives, which engage mainly in the credit and distribution business.

A new wave of consumer cooperatives
Although postwar Japanese consumer cooperatives have shown a tendency to engage in social movements, such as pacifist movements in the beginning, it was toward the end of the 1960s and the early 1970s when, in the midst of piled up wastes, harmful food-additives, multiple contamination and environmental destruction resulting from a high rate of growth of the mass production/consumption economy, they began to support so-called new social movements, trying to supply additive-free foods, contracting directly with producer groups who use no agricultural chemicals or who practice organic farming. They enjoyed a rapid growth of members who care about food-safety.

However, in the meantime they have faced fierce competition from giant corporations, which have been developing the distribution revolution. Most consumer cooperatives have been affected and forced to fight back through consolidation. As a result, especially large consumer cooperatives have appeared, investing their funds in large-scale store development to survive in an environment of cut-throat competition with huge amounts of distributed capital, and have often fallen into management difficulties, some of them even going bankrupt.

However, not all consumer cooperatives have followed this business strategy. We have observed an upsurge in new waves of consumer cooperatives that have not tried to compete with multinational enterprises in the same market and in the same way, but have been pursuing in various ways the path of social movements, though they have remained in the minority. Takashi Iwami (2002) defines these as “third generation” cooperatives.

The Seikatsu Club Consumer Cooperative
The Seikatsu Club (SC) represents an illustration of this new wave of consumer cooperatives.7

– Alternative economic activity against industrial society’s prioritization of efficiency

The SC started by purchasing milk collectively in 1965. It gained legal status as a cooperative in 1968 and began pre-ordering collective purchases in the han (above mentioned small groups). The purpose of the SC’s han is to supply products whose raw material is known, without excessive expense.

The SC, with the cooperation of producers, refused to remain as passive consumers who buy appealing goods one by one in the market, and began to develop and produce food and other essential goods with a concern for human health and safety and the environment. In addition, the movement began to join boycotts against detergents, which can cause water pollution, and against genetically modified food, where there is no proof of safety. Moreover, the movement has involved itself in countermeasures for environmental hormones in packaging as well as the recycling movement.
“Seikatsu” means “the lives of people.” To be alive means not just consuming, but also consciously and actively engaging with life through the way we work and play in our daily lives.

New social movements born from the Seikatsu Club
The following are two new social movements that have arisen from the Seikatsu consumer cooperative movement.

– Workers’ collectives
The first is the creation of workers’ collectives (as they call them, but they are almost the same as worker cooperatives). These are a new form of working under the cooperative model where the workers fund, manage and work in their own enterprise as an alternative to being employed in a for-profit-only corporation. See Chigusa Fujiki’s article for more information.

– The Network Movement
The second is the Network Movement, which seeks to take positive action in the political arena. At first through outlawing synthetic detergents and the “use soap” movement, SC members also organized direct petitions to local governments. However, it was keenly felt that in order for the citizens’ voice to be reflected in political work, it was necessary to participate in and reform politics. Groups of SC members began to get together in the regions to form independent political organizations, and the Network Movement to elect representatives to local government thus began. At present there are the Seikatsusha Network and the Citizen Network organizations throughout the country, with 141 representatives in local government who are working to implement policies to protect the environment and improve the welfare system.

Exchange and solidarity activities with NGOs and cooperatives abroad
In today’s world, where the influence of huge multinational corporations is growing stronger, the existence of local, independent activist organizations that are trying to protect people and the environment is crucial. The SC intends to work for the realization of a citizen-governed cooperative local society by working hand in hand with these groups across national borders.

For example, they have made a “three-way sister partnership” with the Women Link of the Republic of Korea and the Home-makers’ Union and Foundation of Taiwan, and have been engaged in fair trade with the people of the Philippines, as well as in the activities of the Stop GM Rice Cooperative Network, etc.

Decentralization
Lastly, but no less important than the others already mentioned, I think, a rather more remarkable feature of the SC’s activities has been their strong and consistent attempts at not letting their organizations become too large and bureaucratic in order to keep stimulating grass-roots’ initiatives.

SC is comprised of 22 local community-based SC consumer cooperatives, which have independent management and activities. But they have gone a step farther. Even all 200 branch-units of the 22 local SC consumer cooperatives have independent managements and activities.

New developments beyond the Seikatsu Club
Of course, the surge of social movement oriented cooperatives has not been limited to the SC. We can find activities more or less similar to those of the SC in many other consumer cooperatives, and even in agricultural cooperatives, as I mentioned, throughout Japan.

Let’s look at some noteworthy activities of the cooperative sector.
Cooperatives for environmental protection
The Shiga environmental cooperative has started to revive the contaminated Lake Biwa by setting up sewage disposal facilities and has been working to build a recycling society by recycling waste edible oil, milk containers and plastic bottles, and by promoting the use of natural energy, such as biomass, solar energy, etc.

Medical cooperatives
Medical cooperatives are unique as medical institutions. People in a community create a cooperative to set up hospitals, clinics and other healthcare facilities. Both the sick and the healthy can participate in managing the cooperative, which has similarities with B-type social cooperatives in Italy. See Akira Kurimoto’s article for more information.

Worker cooperatives
As for worker cooperatives, I am drawing a distinction with the “workers’ collectives” mentioned above. These are started as enterprises to secure employment for workers and mainly concern middle-aged and old-aged unemployed people. Beginning in the early 1970s, the government gradually cut back and then finally ended the program that gave employment opportunities to people who did not have work to support themselves. By 1990, these enterprises had become established as “worker cooperatives.” However, as time went on they provided employment for a variety of persons and among them appeared the worker cooperatives which have the same features as the workers’ collectives that mainly concern women. 10

Promising prospects for a new social economy and the difficulties it faces
On the one hand, the older and established entities in either the nonprofit sector (such as the huge institutional and bureaucratized nonprofit organizations) or the cooperative sector (such as the agricultural cooperatives or the consumer cooperatives as well) have been at a standstill or facing enormous difficulties.

On the other hand, we can clearly observe an upsurge of new associational activities from the grassroots, mainly supported by the hitherto discriminated gender. However, we must say their scale remains far smaller than the scale needed. They are now under various kinds of restrictions that limit their potential.

At present, the most serious obstacle to a new social economy in Japan is the fact that the state bureaucracy has constantly hindered its development. The law on nonprofit organizations has opened the way for associations to obtain legal status far more easily. However, they still need to be registered by the bureaucracy. Tax benefits for donations are subject to rigid conditions, and the number of approvals has been extremely limited.

The government is now going to reform the law regarding “public-benefit corporations.” It has tried to create a new not-for-profit corporation category, which includes all types of non-governmental not-for-profit corporations including nonprofit organizations, and to simplify the registration process. However, their income is taxable, even including donations or gains obtained through volunteer labor, unless their activities are approved as “for the public benefit” by bureaucrats or de facto bureaucrats. This could be seen as a change for the worse in the law on nonprofit organizations. So, a movement arose against such a reform, proposing instead to allow citizens themselves to assess what activities are for public benefit. The government seems to have given up including nonprofit organizations in the unified nonprofit category for the time being. However, we should be on alert.

Also an upsurge of a new wave of cooperatives is being prevented from exploiting their full potential. Associations which want to obtain legal status as a cooperative have to be registered by the
relevant government bureaucracy and are subject to its decisions. Therefore, it is too troublesome to develop some needed activity, especially a new kind of business. Neither workers’ collectives nor worker cooperatives have an appropriate law, even though they are the most important parts of a new wave as I mentioned above. They have been demanding a cooperative law which is appropriate to them. However, it has not yet been achieved.

Making a breakthrough

How can we make a breakthrough?

Firstly, we Japanese must decide what “public benefit” means. Public benefit cannot exist by itself but appears when people mutually open up their worldview and subject it to their discourse to find differences and rebuild a new consensus. Only through such a collective movement will citizens be able to define the meaning of public benefit themselves.

Secondly, people in the other families of the social economy remain relatively uninterested about changing the law on nonprofit organizations, while people in the nonprofit sector remain relatively uninterested in the Unified Cooperative Law or worker cooperative law. Anyway, before the law on nonprofit organizations is changed, we first urgently need collaboration among all social economy families.

The Mont-Blanc Meetings have prompted us to initiate this long-needed task. We have started a monthly seminar, involving several think-tank institutes related to the social economy or social enterprises, including those nonprofit organizations and labor unions, in order for all participants to get to know better what others are thinking and doing and to discuss socio-economic problems and ways of tackling them. As the first result of the seminar, we have agreed to co-organize a forum in autumn that should bring together Japanese organizations involved in the social economy.

We hope the next step will be to work together on a precise project, like the promotion of elderly people’s well-being and a project in the community involving the various structures in the social economy such as cooperatives, mutual-aid organizations, nonprofit organizations, civic and social movements, community business entities, labor unions and local authorities.

Then we will be able to pursue the RMB regionalization project more easily and effectively than up until now.

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The social economy: Alive and well in U.S. co-ops

Paul Hazen [United States]

The social economy is an increasingly important concept in Europe and other areas with large concentrations of cooperatives. But some might be surprised that the social economy is also alive and well in the United States.

Many of the United States’ biggest social concerns—from healthcare to housing to job creation—are being addressed through member-owned cooperatives. Worker co-ops, in particular, offer the double advantage of improved services and better working conditions for low-income worker-owners.

Providing workers more control over the quality of their jobs and their work environment matters. Employees want respect and they want control. Worker cooperatives can offer more sensitive scheduling of working hours and are willing to invest in training. For-profits are less in the worker investment mode.

Home healthcare businesses have been one of the most conspicuous worker co-op successes in the last decade. They have sprouted in both urban and rural areas and are meeting a growing need for in-home healthcare while providing better working conditions for employee-owners.

Home care workers provide personal and supportive services to people with long-term physical, mental or developmental disabilities, or to those with short-term needs for medical or personal assistance.

Traditional workers in this industry do backbreaking work with few benefits. They have no safety net if they suffer injuries lifting frail people in and out of bed and few incentives to improve the quality of care they offer.

NOTES:

1. Peter F. Drucker was a writer, academic and consultant who specialized in management.

2. Lester M. Salamon is a professor of political science and director of the Center for Civil Society Studies at Johns Hopkins University.

3. Helmut K. Anheier is a professor of social welfare and director of the Center for Civil Society at UCLA’s School for Public Affairs.

4. Naoto Yamauchi is professor of public economics at the Osaka School of International Public Policy. He contributed to the Johns Hopkins’ Comparative Nonprofit Sector Project by measuring the nonprofit sector’s role in the Japanese economy.


7. www.seikatsucurl.coop

8. Women Link’s aim is to create an “ecological society where human beings and human rights are secured harmoniously and a democratic society where gender equality and women’s rights are secured.”

9. The Homemakers’ Union and Foundation’s “mission consists of bringing women together and uniting their strength, caring for society, promoting equality between the sexes, improving our living environment and increasing our quality of life.”

10. www.roukyou.gr.jp
Home healthcare worker co-ops offer workers’ compensation, health insurance, paid vacations and time-and-a-half holiday pay. As important to some of the workers is relief from the isolation of being independent contractors.

The co-ops provide their member-owners with far more than they could get working through a for-profit company. Workers get hourly wages that are 30 percent to 50 percent more than a for-profit would pay for the physically grueling work. At the same time, clients tend to receive better care because the employees receive better training and have a stake in the future of the co-op.

Many of the workers are former recipients of government assistance and most are from racial or ethnic groups that face multiple barriers to employment, including low education levels and limited work experience. Most are women, and many have young children to support. The administrative staffs tend to be former home health aids themselves. So they understand the problems faced by the workers.

Four home healthcare cooperatives are operating in the United States and six are in the planning stages.

The best known of these is 20-year-old Cooperative Home Care Associates in the Bronx, New York. CHCA employs 800 home health aides, 70 percent of which are owner-members. It was started with help from a local community development organization and the Charles Stewart Mott Foundation, founded by a pioneer of the General Motors Corp. Many of CHCA’s worker-owners come from the federal welfare-to-work program.

Home Care Associates opened in Philadelphia, Penn., in 1993, also with help from the Mott Foundation. Like CHCA in New York, HCA employs a large share of women who previously received public assistance.

CHCA and HCA have survived and expanded despite major cuts in government medical care funding. CHCA has doubled in size since 2000 while HCA’s business increased 25 percent in 2004 alone.

Beyond home healthcare

Bad economic news is particularly discouraging to Americans with few or no job skills. Many are unemployed and countless others cannot make ends meet or get health insurance in bottom-rung jobs.

For these Americans, the service- and community-based mission of cooperatives offers hope.

A prime example is the recently formed Navasew sewing co-op in Montezuma Creek, Utah. It is made up of seamstresses from the Navajo Nation who took over an abandoned apparel factory after the previous owner went out of business.

When the plant closed, 60 Native American seamstresses were without jobs and without prospects. Many were sole providers for their families. The unemployment rate in their community was 50 percent.

Today the seamstresses are working for themselves, as employee-owners of Navasew. They complete 750 garments a week on a government subcontract, making dress uniforms for the Air Force. The worker-owned structure helped obtain the contracts because a minority-owned, women-owned business receives a preference in the bidding on government contracts.

The average wage for Navasew employees is $7.50 to $8.00 an hour, the going rate for Utah apparel industry workers. The co-op offers an incentive program and dividends set by the member-elected board when it has a good year.

Nonprofit organizations and co-op developers are turning to the worker-owned model increasingly to address employment challenges for low-income and minority workers. A nonprofit in Cincinnati, Ohio, Interfaith Business Builders, helped start Cooperativ Janitorial Services, a worker-owned cleaning business, with an infusion of cash
in 1995. In San Francisco, Women’s Action to Gain Economic Security has started at least three worker-owned cleaning cooperatives.

WAGES co-ops pay wages 150 percent to 200 percent higher than the industry average for residential house cleaning, with workers making between $10 and $15 per hour. The higher wages result in part because the co-op operates in a growing niche market. It uses only environmentally friendly cleaning products, which appeals to some higher income families.

On the East Coast, Green Workers Cooperatives in New York is developing “green, clean businesses” that return higher wages to worker-owners. The first is a salvage company for used building materials in the South Bronx. The area suffers from the lowest income and highest unemployment in New York City. The business will not pose a health risk to workers, recycles materials that would otherwise be sent to landfills, and provides the promise of higher incomes for modestly skilled workers.

GWC hopes to provide a healthier work environment in a field that is rife with noxious, polluting facilities like landfills, garbage transport facilities, wastewater and sewage treatment and meat and fish distribution centers. Most of these areas also provide very low-paying jobs and further pollute an already devastated community.

Start-up alternatives
Some business development groups believe low-income and minority workers should start a conventional business and convert to a worker cooperative after the business stabilizes. This reduces risk for a population that has little cash to lose.

The first two cooperatives started by WAGES, Emma’s Eco-Clean and EcoCare Professional Housekeeping, allowed workers to invest capital and govern the business from the outset. Workers were low-income, immigrant women from Latin America with education levels ranging from third grade to some college.

But when WAGES developed its third cleaning co-op, workers weren’t allowed to fully govern the business for at least three years. There is a natural tension between the goal of job creation and the desire to provide democratic control. Most workers are unemployed when they come to the co-op. They want to work right away; they do not necessarily want to spend nine months in business planning.

Most workers are unemployed when they come to the co-op. They want to work right away; they do not necessarily want to spend nine months in business planning.

In most cases, formal training in cooperatives, accounting, business and finance is required with employee-owners. At WAGES, the governance phase-in period allows for training and mentoring that includes education on legal, business and finance issues and on the operation of the business itself.

Some low-income workers also take longer to trust that the cooperative is something they will actually own and that will benefit them. They have been tricked so many times before, they want to make sure it is not happening again.

Independent living
Helping seniors stay in their own homes is the goal of another New York organization with cooperative roots.

NORC Supportive Services Center, co-founded in 1996 by members of Manhattan’s Penn South cooperative, helps housing developments come up with programs that allow seniors to age “in place,” near friends and family members.

The only housing with built-in services for seniors is senior housing. And most seniors do not live there. NORC, which stands for Naturally Occurring Retirement Communities, is designed specifically to serve communities with high populations of residents 60 and older.
The first NORC program was formed at Penn South, when members noticed that aging residents were going without desperately needed services. A part-time social worker was hired, but it soon became clear that a more comprehensive program was needed. A $500,000 foundation grant allowed the co-op to open on-site health and social services. Soon housing co-ops in other parts of the country started replicating what Penn South was doing.

Today, NORC Supportive Services works with housing developments that serve more than 50,000 seniors in five states. In addition to New York, there are NORC programs in Maryland, Ohio, Pennsylvania and Illinois. As the U.S. population ages, NORC programs incubated in the cooperative housing community are likely the wave of the future in providing support to the elderly.

Helping hands
In hundreds of communities across America, cooperatives also offer a helping hand to those least able to help themselves. Battered women, poor families, the elderly, disabled and homeless all have a place at the cooperative table.

Wheatsville Food Co-op in Austin, Tex., gives a sixth of its income to charitable community projects. In a recent two-year period, the tiny food cooperative has donated $5,000 to support battered women and homeless shelters, animal protection, local arts groups, and anti-hunger efforts. The store also provides a collection point for donated clothing and housewares. Members and customers fill a bin each week.

In Portland, Ore., Citybikes, a worker-owned cooperative, opens its parking lot every Thursday to a community health clinic serving homeless and low-income clients. In bad weather, the clinic moves inside, to Citybikes’ back room. The clients include Hispanic day laborers who congregate down the street in hopes of getting work. A number of them worked on the cooperative’s garden area and fountain.

In Minnesota, CHS, a giant agricultural cooperative, last year gave $330,000 to Twin Cities United Way, matching every dollar pledged by its employees. CHS employees are also willing to help the old-fashioned way, with elbow grease. The Arden Hills-based energy, grains and food co-op participates in a yearly Paint-A-Thon sponsored by the Minneapolis-St. Paul Council of Churches. The effort paints houses for the elderly and disabled.

Last year, CHS rounded up a crew of 30—including a senior vice president—to power wash, scrape and paint the stained and moldy exterior of a mobile home. It was owned by an elderly couple just five miles from CHS headquarters. Bouts with cancer had drained the couple’s finances, leaving them unable to pay nearly $2,000 for a professional paint job.

Help for seniors and the disabled
As the population ages, many cooperatives are seeking to serve those members of their community. Roggen Telephone Cooperative Company serves a large rural county an hour’s drive from Denver. A third of its members are 60 or older. Because of its aging population, Roggen’s service area is barely able to maintain its safety infrastructure. Falls are common because the area’s old farm houses have steep steps and the closest hospital is 30 miles away.

Roggen leases “teleemergency” phones to its elderly members for a small monthly fee. It donates the installation. The phones are programmed with emergency numbers to summon rescue workers or the nearest neighbor in the event of an accident. Without the phones, a broken hip could mean days without medical care—or worse.

Nationwide, the Tax Facts program, teams the National Cooperative Bank, NCB Development Corporation, National Federation
of Community Development Credit Unions and others with the federal government to help the disabled get the most out of the tax system.

The effort piggybacks on a highly effective volunteer tax assistance program started by the Internal Revenue Service to help low-income workers with their tax forms. Volunteers get training in how to help the disabled receive all the tax benefits and education services they are entitled to.

A third of Americans with disabilities have annual incomes under $20,000. They can build assets and wealth better if they know what is available to them. For example, many disabled workers are unaware of the Earned Income Tax Credit, which provides a wage supplement through the tax system for low-income working families.

Help for children

Programs that aid needy children are especially popular with cooperatives. Many give to a network of premier U.S. children’s hospitals, while others devise their own programs for disadvantaged children.

Commonwealth Credit Union in Frankfort, Ky., raised $8,000 for Christmas gifts for families of terminally ill children. Members and local businesses donated elaborate gift baskets that the credit union auctions off to raise money.

People’s Food Co-op in Ann Arbor, Mich., donates 25 gift baskets each year to local charities to help them raise money. The charities get up to $60 for a basket that the food co-op puts together for $25. The same food co-op also donates food to local nonprofits, including an AIDS resource center and Ozone House, a center for teens living on the street.

In Oregon, Ashland Food Cooperative is funding a pilot program aimed at establishing a dialog between runaway teenage girls and their mothers. It offers a safe place to mediate between families and daughters.

Children caught in the middle of divorce or custody battles are a special concern of Pennsylvania State Employees Credit Union. Last year, the Harrisburg credit union co-sponsored events that netted $10,000 for the Pennsylvania branch of CASA, or Court Appointed Special Advocates for Children. CASA provides trained civilian advocates for children in custody battles.

In Idaho, a Boise credit union is focusing on a different kind of child in need. It donates teddy bears to state police and other emergency workers to give to children in distressed situations. The effort got started several years ago when a vice president of Idaho Federal Credit Union linked up with a state trooper who always carried teddy bears in her car for children involved in accidents.

The idea to similarly equip all state police struck a chord. The first year, the credit union collected 250 teddy bears. The credit union partners with a Wal-Mart that sells it 12-inch bears for just $5. Credit union members can donate either money or bears. The credit union runs the campaign in November and December, when people are already out buying Christmas presents. With cash donations, it can buy at a discount and get more bears to share with children dealing with trauma in the community.

Finally, in a sign of the times, a group of credit unions that serves the defense establishment last year donated $22,000 to a foundation that helps families be close to injured or sick military members while they are in treatment.

The Defense Credit Union Council, made up of 270 credit unions, raised most of the money for Fisher House Foundation at DCUC’s annual conference. Fisher House donates “comfort homes,” built on the grounds of major military and veterans medical centers, to house the families during these stressful situations.
Worldwide help
U.S. cooperatives are also promoting the social economy worldwide through international cooperative development. A network of co-op development organizations, including the National Cooperative Business Association, use the same cooperative techniques that have helped millions of Americans to assist poor and low-income people in more than 70 countries in Africa, Asia, South America, the Middle East, and elsewhere.

With funding from the U.S. government and others, these groups organize cooperatives in agriculture, rural electrification and telecommunications, finance, insurance, and many other fields. Their efforts provide jobs, income, education and democratic experiences to those otherwise left out of the economic mainstream.

Thirty years ago, U.S. cooperative organizations helped form an insurance cooperative in Colombia called Seguros LaEquidad. Today that co-op provides insurance to 3 million people. It has also spawned other co-ops, including SaludCoop, Colombia’s leading health provider and one of the most important cooperatives in Latin America.

In Poland after the election of Lech Walesa, the National Telecommunications Cooperative Association developed two highly successful telephone co-ops in rural areas that had very little phone service. Today those co-ops serve 18,000 rural residents and businesses.

Most recently, over the last decade NCBA has organized 20,000 East Timor coffee growers into co-ops that now produce some of the highest quality coffee in the world. These co-ops have significantly increased the growers’ incomes while helping to rehabilitate East Timor’s ailing economy. Today East Timor’s coffee co-ops are the country’s largest employer and largest exporter.

Conclusion
In all these ways—by forming worker co-ops that serve their members while addressing community needs, through charitable work, and through international cooperative development—U.S. cooperatives are true creators of a robust social economy in the United States and around the world. They are creating jobs, providing services no one else is providing, and involving people more fully in society. They are important sources of entrepreneurship in areas where traditional “investor driven” enterprises and structures may not always have been viable.

Paul Hazen is president and CEO of the National Cooperative Business Association in the United States. NCBA is the leading U.S. organization representing co-ops of all types. Hazen was the driving force behind the creation of the cooperative-only .coop Internet domain. Since 2002, more than 8,000 .coop names have been registered in more than 50 countries. More than 4,000 of those names are active on websites and e-mail addresses around the globe.
3. ANOTHER WAY OF DOING BUSINESS

In the face of unbridled capitalism, in which extreme individualism and self-interest are often considered to be key assets, social-economy enterprises demonstrate that it is possible to do business differently, collectively and humanely while being economically efficient. Often wrongly seen as vestiges from an idealistic era when the debate centered on resolving class conflict and fostering self-management, social-economy enterprises—cooperatives, mutual societies, nonprofit organizations and foundations—have never been as relevant in the great worldwide cacophony of the economy as they are today in the beginning of this 21st century.

Beyond their presence—10% of world GDP, hundreds of millions of jobs and a “customer base” representing over 2 billion people—they constantly face a triple challenge—economic, cultural and human. The article by Ivano Barberini, the president of the International Cooperative Alliance, presents this triple challenge and along the way provides an interpretation of the history of social-economy organizations. We will then see in the article by Marcos de Castro Sanz, the president of CEPES in Spain, that “doing business differently” requires solid, traditional, managerial skills and many other skills as well. Understanding the present and planning for the future inevitably entail looking back in history to the philosophical and economic foundations, which both authors reveal to the reader, whether the reader is already familiar with the world of the social economy or is approaching it for the first time.
The concept of the social economy dates back to the mid-19th century when the French sociologist Frédéric Le Play created the “International Society for Practical Studies on Social Economics” (1856) during a period of great social upheaval in Europe largely due to the birth of modern capitalism.

Based on the writings of George Holyoake, the idea of cooperatives began to spread during these years—an idea which was born in 1844 in Rochdale—and became the impetus for the modern cooperative movement. The idea of a social economy grew out of an attempt to bring reconciliation and harmony among all social classes. Solidarity, social economics and mutual-aid societies were presented as the antidote to class struggle in their rejection of self-interested individualism and unbridled capitalism. This expressed a general aspiration in the community, a conception that stood, especially in Germany, in opposition to individualistic and rationalistic modernity, symbolized in particular by the joint stock company.

At the start of the 21st century, the world has obviously been radically transformed by the effects of urbanization, globalization, scientific and technological innovations, etc. The quality of life, particularly in industrialized countries, has improved incomparably since the Industrial Revolution, while in many so-called Third World countries living conditions are far from acceptable. Poverty and the spread of disease and illiteracy are in some ways worse today than in Europe during the Middle Ages. The philosopher, theologian and rabbi Jonathan Sacks believes “we are living in the sixth world order (after the five great universalistic cultures of ancient Greece, ancient Rome, medieval Christianity and Islam, the Enlightenment), the culture of global capitalism. Yet its effect is no less profound. It threatens everything that is local, traditional and specific.” The concept of individual freedom has acquired a new importance and has spread with astonishing speed, producing a radical change all over the planet.

People are, and want to be, freer to think about their future. In a certain way, this desire for freedom strengthens citizenship, self reliance and creativity. For social enterprises, this means above all free enterprise, freedom of association, responsibility, solidarity, an open and creative community, independence and autonomy. However, from another perspective, freedom is not understood as responsibility but rather as the absence of social rules and obligations, as a choice that encourages independence and competitiveness.

The globalization of the economy and competitive individualism can tear apart the fabric of civil society as we know it in Europe. The concepts of solidarity, tolerance and altruism are considered by much of modern society as rather pointless or counter-productive virtues. The more self-interest grows, the more responsibility towards the community tends to disappear. This causes serious harm because a closed community blocks all creativity and the ability to understand what is happening in the outside world. The result of this situation is that people feel increasingly isolated when faced with events that are beyond their control and that can cause a sudden drop in living standards.

The social economy plays an important and specific role in the fight against insecurity and precariousness through the creation of a network of voluntary organizations, help for the excluded, the respect of rights and obligations, trust, food security, sustainable development, decentralization, responses to new forms of marginalization, job security, inter-generational enterprises, an equal share of the benefits of globalization, social dialogue and inclusion.
Economic efficiency has to go together with social and cultural efficiency. In a globalized economy, competition exists in as much in the economic sphere as in the cultural sphere and our values:

- To meet the economic challenge, we have to be able to compete with the best enterprises.
- To be competitive on values, we have to strengthen our own identity through action and being consistent everyday.
- To assert our vision of the economy and society, we have to work towards changing the dominant economic culture which sees enterprises only as places devoted almost exclusively to making profit.

The values challenge
The key values of social-economy enterprises (democracy, member participation, solidarity, egalitarianism, looking after the most vulnerable) are more than ever relevant in this period of economic globalization. What distinguishes them from other forms of enterprises is the vital importance accorded to social relationships and social responsibility, which are inseparable from the enterprise’s identity and mission. The real difference with other types of enterprises is the central place of people in the enterprise. Conventional enterprises, in particular large corporations, usually see their employees as costs above all else and seem more interested in controlling the labor force than in developing their human resources.

Social cooperatives are an exemplary case. The idea of putting people at the center has enabled successfully overcoming obstacles that had seemed insurmountable by creating new generations of cooperatives and reviving businesses in difficulty. The development of social cooperatives interests the cooperative movement at the national and international level. Enterprises born from imagination and generosity in difficult social conditions have given dignity and self-confidence back to the people involved thanks to working together in a cooperative. The success of the cooperatives that have turned their values into business practices is the result of the balance between member-employees, clients, citizens, and the community, all united in this objective of creating dignified work, helping the most vulnerable and socially integrating them.

Setting up cooperatives and other types of social-economy enterprises represents a very important resource for tackling the problems of creating jobs that respect dignity and fighting poverty and disease in developing countries, especially in Africa.

Social enterprises that help disadvantaged people in difficult social conditions represent the implementation of cooperative values into business practices. Only great sensitivity and dedication can enable working together, respecting the dignity of people and improving living conditions. In these cooperatives, women often make up the majority of the worker-owners and play an influential and effective guiding role. We should also remember that women are often active even in traditional cooperative sectors such as agriculture, fishing, finance, textiles and consumer cooperatives. In the Asian-Pacific region, women have played an important role in these sectors. There are also cooperatives made up exclusively of women (in India, Nepal and other countries) that play an important role in their own communities.

Information and education are crucial for surmounting grave social difficulties. The ability of the cooperative system to build networks of individuals and organizations based upon social responsibility and solidarity represents a vital tool for growth that inseparably ties together democratic, economic and social development. Time and again cooperative networks have demonstrated their ability to create and share trust and knowledge, foster entrepreneurship and manage complex relations.
The cultural challenge

A business philosophy dedicated almost exclusively to profit implies a key economic hypothesis at the heart of which is a dichotomous model between market and State: the former has to be focused exclusively on producing wealth and the latter has to be responsible for its redistribution. Milton Friedman\(^2\) had already argued a few decades ago that the only social responsibility that business had was to make a profit. Let those with a different objective be damned because that could dangerously shift business away from its primary mission. According to this view, the problems of social justice and sustainable development are the government’s responsibility, not business’s. We can see the practical consequence of this belief when examining the process of globalization that has been taking place for several decades. The big multinational corporations driving the internationalization of markets have been shedding their responsibilities to the local community in terms of protecting jobs and the concern for social and economic conditions. In this view, there is no place for a business culture that combines economics and social responsibility and that enables creating enterprises that are not only capable of producing wealth but also redistributing it. This is precisely the culture that characterizes social-economy enterprises.

For a very long time and in many countries, there has been particular hostility towards the part of the social economy represented by cooperatives and even more so towards cooperatives that are able to compete with other businesses in the market. At the beginning of the last century, Maffeo Pantaloni, a famous Italian economist, had already argued that cooperatives are tolerated as long as they do not create problems; otherwise something has to be done. This kind of thinking still persists today in a context where social and economic needs and scenarios are radically different. Social entrepreneurship, and in particular cooperative entrepreneurship, has a richer experience than any other type of entrepreneurship. The multiple values of cooperatives can be summarized as follows: a business culture centered on development and not just business, the central role of people, the creation and sharing of knowledge, the collective participation in the production and distribution of wealth, cooperation among enterprises, the creation of networks, self-reliance over government handouts, development and innovation, business growth, encouraging entrepreneurship in young people, and helping overcome regional disparities. It is in these terms that we need to assert an economic and entrepreneurial culture that better meets real human needs based on sustainable development.

The economic challenge

In the new context of global competition, to provide members with the advantages of mutual aid and to fulfill its social function, the cooperative enterprise has to do even better than the best enterprises in its own economic sector. If it does not achieve this, it has no future and probably no purpose. To meet the economic challenge, cooperatives and mutual societies have to capitalize on their strong points by focusing on economic dynamism, job creation, and resolving the major problems of our times—the need for individual freedom combined with social responsibility and social justice.

From the smallest enterprise to SMEs and bigger enterprises, from the most experienced sectors to the most innovative ones, cooperatives and mutual societies have demonstrated their extraordinary ability to evolve. However, the path has never been easy or painless. Cooperative history is made up of failures and successes, mistakes and good choices, compromises on principles and putting them into practice.

Cooperative culture and identifying not only with the enterprise but also with the societal model that it represents are decisive for...
member commitment and consequently for the success of the business. The fact that many cooperatives in various regions worldwide have already celebrated their centennials needs to be remembered. The conditions under which they were created and grew surely differ, just as the paths that they have followed to reach success vary. The cases of success in cooperative sectors, even in difficult competitive environments, are largely due to the experience of overcoming difficulties to revive the business and getting the timing right for relaunching the business. The courage to take risks, the adoption of a clear project that people can believe in, and passion combined with skills have very often compensated for scarce resources and helped create a favorable environment for change. However, the entrepreneurial choices made by cooperatives have not always been a guarantee of success everywhere.

The social economy can draw some useful lessons from some of the causes of the troubles in the consumer cooperative movement in various European countries. In particular, the utopian belief that the project can continue unchanged forever (the result of a strong ideological bias) has produced a crippling fear of anything new, while the leadership—confirmed for many years—has nourished the dangerous illusion of being in a position of strength, independent of the changes taking place in the market and society. All of this has caused a worrying erosion of competitiveness and an identity crisis that have led to the disappearance or marginalization of certain cooperative movements after a long and glorious history.

In other cases, changes have taken a different direction than that of the social economy. Some relatively recent experiences have shed light on how entire leading groups have lost their impetus by choosing the simple solution of de-mutualization (i.e., converting the cooperative into a conventional company) rather than pursuing the complex cooperative mission. However, over the past ten years, the social economy and, in particular, the cooperative movement has generally flourished in both developed and developing countries.

Countless member-based productive organizations have appeared, especially in rural areas, but also in urban areas. They have been given various names: producer groups, farmers’ associations, grass-roots community organizations, etc., even when they are clearly cooperatives or, even better, proto-cooperatives since their forms have been simplified from the viewpoint of bureaucratic restrictions and/or legal recognition. In some cases, the term “cooperative” is not used because it is viewed with distrust by populations that associate it with negative experiences in the past.

These processes of learning by experience are especially apparent when they concern the ability to operate in a competitive context. These have been important courageous attempts based above all on acquiring the skills needed for running small and medium-sized businesses in a competitive context. For a cooperative to function well, the members must know how to read and write, to follow precise rules like punctuality, to keep accounts, to oversee those responsible for managing the business; and to be able to operate on the market, the business has to provide competitive products and consequently have the skills and be equipped with modern technology, which is perhaps the greatest hurdle.

Enrico Luzzati, a professor in the political science department of the University of Turin, has been studying the situation in sub-Saharan Africa for a long time. He suggests starting with businesses that the members can easily manage without too much trouble like, for example, selling farm produce, primary food processing, the collective purchasing of production assets, setting up rotating savings and credit associations, or even better, village savings and loan associations. The route to creating effective and profitable cooperatives can be followed even if it is difficult. There are many cases of
failure, but there are also many cases of success. We will mention just one of them, the Kuapa Kokoo cooperative in Ghana, which has 35,000 members and sells cocoa.

In Africa, the feeling of belonging to an extended family is even stronger and leads to creating forms of social solidarity that very often represent the only way to survive. The formation of cooperatives of family members takes on a special meaning in this reality and should not be looked upon with suspicion, as is often the case. It is also important that members trust each other. Without continued support, the promotion of cooperatives is ineffective. Left to their own devices, they cease to function. Development projects supported by public and private sponsors make a serious mistake. They claim to obtain rapid results for solving emergency situations but do not provide working skills for setting up and managing businesses. As we know, these processes require time horizons that cannot be excessively shortened. The International Cooperative Alliance has launched a major campaign with the International Labor Organization against poverty to promote collaborative efforts between cooperatives in the North and the South and to foster their mutual aid.

Conclusion
The social economy and the cooperative movement represent a group of visionary enterprises that are destined to construct a better future by applying a seemingly simple formula: when the market changes, social-economy enterprises adapt their strategies but firmly hold onto their fundamental principles.

Innovation represents the key to success for every business. This is even truer for social-economy enterprises which have always raised high expectations and been based on the trust of their own members and the trust of civil society. Ethical behavior, fundamentally based on keeping commitments and maintaining transparency, has to be constantly monitored by the leadership and checked by all stakeholders.

Cooperatives, mutual societies, nonprofit organizations and foundations, i.e. the social economy, are deeply rooted in society and have a legacy of values that mesh with the characteristics of a modernity centered on economic development and social justice. However, it is worth remembering the warning of Zygmunt Bauman:3 “Belonging to a system of values has to be demonstrated by acts throughout one’s life and not just by waving one’s birth certificate. Otherwise, we are not credible.”

**Ivano Barberini** is president of the International Cooperative Alliance (ICA). He was elected as ICA president by the general assembly in Seoul in 2001 when he was president of Legacoop. He was re-elected unopposed as ICA president at the last general assembly in September 2005 in Cartagena. He began his cooperative career in the consumer cooperative sector and held the position of president of Legacoop, a multi-sector organization which represents over 10,000 cooperatives with more than 5 million members, from 1996 to 2002. Ivano Barberini has also been president of Eurocoop and vice president of CCACE (Coordination Committee of European Cooperative Associations). He is the author of three books and several articles on cooperatives and the economy.
Another model
Marcos de Castro Sanz (Spain)

The starting point
Entrepreneurship is a human ability which results in implementing a decision or a particular desire. In this sense, it involves an ability (a personal propensity) to develop plans or actions. People who are able to create their own projects, design them and put them into practice themselves take the responsibility for achieving their personal freedom through this power to act. In the opposite case, they depend on, or are subordinate to, the people who can meet their needs. Entrepreneurship is, or should simply be, one of the objectives of the educational process that involves assuming our responsibilities in life and fulfilling ourselves according to our abilities and the opportunities that are presented to us. Entrepreneurship has to be based on correctly assessing our personal potential, the possibilities around us and the opportunities that can come from joining forces with others who have similar aspirations, so that the power needed to accomplish what we want to do well can be mobilized. This ability must also incorporate an understanding of the expected consequences of implementing the decision. Being an entrepreneur means being autonomous and being autonomous means being able to stand on our own feet when confronted with the challenges and difficulties that happen in our lives.

This starting point is important because it places entrepreneurial ability at the center of personal development. This ability is more than just the ability to create an enterprise with an economic activity, which is only one of the facets of being an entrepreneur, precisely because it is an indispensable aspect for creating this enterprise. There is a wider context to entrepreneurship. The economist Joseph

NOTES:
1. Frédéric Le Play (1806-1862) was a Christian thinker in France who conceived of the social economy as a sort of compromise between community, property and patronage. He was an advocate of mutual-aid societies and workers’ associations.
2. Milton Friedman was an economist and advocate of the free market. He received the Nobel Prize for economics in 1976.
3. Zygmunt Bauman is a sociologist. He is a professor at the universities of Leeds and Warsaw.
Schumpeter argued that the entrepreneur is basically an innovator—a dynamic agent in the economy who creates new combinations of production inputs. This is his definition of one of the driving forces of capitalism. This description is very close to the definition of an individual’s creative potential.

However, the educational system today does not cultivate entrepreneurial potential. At the end of their university studies, graduates generally do not have personal projects that enable them to develop their economic autonomy and creative potential. On the contrary, their first job searches usually lead them to jobs in the public sector or in big companies to secure long-term, stable employment. Of course there are exceptions; some people have a very good idea of a project they want to achieve and they go ahead and put it into practice. This is not, however, the result of the educational system and training but rather an exceptional case.

If we were sure that entrepreneurial and creative ability were really the expression of personal development and not the result of the educational process, we would be able to conclude that the educational system was not invented for increasing personal freedom but rather for adapting behavior to the dominant values of the system we live in. As a first conclusion, this implies a need to change pedagogical mechanisms to revise and modernize the final objectives. This brings us to the following questions. What kind of behavior do these educational processes induce? What determines the effects of personal behavior? What is the basis of what we call “dominant values”?

**The consequences of the industrial era**

The Industrial Revolution caused an important change in the development of entrepreneurial ability. During this period, patterns of large-scale employment spread in the cities, where the new factories were located. The countryside was no longer the sole provider of economic resources. There was a massive migration of men to the cities and their new factories to ensure the continuity of family income. This situation fostered the hope of getting hired, i.e. being employed by someone else and devoting one’s work capacity to an employer. Marx called this the “sale of the labor force.” Having done that, people relinquished their entrepreneurial ability, and this mechanism affected a large part of the population, which did not have the means to become economically independent. These two elements combined were the conditions for the erosion of entrepreneurial and creative ability.

The resulting inertia from being employed and working on the initiative of another person played a decisive role not just in the emerging society but also in the processes of making personal decisions. We usually choose what to study at university based on job opportunities, i.e. the capacity to be employed by someone else. This is so deeply ingrained in our culture that it shapes educational systems and formal and informal training (oral transmission of information). We are educated to be employed in another person’s business if we cannot become a public employee.

**Does the entrepreneur exist?**

In this system, entrepreneurial ability is limited in industrial society to certain situations that determine its fulfillment:

**The environment**

Someone is an entrepreneur—in the sense of developing an enterprise—when the necessary conditions for this “adventure” are present in the family context and especially when the family relationship enables handing down the ownership of the instruments for creating an enterprise.
The possession of personal financial capital
Taking the first step towards creating an enterprise is often determined by the arrival of a large sum of money. Having money is a good condition for thinking about the possibility of starting one's own business. In this case, the interdependent relationship between the absence of resources and a job offer from a third party disappears.

The absence of other possibilities
A poor academic record, dropping out of school (to provide family income or because of lack of money) or a lack of interest in pursuing higher education (because of a lack of perspective) have unexpected consequences in rural and non-industrialized regions. For people who face the prospect of few job opportunities, these conditions foster the emergence of activities that provide income. This situation, which is alien to the industrial behavior just described, leads to the development of entrepreneurial abilities and creative problem-solving, despite the shortcomings these people have when compared with those who have a higher level of education.

Personal initiative
This is not the most frequent case, but there are people who are naturally inclined to being entrepreneurs even when they have few resources and an unfavorable environment.

The collective entrepreneur
This is the union of various people who have understood that they are stronger together and can provide entrepreneurial solutions to problems without alternatives. This concept was developed with the social economy.

Outside these situations, people usually join the conventional labor market by offering their skills to others who hire them. This is what we mean by “working for someone else’s account.”

What about the social economy?
The social economy is based on entrepreneurship. So long as there are groups of collective entrepreneurs who understand the value of working together to create an enterprise, there will be social-economy enterprises. This type of entrepreneurship is not insignificant. The European Standing Conference of Cooperatives, Mutual Societies, Associations and Foundations (CEP-CMAF) stipulates that the social economy is growing. In the 15-member state European Union, before the recent enlargement, the social economy represented 8% of European enterprises, employed nine million people, and represented 7.9% of paid employment, which was a significant share of civil society. An estimated 25% of European citizens are members of social-economy organizations as workers, consumers, savers, insurance policy-holders, occupants of cooperative housing, students, volunteers, etc. These organizations are both small and large, marginal and leading enterprises in industry and services. They cover the entire spectrum of enterprises and are found in every sector.

Looking at this picture, an obvious question arises. In this specific type of entrepreneurship, is creating enterprises natural? Is creative and entrepreneurial ability intrinsic to the social economy? Is this ability possible in a social system that values types of behavior that are counter to entrepreneurship, as we have previously seen? The affirmative answer to this question shows that there is a type of dynamic and creative enterprise that is significantly distinct from the traditional enterprise. This argument, which favors the social economy’s creative ability, can be backed up by historical facts.
Re-reading history
At the risk of repeating well-known facts, it is worth recalling the social and economic factors that led to the birth of cooperatives, since their appearance provides a key to defining the characteristics of what we today call the social economy. In 1844, cooperatives appeared in the little English village of Rochdale, even though there had been some earlier attempts. The social and economic system of 19th-century Europe constrained the various attempts at forming societies to combat the inequalities that capitalism was in the process of creating between the ruling class and the working class, whose living and work conditions were increasingly precarious.

In 1843, the workers at an old textile mill went on strike after their demand for a pay rise was refused. The strikes worsened their already precarious situation and forced them to organize themselves to survive. Part of this organizing activity included the idea of setting up a store that could provide them with basic consumer goods such as food and clothing that they were otherwise unable to acquire. This is how the idea of a cooperative was born. With a small amount of initial investment, the 28 founders opened a store that satisfied basic consumer needs in extremely precarious conditions and eliminated speculation by middlemen. This happened on the 11th of August 1844.

To avoid the mistakes of the past, rules governing how the society would run were devised, and a constitution drafted, which was something new. Everyone would have to adhere to these rules, which set out the principles that would become the foundations of the cooperative movement. The success of the society depended precisely on the development of these principles, which kept individualism in check and sought to avoid “selling out.” Without realizing it, the founders had defined the principles that would become the permanent rules of future cooperatives. Based on this experience, other similar initiatives were developed over time that would also be successful, and thus the cooperative movement began to take shape. These initiatives would become the foundations of what we today call the social economy. This would encompass any kind of organization with an economic activity that was based on the criteria of collective action, valuing people above capital and its organizational consequences such as participation in decision-making, distribution of surpluses not based on investment, etc. People joined together to create an enterprise that they owned exclusively.

This kind of enterprise appeared as a way of surmounting the obstacles imposed by an economic system that tended to exclude certain groups or restrict their activities. However, the social economy emerged as an innovative reaction to social and economic exclusion in vital areas. This was, at least in the beginning, a defensive and creative reaction. In addition, it is a collective reaction. One reacts with others to integrate into the economic system which threatens them with exclusion. This collective reaction also demands discipline and obeying the rules imposed by the group. One reacts with others but also in a balanced and egalitarian manner, without making distinctions between each person’s efforts. The condition is that this effort is balanced by sharing the responsibility of building the enterprise, just as profits should be shared. This is why these enterprises are a form of partnership of individuals and why the people who form the partnership are more important than the capital structure, which is the dominant criterion in other companies.

The social economy’s utopian vision and innovative strength comes from this point. This utopian vision is based on social solidarity and is necessarily expressed by an entrepreneurial spirit for building housing, opening stores, creating jobs, setting up mutual insurance, etc. As these are enterprises, market mechanisms and economic constraints have an educational value by imposing efficiency.
Gauging the enterprise’s feasibility and viability and managing it are the meaning of an indispensable conception of achievable utopia. To do this, the social economy creates an economic alternative. It reacts to neutralize anything that may be a threat or an exclusion by creating wealth and becoming competitive on the market like any other enterprise. It could be argued that the social economy’s relationship with social solidarity dates from the creation of collective enterprises, which are dedicated to creating wealth for all their members while sharing it in their social environment by creating jobs. The social economy is about creating collective wealth and jobs.

With these historical facts and by analyzing later experiences, including current experiences, we could start from the following hypothesis to identify the objective conditions for social-economy growth. If the market or society in general did not erect barriers to prevent all citizens free access to various economic fields, the social economy would not exist. In other words, if citizens could easily find work, housing and increase their purchasing power, worker-managed enterprises, worker, consumer and housing cooperatives, and all other related kinds of organizations would almost certainly not exist.

The entrepreneurial power of the social economy is defined by two elements. The first is due to the fact that the social economy concerns a collective force in which energies converge. This is the effect that the Uruguayan poet Mario Benedetti described as “you and me, together in the street, we are much more than just two.” The second element is that a problematic reality requires a solution to a specific, local and concrete problem. This is the strength of mutual aid. All of this converges into one’s ability to imagine building solutions that the market refuses to provide and finding solutions when all seems lost.

What do we mean by the social economy?
We are talking about a large and significant economic movement. The former president of the European Union, Romano Prodi, said that “social-economy enterprises are competitive enterprises based on solidarity going beyond the limits of the market and responding to the social reality. The value added of the social economy, which bridges the market, enterprises and civil society, comes from these characteristics.”

The European Economic and Social Committee (EESC) reported that social-economy enterprises “are developed mainly in a number of sectors such as health, the environment, social services and education. Thus they have an essential role in the creation of social capital, the capacity to employ disadvantaged people, social welfare, revitalising local economies, and modernizing local management models.” In this same report, the EESC continued by stating that social-economy enterprises “belong to a group of four families: cooperatives, mutual societies, associations and foundations. They are characterised by the primacy of their social objectives, rather than the need for maximum returns—this often gives rise to a link with their local area and local development—and by the satisfaction of needs that other sectors of the economy cannot satisfy alone. Their basic values are solidarity, social cohesion, social responsibility, democratic management, participation and autonomy.” In another part of the report, it said that social-economy enterprises can make specific contributions to local development and creating employment for people from declining sectors “both through their capacity to train entrepreneurs ... and through the values they promote, such as socially responsible entrepreneurship, democracy and citizens’ participation, involvement (including financial) of workers in the enterprise, social inclusion, and interest in local and sustainable development.”
A few examples

We could present numerous examples, but rather than dwell too long on this point we will limit ourselves to just a few without suggesting that they are either the largest or most significant.

Modragón Corporación Cooperativa (MCC). We will only mention some very concrete facts to enable understanding its strong growth. This cooperative was created in 1957 with the opening of a vocational school, which was supported by the parish priest, to provide young people with the tools needed to find employment and thus limit emigration due to a shortage of job opportunities in the region. Today, fifty years on, this small parish school has become a group of 150 cooperatives active in all sectors (manufacturing, services, etc.) with revenue of some €10.381 billion in 2004, 72,000 jobs and a strong international presence. This incontestable dynamic growth comes from the fact that everyone in MCC is convinced that whatever they build must be for the social collective and that no one person can appropriate the wealth created. Surpluses must be reinvested so that the same opportunities that have benefited the group can also benefit the greatest number of people, especially if they are out of work.

The social enterprises in Spain that are collectively called “social integration enterprises.” Nobody invented or designed them; they sprang up spontaneously to provide very concrete, operational solutions to societal dysfunction. Excluded people are economically re-integrated thanks to simple businesses that are easy to run. In Spain, nine nonprofit organizations have formed a federation and represent 135 enterprises. In 2003, their revenue reached €27.7 million, and they have created nearly 3,000 jobs, 1,650 of which are held by people who are in the process of social and occupational re-integration and who would not have had any alternative as they were not covered by the employment policies in effect.

There are many other examples. In conclusion, we can mention the case of CEPES, a confederation comprised of twenty-three social-economy enterprises of all types (cooperatives, mutual societies, nonprofit organizations, social enterprises, special business groups like ONCE and MCC, “associated labor enterprises,” etc.) that are all in agreement about the fact they still do not have enough clout, even united, in this globalized world to force policy-makers to take into consideration the values of the social economy to make a more equitable society. Despite the fact that it represents over 2 million jobs and 48,600 enterprises with a total revenue of €87 billion, CEPES is still too small to have real clout and be seen as an important player in civil society.

However, this should not stop us from recognizing its existence. The social economy plays an economic and social role in society. Its reality and its complexity show that there is a plurality of enterprise forms that create collective wealth while respecting different values. This model is not unique to one country or region. Its capacity for social and economic innovation can be found on every continent, always starting from the same perspective: placing people and their needs at the center of its economic activity by offering alternatives based on the collective compromise of entrepreneurship and betting on the globalization of solidarity. The challenge for the social economy (and for ourselves) is to turn this new form of entrepreneurship into a key player in an increasingly complex world.

Since 1998, MARCOS DE CASTRO SANZ has been president of CEPES, the Spanish Business Confederation of the Social Economy, and a representative of the Basque cooperative Modragón Corporación Cooperativa (MCC). He is a member of the Spanish Economic and Social Council, where he represents the social economy and coordinates Group 3. With degrees in psychology (specialization in industrial psychology) and
The social economy has a sizeable presence in the banking sector and in the financial world in general. Some big cooperative banks and mutual societies have substantial market shares in nearly every developed country, particularly in Europe. They can be either social-economy banks or banks that cater for cooperatives, nonprofit organizations and mutual societies. As the General Assembly of the United Nations highlighted in July 2005 during its 60th session, savings and loan cooperatives alone could have around “120 million members in 87 countries, and they help their members increase their income, create wealth, and provide security and housing for them and their families.” This same report indicates the importance of cooperative and nonprofit micro-credit in giving the poor access to goods and services and empowering them through creating their own means of production. Women play a major role in micro-finance, particularly in rural areas. Savings and loan associations are a driving force in development in countries in both the South and the North.

The following four contributions look at the characteristics and effectiveness of various financial instruments and venture capital and clearly show the social economy’s ability to create savings and lending systems that are both community-based and adapted to an open and competitive world. They also raise several questions and offer some initial answers. How can more financing be made available for both local social-economy enterprise creation and the social economy’s international ambitions? How can more financing be directed to cooperatives, mutual societies and nonprofit organizations, particularly through managing investment and pension funds democratically and ethically? How can equity finance be provided to international cooperative and mutual groups to avoid their conversion into mainstream businesses? These are a few of the important issues that should be further examined by future works in the Mont Blanc Meetings.

NOTES:


2. ONCE is a nonprofit institution that set up a very popular lottery in Spain which enables funding many facilities and service organizations that improve the living standards of the blind and disabled and help integrate them.
Another way of financing through the social economy
François Soulage [France]

Social-economy enterprises—cooperatives, mutual societies and nonprofit organizations—have different financing problems than mainstream businesses. One feature that is common to all social-economy enterprises is the general absence of profit maximization. However, it is important to note a distinction between them. Cooperatives are commercial companies under French corporate law; mutual societies and nonprofit organizations are not. According to French law, there are twelve different types of cooperatives, but they all have one thing in common: capital can only be remunerated through limited interest on shares. However, through the 1947 general law on cooperatives, revised in 1992, there is now the possibility of shares maintaining not just their initial value but rather their current value in euros since the nominal value of shares can now be increased in line with inflation. The cooperative member invests in the cooperative and maintains the value of the capital that the member invested. The 1992 law went even a bit further since it allows certain types of cooperatives to include part of the annual reserves (50% maximum) in the capital stock. As a result, cooperatives have a small possibility of increasing the share value exclusively through plowing back some of the year’s profits.

For mutual societies and nonprofit organizations, the issue is different since these are not companies according to corporate law but rather “unclassified” enterprises. These enterprises do not have capital per se, and so remuneration of capital is not an issue. However, mutual societies have the right to issue specific “participatory securities” (titres participatifs), and nonprofit organizations can issue their own “associative securities” (titres associatifs), which have the same characteristics. Similarly, they can both issue bonds. It is particularly difficult for mutual societies and nonprofit organizations to provide collateral for creditors because of the lack of capital in the strict sense. This is why the concept of an “establishment fund” (fonds d’établissement) was created for mutual societies and an “associative fund” (fonds associatif) for nonprofit organizations, which enable them to put aside part of the year’s profits and gradually build up equity.

Thus, whatever the legal status of the enterprise, social-economy enterprises differ significantly from conventional businesses. Although a social-economy enterprise may have share capital, this does not entitle members to significant capital gains. The other kinds of equity capital cannot be appropriated.

Capital is a factor of production
As a result of these restrictions, enterprises that are not centered on profit maximization use capital as a factor of production that is remunerated in the form of interest rather than as an investment for maximum returns. In a private capitalist enterprise, the return on capital is the desired objective. It is even the sole purpose of the enterprise as the production of goods or services is the means of making a profit on the investment. In social-economy enterprises the reverse is true. The objective of a social-economy enterprise—regardless of its legal status—is to meet social needs. This is what it means to join a mutual society or a nonprofit organization. In cooperatives, providing members with the best service possible is why one joins, including SCOPs, where the provided service is a job.

In these conditions, capital is a means of production that is remunerated in the form of interest that may include a premium for the risk of non-re redemption as the enterprise’s purpose is to provide goods and services to members and possibly the best value for money.
to the enterprise's possible customers. As a result, social-economy enterprises are led not to offer a return or to offer only a low return on available capital in the form of interest or as a necessarily limited dividend.

The limited use of new instruments
All of the attempts that have been made at finding outside financing by using the 1992 French law previously mentioned gave poor results as the total return (dividends and capital gains when they are partially possible) have been considered inadequate. The law also made it possible to issue cooperative member certificates, preference shares, and shares with special benefits. Only the cooperative banks have really used these new instruments. The Caisse d’Epargne, which became a cooperative, was able to sell shares because they had a return of around 4.5%. The B shares\(^2\) of Crédit Mutuel and Crédit Coopératif, which have special benefits, attracted subscribers because they offered a good return, which is effectively guaranteed because of the financial strength of the company. However, these shares provide a remuneration but not a capital gain. Only Crédit Agricole’s regional banks have really used the cooperative investment certificates (CCIs), which are listed on the stock market and give a theoretical claim on net assets.

While the 1992 law made it possible to incorporate reserves in profits and thus slightly increase the share value, it seems that only the Coop Atlantique consumer cooperatives\(^3\) have used this possibility. By incorporating a small part of the profits in the capital every year, they were able to increase the share value by 4%. Add to this about 3% interest on the shares, and an annual return of around 7% was obtained. It seems that this measure has been rather well received since the Coop Atlantique consumer cooperative has since accumulated additional capital each year.

The reason for the relatively limited success of the relaxation of the 1947 law is that, it seems, you cannot have several competing rationales in the same company—that of the investor and the search for capital gains and that of the cooperative member in search of performance in terms of the goods and services provided. The rationale of the investor leads to listing the company on the stock market. The law does not allow that, and so investors are not interested in cooperatives.

The risks with subsidiaries
This is a vital issue for both worker cooperatives and user cooperatives. Many attempts have been made at trying to raise capital through takeovers, but it has become clear fairly quickly that these attempts, when they concern the core business, are a complete departure from the parent company’s ethos. Whether it is a cooperative, mutual society or nonprofit organization, the parent company then simply turns into a holding company. It has to be asked what has happened to the social purpose and where has the commitment to nonprofit goals gone.

However, it has to be pointed out that a wholly owned subsidiary brings income to the parent company—a cooperative, mutual society or nonprofit organization, which satisfies the objectives mentioned above. On the other hand, in the case of a subsidiary that is only partially owned, the social-economy shareholders and the capitalist shareholders have diverging interests, which can cause problems. Another possibility is that the social-economy enterprise can have a controlling interest in a subsidiary that raises the capital it needs on the market, in which case only the subsidiary follows the rationale of financial return objectives and not the parent company. This is the case of CIC and Natexis-Banques Populaires.
Titres participatifs

To give social-economy enterprises the ability to raise the capital they need, the titre participatif was created in France in 1982. This is a non-voting share that does not have a mandatory redemption date for the enterprise but is remunerated like a bond with an interest rate and not a dividend. According to the French tax system, the return paid on these shares is considered as an operating cost, contrary to a dividend, which is considered as distributed profit. Thus, although a social-economy enterprise can issue this type of share, it is not driven to adopting a policy of distributing profits, which would be the case if it used the more traditional types of shares (e.g., preference shares or shares with special benefits). To be remunerated, these latter require having a dividend policy which is subject to corporate tax. The titres participatifs thus do not have much of an effect on how the enterprise is run, which does not mean that the enterprise does not have to make a profit.

The allocation of surpluses varies considerably depending on whether we are looking at user cooperatives, worker cooperatives, nonprofit organizations or mutual societies. For the last two, as they do not have investors, surpluses are entirely plowed back, which is the best way to ensure the sustainable growth of these enterprises.

Provision of capital by cooperative members

Worker cooperatives are in a special situation. Because of the use of the system of profit-sharing in France, which is particularly advantageous for SCOPs, worker cooperatives can make profits but, due to the distribution of a part of profits to labor and to profit-sharing, they pay almost no corporate tax. Worker cooperatives prefer other ways of remunerating capital than dividends, and these can concern substantial amounts. This is why cooperative shares in France have very low returns or none at all. Worker cooperatives have had a preference for issuing titres participatifs since their creation under the 1982 law. Ides, which was also created in the same year, became the main finance provider for worker cooperatives. It has performed over 200 operations for a total of over €30 million since its creation.

User cooperatives function differently. They have to allow cooperative members the possibility of investing in the cooperative without expecting to draw a substantial personal benefit from the cooperative, which is contrary to worker cooperatives. In both banking cooperatives and consumer cooperatives, the consumer expects a service from the cooperative and, if the user provides capital, the user naturally expects a minimum return on the investment. By French law, these types of businesses are liable to corporate tax. They can make a profit, which normally allows them to pay a dividend and to plow back their non-distributed profits. The distribution of dividends will thus depend on the amount of profits the cooperative wants to plow back.

Outside SCOPs, raising capital from members seems to require remunerating shares. Some of them did however issue titres participatifs. However, for most of them capital requirements are such that they would have to be able to issue high enough volumes of this type of security to gain access to financial markets, but this is difficult.

The difficulties encountered by the titre participatif on financial markets

Some issues of titre participatifs have occurred, but unfortunately half of them flopped because the businesses involved were actually in financial trouble and could not meet their obligations. As a result, savers lost virtually all of their investment. The introduction of the titre participatif was thus a fiasco largely due to the miscalculation that titres participatifs of cooperatives would behave like those of
nationalized industries, which had been granted the right to issue them in 1982 along with cooperatives.

However, there is an important difference between the two types of issues. Unlike cooperatives, state-owned businesses had offered attractive returns because these companies had long-term growth prospects. Part of the return was actually based on increasing sales volumes. Furthermore, there was another unexpected problem. From an investor’s perspective, a state-owned business looks stronger, is better known and has better prospects than a cooperative. Yet the risk premium that cooperatives included in the return was lower than that of a state-owned company. The final rate of return was therefore lower.

Because of these specific characteristics of the shares and then the failure of half of the listed share issues, it became virtually impossible for cooperatives to issue titres participatifs on the market. The situation is very different in Spain, where our friends at Mondragón have been able to use the market wisely enough to be able to issue bonds with extremely good rates of return that have been a good way of raising capital.

**Pooling risks: Ides**

Partly as a result of the impossibility of raising capital on capital markets, the social economy wanted to develop a financing vehicle oriented towards the subscription of titres participatifs issued by the social economy (cooperatives in 1982 and mutual societies and nonprofit organizations in 1985). The unique feature of the Institut de développement de l’économie sociale (Ides) is the way it enables the social economy’s institutional investors to pool subscriptions of titres participatifs through one financial institution that collects capital from the social economy’s structural lenders (banks and mutual societies) and invests in the sector’s enterprises. Before Ides existed, each of these investors was periodically called upon individually to provide financing for these enterprises and thus bear risk individually. By pooling risk, Ides has been able to invest €40 million in 305 enterprises without a loss although, naturally, every year a few of the enterprises file for bankruptcy or Chapter 11.

The Ides experience is a success that shows that pooling risks is probably the solution to the constraints cooperatives face in raising capital.

**François Soulage** is CEO of Ides (a social-economy venture capital firm and a subsidiary of Esfin), chairman of the Esfin-Ides holding company (social-economy finance), CEO of Esfin Participations and vice president of Soficatra SA in Brussels (a European venture capital firm). He is also president of the Union nationale des associations de tourisme et de plein air (Unat) and chairman of the supervisory board of the company Cheque Domicile. He has been chairman of the supervisory board of Coopest since 2005 and vice president of ANCV. Since 1997, he has been president of the Comité chrétien de solidarité avec les chômeurs et précaires. François Soulage has a PhD in economics.
Institutional capital: An instrument for social change?

Gunvall Grip (Sweden)

Introduction

Institutional capital means the capital created the moment we decide to set aside capital in different institutions for financial security—for health insurance, pension insurance, occupational injury insurance, etc.¹

Institutional capital is of course not the only financial capital in society, far from it. On the other hand, however, it should not be forgotten that the assets accumulated within social insurance (insurance schemes based on collective agreements and within private insurance) are substantial.

Two points of departure

Before discussing institutional capital as an instrument for social change there are, however, in my view, reasons to briefly discuss two important points of departure.

Work is capital. Capital does not come out of the blue. Capital is created through work and production. This can of course be considered as an old-fashioned, puritan work outlook, but despite that, work is capital.

If we, for simplicity’s sake, divide the economy into two spheres—the real economy and the financial economy—we will once again find a connection between work and capital in the way that the financial can be regarded as being dependent on the real economy (even if the opposite also exists). This means that the financial economy does not lead its own life independent from the real economy. This might of course occur, but only momentarily (in the form of financial bubbles) and not for long.

¹ French worker cooperatives (société coopérative de production).

² These are shares reserved to investors who already have non-remunerated A shares.

³ Coop Atlantique is a consumer cooperative that has 386,389 members and 264 outlets in France.
Ever since, ethical and social investments have been based on a great variety of orientations and reasoning. Even the UN statement on sustainable development is now being referred to.

Today there are companies specialized in this “business” of assessing, appraising and screening other companies with regard to ethical behavior and/or social responsibility. There are companies (fund managers) who handle the investments on behalf of other asset managers with regard to the market of social responsibility. It is often said that the request for socially responsible investing emanates from the customers. Here we are dealing with the consumer and market demands on investors.

The virtuous circle of institutional capital – the five criteria
In the debate about what is generally called socially responsible investing, I think that the following should be emphasized. The management of institutional capital should be guided by five criteria, each one of them transparent, coordinated, future-oriented and socially responsible. These criteria are:

- The financial criteria
- The influence criteria
- The environmental criteria
- The social criteria
- The employment criteria

The financial criteria
The major purpose of saving for financial security is the future payment of benefits. By the payment of benefits is meant the payment of a pension, sickness allowance, death allowance, etc. From this it follows that the pension savings should be invested as safely as possible (moderate financial risk-taking) along with the requirement for a good return.

The orientation of the investments – an old debate
The debate about the orientation of the investment of institutional capital is old, almost a hundred years now.

The discussion about the orientation of investments in companies and industries has over the years also had an important ethical dimension. Already in the 1920s, religious groups in the United States argued for ethical and social investments, with some groups deciding not to invest in shares linked to tobacco, alcohol, gambling and weapons. Along with the issue of South Africa and apartheid in the 1970s, the discussion about ethical and social investment arose again in line with the considerations of political and trade policies of that time. The same was the case for investments in companies linked in one way or another with the Vietnam War.
At the turn of the last century the request for a developed political democracy was intensified. During the current century the requests for economic democracy (or maybe, even better, democratic economy) should intensify to a similar degree. It might be called the second battle for democracy. The financial market should not be regarded as a free zone in that respect.

With influence comes responsibility. This means that people who actively participate in the management of investment (for example from the labor movement) must be knowledgeable about the capital invested. Along with the growth of the institutional capital, the ownership role increases in importance.

The environmental criteria
Research and social debate have to a large extent focused on our long-term conditions for survival. Awareness about the importance of a good environment has increased in the last few decades. It is therefore important that pension capital and other institutional capital be invested to provide positive effects on the environment. It seems rather contradictory, even useless, to start saving in a pension insurance at a young age if the funds, in the worst scenario, are then invested in such a way that they are actively contributing to such negative environmental effects that the person does not live to reach pension age. In such a case, an insurance company can, paradoxically enough, become an organization that transfers risks over to the customers instead of taking over risks itself.

Pension capital should therefore not be invested in activities resulting in environmental pollution. That criterion is linked to a sustainable society. With a positive wording, capital investments leading to a sustainable ecological society should have priority.

The pension saver should in a way be regarded as any consumer...
who directly or indirectly can influence companies and society with regard to the environment through his or her investments.

An area of particular interest for insurance companies is, of course, those factors with a long-term effect on climate, such as the greenhouse effect. It can be assumed that carbon dioxide emissions affect climate, which, in turn, has a direct bearing on the insurance company’s costs.

The social criteria
The social criteria comprise a fairly wide variety of criteria related to employees, customers, products/services and the company’s profile.

Capital should not be invested in companies that, for example, use child labor and certainly not in companies with an anti-union attitude or in companies dealing with goods and services that can be regarded as dangerous or harmful for consumers. Nor should investments be made in companies whose management bullies employees and do not care for their health and well being with regard to the working environment.

The social criteria emphasize the company’s civilized behavior, in other words its good citizenship. The general good is another way of expressing this concept. A business undertaking does not only mean the production of goods and services; companies into which institutional capital is invested should also work for the general good of society.

A possible approach (maybe for the labor movement in particular) would be to link the social criteria to the International Labor Organization (ILO) conventions 29, 87, 98, 100, 105, 111 and 138.2

Convention 29 stipulates that any forms of forced and compulsory labor be opposed. Convention 87 lays down the right for all employees and employers to set up and be members of the organization of their choice without prior permission. Convention 98 lays down protection against union discrimination and the freedom of negotiation. Convention 105 deals with the abolishment of forced labor. Convention 100 stipulates equal pay and equal rights for men and women for equal work. Convention 111 opposes discrimination in employment and the choice of profession. Convention 138 propagates the abolishment of child labor and a gradual increase in the minimum age for paid work.

It can therefore be assumed that investors who lend capital to companies adhering to these ILO conventions are mainly meeting what is here described as the social criteria.

The employment criteria
The actual base of the financial market is the real economy. This awareness is particularly important when it comes to pension savings—production, no pension. Little would be gained with an occasionally high return if, at the same time, many pension savers are losing their jobs. The most decisive factor for a good pension is the underlying income, not the return.

To the financial criteria, the influence criteria and the criteria about social responsibility and environmental care there should be added one additional criterion—namely that investments (at least in the long term) should generate jobs. This criterion is perhaps the most challenging.

Pension capital should probably to a larger extent be invested in small and medium-sized companies with growth potential and not, as today, in large, fairly developed and often internationalized companies that, furthermore, have limited need of external capital. Not seldom is there criticism of asset and fund managers’ allocation of, for example, institutional capital.

A constructive orientation would consequently be to create a better-functioning venture capital market for small companies.
There are some interesting forms of development of various kinds of investment funds (including pension funds) in small and medium-sized companies in Canada, for example.

It is also important to try to orient investments to employee-owned companies. The reason is simple. The economy, business and production need a multitude of structures and forms.

As already indicated, the employment criterion is probably the most challenging one of the five criteria. This criterion should perhaps be put at the top of the list since the criteria of return, environment, social and influence have hardly any meaning when there are no jobs and no production.

There are also other fairly clear links between these five criteria. A company that treats it staff in a positive way, takes its social responsibility seriously and cares about the surrounding environment can reasonably also be expected to have its business in good order. Such a company is likely to be more sustainable in the long-term than a company with more or less hidden costs for future environmental obligations.

In a long-term perspective, companies whose organizations are based on a democratic approach should more easily be able to attract customers and staff than a company relying on the hierarchical organizational structures of the past.

**Conclusion**

These discussions have focused on so-called institutional capital. Certain points of departure are important, the first one being that work is capital and that what we call the financial economy depends on the real economy. The second point is that institutional capital—the accumulated financial assets for the payment of future benefits—should be regarded as deferred salaries.

Hence the thesis that institutional capital can be used as an instrument for social change. I hold the view that institutional capital should be organized and managed on the basis of the following five criteria.

- The financial criteria
- The influence criteria
- The environmental criteria
- The social criteria
- The employment criteria

The details of the five criteria are as follows.

- The financial criteria imply good returns, moderate risk-taking and low management costs.
- The influence criteria imply influence on investments through active representation on finance committees and, preferably, also on the boards and annual meetings of the companies managing the assets.
- The environmental criteria imply that the asset manager does not invest in certain companies (the negative environmental criteria) and/or invests in companies that positively care about the environment (the positive environmental criteria).
- The social criteria can be based on the ILO conventions or the UN human rights criteria.
- The employment criteria imply that institutional capital should promote employment through investments in new ventures, regional initiatives and support to employee-owned companies. The employment aspect also requires that the provident systems (e.g. pension systems) should not be designed in such a way as to have a negative effect on employment.

Managing institutional capital on the basis of the criteria described in this paper will gradually change society for the better—the approach...
is one of traditional reform. Workers will have more of a say in the production process and thereby also participate more in the creation of capital and wealth in society. The economic impact of workers will increase and so will their influence on society. In this way, institutional capital becomes an instrument for building a sustainable society. And this process of change will also increase our security.

**Five criteria of institutional capital**

Or: the virtuous circle of institutional capital

1. **The social criteria**
2. **The influence criteria**
3. **The financial criteria**
4. **The environmental criteria**
5. **The employment criteria**

**The virtuous circle of institutional capital**

Some examples of criteria in practice

- Good returns
- Low fees
- Moderate risk-rating
- Representation on Assembly Board Finance committee
- Positive and/or negative criteria
- Respect ILO regulations
- UN human rights
- Risk venture company
- Regional ventures
- Employee-owned
- Positive and/or negative criteria

**PEOPLE-CENTERED BANKS AND FINANCING**

Gunvall Grip was born in 1946. From 1970 to 2005, he worked for a Swedish insurance company, Folksam, where he held various posts including head of life insurance services and product development. He has a PhD in political science and is the author of numerous works dealing with private and social insurance and other social issues. He is a well-known public speaker in Sweden.

**NOTES:**

1. A definition of institutional capital: Institutional capital is the investment capital accumulated in insurance companies and similar financial institutions for the payment of future benefits to compensate for the loss of income.
2. The conventions can be found on the ILO’s website www.ilo.org
Plural financing: The experience in Quebec
Léopold Beaulieu (Canada)

The experience in Quebec of economic and financial instruments created by the Confédération des syndicats nationaux or CSN (Confederation of National Labor Unions) that are at the intersection of solidarity finance and social responsibility represents a pluralistic innovation in finance. How has the social and solidarity economy as a social movement promoted a new form of “economic regulation” that is an appropriate response to the challenges of the 21st century? In particular, how has it made sustainable development, which is becoming a common benchmark, a central part in the basic principles of the new development model it is constructing? In this article, we will focus our attention on finance through the experience of the funds created by the CSN. We will see how this innovative experience fosters a unique convergence of various social movements (unions, social economy, socially responsible investment, corporate social responsibility) towards a shared collective project through participatory financial institutions.

Socially responsible finance
The Anglo-Saxon notion of “socially responsible investment” generally refers to a type of investment that takes into account ethical, social or environmental considerations in addition to conventional financial objectives. Its definition remains imprecise as it is based upon different conceptions of corporate social responsibility central to various debates and visions. The English word “investment” is also somewhat misleading when used in the context of contemporary finance. It blurs the distinction between investment purely for financial gain and a broader sense of investing, a distinction that is perhaps clearer in French with the words placement and investissement. We therefore propose the term “socially responsible finance” (SRF) rather than “socially responsible investment” to emphasize this distinction.

Up until now, works on SRF have tended to categorize it into three main types: the use of filters based on positive and negative criteria for making investment choices; shareholder activism in companies that are part of the investment portfolio; and community investment. These types of activities primarily correspond to SRF practices in the United States. Besides the fact that this does not take into account the fundamental distinction between investment purely for financial gain (placement) and a more constructive sense of investment (investissement), the real drawback of this kind of classification is that it does not include alternative financial practices that have appeared elsewhere, such as the workers’ funds in Quebec and solidarity finance systems in Europe. We therefore propose a typology that improves the initial classification by identifying two main types of distinct practices: investment purely for financial gain and investment as financing. The first type generally concerns financial activities on secondary markets, while investment/financing refers to investing directing in an enterprise.

Investment
On the investment side, two main forms of SRF can be retained, which have appeared in the United States and can be found in nearly anyplace where there are organized capital markets: using ethical, social and environmental criteria to make investment decisions and shareholder activism.

In the first form of SRF, ethical, social and environmental criteria are used in the process of choosing investments. The criteria are negative when they concern excluding specific companies from the
investment portfolio; they are positive when they concern including companies in the portfolio that demonstrate exemplary practices according to the same criteria.

Shareholder activism, which can also be called “corporate activism,” takes a different approach, although it is based on the same criteria. The activists use their clout as shareholders to improve the company’s corporate governance and persuade the company’s managers to change practices that are thought to be socially risky. When dialogue does not lead to results, the next phase is to introduce a motion at the shareholders’ general assembly and vote to get it passed. Ultimately, the shareholders can sell their shares.

Financing
On the financing side, SRF practices can be grouped into two main types depending on whether they concern development capital or solidarity finance. There are various national experiences in this area, but making a distinction between development capital and solidarity finance seems to us more appropriate for understanding the basic trends in SRF in terms of direct investment in enterprises.

Development capital has to be understood as a form of venture capital that provides funding without collateral in the form of equity or quasi-equity but in which the expected return on the investment is more concerned with securing the enterprise’s future than maximizing profits. However, in contrast with conventional venture capital funds, development capital funds have an additional objective of fostering local economic development to create jobs. They also differ from public funding by the fact that these funds provide finance rather than grants. As for solidarity finance, this can be defined in various ways due to the wide range of forms. However, its most important characteristic is that it relates to the social economy or equivalently, in the Anglo-Saxon tradition, community economic development. Solidarity finance offers an innovative relationship with money by combining entrepreneurship with solidarity in the sphere of economics. Governed by a social utility objective, it plays a role in community development and strengthens social cohesion.

In summary, this way of presenting SRF enables showing the diversity of alternative finance practices within the context of a global and coherent perspective. The new financial institutions, which have close ties with various social movements, e.g. the unions, nonprofit organizations, the environmental movement and several NGOs involved in the broad movement for greater corporate social responsibility, are the antithesis of financial speculators. Acting on the medium and long term and incorporating social concerns in their decision-making process, they combine economic and social, and local and global, perspectives. We know that investors have a major influence on company policies. These new financial institutions introduce these values in various centers of economic decision-making.

The Quebec experience of plural finance
The CSN has been involved with savings and the question of how they are used for several years. The CSN has always managed these funds based on social principles, seeking to combine the collective interest of its members with the general interest for the social and economic development of Quebec.

The financial institutions that the CSN has created have a dual objective: to offer financial services that genuinely correspond to shared values and needs that the market cannot satisfactorily meet and to democratize the use of the savings that are invested in this way. By creating innovative collective financial instruments, the CSN explicitly committed itself to socially responsible finance. By socially responsible finance, we mean financial practices that take into account,
in addition to conventional financial objectives, considerations related to greater workplace democracy (corporate ethics, governance and management) as well as the social and environmental impact of the business.

The Desjardins solidarity fund (Cecosol), created in 1971, is a classic example of what solidarity finance can do to foster economic and social development. With assets that have now reached $355 million, Cecosol has become the principal financial institution of social-economy enterprises and organizations. The fund plays a leading role in financing collective entrepreneurship with loans to enterprises totaling nearly $230 million. In 2004, its members included 503 enterprises and organizations from the cooperative sector (including 19 cooperative federations and groups, 331 housing co-ops, and 95 worker co-ops), 746 community organizations, 729 organizations from the labor movement, and 203 cultural enterprises and organizations. The fund has developed exclusive products such as solidarity savings plans, emergency loans for cooperatives experiencing serious financial difficulties, and a program for housing co-ops.

The Bâtirente national union pension fund, created by the CSN in 1987, offer men and women who are members of unions, cooperatives and other nonprofit organizations investment products that suit their particular needs. Registered as a financial services company, Bâtirente now has 24,000 members split into 350 groups. It manages assets of $561 million and offers a whole range of retirement savings and pension plans. The democratic management of collective assets by the workers through the intermediary of Bâtirente fosters the protection of the members' long-term economic interests thanks to financial risk management that takes into account the social and environmental impact of investments. For example, besides supporting campaigns to heighten the awareness of shareholders of a number of companies, Bâtirente has itself initiated two campaigns promoting workers’ rights and sustainable development. In addition, its direct investments in the SSQ financial group have helped rescue this mutual insurance company. Bâtirente is one of the few promoters of pension plans in Quebec to offer the REER Coop plan\(^1\) which invests in worker cooperatives and employee-owned companies.

The CSN has also been involved in development capital since the creation of a workers’ fund for preserving and creating jobs. Launched in January 1996, Fondaction—the CSN’s development fund for cooperation and jobs—gets a little over two-thirds of its money from the contributions of CSN union members. This involves savings for retirement that are put into long-term investments that attract substantial tax advantages. In partnership with other social-economy investors, Fondaction invests in enterprises that have some form of participatory management, self-managed enterprises (cooperatives and other social-economy enterprises), and enterprises involved with sustainable development. On 31 May 2005, Fondaction had over 60,000 shareholders and net assets of nearly $400 million. These “enterprising savings” are channeled through the following.

- 915 Fondaction agents (volunteers)
- 36 branch offices
- 1,225 workplaces
- partnerships with community development organizations, including the Round Table of Community Development Corporations, which potentially reaches up to 4,000 organizations

Filaction, the fund for local investment and community projects, is another financial instrument that was started by Fondaction. This fund combines the activities of development capital with solidarity finance. Its mission is to complement Fondaction by providing finance in the little covered segment of $50,000 to $150,000. Filaction has chosen to work with frontline investment funds, in particular the...
Réseau québécois du crédit communautaire (Quebec Network of Community Credit) and the Réseau des fonds d’investissement régionaux pour femmes entrepreneurs (Network of Regional Investment Funds for Women Entrepreneurs). Fondaction and the Réseau d’investissement social du Québec, RISQ (Quebec Network for Social Investment) have also joined forces in providing capital for another specialized fund—a fund for financing cooperatives, which has the ability to invest in the range of $100,000 to $250,000 in cooperative enterprises. This fund is managed by Filaction.

Besides these financial institutions, two other organizations have been created to provide support for enterprises. The first is MCE Conseils, set up in 1986 during a severe recession when a number of factories closed down. MCE Conseils offers management and consultancy services, including market and sector studies, financial analysis and business and company revival plans. The second is a second generation organization like Filaction since it was set up by Fondaction, in May 2000, to carry out social and economic diagnostics and provide financial training for workers in the companies in the investment portfolio. This organization is the Fonds de formation professionnelle (Training Fund) which actively seeks to introduce and develop worker participation in companies.

In summary, the collective instruments developed by the CSN form a solidarity hub that channel workers’ savings into a project that protects workers’ rights and fosters local and regional development. The synergy that they provide represents both economic and social value added for all member organizations of the network and its partners. For example, in the area of financing social-economy enterprises, partnerships set up by Fondaction have helped create a range of products that can ensure the long-term survival and growth of enterprises of different sizes and at different stages of development.

Conclusion
All of the funds set up by the CSN are committed to producing in the near future sustainable development reports based on the guidelines of the Global Reporting Initiative. These institutions have total assets of over a billion dollars and finance around 2,700 companies and organizations. In addition to having nearly 100,000 members, shareholders and participants and helping to preserve and create 35,000 jobs, there are four other important elements in this experience:

· the autonomy and complementary relationships of these institutions;
· the synergy between them, which enables achieving objectives that would otherwise be impossible;
· coverage of the whole spectrum of socially responsible finance;
· a shared commitment to developing various forms of participatory management.

All of this is based upon the conviction that the transformation of work and the democratization of the workplace will give citizens
Cooperative banks and rural development

Eugeniusz Laszkiewicz (Poland)

The traditions of the rural cooperative movement in Poland date back to the beginning of the 19th century. The father of the movement was Stanislaw Staszic, who established the “Hrubieszów Agricultural Society.” Its aim was to support its members economically, help them get education, provide social help and, equally importantly, it was involved in credit activities. In the following years, there appeared more and more cooperatives whose scope of activities was broadened to the financial sector. These were the Bill Society in the city of Poznań. Another important step on the way to developing cooperatives was establishing savings and loan cooperatives in 1890 by Franciszek Stefczyk. Simultaneously, other forms of cooperatives flourished, the majority of which were connected with rural areas. In 1914, there were 453 cooperatives in Poland. Most of them were agricultural and dairy cooperatives.

In the interwar period, cooperatives grew very fast. The number amounted to 8,600. 3,700 cooperatives were the Stefczyk savings and loan cooperatives with a total of 700,000 members.

After the Second World War, the communist government of the Polish People’s Republic took over the property of cooperatives. The government limited the activities of savings and credit cooperatives and introduced a cooperative policy which led to the farmers’ mistrust towards cooperatives. However, fortunately, banking cooperatives could continue their work without having to comply with the communist government’s policies. At the beginning of the 1990s, together with the creation of the 3rd Republic of Poland, there began a massive restructuring of post-communist agricultural cooperatives, which basically meant winding them up. The situation became even greater opportunities to exercise their freedom and responsibility. This fosters the emancipation of people, the development of a more responsible form of consumption and social and cultural relationships that are more respectful of people and their communities.

Léopold Beaulieu has been the chairman of Fondaction, the development fund for cooperation and jobs of the Confédération des syndicats nationaux (CSN), since its founding in 1996. Previously, he was an elected member of the CSN executive board, where for twenty years, i.e. until February 1996, he held the position of treasurer. Léopold Beaulieu is also president of the Canadian branch of CIRIEC (International Center for Research and Information on the Public, Social and Cooperative Economy) and vice chairman of the board of the Desjardins solidarity fund. He is vice chairman of the board and the executive committee of Investissement Québec, where he also heads the internal audit committee and the advisory committee of the investment program for social-economy enterprises.

NOTE:
1. REER (Régime enregistré d’épargne retraite) is a retirement savings plan.
worse due to the farmers’ mistrust and the economic deterioration of the country, which influenced the rural areas in the first place. In the second half of the 1990s, the cooperative reality started to change. On the remains of the old institutions there were created new and stronger ones. The best examples are the dairy cooperatives.

As far as banking cooperatives are concerned their development was much faster. The high demand for capital by small enterprises and farmers and the relative trust of their clients made this form of cooperatives develop quickly. Good financial results in conjunction with consolidation of the sector helped cooperative banks become a crucial financial institution in rural areas. A well-developed network of branches and knowledge of local markets enabled cooperative banks to dominate rural areas. Only recently has competition started to appear in rural areas, and this fact constitutes one of the major challenges for the cooperative banking sector.

Today cooperative banks have features of two institutions. As banking institutions they are obliged to comply with banking regulations. They have to meet rigorous conditions as institutions that the public trust. On the other hand, however, it gives the possibility of offering customers advanced financial services. What is of great importance is that providing such services requires a well-developed infrastructure, first and foremost, information technology infrastructure. Therefore, cooperative banks can be said to be one of the most technologically advanced enterprises operating in rural areas.

Cooperative banks are institutions operating within cooperative law. This fact enables any number of people to become members and shareholders of cooperative banks. Each of these institutions has the right, regardless of financial capabilities, to decide on cooperative matters. It makes a good tool for activating local societies. As all decisions are made by members of cooperatives, it guarantees that policies are in line with people’s needs. Local cooperative banks are better suited to fulfill expectations of local communities than big commercial banks whose offers are more “standardized” and not necessarily beneficial for inhabitants of rural areas (ways of securing credits or limited credit capabilities of farmers).

By the end of 2003, there were 659 functioning banks, 601 of which were cooperative banks. Cooperative banks in Poland are members of one of the three cooperative banking associations. Their equity capital totaled 2.62 billion zlotys (3.14 billion including the banking associations). Lending amounted to 16.2 billion zlotys, whereas deposits were 18 billion zlotys. There were 3,151 branches and 27,437 employees.

In 2004, the condition of cooperative banks improved. From January to September total assets increased by 8% and interest on credits grew by 26%.

Cooperative banks can be described on the basis of National Bank of Poland data. Both farms and small and medium-sized enterprises (SMEs) are the basic group of customers. What is of tremendous importance is the fact that these entities take production credits. The next important group is made up of local authorities. In September 2004, deposits amounted to 3.1 billion zlotys which was the important element of financing banks’ activities. Simultaneously, demand for credits grew due to investments co-financed from EU funds.

As far as local authorities are concerned, the banks’ customers were communes, districts and governments of small towns.

Individual customers constitute the third group of customers. In this case, the rise of interest in banks’ products was noted. However it was not as significant as in the case of two other groups. It is worth mentioning once again that these customers are mainly inhabitants of rural areas and small towns.

Polish cooperative banks offer their customers a wide range of financial services. Interest deposits as well as consumer and investment
financial help and technical support they offer contribute to the improvement of the quality of living of inhabitants of villages and communes. They also contribute to the development of infrastructure which, looking deeper into the matter, contributes to the economic development of the country.

It should be noted that many cooperative banks are involved in charity activities such as supporting schools, and they actively support local initiatives or help disabled people or poor families.

The unique relationship between the local community and the social-economy enterprise is the guarantee of the community’s development. The owners of cooperative banks are in fact ordinary people who live in the area where the respective cooperative banks operate. These people know the needs of their market best and therefore are able to react to a problem as soon as possible and plan their strategy on this basis.

The cooperative banking sector services farms (especially those run by families), adapts services to the needs and abilities of farmers and protects them from the domination of other businesses. Operating for the benefit of their customers, producers and consumers, cooperative banks have always cherished principles of rational management. Cooperative banks inspire and support useful activities in the local community. They strengthen their influence through local partnership on multi-layered levels. Their closest cooperators are ordinary people, local governments, groups of producers, SMEs and public institutions. The multi-layered cooperation contributes to an appropriate and reliable assessment of the region’s economic situation, undertaking activities aimed at the systematic and complex improvement, and working under “the common roof.” For many years cooperative banking remained the only form of contact between farmers and the banking sector. This was due to the fact that farmers were less attractive for commercial banks.

Cooperative banks are an integral part of the social economy. Like the rest of the social economy movement, they were established due to the necessity to provide for people’s basic need to live decently. Our 150-year-old tradition is the best “recommendation letter” to service local communities. In their daily duties cooperative banks derive from rich traditions while not overlooking the current requirements of the market economy or the needs of the community they provide services for.

As far as the institutional approach is concerned, cooperative banks have a local character. Supervisory board members are elected from amongst representatives of local communities. Therefore they perfectly know all the needs of the communities they represent and come from. Their knowledge of local businessmen’s needs is also very helpful in devising the bank’s strategy. Cooperative banks are engines of development of the so called “small homelands.” The
Cooperative banking is inseparably connected with the market economy. It has developed under market conditions, which has been the basis for their economic and social effectiveness. Cooperative banks, contrary to commercial ones, provide services to retail customers, SMEs, artisans and farmers. Cooperative banking has always been supportive, first and foremost, of small producers and consumers. It has combined their needs with market rules and social justice. This sector offers them not only banking services but also business advice (advisory groups for SMEs) and other forms of help.

It is true to state that the cooperative is the organizational form that has proved its value and usefulness especially in rural areas. Cooperative banks contribute to the systematic improvement of financial education of rural communities. A bank’s services are often the outcome of the shareholder-customer’s cooperation with this bank. It can be noted that these institutions aim at satisfying financial needs of their customers. It is one of the few features that differentiate cooperatives from other organizations.

Cooperative banks derive their strength from a long-standing tradition, however, they take into account the requirements of the market economy and the needs of the local community. Throughout the past several years, cooperative banks have undergone tremendous change. They have developed in terms of product quality and the number of branches. On the one hand, they try to meet their customers’ demands whereas, on the other hand, they aim at creating new and better banking products.

The social and economic changes that took place in Poland after 1989 led to substantial changes in the functioning of the country. Local institutions began taking part in the economic management of the country and making decisions concerning their very development. This meant moving decision-making to a local level, making each local government a “co-organizer” of the country.

Our access to the European Union was the next, important turning point for the development of rural areas. Poland is to be granted funds from the EU. The funds will be used not only for the development of infrastructure (roads, sewage systems, water-supply services) but also for the cultural development of the country and creating more jobs outside the farming sector.

The cooperative banking sector can prove invaluable again. Its status and good relations with local communities can contribute to substantial amelioration of EU funds. It will however depend on whether cooperative banks will be able to adapt to a new reality, create a new financial offer, and provide finance for investments.

Polish cooperative banks put special emphasis on pursuing the principles of the Lisbon Strategy concerning social responsibility. They try to fulfill these goals by supporting local communities and giving SMEs and farmers preferential treatment. The concept of social responsibility is at the heart of Polish cooperative banks and constitutes an unalienable part of the banking sector.

Cooperative banks create their positive image not only by competitive banking products but also client-friendly procedures, professional advising, taking really good care of the relationship with clients and the partnership with local communities. The aim of the cooperative bank is not only increasing profits but also social usefulness.

Polish cooperative banks are partners of the rural areas and therefore a part of the agricultural business. They contribute to raising funds of the local administration of a commune council. They stimulate and support local market’s enterprises, which results in faster economic development of the area, better living conditions and fewer unemployed. Cooperative banks take care of their clients by improving the quality of their services. They not only use financial instruments to support farmers and entrepreneurs but also professional
advising and informing, adjusting to their specific needs. Cooperative banks charge the lowest fees for running farmers’ accounts. The prosperity of this group is the priority. Farmers also benefit from training on how to apply for subsidized loans from the EU.

It cannot be overlooked that these institutions do not act for mere profits. Their aim is to support their members-shareholders in economic or agricultural activities. Accordingly it has been proved once again that cooperative banks cannot be perceived as independently run entities, but as trustworthy institutions supporting the development of local communities—instutions that very often prove to be the only activators of the local community’s life.

Eugeniusz Laszkiewicz has participated in numerous training courses, including those organized by Rabobank, Crédit Mutuel and Crédit Agricole in France, and DG Bank in Germany. He began his professional career in a cooperative banking society in 1977. Then from 1979 to 1992, he was chairman of the supervisory board of the Cooperative Bank in Legnica (Poland). Professionally active in farming, he has also worked in social and agricultural organizations as well as public administration. He has been a member of the management board of the National Association of Cooperative Banks since 1992 and, in 1994, was elected as the chairman. He has also been personally involved in cooperative banking legislative in the Polish parliament and been instrumental in establishing collaborative arrangements between Polish, Hungarian, Finnish, Portuguese, Italian, French and Indian cooperative banks. In 2002, he was elected president of the International Cooperative Banking Association. Eugeniusz Laszkiewicz is also the author of numerous publications concerning cooperative banks.

NOTES:

1. Franciszek Stefczyk is the founder of the first credit union in Poland.

2. 1 zloty = 0.25 euros or US$0.32.

3. The Agency for the Restructuring and Modernization of Agriculture is a government body set up in 1994 to help agricultural and rural development.

4. The Special Accession Program for Agriculture and Rural Development (SAPARD) was set up by the European Commission to help applicant countries during the pre-accession process.

5. The Integrated Regional Operational Program was set up by the European Commission to help development in Poland during the 2004-2006 period. Its aim is to improve regional competitiveness and to counter marginalization.

6. The Coherence Fund is a structural instrument that has been helping member states reduce economic and social disparities and stabilize their economies since 1994. It finances up to 85% of eligible expenditure on major projects devoted to the environment or transportation infrastructure and thus strengthens cohesion and solidarity in the European Union. The fund is intended for less prosperous member states.

7. In March 2000, during the Lisbon European Council, the European Union set itself a new strategic goal: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion. This plan of action, with a deadline set for 2010, is known as the Lisbon Strategy.
5. CREATING COMMUNITY CURRENCIES

In our internationalized world where the means of communication and transportation are constantly growing in tandem with increased trade between countries and continents, in a world where global communications have never been so simple, particularly thanks to information technology and the Internet, a few observations need to be remembered.

- Many countries have not experienced growth or at best only low levels.
- The gap between the richest and the poorest people in the world continues to grow even though there has apparently been a general upward trend in per capita GDP.
- Poverty continues to affect new ranks of the poor and sometimes unexpected social and occupational groups.
- The level of the financial flows connected with goods and services continues to fall in comparison with financial speculation (the daily flow of goods and services is valued at $500 billion while $2 trillion flow through international financial markets every day).

It is in this context that a growing number of alternative currencies to official currencies have appeared which are variously called social currencies, complementary currencies, dedicated currencies or quasi-currencies. Their purpose is to compensate for the growing scarcity of official currencies and to be accessible to everyone. In addition, these complementary currencies frequently minimize, or even cancel, the effects of certain properties that are specific to money.

As we begin a new century, there may be around 5,000 complementary currencies in circulation or in an experimental phase worldwide. In light of the important experiments that have been carried out in South America as attempts to find solutions to the economic and social crises facing those countries, as was the case recently in Argentina with barter networks, complementary currencies could be tools of the poor for helping the poor. In Switzerland, Germany,
Not a day passes without some bad news that undermines the morale of the inhabitants of our planet: job cuts to increase company profits that are “owed” to shareholders, businesses relocated to reduce production costs, outsourcing, a state of constant anxiety among managers and employees in companies, unemployment, a rise in the number of precarious jobs and general insecurity, environmental damage, pollution of every sort, the spread of obesity and fast food, epidemics, armed conflict, terrorism and, on top of all that, nature is out of control, probably linked to global warming with the attendant series of unpredictable or at best poorly understood natural disasters. Examined more closely, much of this bad news is solely related to the pursuit of material wealth—money—that concerns a tiny part of the world population to the detriment of the vast majority of their fellow human beings. To give an example, 15% of the world population owns 80% of the wealth while 2.4 billion people live on less than two euros a day. Alongside that, what should we make of the fact that the American military industrial complex costs three dollars a day per American? Today the rich are ever richer and the poor ever poorer. This situation can only worsen when we realize that the world population is predicted to increase by another 3.2 billion people by the year 2050, 85% of whom will come from the so-called developing countries.¹

One wonders what the point was of overturning so many orders throughout the centuries, fighting so many wars, stirring up so many revolutions and carrying out so many reforms only to reach this state of affairs! What evil god was at work behind all of that? What sort of religion, aided by a pernicious alchemy, accepts the transformation of

In this example, one easily understands the limitations of bartering and the need for widening the circle of exchange to other actors and for using an intermediary so that each person's needs can be fulfilled. When an agent \( X \) can exchange good \( A \) for good \( B \) offered by an agent \( Y \) who needs good \( A \), then the bartering system works. Beyond that, the larger the number of agents, the greater the need for a quasi-universal tool that is recognized and accepted by everyone as legitimate in the trading process. Thus, one of the primary functions of money is being a means of payment with the particular feature of enabling one to add up “apples and oranges,” i.e. a broad mix of goods and services. In this example, we can also identify the second function of money, as a unit of account, which enables these kinds of additions. To perform this function as a unit of account or a standard, countries have until recently backed their currencies in gold or silver—rare precious metals that were known very early in all civilizations—to give their currencies the trust needed for trade.

Money's third function is to play the role of a store for value. Money is accumulated and saved and thus becomes a store for value. Being able to stock the value enables preparing for a large investment, smoothing exchanges over time to satisfy future needs. In itself, this option of creating a store for value cannot be strongly criticized if it concerns satisfying future needs. The balance between the three functions described above is what gives money its intrinsic interest: being able to trade at any given moment at time \( t \) in complete confidence (unit of account and means of payment), while preparing for later trade at time \( t+1 \) and still in complete confidence (store of value). However, as soon as wealth is represented as monetary value added, the balance between these three functions is upset, and money becomes a good in itself rather than simply a unit of exchange. This disturbance is exacerbated by the mechanism of charging interest on the value, and worse still, the interest on the interest on the
value (compound interest). If \( A \) holds a reserve of money that \( B \) needs, \( A \) can lend money to \( B \) and ask \( B \) to pay back the amount initially lent later on with interest as a sort of premium intended to cover the risk if \( B \) does not repay the amount \( A \) lent.

Interest and compound interest were also great ingenious inventions of humankind, but the road to damnation is paved with good intentions. Professor Margrit Kennedy very clearly illustrates the fatal disease that affects our economy, caused in particular by compound interest. In essence, she informs us that the curve representing the pattern of growth in nature (human beings, animals, plants, etc.) has an asymptotic shape (initial sharp rise followed by a virtual leveling off) where the curve for industrial production is linear (more machines produce more goods), while the curve for compound interest is that of exponential growth, increasing slowly at first and then accelerating continually faster to become nearly vertical (the pattern is actually sort of the exact opposite of the curve for natural growth). To illustrate her point further, she adds that this is the same growth pattern of things that go wrong, like diseases, especially fatal diseases like cancer.

To give an example and to illustrate this curve, a sum of 100, invested at a compound interest of 6%, will double its value in 13 years and will grow by more than fivefold in 30 years. Over a longer period, the value of 100 will become 1,737.75 in 50 years, then 32,009.63 in 100 years, and finally 589,622.33 in 150 years, i.e. an increase of 5,689 times the initial amount. It goes without saying that the higher the rate of interest, the greater the increase. The same amount invested at 10% would yield a sum of 147,065,257.80 in 150 years! Graph 1 compares the curves of 9% and 10% compound interest over a period of 150 years.

While this should whet the appetite of any speculator, it also raises questions about the future of a system in which money flows in financial markets for the sole purpose of producing more money and no longer has any real connection with the capacity to produce goods and services and people’s ability to trade.

Margrit Kennedy also identifies two common misconceptions about money that should be corrected.

· “Interest is paid only when we borrow money.”

What people do not understand is that every price we pay includes a certain amount of interest. Margrit Kennedy explains that this interest is on average 40% on the goods and services that we consume and ranges from 12% interest on garbage collection (this is
related to the fact that this is a business in which labor costs are by far the biggest costs) to 78% of rent in the case of public housing in Germany.

“Everybody is treated equally in the money system.”

Everyone pays interest when they borrow money and receives interest on their savings. This is also totally false since there are huge differences in interest. For example, she explains that a study of 2.5 million German households shows that 80% of the population pay almost twice as much interest as they receive, 10% receive slightly more interest than they pay, and the remaining 10% receives twice as much interest as they pay, which corresponds to the interest paid by the first 80%.

This shows that the vast majority of the population has to work to earn money, while a small minority simply makes their money work for them by siphoning off money from others through interest. This also explains why the wealth of the wealthiest people continually grows and does so automatically, while the poorest people continually become poorer. Lastly, we observe that having has overtaken being and consequently possessing money seems to have become the ultimate goal in our so-called developed society.

How did we get here?

Probably as a result of the three major revolutions in previous centuries, the economy has become so liberated that it has become a final objective, a religion with its own set of codes, indicators, terms and concepts, and an instrument of cruel, cold-blooded, destructive predation. Quite accurately dissected by Patrick Viveret in his report “Reconsidering Wealth,” the economy and later its “in-humanization” have benefited from a triple founding revolution: the Enlightenment in Europe, which sanctified the individual and the autonomy of reason; then the great political revolutions of the 17th century, which made the general will of the people the legitimate basis for power; and finally the great industrial revolutions of the 19th and 20th centuries, which gave individual and collective life a new meaning, that of progress and history. From a society based on the divine right of the monarch (with religion playing a powerful role), the new society established productivity as its foundation and revised the concept of wealth based upon a new definition of utility.

Utility becomes “anything that helps satisfy human needs and desires.” The notion of utility was thus based not just on needs and reason but also passions and vanities, and the value of things was established without any axiological judgment. In reality, what counts is that the thing has a monetary value! Conversely, our so-called developed society does not take into account the great values that characterize humans—love, friendship, citizenship, social solidarity, education, charity, culture—on the grounds that they cannot be measured (at least not by the indicators that we currently use).

The economy only counts monetary value and, as this has been detached from any social, political or environmental consideration, it is not surprising that we see every day businesses that subcontract, relocate, seek greater efficiency and cut jobs for the sole purpose of achieving higher profits and maximizing returns for shareholders. However, many companies willingly accept grants, aid and tax breaks from government when choosing where to locate their business, yet do not necessarily develop any sort of social, patriotic or civic conscience nor hesitate to move their business elsewhere to get new grants, aid and tax breaks, which are in reality paid for by the community through taxes. We could almost regret losing the industrial capitalism of the past based on family wealth, which had deep community roots and a sense of civic and social responsibility.

The new discipline of political economy quickly turned into an economics devoid of a political, social and environmental conscience,
whether one calls them social, complementary or community currencies or even dedicated means of payment, there are numerous experiments with new means of exchange, some of which have become quite large. In Germany alone, over 300 complementary currencies are being tested. Experiments with complementary currencies are also taking place in Japan, Brazil, Argentina, the United States, Britain and France. It would obviously take too long to mention, let alone describe, all of these cases, because this phenomenon is both widespread and rapidly growing.¹⁰

A basic principle of complementary currencies is very often the total or partial removal of the store of value function to prevent speculation based on interest and also to increase trading and generate growth. This is demonstrated by some of these experiments, one of which is particularly interesting.

In 1932, faced with a struggling economy and a level of unemployment of nearly 35%, the Austrian town of Wörgl decided to print special banknotes (backed by the same amount in national currency) to increase its value or to use it faster, which would produce growth and wealth. This is what this experiment showed.

In 1934, two years after this experiment started, Wörgl was not only the first Austrian town to go back to full employment but it also had many public works in progress in the community. The official currency in circulation 24 months later (i.e. 24% lower). This experiment also proved that money with a negative interest rate circulated 40 times faster than the official currency.¹¹

Complementary currencies to compensate for the lack of exchanges
From Bernard Lietaer, who describes currencies as either “yin” or “yang” currencies, to Patrick Viveret, who shows the “two sides of money” (money as a means of exchange and as an end in itself), everyone agrees that there are two sides to money. One side represents “positive exchange” (a means that serves human needs; the motto of the French republic, “liberté, égalité, fraternité,” still appears on one side of a French 1 euro coin), and the other side represents the “hoarding of wealth in its most negative form” (as an end in itself: 1 euro plus interest). Through complementary currencies, it is possible to reinvent positive exchange and to avoid the trap of compound interest.

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In 1932, faced with a struggling economy and a level of unemployment of nearly 35%, the Austrian town of Wörgl decided to print special banknotes (backed by the same amount in national currency in the bank) that had a negative interest rate. The unique feature of this local currency was that it lost 1% of its value each month. To keep its original value, it was necessary either to buy a stamp that was stuck on the banknote to increase its value or to use it faster, which would produce growth and wealth. This is what this experiment showed.

In 1934, two years after this experiment started, Wörgl was not only the first Austrian town to go back to full employment but it also had many public works in progress in the community (water works, road building, and reforestation) thanks to the simple difference between the value of the official backed currency and the value of the local currency in circulation 24 months later (i.e. 24% lower). This experiment also proved that money with a negative interest rate circulated 40 times faster than the official currency.¹¹
Other simpler forms of “yin currencies” have appeared over the past decades, in particular the dedicated means of payment that have become French specialties like the luncheon vouchers and the range of products offered by the cooperative group Chèque Déjeuner\textsuperscript{12} (vouchers for lunch, books, CDs, cultural events, as employee bonuses, domestic services, and goods and services for the disadvantaged). These voucher systems possess only two of the three characteristics of money. The stock of value function is extremely limited since vouchers are only valid for a specific period of time after which they lose their value (they could be called “time-bomb currencies” because their value ends at a predetermined time) and their means of payment function is also restricted to a specific use (for example, the Chèque Déjeuner luncheon voucher can only be used for meals taken during lunch breaks).

Consequently, these dedicated means of payment have a double virtuous effect.

\begin{itemize}
\item They fully satisfy the use they were intended for thanks to a specific network with its own brand name and rules.
\item They do not carry any interest and are consumed.
\end{itemize}

These certificates thus generate consumption, the purpose originally assigned to them and for virtually the whole amount of their issue value (around 0.6\% of Chèque Déjeuner vouchers are never used, mainly as the result of loss or accidental destruction).

Whatever their form or level of circulation (local, regional, sectoral), these complementary currencies continually compensate for the absence or scarcity of the official currency reserved for trading. Their purpose is to give money back its primary function—facilitating exchanges—and are designed as ostensibly simple solutions to the challenges we face:

\begin{itemize}
\item developing exchanges and businesses in communities;
\item promoting types of production that meet the criteria of environmental and social utility;
\item expressing the huge potential for creating exchanges that cannot currently be expressed because of a lack of means of exchange in official currencies.
\end{itemize}

In giving money back its role as a means rather than an end, complementary currencies help us create another way of living our lives and exchanging together based on fostering the capacity for change and creating wealth that each of us has. They thus help us build a better society based on ethical, environmental and social values.

\textit{Born in 1962, JEAN-PHILIPPE POULNOT is head of development and a director of Chèque Déjeuner. He has executive positions in several of the group’s subsidiaries. He is also president of the Chèque Déjeuner Foundation. For over fifteen years, he has been closely involved with the French and European social economy and sits on several boards. He is also vice president of the Mont Blanc Meetings association and director of the Sol project.}
The Sol: Between innovation and a complementary currency

Celina Whitaker (Brazil)

On July 8, 1999, a conference was held in Paris on “plural currencies” that focused on the function and use of money. Transversales-Sciences & Culture, the Fondation pour le progrès de l’homme and the Laboratoire du futur were the main organizers, and the conference was sponsored by some major enterprises in the social economy, including the mutual insurance company Macif, the cooperative group Chèque Déjeuner and the Caisse des dépôts et consignations. The main objective of the conference was to stimulate serious thinking about new roles money could play based upon a wide range of actual experiences such as the WIR system in Switzerland, the bartering networks in Argentina, LETS in Canada, Time Dollars and Ithaca Hours in the United States, Local Exchange Systems (LES) in France and many others too.

Enriched by the wealth of information that was exchanged and the diversity of experiences, an informal group, composed of leading enterprises in the social economy, experts, independent advisers and government officials, was set up to develop a project on a dedicated electronic social currency (named the Sol Project). 1 Strictly speaking, this would not actually be a currency since it would not possess all the main functions of money.

The Sol Project is born

The goal of the Sol Project is to help turn money back into a medium of exchange and thus help create an economy based on social and environmental values and combat social exclusion due

1 Str"
The re-appropriation of money by its users is not just something that you decide; it takes work. This project can only be developed through the synergy of the different actors that pursue the common objective. From the outset, the Sol initiative has therefore included the following actors.

- All of the different components of the social and solidarity economy.
- People who are currently excluded from traditional circuits of exchange and, more broadly, all those involved in activities that are concerned with redistribution and socially responsible consumption.
- Local and regional government, as the Sol initiative creates new tools for implementing economic and social policies.

From concept to action
In 2004, the Sol Project began an active phase, particularly thanks to the European Union’s Equal 2 program. The partnership set up through the Equal 2 program is plural since it includes the European Social Fund, the regions of Ile-de-France, Brittany and Nord-Pas-de-Calais, and four major social-economy enterprises—Macif and Maif (two large French mutual insurance companies), Crédit Coopératif (a large cooperative bank) and Chêque Déjeuner (a worker cooperative specialized in designing and running voucher systems). Several towns are also part of the Sol Project, and the Sol association is comprised of representatives of several different membership groups (founding members, users, service providers, local communities, and independent advisers).

After an initial feasibility study, the conclusions of which were made available in late June 2005, the Sol Project entered an experimental phase that began that same month and is expected to last until late December 2007. This involves testing three different Sols...
and the use of new technologies like smart cards, mobile telephone communications and voice servers.

Three Sols for three different situations

The “Cooperation Sol”: An exchange instrument that fosters the social value added of social and solidarity economy organizations and personal social responsibility.

The purpose of the “Cooperation Sol” is to be a means of exchange that aids and promotes social and solidarity economy organizations and all those who share their values and practices. Sol cardholders receive “Cooperation Sol” points when they buy goods or services from social and solidarity economy organizations that are members of the Sol network. These points are given in exchange for making socially responsible choices as consumers. They enhance the ethical, social and environmental value added of businesses in the social and solidarity economy by choosing their products and services. These Sol points can also be acquired in exchange for socially responsible behavior (e.g., a mutual insurance company could reward policy-holders who take extra precautions in areas of risk covered by their insurance; investing in energy-saving improvements as a response to global warming; as an incentive from local government for car-sharing, volunteering, etc.). The points can in turn be used in any member business or organization and for any public services that member local communities choose to include in the Sol network.

To show how this works, simply imagine that a person collects Sols in the course of their everyday activities using the vast network of social and solidarity economy enterprises and participating public services and that, once collected, these “Cooperation Sols” can then be used in exchange for all or part of a socially responsible vacation, fair trade products, goods and services offered by social-economy businesses or even collective services like local cinemas, museums, public transportation, public sports facilities, etc. The system works just like the various existing schemes for rewarding customer loyalty (probably the best known of these is Frequent Flyer Miles, which has a network of participating airlines, hotels, car rental agencies, restaurants, etc.) or customer loyalty cards that are awarded and accumulate points for purchases and entitle the cardholder to discounts on goods or services.

The particular features of the “Cooperation Sol” are as follows.

- Promotes the network of social-economy and community organizations through a multi-sector loyalty scheme for organizations that develop activities that have ethical, social and environmental value added.
- Creates complementary exchange power. While it will take euros to get it started, the Sol’s immediate non-convertibility (or in any case convertibility according to clearly defined rules) enables it to circulate longer and make several rounds in the circuit. It thus becomes a genuine complementary currency which, by fostering certain kinds of behavior among consumers, citizens and producers, increases the exchange capacity of these actors.
- A system that avoids all speculation thanks to the Sol’s negative interest. The use of interest in conventional currency systems naturally tends to turn trading towards hoarding and speculation. For a project such as the Sol to be viable and sustainable over the long term, this issue has to be tackled. The Sol is a demurrage-charged currency i.e. it loses value if it is not used. After a period of accumulation during which the “Cooperation Sol” will not decline in value, it will gradually depreciate towards zero value at the end of three years (e.g. -20% at the end of the first year, -40% at the end of the
While the idea of a non-monetary circuit naturally sounds like a Local Exchange System (LES), the Sol actually complements it. A LES is principally an exchange network between individuals. The Sol enables people to participate in inter-connected collective projects that meet their needs. In addition, the “Commitment Sol” will give access to the “Cooperation Sol” circuit (for example, through discounts in social and solidarity economy enterprises and access to certain public services chosen by local government). As an example, upon presenting a membership card, a volunteer could get a discount on an insurance policy from a participating mutual insurance company or a reduced entrance fee at a neighborhood cultural or sports facility. The system works like the customer clubs that many companies run. Here the club is comprised of members of the Sol association, which entitles them to the benefits of an affinity network. For the participating enterprises and local government, this system is a way of recognizing and rewarding good citizenship. For the enterprises, this recognition is connected with an increase in the potential customer base and, for local government, with a better use of existing public services.

The particular features of the “Commitment Sol” are as follows.

- Promotes activities that are currently under-valued. France has a huge number of volunteers, the equivalent of around 1.2 million full-time jobs, who receive virtually no recognition because their work is voluntary and “free.” Many of these socially useful activities are thus invisible. The point is not so much as to show the contribution of volunteering as to make everyone more aware of the role of volunteers in the economy in the sense of the Greek concept of oikos nomos, “managing the city.” The objective is to invent a way of conferring a positive value that highlights this form of social contribution by giving it a measurable visibility. However, given its
Other uses of the Sol by regional and local government can also be imagined, e.g. a town, which is looking for solutions to the problems of young people who cannot afford housing and the elderly who are socially isolated, could try the following experiment. An elderly person offering lodging at a rent within a young person’s means would receive Sols from the local government that would enable the elderly person to pay for a carer to go out together, to do the shopping, to visit friends, etc. In exchange for the low rent, the young person would perform a community service and be compensated in return with Sols. Sols issued by local government would enable the recipient to use selected services at a reduced price.

The particular features of the “Dedicated Sol” are as follows.

- Includes these social groups in a larger project. The Sol card enables incorporating this social policy into a larger project that involves other actors and other social groups. The stigma associated with using welfare benefits like food stamps would disappear. The Sol card also has a snow-ball effect, enabling these people to participate in the other Sol exchange systems and to find in them ways in which their activities can be rewarded.

- Fosters the growth of the local social and solidarity economy by introducing a bias in favor of this sector in the choice of goods and services that can be paid for in Sols (like with any conventional dedicated currency system, the community decides which services are part of the scheme).

**The Sol: Combining modern technology and social innovation**

The Sol will use information and communications technology, mainly smart cards, Internet and voice servers. The idea is to develop a modern instrument that is simple to use and meets the needs of all those who want to help create a better world that is fairer, more livable, more...
sustainable and more ethical. During the experimental phase, 18,000 smart cards and 450 payment terminals will be put into circulation in several places starting in 2006. The dimensions of the project, the negative interest of the “Cooperation Sol” (which emphasizes the means of exchange function of a currency and avoids speculation) and the synergy created through the relationship between the different uses of the Sol (the different inter-connected circuits) help build an ethical community centered on activities and actions that have environmental and social utility. It also helps fight discrimination and social exclusion through the diversity of the groups involved in a single global system and thus promotes exchanges between these groups.

Besides the technological aspects, it is worth pointing out that the Sol initiative also entails developing a code of practice for the service providers who distribute and/or receive Sols. In addition, it requires some form of participatory management to check that there are no abuses in the system, to draw up a code of practice and ensure that it is adhered to, and to identify, propose and vote on community projects and major causes that will benefit from the Sol fund.

A Sol association was thus created, made up of representatives of the different stakeholder groups in the project, ranging from enterprises and government to Sol cardholders. As for the experimental phase, the role of the Sol association is to draft a charter defining the use of the Sol and the rules needed for running the system, in particular a procedure for registering participating organizations and services. The association also ensures the dialogue among the different groups involved in the initiative (the social and solidarity economy, the public sector, the activist consumers and the people involved in the exchange circuits) so that the use of the Sol is in everyone’s interest. The Sol association is also responsible for managing the fund created from the Sol’s negative interest. Finally, the association examines the economic, social and political implications of the Sol and complementary currencies and plays a key role in the thinking and development of monetary innovations.

The Sol initiative thus sprang from the idea of turning the economy back into a means instead of an end and a desire to participate in a broader project for changing society into one that is based on ethical, environmental and social values. The experimental phase and a better understanding of the mechanisms and new opportunities that the Sol offers will enable developing real workable solutions for combating social exclusion that enhance everyone’s exchange potential, foster greater social and environmental responsibility both among citizens and enterprises, and facilitate a convergence of interests between the public and private sectors.

The Sol also plays a larger role in the thinking about what wealth means and how it is measured. As a unit of account, the Sol would enable measuring the value of production activities that satisfy environmental and social criteria and the group of activities that are not included in current indicators. The Sol is thus closely connected with work on new indicators of wealth.

Finally, this project is part of a wider debate and experiments on monetary innovation for the democratic re-appropriation of money.

Celina Whitaker was born in Brazil in 1960. A Brazilian citizen and an agronomist by training, she is involved in running the Nouvelles Richesses collective and coordinating the Sol Project. She advises a project on alternative indices for measuring wealth set up by the Brazilian Economic and Social Development Council (in partnership with the foundation France Libertés). She has also contributed to the World Social Forum on the topics of the social and solidarity economy, complementary currencies and the Banyan movement (which invites all those who share its values to join them). She is also involved in collective decision-making processes and participatory democracy.
The social economy has always developed original retailing organizations and enterprises in which the consumer is a decision-maker rather than a mere consumer. There has also always been a pressing need to return to non-inflationary retailing systems. Of course, capitalist retailers themselves invented other competitive formulas a long time ago by finding other ways of cutting prices, which incidentally reduced consumer cooperatives’ own market share in many countries. However, this has not happened to all consumer cooperatives, especially those that are open to competition, have active members and have adapted modern techniques to the social economy’s particular requirements, as well as those that had turned to cooperative organization as a social response to poverty and insecurity. In addition, new types of cooperatives have been developed, such as the cooperatives of independent retailers that provide managerial, purchasing and marketing services for their members, enabling them to compete with large capitalist retailers that are owned by private and institutional shareholders and sometimes even families. Another new form of retailing has appeared more recently in the social economy with the advent of fair trade, which seeks a more equitable relationship between the roles of the producer and the retailer, offers producers higher income, makes their products more accessible for consumers, and respects the environment and nature.

This is an updated and richer version of the original cooperative approach.
Consumption and the social economy
Yuko Wada (Japan)

Consumers who produce commodities: An alternative economic activity

It is quite shocking to know that many primary school pupils in Japan think fish swim in the sea in the shape of a fillet. Although these young children have the chance to see fish swimming in aquariums, they simply do not know that fish are filleted for cooking and serving. Modern city life makes it difficult for city dwellers to know how the foods they buy at a supermarket have been produced or processed. Japanese people used to be very hard-working farmers, closely attached to the land and nature, finding numerous gods in every element of nature and their surroundings. Thus we used to live side by side with nature. We cultivated, processed and our own crops, and production and consumption happened at the same site. However, the distance between producers and consumers is now immense.

Since the end of the Second World War, mass production and mass consumption have been encouraged in Japan, the Japanese economy has grown rapidly, and Japanese consumers have become extravagant, wasting goods and endangering natural resources. However, some people, like the Seikatsu Club members, have become skeptical about market trends, which only pursue the attractive appearance of goods with artificial colorings and preservatives and which may well cause serious health hazards in humans. We are appalled to know that some supermarkets dispose of tons of food every day and that candy manufacturers add colorings and artificial preservatives only to attract young potential consumers. Seikatsu Club members were also aware that rapid industrialization caused air pollution and water and land contamination, which severely
damaged natural habitats and the environment in those days, and in some ways the destruction has not quite stopped even now.

Seikatsu Club members are quite conscious consumers. We have reached the conclusion that the conventional market economy does not fulfill our ideal notion of consumer life. It only produces, distributes and merchandises goods for profits. Instead, we had to create a new style and a new system which controls the production-distribution-consumption-disposal process in a way which does not pursue profit, but creates new values such as the realization of a sustainable society. It is almost impossible for a consumer to cultivate fields for rice and vegetables in her own garden, raise cattle for meat and produce eggs, fish and so on. So we ask the farmers, fishermen, and other producers to provide us with food that is cultivated, processed, or manufactured in the way we want them to be. In such a context, it is inevitable that the consumer and the producer reach a certain agreement about not only the specification of production but also concerning the vision of the society we pursue. Both parties share the same value of life and the relationship is based upon mutual reliance. Producing and consuming are like the two sides of a coin.

In the Seikatsu Club, we have been fighting to build such an ideal relationship with producers and create systems in order to realize our vision. The following are our main visions and the systems we have created and have been revising, when necessary, and which we currently operate.

The nonprofit organizational system: an alternative to conventional commercialism
We, as cooperatives, do not aim at making profits which are allocated to the members, but our notion of profit or value does exist in our products themselves. We pursue a sustainable society. Though we are fully aware that we can not survive without consuming natural resources, we want to minimize the damage to nature and to pass it on in as good a condition as possible to future generations.

Pre-order collective purchase system
The purpose of our pre-order collective purchase system is to provide products to members without the production and sales losses of the conventional market. We make orders 2 to 4 weeks in advance (depending on the type of goods) by filling machine-readable forms or on the Internet. We even make orders for rice well over one year in advance since rice is our national staple and is only produced once a year. In this way we make a promise to the rice producers concerning the volume of rice we will consume in the coming year. Due to pre-ordering, we are able to have well-planned consumption. The producer can supply fresh food, which uses no preservatives, to the consumer because of well-planned production and efficient shipment.

This continuous ordering-producing circuit guarantees future production. Although we apply a very strict safety standard (for example, one-tenth of the volume of pesticide applied to vegetables and fruits compared with the national standard), the producers are willing to fulfill our requirements because they agree with the safety principle, and also because they will have a guaranteed market for their vegetables and fruits, for example.

Thus, we can manage the whole order-production-shipment-delivery process in total, which makes us unique among present marketing systems in Japan. The members can choose three different ways of purchasing goods, namely (1) joining a “han” (a small group) of several members each, (2) through an individual delivery service, or (3) becoming an operating member of a depot (a shop-style collective purchase arrangement). This assures planned production and distribution, and encourages many people of various lifestyles to join us.
Through the pre-order collective purchase system, producers and consumers are constantly understanding each other’s positions and maintaining trusting relationships. Our aim is to offer ever higher quality products while continuing to fulfill our social and global responsibilities.

The Green System and countermeasures against environmental hormones in packaging materials
We have introduced a system of multiple reuse returnable jars and bottles, called the “Green System.” The glass container reuse system is called “the movement for solving the problem of packaging refuse,” and is carried out with the cooperation of producers and the bottle industry.

Unification of the standard for returnable bottles, and using the same standard bottles for several different types of products, has helped to raise the efficiency of collection, sorting and cleaning. In 2004, we collected over 7,159 tons or 24,666,615 bottles, which enables the reduction of 2099 tons of CO2 emissions.

In 2004, we also collected 950,000 signatures for a petition, including support from 212 members of parliament, calling for revision of the Package Recycling Act, and presented this to the National Assembly. Presently, all refuse disposal costs are paid for by a local tax. The petition calls for a change in the present law and aims to include disposal costs within the price of the product. Thus manufacturers will have an incentive to package, for example, juice in glass bottles rather than in plastic bottles, which have a higher disposal cost. Unfortunately, the petition was turned down by the Economy and Industry Board, but more than 350 local assemblies have adopted the petition in support of the revision.

The Eccoro mutual-assistance and guarantee system
In a market economy, a social service very often becomes the target of the game of profit-making. Nowadays, people in big cities, in particular, do not want to rely upon their neighbors’ kindliness or help. Modern life places a higher value on privacy than voluntary communal aid. People prefer to obtain social services through money, and feel irritable about their neighbors’ kindliness. We believe that face-to-face relationships and direct communication are of great importance in a modern society like present-day Japan, where people are locked up in homes and prefer to be alone.

In our mutual-assistance system, called “Eccoro,” we have a different concept. We contribute a monthly payment of 100 yen (about US$1) per member to an accumulating fund. When a member needs certain assistance, she asks for her neighbor member’s help. For example, when I need someone to look after my baby while I go to hospital, a nearby member will volunteer to do the babysitting for me. The volunteer gains a certain amount of money (about US$6 per time) from the fund. This is not a wage or any other kind of salary for labor she has provided. This small amount of money is for a smooth exchange of personal needs and services. The idea is that she provides a service to another member on one day, but on another day she can ask for help from other members.

In everyday life, we promote a local exchange of needs and services between members through the Eccoro system. This can guarantee a reliable and comfortable life in local communities. Money exists in the Eccoro system only for giving our members the chance to start mutual support systems while maintaining the lowest possible profile. The next step, we believe, is to expand the idea of different styles of mutual reliance to the local community.
Localization against economic globalization - A consumer who produces

Generally speaking, a consumer is defined as a party who consumes commodities in a certain economic system and thus does not own any means of production such as land, a tractor, a fishing net, a field, or factory facilities. Still, we ask farmers, fishermen, and manufacturers to produce products as we wish them to be produced. In the conventional economy, the producer decides what to manufacture for selling and making profit, but in our system, a consumer decides which products are going to be produced. Although we do not acquire the means of production, we can still control production through discussion and negotiation about the ingredients, materials, price, packaging, and distribution of the products. Thus we call ourselves “a consumer who produces.”

Producer cost guarantee system

The prices of the main products are determined according to the producer cost guarantee system, in which all producer costs from production to distribution are made public and put on the negotiation table. In this way, the producer’s livelihood and business are secured. The system is only viable through long-lasting relationships and mutual reliance.

For example, we have had a long-lasting relationship with rice producers in northern Japan through an annual negotiation of the rice price for the coming harvest year. We invite the producers to our town to exchange information and ideas with our members. We visit them in turns every year to see how rice grows in paddy fields and to see the surrounding environment, as well as to lend them a hand when they are busy planting, weeding and harvesting rice. When the producers have a very poor harvest because of a typhoon or for some other reasons, we even collect money from our members for them to rebuild their livelihoods for further production.

Independent control and auditing system

We have established safety, health and environmental principles, which guide our operations. Producers ratify these principles in order to participate in the system and work with our members to achieve improvements in terms of the principles. This system is characteristic of the Seikatsu Club and differs from the general environmental and quality control standards and certification systems.

Producers make information public based on independent standards in agriculture, fishing, stock raising and food processing. The Independent Control Committee, consisting of our members and producers, examines the degree of attainment of standards and also revises standards to a higher level.

Under the supervision of the Independent Auditing Committee, our members carry out “mass independent auditing.” This auditing of the sites of production by members is one of the unique features of our activities, which is based on our history.

The Japanese government has introduced more relaxed standards for prohibited pesticides over the past 10 years from 26 to 230 allowable items, as well as increasing the number of approved antibiotics from zero to 9 owing to WTO-Codex decisions. However, chemical hypersensitivity syndrome and other possible chemical-related diseases have been increasing rapidly among Japanese people. Our principles set severe standards on our products that have been achieved through this long-lasting relationship and trust with producers.

Planned labor participation

We provide manpower in farming. For example, many members go to tomato fields in Nagano Prefecture every summer to help with harvesting. The tomatoes have to be picked within a very short period of time for making juice and ketchup and preserved for the coming year. We call this “planned labor participation.” In order to
gain and secure tomato juice and ketchup for our consumption, consumers participate in part of the production process. The members are fully paid. Their wages are included in the prices of juice and ketchup as a part of the necessary production cost.

The Shinseikai producers’ association
The producers formed an association called the “Shinsei-kai” in 1977, when we decided to stop using synthetic detergent, and both parties found it necessary to promote solidarity between producers and consumers. We started with 47 producers. The association now boasts 238 producers in 2005. This unique association, whose membership extends to many different industries, also plans many forums and events. It certainly helps the producers to constantly maintain their motivation for being a partner of consumers, encouraging and exchanging views and ideas. When the Japanese government decided to introduce genetically modified (GM) crops in 1996, the Shinseikai made it possible only for the Seikatsu to take countermeasures against this government policy by eliminating GM food as much as possible at the earliest time.

How to organize people
What makes us successful is quite simple. We do not stop thinking and acting but always all members, in one way or another, are actually participating and contributing to our movement. Because this is our movement and the systems that make our life what we want it to be, we relentlessly think, act, and alter according to the time, place and people in a democratic way and through democratic structures. We have been constantly encouraging members to participate whatever time, knowledge, money, and labor they have to spare.

Members organize the executive board at a local Seikatsu Club Co-op
The Seikatsu Club consists of 26 different and independent cooperatives under the name of Seikatsu Club in 16 prefectures in Japan. Each Seikatsu Club cooperative forms an executive board elected by the members. As cooperatives, we believe that direct participation of members in management, as well as in activities, is essential. Board members are elected at the annual local branch assembly.

Independent and voluntary structure by members
Each local Seikatsu Club cooperative has its own structure for guaranteeing that members will be involved in running the co-op. Generally speaking, a unit is formed according to a local city or ward in the metropolitan area. The Seikatsu Club members at each unit hold an annual gathering to share views concerning the present situation, to discuss the results of the activities, and to decide the annual budget for the local activities. The funds for these activities are collected from the members. They elect the managing members (the leaders of a unit) as well as auditors to inspect the activities. The agendas are distributed to all members of a unit, who are always encouraged to participate in this annual gathering, which is our supreme decision-making body. It is quite important that we have provided a structure and an opportunity for each member to act and fulfill her potential as a responsible consumer.

This is because we want to achieve responsible consumption through a democratic process. The leaders of a unit hold an executive meeting every month in each local Seikatsu Club in order to coordinate activities as well as to check that the monthly consumption volumes are being fulfilled as planned. The meeting also coordinates the plan for membership and consumption in the coming year.
develop them into the next generation. We intentionally create many opportunities for both consumers and producers to meet and talk. Responsible and reliable production and consumption can only be realized through such direct relationships.

A direct relationship between production and consumption can be achieved within or based upon the local economy. Both producers and consumers have been continuously making an effort to understand each other’s lives and economic situation, which enables the implementation of a real local economy working for the mutual benefit and future of all. It has taken us nearly 40 years to reach the present standard of cooperative activities, movements and responsible consumption. The process never ends, because we do believe that the economy consists of human relationships, in particular between producers and consumers, where mutual reliance needs constant communication in such a rapidly changing social climate. We pursue the local economy in solidarity with consumers and producers through meeting person to person and working hand in hand. It is, we believe, the only way to counter the globalization of the economy and to ensure the establishment of a sustainable society.

YUKO WADA joined the Seikatsu union of consumer cooperatives in 1987. She was elected president of the Yokohama-Seiba consumer cooperative (part of Seikatsu Kanagawa) in 2000 after running a mutual insurance scheme and a section that deals with environmental issues for three years. When the Seikatsu consumer cooperatives in the Kanagawa prefecture were restructured in 2003, she was re-elected president of the Yokohama-Minami consumer cooperative, which has 17,000 members.

Workers’ collectives
The Seikatsu Club signs contracts with workers’ collectives, one of the partners for collective purchasing activities, which do not have full-time staff. Workers’ collectives undertake such work as delivery of products, ordering, displaying, or selling products at a depot, visiting local people to explain the Seikatsu Club and encourage them to join, driving a van to promote the Seikatsu Club’s unique products to the neighborhood, and accounting and clerical work at the delivery centers.

Most of the members of workers’ collectives are Seikatsu Club members. We not only exercise responsible consumption through being a member of the Seikatsu Club, but can actually exercise and promote responsible consumption through jobs and work.

Partnership and mutual-reliance with consumers and producers
We want to lead the kind of life we wish. As we want to manage and run our lives our own way, the Seikatsu Club is a useful tool. What kinds of ingredients are necessary? How should they be processed? How should they be delivered to us? How should we decide prices? We encourage as many members as possible to participate in such decision-making processes directly or indirectly, to promise to consume, and ask our friends and neighbors to join. Furthermore, the Seikatsu Club leaders change from year to year, guaranteeing any member the opportunity to undertake such a position if she wants.

Our leaders are voluntary activists. This has enabled us to avoid power concentration and to maintain democracy. Thus we have been encouraging more and more members to take the chance to actually meet the producers for visiting and working together and to exchange views and ideas. Though we have well-established and well-run systems such as independent audit systems and price guarantee systems, we inevitably need people who can maintain the present systems and
The primary concern of social-economy organizations is making services widely available while ensuring that they are of high quality and affordable. The healthcare sector is obviously included in this commitment by the social economy. Social-economy healthcare organizations play a complementary role to the public sector without, however, being systematically in direct competition with the private-sector organizations operating on the market. To compensate for the failures of the welfare state, the social economy has always been able to offer services that are both of high quality and affordable, while the public sector has been providing services that are increasingly basic and the traditional private-sector establishments have been concentrating on healthcare provision reserved for the highest income brackets because of their obligation to maximize profits.

We should remember the origins of mutual health insurance companies, whose purpose was, and still is, to pool the funds of their members in order to provide assistance in case of need. We should also not forget the development of nonprofit homecare organizations, which have been expanding the scope of their service provision to include people with often little or no income, the disabled and the elderly by bringing together healthcare professionals and volunteers to make costs more affordable and by offering payment schemes in partnership with government.

In this chapter, two visions from countries thousands of miles apart are presented that show—in both the article by Carlos Monjardino on the social economy in Portugal and the article by Akira Kurimoto on the social economy in Japan—how close the issues on healthcare are and how the social economy’s solutions are consistent and flourishing.
The role of civil-society organizations in healthcare
Carlos Monjardino (Portugal)

Civil-society organizations that provide social-solidarity services combine all the conditions for playing an active role in certain areas of the healthcare sector. In my opinion, there are two types of reasons that fully justify the active participation of these institutions not only in defining public health policy but also in the actual provision of healthcare. These reasons, which I consider fundamental, are the following.

· Social-solidarity organizations play a naturally important role in community social care provision, and this experience can, and should be, used for healthcare provision.
· In addition to the role they already play, these organizations can also considerably expand the scope of their services to cover a larger number of citizens

The constitutions of several European countries recognize the existence of third-sector and cooperative and social-sector organizations and grant them a specific role in the social-economy sector. This social-economy sector is between the public sector and the private sector, and the “social economy” is between the State and the formal economy, i.e. between the public sector and the private entrepreneurial sector. In every society, the role of this social sector is strongly influenced by the capacity and effectiveness of private-sector organizations, on one hand, and especially public-sector organizations on the other hand. The purpose of social-economy organizations is precisely to provide a solution, or rather a different solution, to problems that neither the State nor the formal economy—i.e. private enterprise—is really able to solve. In Portugal, despite our long tradition of centralized government, there is also a long tradition of organizations that fit this vast concept of “social-economy” organizations. These organizations have an alternative approach and, in this sense, they often fall outside formal rules, which is always, in my opinion, a richer and more dynamic way of operating. As part of a responsible civil society, and sharing the belief that the solution to many problems that affect people has to come from active solidarity, these organizations have been experiencing considerable growth in Portugal and throughout Europe for the past thirty years or so.

This movement, which is not just confined to Europe but extends to the four corners of the globe, is what the specialists are referring to when they talk about the “emergence of civil society and a global civil society.” Made up of a very diverse group of organizations, this civil society is seeking a new conception of development and, through this, a new economic model that is not purely and simply centered on making a profit, with all of the consequent cost cutting, costs that are increasingly high and difficult for the State to bear. The men and women around the world who are the backbone of this global civil society movement are searching for a new model of sustainable development that enables real growth of wealth and its equitable distribution in a way that satisfies all basic human needs. These needs may be primary and absolutely indispensable for our survival as a species and for our dignity as human beings, or needs that are related to the very evolution of science and technology—in other words, our lives in an increasingly complex and demanding society.

Satisfying fundamental needs is not, nor has it ever been, an easy task; it is no more or no less than the pursuit of utopia. The degree to which a society can respond to this permanent challenge of looking after humanity is a measure of the level of civilization, even though we all know that this goal will never be completely achieved.
In the constant quest towards a higher level of civilization, modern democratic nations that defend humanist values include a set of basic needs that they aim to satisfy in a general, universal manner in the list of fundamental rights for all citizens. These needs thus constitute a body of fundamental rights, i.e. freedom, justice, education, healthcare, housing, and care of the ill, the elderly, children and the disabled.

Social-economy and third-sector organizations provide services precisely to try to satisfy these basic human needs. In other words, there is a whole part of economic activity closely related to these fundamental rights of the citizen that comes under the “social economy” since its product is also meant for social consumption. However, this does not mean that the formal economy should not provide healthcare and housing, but I think that healthcare, housing and education should be provided primarily by the social economy based upon objectives that are centered on neither making profits nor obtaining the maximum remuneration of capital. This means that these areas are really ideal social-economy sectors and obvious areas for social-economy organizations to work in.

In our political, economic and social systems, the State has to “promote increasing social and economic welfare and the quality of life, in particular for the neediest, within a strategy of sustainable development.” This is the tradition of the “social state,” which is unquestionably one of the great achievements of our civilization, despite all of its difficulties and contradictions. However, this does not mean that the State has to ensure, exclusively by itself, all social-welfare provision and thus become no longer a social state but an actual welfare state, which are now going bankrupt in a number of countries.

A number of circumstances connected with the need to reduce public spending and budget deficits have led governments increasingly to delegate the responsibility for the provision of a growing number of social services in the social realm. Because they are community-based, civil-society organizations provide better services at lower cost. They thus play a complementary role with the public sector by providing social services under contract, services which should be primarily provided by the public sector, and by receiving government funding to do this.

This is the case of social-solidarity organizations. As social-economy organizations, they have the unique characteristic—compared with other social-economy organizations—of providing social care that is largely financed by government. These organizations particularly exemplify the concept of a “welfare society” by taking the State’s role in the provision of basic social services that are primarily the State’s responsibility. In providing these services, these organizations operate outside the rules of the market in pursuit of public-interest objectives. The application of this conception of a social-solidarity organization in the healthcare sector leads us to the following two conclusions.

• Firstly, social-solidarity organizations provide healthcare under government contract within the system of public services, i.e. they form an integral part of the health system which, from the citizen’s point of view, is a public service to the extent that it is mainly financed by taxes.

• Secondly, these social-solidarity organizations do not compete with public healthcare organizations; quite the contrary, they complement them and form part of a well managed system of public healthcare.

Another significant aspect of these organizations is that they can also have a moderating influence on the implacable logic of the market. While they are independent of the State and are run like
private companies, although managed democratically and equitably, these organizations are concerned with the public interest and are recognized by citizens for this essential characteristic.

Besides these organizations, which work directly in pursuit of public-interest objectives by providing high quality services as part of public services, there is another type of organization that stands out as different because, even though they have economic aims, they include new concerns in their objectives and play a different kind of role in the economy. This is the case, for example, of foundations and social-economy enterprises that reinvest their profits in the social sector. The social economy is not against the idea of profit, but there is a social priority in the allocation of profits.

Once we understand this essential difference, we can better understand how “social pharmacies” and “social hospitals” work. These social enterprises operate on the market and obey market rules, but they have an alternative approach in terms of the social value of profit, i.e. they reinvest their profits in social activities. In regards to the social pharmacies, it needs to be remembered that they comply with the same professional and administrative rules and regulations as other pharmacies. The difference is that instead of being owned by an individual—a pharmacist or other person—they are owned by social-economy organizations, e.g. a charitable hospital, a mutual society or any other private social-solidarity organization that has an activity that justifies its existence. Thus, all the profits generated by these activities are reinvested in the social sector.

Let us now return to the role that civil-society organizations can play in the healthcare sector and see how they can make a real difference to the quality of life of citizens. In Portugal, the practice of providing care by private nonprofit organizations goes back to the beginnings of the nation and became particularly important in the 16th century following the creation of the Carthusian monasteries.

At that time, it was the responsibility of citizens, often organized around the Church, to provide for the healthcare and social-welfare needs of each other. Despite our tradition of centralized government, the monarchy always encouraged these initiatives of “good people” while nevertheless establishing a regulatory authority and giving these activities a legal and administrative framework. The monarchy thus ensured that these organizations remained faithful to the objectives chosen by their founders (the Church or private individuals) and worthy of the royal advantages that were conferred upon them.

The situation today of social-solidarity organizations, which include the charterhouse hospitals that continue this tradition of social solidarity and assistance, has barely changed. Private social-solidarity organizations play an important role in the provision of social-welfare services, particularly for the elderly and children. Giving these organizations the chance to develop projects in the area of healthcare, in partnership with government, is an opportunity that should be seized. These partnerships are useful and desirable for a vast section of civil society. However, it must not be forgotten that for these partnerships to succeed they have to strike a strict and decisive balance between the responsibilities of government and the responsibilities of civil society, which are manifested by these organizations. For civil-society organizations to function properly and meet their objectives, government also has to play its irreplaceable role fully by both creating an appropriate legal and fiscal framework and taking the responsibility for providing basic social services. Contrary to what many people would like us to believe, modern society does not need fewer public initiatives in the area of social services, as in other areas; what it needs are better initiatives, especially ones that provide more effective, higher quality and less expensive services.
Growing social development has created new needs in the area of healthcare—such as care for an ageing population—and the various healthcare policies have proved to be inadequate for solving these kinds of problems. Without wanting to draw a hasty conclusion, I think that the difficulties that successive governments have faced in trying to resolve the many problems that arise at this level are the result of an overly bureaucratic vision of how to manage public health. A national health service based on an exclusively public structure, even if it is managed privately, from which everyone expects practically everything, tends to lose sight of the individual and becomes caught up in a maze of administrative procedures. The paradigm of the State/citizen relationship has to be changed by finding intermediaries that put the individual first and treat the individual as a real human being and not as a customer or user.

The government has to be able to open public services like healthcare to private social initiatives and thus create the partnerships needed to achieve a common good. A distinction has to be made between a health system that is exclusively public and a health system where the public sector provides the structure and leaves room for new initiatives and genuine alternatives that go beyond the pure and simple privatization of the healthcare sector. Based upon a clear principle of subsidiarity, partnerships have to be developed in which each party does what it does best in order to provide services that are better quality, less expensive and ensure the general well-being. The private social sector possesses great expertise in the areas of healthcare and social welfare, a precious experience that the government can and should take advantage of and should not forget when developing healthcare policies.

The government has to be prepared to consider the private social sector as an available partner for pursuing healthcare policies in a public-sector perspective. This social sector is centered on the human being, does not pursue a profit-making objective and adopts management strategies that aim to use material and human resources fully. A culture of high quality public services has to be developed in which public services are not automatically or only provided by the State but instead government joins together with the private sector to deliver the levels of quality and effectiveness demanded by citizens.

The right to health is a fundamental right enshrined in the Constitution, a right that each of us experiences and feels as an inalienable right of our human condition. It is a “right of positive provision” that obliges the government to ensure that every citizen has access to healthcare. Today, people live to over 80 years old, there are an increasing number of people over 65, and the number of children is continually falling. The effects of these profound demographic changes can be felt in practically every sector of social life, in particular in the healthcare sector. This ageing population needs specific types of care—care that is often first of all a form of social solidarity and only secondarily healthcare, and that the traditional public hospital is unable to provide. With the severely dependent and terminally ill patients in mind, the Fundação Oriente (Orient Foundation) created the For Health Foundation (an institution created specially for funding other organizations that want to work in the field of healthcare). This foundation signed a contract with the Union of Carthusian Monasteries (an association of all the Carthusian monasteries in Portugal) for setting up total-care units and total-care hospitals in some of the old charterhouse hospitals. The foundation wants to build small care units where the patient’s dignity is the highest priority.

Personally, I am convinced that Portugal possesses all of the means needed to make a real improvement in the healthcare sector and that all that is missing is the levelheadedness to define a clear strategy that places the citizen at the center of policy-making. The
The social economy and health services: The case of Japanese health co-ops

Akira Kurimoto (Japan)

Introduction

How to provide high quality health services at an affordable price is an area of public policy in the spotlight and widely discussed in many parts of the world. There is clear market failure in which the most advanced medicine is available for the richest who can pay skyrocket prices while a large part of the population is excluded from services, as in case of the United States. There is also apparent government failure when the National Health Service ensures every person’s access to services while patients have to wait for treatment/hospitalization for several months/years as often happens in the United Kingdom. This dichotomy reflects tradeoffs between market and regulation although health service is provided more or less in the regulated market since it deals with human lives.

How to enhance service users’ access and capabilities against service providers is another important problem to be addressed since health services are provided under the sheer asymmetry of information. In most cases users have no choice but to accept the doctor’s decision as final while comparable information is rarely available to them. They have to accept the situation or go doctor shopping. There is a move to improve users’ rights by means of informed consent, second opinions and comparable information but they easily fail without institutional or organizational arrangements.

How to establish linkages between health promotion, medical treatment and long-term care has been longed for in order to address the changing patterns of diseases from acute/contagious ones to chronic ones, generate better-coordinated services for the beneficiaries.
and reduce overall costs. But such a goal has been hampered by institutional or functional reasons. On the whole, municipal health centers and a large part of social services are financed through taxes while most medical institutions must be financially self-sufficient and therefore do not want to provide services that do not pay. The different approaches in the three functions have posed barriers to coordination, as there are very few people who have thorough knowledge about these functions. To secure the continuum of long-term care, an inter-entity structure, a coordinated care system, an integrated information system and integrated financing are required.

This paper examines what kind of roles social-economy enterprises and organizations play in the different institutional settings in which they operate. Then it focuses on health co-ops in Japan and analyses how they can empower users to improve access and capabilities and how they seek to establish linkage between health promotion, medical treatment and long-term care to enhance their own health and well being.

**Institutional framework of healthcare**

The most important problems in healthcare are who provide it and how to finance it. There exist enormous discrepancies in the institutional frameworks among countries. It may be provided and paid by the state monopoly (ultra statist model) while it may be left to the free market without any public intervention (ultra libertarian model). Most countries are between these extremes although there exist strong regulatory frameworks for healthcare in the entire civilized world since it directly relates to the lives of people. For example, the professional qualification is licensed by state bodies in most cases, and new drugs are authorized only after strict testing, while distribution of drugs is partly liberalized to private pharmacies in many countries. The public sector has been the dominant provider in many countries, but the nonprofit and cooperative sectors are emerging as a result of deregulation and privatization in service provision.

Healthcare delivery systems are confronting significant challenges posed by the rapid development of communication and biomedical technology, the need for cost-containment and the focus on effectiveness and efficiency, the increase of populations’ demands for services and changes in demographic and epidemiological factors. The different strategies for reform include decentralization and centralization, substitution policies, redefinition of the functions of hospitals and primary care, creation of new roles for professionals, improved management, cost-containment and market orientation. No matter which strategies are adopted, the aims of reform are to provide healthcare that is oriented towards outcome, based on evidence and focused on effectiveness and efficiency, to increase the availability of services, patient satisfaction and the quality of care.

How to finance healthcare also varies from one country to another. In Scandinavia, it is financed by tax while compulsory medical insurance schemes are widely used in many continental European countries. In the United States, it is largely dependent on private insurance schemes since there exists no universal coverage except for Medicaid and Medicare. In any case, the rapid ageing of the population and the increased application of biotechnology inevitably push costs up. How to cap ever-increasing medical expenditure is one of the most crucial problems facing many countries.

**Importance of health promotion**

The other important aspect of healthcare is the holistic view of health promotion, which extends beyond the traditional boundaries of healthcare to include all aspects of human life and environment. The first International Conference on Health Promotion in Ottawa...
The active involvement of all concerned people and communities in the process of health promotion is indispensable. As such health promotion provides a variety of opportunities to social-economy enterprises and organizations, which are formed by users and/or providers of health services and insurance schemes.

Why does the social economy provide healthcare?
There are a number of reasons why social-economy enterprises and organizations are involved in the provision of healthcare and social services, which are largely dependent on institutional settings. First, healthcare cooperatives cater to the specific needs of users or providers. Many cooperatives were organized to fill the gap in remote areas, especially in villages lacking doctors where people have to make long trips to see doctors or rely on occasional traveling clinics. Others have been established to secure medical services for particular social strata; for example, before the Second World War, the so-called workers’ clinics were created in Japan to serve the working class who did not have access to normal medical care. Or some cooperatives were set up to exercise bargaining power to run medical insurance schemes or buy medicine at affordable prices; the AARP or HMOs in the United States have provided such services. In Benin, medical school graduates created cooperative clinics to employ themselves when recruitment was stopped in the public health system. In Brazil, as a reaction to the situation caused by the government’s establishment of the unified national social security system in 1966, health professionals formed their own cooperatives, since they wished to defend the importance of a patient’s right of choice and eliminate the intermediaries constituted by the private for-profit enterprises. These co-ops were united in state federations and finally in the tertiary UNIMED, which organized more
than 30% of doctors in the country. None of these reasons applies to the Japanese health cooperatives in urban areas, where services are easily available or even oversupplied and where the public health insurance system controls the price for services and drugs.

The most extensive survey on cooperative organizations in the health and social care sectors was conducted by the United Nations Department for Policy Coordination and Sustainable Development in 1997, which made a detailed classification of cooperatives whose business goals are primarily or solely concerned with health and social care according to the services they provide and their ownership.

The types of services are classified as follows:
- Health cooperatives providing health services to individuals
- Social care cooperatives providing social services to individuals
- Co-op pharmacies retailing medicines and equipment needed for individual care
- Health and social care sector support cooperatives
- Health insurance purchasing and service delivery cooperatives

The types of ownership are as follows.
- User-owned cooperatives
- Provider-owned cooperatives
- Joint user- and provider-owned cooperatives

A summary of health co-ops in Japan
Japanese health cooperatives were classified as user-owned by the UN survey. It is true since they are owned and controlled by members, who are overwhelmingly consumers, and registered under the Consumer Cooperative Law of 1948. The majority of members are healthy consumers, who want to be prepared for health risks (diseases or accidents), and to lead healthy lives. In this regard, health cooperatives are different from organizations exclusively composed of patients. At the same time, medical professionals including doctors, nurses, technicians and pharmacists are also involved as members of health cooperatives. According to the statistics for 2001 compiled by the Health Cooperative Association (HCA), there are 119 health cooperatives owned by 2.37 million members, out of which 22,026 (0.9%) are employees, including 1,605 doctors, 10,736 nurses and 3,898 administrative staff. Health cooperatives seek to create a synergistic effect by involving different stakeholders working together in the same organizations to attain common goals, i.e. promotion, maintenance, recovery and restoration of every user’s health. It is expected that users can help providers create better services by committing themselves to the healthcare process, while providers can help users to establish positive attitudes in maintaining health and tackling diseases.

The health co-ops run 78 hospitals equipped with 13,288 beds and 345 medical/dental clinics. In the last decade it has extensively invested both in facilities and personnel for the long-term care in view of the introduction of a long-term care insurance scheme. They run 250 visiting nurses stations, and also operate nursing homes, health service facilities for the elderly, day care centers, home care support centers etc. The total turnover is ca. 270 billion yen (2 billion euros), which is estimated to account for 1% of medical service expenditure in Japan. The members invested ca. 50 billion yen as share capital. The average share holding of 27,000 yen (200 euros) is higher than in retail co-ops.

The membership composition leads to a user-dominant board of directors. In health cooperatives there are 2,133 lay board members representing users while there are only 740 paid board members representing providers. In the case of the Saitama Medical Coop, 27 board members represent users while 10 members represent providers;
involvement in learning how to lead a healthier life. There are 243,000 members, which belong to 25,731 han groups. The average size of a han is 9.4 members, much bigger than that of a han within retail cooperatives, which is 4.3. They meet regularly at one of the members’ houses. The district committees are organized into school zones to promote networks in the community, while users’ panels are attached to hospitals/clinics to represent users’ interests in the daily operation of medical institutions. In this regard, the health advisors have been the driving force within health co-ops. They study preventative medicine through various lectures and correspondence courses and use this knowledge to organize massive campaigns to promote self-health checks within han groups. The number of health advisers doubled in the 1990s to more than 40,000.

Health co-ops also seek to promote transparency and user participation in the medical practice through implementing a Charter of Patients’ Rights as a guideline to be followed by patients and service providers. Patients’ rights as stipulated in this charter are as follows.

- Right to be informed regarding diseases, medical care plan and drugs.
- Right to determine suitable medical care plan.
- Right regarding patient’s privacy.
- Right to learn about their own disease, its treatment and prevention.
- Right to receive necessary and optimum medical service at any time.

Informed consent is generally understood as a concept for promoting patients’ human rights, but it can be a one-way communication from doctors to patients, as seen in the “explanation and consent” form used by the Japanese Medical Association. In this regard, the Charter emphasizes a patient’s right to be informed and to learn how

Enhancing users’ access and participation

The primary motive to organize health cooperatives in Japan is to create a better quality of life by facilitating users’ access and participation in health promotion and medical care, which has a strong tendency towards professionals’ domination due to asymmetric information. In order to attain such a goal, user members are encouraged to learn about health in “han” groups (small neighborhood groups consisting of 9-10 members) and attend various courses to become “cooperative health advisors” who voluntarily lead health promotion activities. Members also learn self-health checks such as testing and keeping records of their blood pressure and testing their urine for sugar and salt contents by using simple devices such as an automatic sphygmomanometer and urine test paper, initially assisted by nurses and health advisors. Thus they are more aware about their own health, which enables them to play an active role in leading a healthy life and to making decisions in collaboration with service providers to prevent or combat diseases rather than passively leaving their own health in the hands of the latter.

There are a number of intermediary organs between the board and members, which are created to encourage member participation. Han groups, for example, play a vital role in promoting members’ involvement in learning how to lead a healthier life. There are 243,000 members, which belong to 25,731 han groups. The average size of a han is 9.4 members, much bigger than that of a han within retail cooperatives, which is 4.3. They meet regularly at one of the members’ houses. The district committees are organized into school zones to promote networks in the community, while users’ panels are attached to hospitals/clinics to represent users’ interests in the daily operation of medical institutions. In this regard, the health advisors have been the driving force within health co-ops. They study preventative medicine through various lectures and correspondence courses and use this knowledge to organize massive campaigns to promote self-health checks within han groups. The number of health advisers doubled in the 1990s to more than 40,000.

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to make decisions based on self-determination. To this end, many co-ops started to disclose case records to patients to implement the Charter, and they now provide members with a large number of opportunities to learn about health, which includes group discussions, seminars and correspondence courses, so that members can have the capacity to make the right decision on the most appropriate medical care. They also regularly conduct surveys on patients’ evaluation of medical treatment and nursing care so that users’ views can be fed back to improve services. Medical care by multi-functional teams is being used on a trial basis to enhance the quality of services by introducing collaboration among different departments and various stakeholders while putting patients at the center. Thus health co-ops seek to bring about democracy in the medical industry, which tends to be paternalistic because of its highly professional nature. As such, they seek to empower users to take an active part in the medical care process and positively work together with service providers to lead a healthy life. Pestov argued that parent day-care cooperatives in Sweden empowered consumers as co-producers through their participation in the work combined with democratic procedures and parents holding honorary offices, thus meeting parents’ desires to influence their children’s lives. This holds true for health co-ops. Both social and medical services are basically consumed where and when they are produced and users have the potential to influence how the services are provided. But the sheer asymmetry of knowledge and skill in medical care between providers and users requires more careful consideration about users’ involvement.

**Networking health promotion, medical treatment and long-term care**

When the long-term care insurance system was introduced in 2000, many hospitals rushed to provide long-term care services, thus integrating medical and social care, which might provide convenience and concerted care provision for the beneficiaries, while there is a potential risk that hospitals would profiteer from patients by enclosing them in the circle of subsidiary facilities. So there is growing concern about these “medical and social care complexes.” As a matter of fact, 85% of health service facilities for the elderly and 30% of special nursing homes are built and controlled by private hospitals.

Health cooperatives have also increased their involvement in the provision of long-term care as a natural extension of health promotion and medical care, where they have accumulated experience and know-how. To this end, they have made substantial investment in training personnel and building facilities for long-term care. As a result, the number of facilities run by co-ops had grown by 3.7 times during 1990s, mostly attributable to those related to the long-term care insurance system. In addition, they are seeking to create better communities based on citizen participation by strengthening health-medical-welfare networks. Co-ops map out the local needs and resources, analyze problems and possible solutions, and coordinate integrated provision of prevention, cure and care services. It is not realistic for co-ops alone to provide such integrated services, so they intend to collaborate with other organizations, including social welfare corporations and volunteer groups while developing partnerships with local authorities. Such development may lead them to become multi-stakeholder cooperatives for health and social care, where consumers, medical professionals, care workers and volunteers will work together to enhance the well being of people and communities.

**Conclusion**

Thus, health co-ops present a viable model of health service provision empowering users in their access and participation while linking health promotion, medical treatment and long-term care in the communities. There are a number of best practices in these areas. 
objectives are: to be a forum in which residents discuss various problems concerning their health and daily life, set up organizations to own and operate medical institutions, and solve problems through various movements in cooperation with cooperative employees and healthcare providers.

Cooperative members promote all kinds of activities through their investment, utilization and management. Even in the case of healthcare, they are not merely recipients of health services but expected to spontaneously participate in these activities.

Health cooperatives, based on the *han* groups and individual households, are pursuing activities to promote health in communities. To continue being active in everything and leading enjoyable lives, people must change themselves, have an influence in society and actively cooperate with others. This is what healthy living is all about. These are the fundamentals of our building a better health movement.

Each cooperative member has participated and cooperated to make our health cooperatives what they are today. There still is a trend toward lack of respect for human dignity. However, we will continue to move forward, placing great importance on member participation and cooperation.

**The Charter of Patients’ Rights of Health Co-ops**

The aim of this Charter is to foster and highly value members’ lives. To do this, members must make an effort and move toward member-control. At the same time, the Charter is a declaration of human rights, which guarantees that the lives of all cooperative members and local residents are respected and supported by everybody. The Charter also guarantees democracy and residents’ participation in healthcare.

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**Appendix: the patients’ rights charter of the Health Cooperative Association**

**Democracy in healthcare**

As citizens, we all have the fundamental right to be respected as human beings and to receive necessary healthcare without any discrimination. With the advancement of the people’s movement in pursuit of democracy, the constitutional idea of the right to lead healthy and culturally fulfilled lives is steadily taking root among people. From this perspective, people are demanding openness and participation in healthcare.

However, the rights of patients have not been fully recognized in the field of healthcare, especially medical establishments in Japan. In order to promote the health cooperative movement, clearly defining the rights and responsibilities of patients, and the obligations and responsibilities of providers of healthcare, as well as local and central governments, has become the task, which both users and providers of healthcare can no longer avoid.

**Health Cooperatives**

Health cooperatives are autonomous organizations set up by residents based on the Consumers’ Livelihood Cooperative Society Law. Their
Rights and Responsibilities of Patients
As independent people tackle diseases, patients have the following rights and responsibilities:

**Right to be informed**
They have the right to receive understandable explanations to their own satisfaction, regarding issues such as diagnoses, the name and condition of diseases including examination results; prognosis or forecast on the course of diseases; medical care plan for their disease; reasons for decision on treatments and operations and their details; name of drugs and their effects and side effects; and necessary payments.

**Right to self-determination**
They have a right to decide for themselves their medical care plan and other matters proposed by medical care providers after receiving an explanation to their satisfaction.

**Right to privacy**
They have the right to have their privacy protected and to not have interference in personal affairs.

**Right to learn**
They have a right to learn about their disease, prevention, method of treatment, and the after care toward a healthy life in general.

**Right to receive medical care**
They have a right to receive necessary and optimum medical service at any time, in a way that is worthy of human dignity. They also have the right to demand improvements in medical security systems at central/local governments.

**Participation and cooperation**
They have responsibilities to protect and develop these rights in co-operation with medical care provider.

Akira Kurimoto is director and chief researcher of the Institute of Consumer Cooperatives in Japan and executive director of the Robert Owen Association. He is also vice president of the Japan Society for Cooperative Studies and a former chair of the International Cooperative Alliance’s research committee. From 1990 to 2003, he was the head of the international department in the Japanese Consumer Cooperative Union. He is also the author of numerous articles and works on cooperatives, some of which have been published in English.

**NOTES:**
1. In the United States, only two population groups qualify for publicly funded healthcare: people over 65 and the disabled are covered by the federal Medicare program, and poor families are eligible for Medicaid.


3. AARP (American Association of Retired Persons) has over 35 million members in the United States and is dedicated to enhancing the quality of life for people over 50. It works for social change through information and advice and by providing services and products to its members.

4. Health Maintenance Organization (HMO) is an insurance plan that provides healthcare services to its members. It is a form of managed care.


8. The Charter was adopted on May 11th 1991 at the annual general meeting of the Health Cooperative Association of the Japanese Consumer Cooperative Union.

The following contributions look at some specific aspects of social-economy approaches towards education. The first concerns after-school tutoring in a European country and the second concerns the need for better including the social economy in university programs.

These two portraits of the efforts deployed by the social economy to take into account educational expectations and get the social economy itself taken into account by the educational system fit into a wider perspective. The social economy is based on people joining together to pursue a common aim and not on building up capital, which is only of secondary importance. It is therefore clear that the social economy greatly supports education from the earliest age. Each and every person should be given every opportunity to succeed, and the ways and means for acting in a spirit of solidarity and effectively should be taught very early on. The social economy thus follows a community-centered approach towards education that seems particularly appropriate for countries like India, Brazil or Mali. The social economy believes that people in the North and the South should have access to lifelong education. While the provision of education should normally be the responsibility of government, it should at a minimum be supplemented by educational opportunities provided by nonprofit organizations, cooperatives and mutual societies. The social economy can thus help reduce inequality earlier and permanently and also enable each person to acquire skills. This is what organizations from the cooperative and nonprofit sectors are doing on every continent, as shown by the courses run by the International Cooperative Alliance and its members and by many NGOs in the field.

The organizers of the Mont Blanc Meetings realize that, beyond this book, more work needs to be done on the role that cooperatives, mutual societies and nonprofit organizations can play in education in the future.
The social economy helping students
Jean-François Cochet, (France)

Changes in French society
French society has greatly changed since the 1970s due to economic changes, the geographical splintering of families, the desire for financial independence by women, the rise in education levels, changes in the labor market and the dramatic rise in unemployment.

The impact of globalization on finding work has meant that job-seekers have had to move away from home and that local, inter-generational forms of help at home have thus disappeared, e.g. looking after children on Wednesdays and during school vacations, help with homework, and other ways of helping that make daily life easier, like help with shopping, cooking, etc.

The distance between home and work has significantly increased the length of time parents are away from home. Children are more often left on their own after school. Parents’ availability is even more limited in the case of single-parent households. To compete with countries which have low-skilled workforces and to develop goods with higher value-added, the government has been aiming to increase education levels (the target is 80% of school children finishing high school versus the 30% who reached this level in 1970).

These changes in French society have affected parents’ attitudes about the kind of education their children should have. Their calculation is based on two assumptions. Success depends on the choice of junior high school and high school, followed by the choice of academic stream, which will enable getting into a “good” class. The idea of “catchment areas” determines the school based on the place of residence. “Smart” parents have devised strategies for getting their children enrolled in desirable junior high schools based on parameters like where one lives rather than grades. In addition, house prices in Paris reflect the proximity of the top high schools and those that have high success rates on the entrance exams for the grandes écoles (selective, specialized higher education institutions).

Lastly, mass unemployment, which began in the late 1970s, has gradually heightened parents’ anxieties about their children’s future. In low-income families where there are no high school graduates, a high school diploma remains the goal parents hope for their children. In middle- and high-income families, a high school diploma only means the end of that stage of the education process; the keys to success have already been guaranteed through the courses taken in high school. A further observation can be made. There are fewer children from working-class and farming backgrounds in the grandes écoles today than there were thirty years ago.

The situation has also changed for students. Over 30% of them have to work to cover the costs of higher education. The need for paid employment with flexible hours leads higher education students to look for work like tutoring.

We can thus better understand the changes in society’s attitudes about education and the changes in parents’ expectations about education. Demands on teachers are higher at a time when the job of teaching has become harder. Teachers and schools not only pass on knowledge and culture. They judge, sanction, direct and decide children’s futures. This is why parents, according to their means, turn to help from outside the public education system—not to replace school but to offer their children more personalized learning tailored to their academic needs.

Even if these new demands of society may be regrettable, our role is to identify them and find an appropriate response. In the long term, it is government’s role to change this situation. In the meantime, the private sector is already set to meet this demand driven
One of the justifications for homework concerns maintaining family relationships, but homework also has an affective dimension through its connection with family relationships. The way a family deals with school-related issues plays an important part in the student’s academic achievement. For their part, students feel they are unable to do their homework by themselves. However, the “help parents provide often turns into a real nightmare. Homework causes stress and conflict in family life.” There is a gap between the parents and the school in the methods and language they each use. This tension and the wish to avoid daily conflict are important reasons for turning to an intermediary from outside the family. This external help takes several forms depending on the educational level and the family’s social background. In deprived neighborhoods, after-school programs are set up by local government and often take the form of either a supervised study period or tutoring in order to offer all students the means for academic success. The programs are free for families as they are government funded. The important thing is that the students do their homework. The supervised study periods run for the whole year, are made up of groups of 10 to 15 students, generally mixed levels, and are held in public buildings in the community. They are run by volunteers and paid instructors.

The tutoring provides students with advice, explanations and encouragement. Parents enroll their children so that they can receive the help that parents feel they are unable to provide themselves. Based on an estimate made in 2000, 120,000 to 150,000 children are enrolled in these programs. However, according to the report quoted above, attendance in the tutoring program has not produced significant results. The positive outcomes have mainly concerned children’s socialization (better behavior and psychological benefits).
This market was not very developed in the 1990s, but it has gradually grown, especially since 1998, in the wake of the company Academia, “the market leaders in supplementary educational services,” which advertises having over 2 million hours of courses a year. However, several other companies, like Cours Legendre, have branched out from distance learning to home tutoring, or Keepschool, an Internet start-up company created in 2000 that has also joined the market. Numerous regional companies have been created by former students who had taught privately to pay for their own higher education and then decided to stay in this field. For example, this is the case of the nonprofit organization Calistéa, created in 1992 in Grenoble, and the company Abos in Toulouse.

The value of this market is estimated at €500 million, split into a for-profit component worth €100 million, a component covered by local nonprofit organizations and an “informal” or voluntary component connected with home help and community services. Today, the nonprofit and voluntary sectors are largely covered by various social-economic organizations such as Unassad for home-help and home-care services and the Ligue de l’enseignement for volunteer work helping groups at risk. The social economy should also play a role in the mainstream part of the market so that it is not entirely left to private companies, whose primary objectives are to make profits and increase their share value.

**Why a specific social-economy solution?**

Domicours was created in September 2003 by four big social-economy organizations, Macif, Matmut, Mutualité française and Chèque Déjeuner, to fill this gap and play a role on this market.

Gérard Andreck, chairman of Macif, said, “It is important for us to offer new services to our members, and we understand parents’ concerns about their children’s academic success.”

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A growing demand for private after-school tutoring

The private sector has been offering tutoring in response to this competitive environment for a long time already. The main characteristic of these past few years has been the growth of a national industry to meet this demand, in addition to the unreported tutoring by students and teachers. Various tax incentives introduced in the 1990s have made this kind of business financially attractive.

Playing on parent’s anxieties as well as their expectations about their children’s futures, companies offering home tutoring have been rapidly growing over the past few years. Previously, the children who enrolled in these programs were trying to catch up in certain subjects, for example French or math. These programs remained informal. Today, private home tutoring has become very official. Families turn to these tutoring programs less for helping children having problems at school than for ensuring that their children get the best grades and can thus get into higher education programs with the best career prospects. Nearly a third of all high school students and a fifth of junior high school students have had extra help in one form or another. They may get private tutoring, enroll in a year-long course, or look for shorter term help for a particular weakness or before exams.

There are also programs for free tutoring run by nonprofit organizations (Afv, Secours catholique, etc.) There are currently 10,000 students enrolled in them.

In summary, the after-school tutoring programs meet the needs of schools, but they do not necessarily provide the means for getting into the courses with the best job prospects. “It has to be asked to what extent they enable students not just to cope with school and stick with it, and even to succeed academically, but also to get ahead in the competitive game that education has become.”

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**THE SOCIAL ECONOMY**

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**EDUCATION BY AND ABOUT THE SOCIAL ECONOMY**

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Daniel Havis, president of Matmut, added, “The evolution of our members’ needs motivates us to innovate. Our national network is an important foundation for this new business.”

Jean-Pierre Davant, president of Mutualité française, said, “Our aim is to enable as many families as possible to get after-school help.”

Finally, Jacques Landriot, president of Chèque Déjeuner, pointed out that “our group has been developing the provision of home-help services through the Chèque Domicile subsidiary for seven years. This home-help voucher system is a crucial element for equal access to home-help services, including home tutoring.”

What is special about social-economy organizations in this field?
Taxpayers can currently deduct 50% of the cost of supplementary educational services from their taxes, while someone who does not pay taxes cannot. To redress (very partially) this situation and help democratize the market, Domicours was set up as a registered service provider in accordance with the law, contrary to many other companies in the market. A service provider chooses and hires teachers who provide home tutoring. The parents pay the company for the contracted tutoring, and the company pays the teacher’s salary and social-welfare contributions. As a service provider, Domicours—not the parents—employs the teacher. This arrangement allows parents the possibility of paying for tutoring with chèques domicile, which may be provided by their works council or local government. Families who do not pay taxes can thus get help thanks to this tool for social justice. A works council can decide to set up a scheme in which a portion of the value of the voucher is subsidized depending on whether the employee pays income tax. This unequal treatment of companies based on their legal status was only partly corrected by the Borloo law on the development of the personal services market.

New issues
The relationship with the public education system
Some of the companies in the market view home tutoring as a remedy for the “failings” in public education. On the public education side, after-school programs are considered inappropriate for commercial businesses and should be entirely run and overseen by the public education system. Domicours’ shareholders, who share the public service values of the public school system, nonetheless feel there is a real demand from families and it is important to meet that demand.

Home tutoring does not replace the classroom for the transmission of knowledge and culture. It is a form of personalized extra help for the child. It has a much shorter time-frame than normal education and can be left open solely to private businesses? Should there not also be organizations involved in these developments that promote our values?

Employment practices and the new occupations
A second contradiction appears in the problems of applying the labor laws to these new categories of jobs. The employment relationship between the company and the employee-tutor is minimal compared with other companies:

- scheduling and working hours are decided jointly between the employee-tutor and the family;
- employee-tutors only very rarely come to the company that employs them and are not involved in the company’s affairs;
- employee-tutors often work for several companies.
Competitor commercial companies have got around the whole issue by making parents the official employer. How can job contracts and the labor laws take into account this new kind of job, which is part-time, and offer these new employees social protection and representation?

Professional standards
A change has occurred in this kind of work. What was once a source of extra income or a means of paying for tuition has now become a proper occupation in its own right. The way this market is structured has led to the emergence of a rather precarious workforce in a para-educational system. It has created a new occupational category that legally speaking is neither a home-help service provider nor a teacher. Over-qualified, the tutor may depend at least in part on the income from this job. For some of them, this is their main job (10-15% of home tutors). This is the case of former teachers who no longer want to teach in the classroom. This is also the case of people who want to return to work gradually. Excepting students who do this work temporarily, how can these jobs be turned into real, long-term employment for the other tutors?

Conclusion
Through Domicours, a group of social-economy organizations is seeking to provide an alternative response to a demand that comes directly from changes in society and lifestyles. The exemplary feature of this approach is the creation of a partnership of several organizations sharing a network of customers and members and providing them with a service based on their values in terms of helping people, community commitment, quality, lasting benefits and innovation. These networks allow reaching the final customer without having to resort to massive advertising campaigns that play on parents’ anxieties and fears. The steady development and success of this approach will enable the company Domicours to broaden its range of services to include new and more “democratic” services. Gradually, other social-economy organizations are joining or will be joining the four initial organizations to reach a greater number of people interested in this service. All of them promote the social economy’s values and support the idea of equal opportunity, a crucial element in Domicours’ development and service choices. Their economic weight will also enable them to lobby policy-makers.

Jean-François Cochet is managing director of Domicours, a social-economy educational services company. An engineer by training, he founded and managed a cooperative that was started up through the Compiègne Technology University and specialized in scientific software. In 1990, he joined the management team of the computer division in a large manufacturing group as the head of corporate planning. In 1999, he left this company to set up a network of cooperative service providers. Through this experience, he joined the cooperative Chèque Déjeuner. In 2003, he was given the task of launching the project of a national network of home tutors, a company whose shareholders are large social-economy organizations.
Learning about the social economy in universities

Gérald Larose (Canada)

Until very recently, social-economy education in Quebec was mainly through “learning by doing.” As with labor education, it primarily came on the job. There have also been more general programs. Workers, managers and promoters of the social economy attended programs called “universities,” “summer schools,” “workshops” or other periodic or occasional courses. As a general rule, these programs had an ideological function. Participants developed a sense of greater purpose. Social-economy education now also exists in higher education institutions. It is the focus of university research and knowledge production centers and programs for the transmission and dissemination of that research and knowledge as well as their promotion and diverse applications.

Applied courses

There are still many applied courses. All of the sectoral, regional and national associations include practical training in their educational programs. This often involves the sharing of experiences and specialized courses on new regulations, new procedures or new technology. These courses generally use internal resources. Sometimes they call in outside expertise. These kinds of courses have proved to be very relevant for the performance and growth of enterprises, sectors and organizations. All of the sectoral associations offer applied courses. This is also true for the Centres locaux de développement or CDDs (Local Development Centers, www.acldq.qc.ca) and the Sociétés d’aide au développement des collectivités or SADCs (Community Futures Development Corporations), which have a government mandate to help social-economy development initiatives in particular.

NOTES:

1. This section is based on the report by D. Glasman to the Haut Conseil à l’Ecole (December 2004).

2. Afev stands for the Association de la Fondation étudiante pour la ville (Association of the Student Foundation for the City). It combats inequality and works in deprived urban neighborhoods using student volunteers.

3. A public-interest, nonprofit organization under the 1901 law, Secours catholique fights all forms of poverty and exclusion and campaigns for social justice.

4. The Union nationale de l’aide, des soins et des services aux domiciles (National Union of Home Help, Care and Services) is a nonprofit organization under the 1901 law. It is a campaigning organization, a network and an employers’ organization simultaneously. Its mission is to campaign for policies in favor of homecare services.

5. The Ligue de l’enseignement (The Teaching League) was created in 1866. An organization that promotes workers’ education, it encourages citizens to work together towards reducing inequality, to discuss the issues, and to play an active role in the community in order to create a fairer, freer and more egalitarian society that benefits everyone.

6. A chèque domicile or home-help voucher is a chèque emploi service universel (cesu). A cesu is a means of payment that can be used for home-help services that was created from the merging of two earlier voucher schemes, the titre emploi service and the chèque emploi service.
The sector’s independent bodies, which are the Corporations de développement communautaire or CDCs (Community Development Corporations) and the Corporations de développement économique et communautaire or CDECs (Community Economic Development Corporations), have the same policy; the latter make assisting the social economy their top priority.

In addition to these organizations, the Comité sectoriel de main d’oeuvre de l’économie sociale et de l’action communautaire or CSMO-es-ac (Social Economy and Community Action Sectoral Workforce Committee),¹ which is part of the Quebec government’s publicly funded employment and labor-force initiatives, has a main objective of planning the development of the labor-force in these two sectors, particularly through training. Aided by general and specific surveys, the CSMO-es-ac monitors enterprises to make sure they meet their employee training targets. Several non-academic educational programs have resulted from this mandate such as those previously mentioned. The CSMO-es-ac runs them itself or finds other independent organizations to run them.

The Centre de formation populaire or CFP (Workers’ Education Center)² is one of the oldest continuing-education programs in Quebec. It has played a role in the community and workers’ movement in Quebec for over thirty years. With its range of programs it now serves everyone in the social economy—promoters, managers, workers—by offering them tailor-made courses using a variety of teaching methods. The Centre Saint-Pierre or CSP³ is a worthy follower in this tradition with a long experience not only in continuing education but also tutoring, management and program evaluation.

These types of continuing-education programs are offered in most regions in Quebec. The various centers that run them work together. They have succeeded in getting a grant together from Quebec’s Department of Education. Every year, the Department of Education earmarks funding to ensure the basic operation of these centers. It is then their responsibility to attract enough business to enable pursuing their long-term objectives. Working with and for social-economy enterprises and social, labor union, environmental, social-economy, advocacy organizations and other groups, they develop a range of educational activities adapted to the needs of each.

Up to this point, we have been talking about non-academic programs. They are numerous, have an original approach, are appreciated, and are effective. What about academic courses then? They have grown significantly, particularly in universities.

**University programs dedicated to the social economy**⁴

The social economy is studied in several programs as either the central focus of a program or as part of a broader program.

There are three university programs dedicated to the social economy: a short graduate program on the social economy at the School of Social Work in the University of Quebec at Montreal (UQAM),⁵ an MBA for managers specialized in collective enterprises at the School of Management in the same university,⁶ and a combined undergraduate and graduate program on cooperative management at the Institute of Research and Teaching for Cooperatives at Sherbrooke University.⁷

These programs treat the social economy as a development model and provide in-depth training in research, specialized analysis, social intervention and participatory management. They combine theory with practical fieldwork and have a large action-research component. The courses are short and have flexible dates and times to enable people on the job market to enroll, attend, and successfully complete the programs.
**University programs that include courses on the social economy**

There are a growing number of courses on the social economy that are part of broader university programs. This is the case of programs in community economic development, regional development and social work.

In the university programs in community economic development, the social economy is treated as a specific development strategy. This is the case of the combined undergraduate and graduate program at the School of Public and Community Affairs in Concordia University. The same approach is taken in the specialized undergraduate program in social and economic development offered at the Center for Amerindian Studies in the University of Quebec at Chicoutimi (UQAC).

The social economy is treated as an integral component of development in the regional development graduate program at the University of Quebec in Outaouais (UQO).

The social economy has found new niches in university programs in social work. In Quebec, besides working with individuals, families and small groups, social workers can also specialize in community organizations. This specialization leads directly to the kinds of social-economy initiatives that are promoted by the social economy.

There are numerous social work programs, e.g. Laval University, Montreal University, McGill University, the University of Quebec at Montreal, Sherbrooke University, the University of Quebec at Chicoutimi, the University of Quebec in Abitibi-Temiscaminque (UQAT), and the University of Quebec in Outaouais. They offer a range of diplomas and degrees—certificate, bachelor’s, master’s and PhD. Although none of these universities has a social economy department, the social economy is starting to be seen as a serious subject worthy of study. Lastly, we should point out that most of the programs in local, regional and territorial development increasingly include a social economy component. This is the case of Laval University and the University of Quebec at Montreal, Rimouski, Chicoutimi and in Abitibi-Temiscaminque.

**University research centers and programs**

The social economy as a separate subject in university programs first appeared relatively recently—thirty years ago. It only started to grow more recently—barely twelve years ago. However, this growth has been considerable. Coupled with the dramatic growth of university research centers and programs, with over 80 teachers/researchers in all of the universities in Quebec, this growth has had a structural impact. The social economy has become a legitimate subject of research, new knowledge production, new expertise transmission and advanced studies.

The most promising development remains the new dynamic that has been established among the various groups involved with the social economy, including researchers. Researchers have themselves become participants. Through their specific critical function, they help the movement constantly energize, rejuvenate, innovate and capitalize.

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9. BOTTOM-UP SOLUTIONS

In choosing to create a social-economy enterprise, a decision is made to set up an enterprise that is fundamentally based on collective entrepreneurship and concerned with offering solutions to social problems that affect everyone. Because these enterprises are based upon participation, they take a realistic, pragmatic and effective approach to solving everyday problems.

This is demonstrated in the article by Chigusa Fujiki, a representative of a Japanese network of workers’ collectives. The article begins by providing some definitions and historical background and then gives an overview of the different areas in which these collectives work: healthcare, education, food, clothing, housing, sports and culture, childcare, conservation, etc.

The article by Jean-Michel Reynaud argues that the social economy is a genuine alternative to the violence caused by neo-liberalism, that characterizes our times. Recalling the principles and values of the social economy, he makes his case on the basis of the social economy’s role in relation to national governments, a social Europe and the view that healthcare is a universal right. Deeply involved with the social economy through various positions, Jean-Michel Reynaud is also the author of numerous campaigning works. He shows that the social economy gives the current generation of employees and particularly younger workers the greater sense of purpose they are seeking.
Given the huge impact the economy has on our lives, the labor movement is concerned with purchasing power, employment, working and living conditions, and everything that directly and indirectly relates to the economy. As the labor movement is inherently and fundamentally interested in general economic issues, it is even more interested in the qualifier social when used in conjunction with the noun economy, because it suggests that another way is possible, another way more closely aligned with the labor movement’s objectives—defending workers’ material and moral interests—that encompasses not just very material concerns like purchasing power but also broader concerns like employment and less tangible ones like job quality and everything related to the environment, a way in which ethics is a key principle.

The labor movement’s concerns converge with the social economy’s on issues like economic growth, social cohesion, social-welfare protection, public health and even more so about important human values like solidarity and brotherhood. Fundamentally community-oriented and humanist in its approach, the social economy should be viewed as an alternative to the violence of the market. It thus deserves the full attention of a major labor union like Force Ouvrière.

Principles and values
The third pillar of the economy (the public and private sectors being the first two), the social-economy sector is made up of private nonprofit organizations that include cooperatives, mutual societies, nonprofit organizations and foundations. They share the principles of democracy (one person, one vote), no individual profit, complete independence from government; and the values of responsibility, solidarity and equity. Union members are involved with all of the social-economy’s constituent parts, especially with cooperatives and mutual societies, as cooperators, employees, company directors, members and occasionally, or even often, a bit of all of these together.

While it is often said that “Davos aims to build and Porto Alegre aims to debate,” the social-economy sector surely has to do both if it hopes to achieve “fairer globalization.” It also has to demonstrate through very tangible results that it is continually striving to balance economic growth with social cohesion.

The economy remains the engine of human progress but, as with any engine, the important thing is the way it is run. This is why it is worth remembering that solidarity has to be a part of any major economic undertaking; it brings a different approach to the economy in general.

Official recognition of the social economy by government
The modern notion of the social economy only really appeared in France a quarter of a century ago. An interdepartmental task force on the social economy was first set up in December 1981 and assigned to a junior minister a few years later. During these constructive years, the different components of the social economy began working together for the first time. Due to a lack of interest, a determination to marginalize its role, and a total misunderstanding of the sector’s whole importance, the government disbanded the task force in 2002, leaving just a small unit on social innovation and the social economy in the Department of Youth, Sports and Voluntary Associations. A new interdepartmental task force on the social economy was then haphazardly set up and given the difficult job of representing the interests of this sector. It was very active and attentive to the social
are of major importance for the labor movement too. Another interesting article looks at mutual societies’ crucial contribution to solidarity, with their history built on social development, their specific legal status and their mission to protect their members against life’s misfortunes, but serious challenges lay ahead for mutual societies, in particular new financial constraints. The arguments straddle the line between the possible and the desirable.

**Another way of doing business**

With mutual insurance companies, we touch upon the new complexity of the world in which we live: growing issues of liability, law suits, and new forms of risk. In this muddling confusion, mutual societies stand out as a useful marker whenever we think about the existing differences between types of insurers, i.e. those who share precisely the principles and values of mutual aid, and the others. Our thinking on these issues is diametrically opposed to the worship of the market and the frenzy of individualism through an egalitarian and collective approach.

Another way of doing business—that is the solution proposed by the cooperative movement: a democratically managed enterprise that is owned by the employees, that shares the fruits of its labor among the employees, and that practices inter-generational solidarity. In complete agreement with our values, worker cooperatives are a solution for failing companies and those looking for new owners.

**The social economy and a social Europe**

While the reality of a social Europe is undeniable, it is not the best model. Our article shows that social aspects have never been the subject of a common strategy or institutional recognition and that the schism between a deregulated and dynamic Europe and a Europe based upon social democracy is not only just the swing of history’s
The social economy represents a real commitment
As we draw to the conclusion of this article, one might think that nothing has really changed in a century. The battles are the same, the fundamental flaws and abuses have not disappeared. Yet after this initial globally rather pessimistic assessment, should we not be more optimistic? If the cooperative movement—the ancestor of the social economy—had not been born and been able to formulate its theories and put them into practice, could we today point to a real, economically and socially credible alternative to the all-encompassing market? Definitely not. It has been a century of particularly painful illusions and disillusionments. Despite this, the social economy is even more attractive today, especially for young people searching for new meaning in their lives, and because it is recognized as the only place able to offer a code of ethical behavior and a real social conscience in the economic context of human values.
What is a workers’ collective?
In recent years, “workers’ collectives” have been attracting more and more attention as community businesses. They are started by members of consumer cooperatives and provide goods and services which are necessary for a comfortable life. By working in a workers’ collective, each member can feel a reason for living and becomes independent. They can also improve the life of the people in their community. I really hope that workers’ collectives will also become popular and spread to other countries.

Workers’ collectives are based on the cooperative spirit. The 1995 Statement of the International Cooperative Alliance defines a cooperative as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.”

The members of workers’ collectives can be defined in the same way as cooperatives. They are not employed, but work together through pooling their financial resources, and take responsibility for their work through autonomous self-determination as equal partners. If I explain a workers’ collective in a word, it is, “we invest in it, we manage it, and we work for it.”

Workers’ collectives are often a not-for-profit citizen enterprise which is capable of carrying out functions necessary for the enrichment of the livelihood of the community. It is of course admissible to recoup the overhead costs of the enterprise and personnel costs necessary for ensuring that the enterprise can continue in a responsible manner. When a surplus occurs, the surplus is not distributed.
to the people involved, but is in some way returned to society. Furthermore, the enterprise is run on the basis that things should be looked at from the point of view of the users, and therefore care is given to environmental conservation and contribution to the community.

The origin and development of workers’ collectives
The first Japanese workers’ collective was formed in 1982 in Kanagawa Prefecture to contract for administrative work at one of the Seikatsu Club Cooperative stores and to produce and sell lunch boxes. Following that, workers’ collectives were quickly formed in Tokyo, Chiba, and Saitama regions. These were not all within the Seikatsu Club Cooperative; other cooperatives began to establish their own workers’ collectives and the movement spread nationwide.

Not limited to a business category or to cooperative-related contract work, workers’ collectives developed into any organization that would provide goods and services that would help raise the quality of life, such as in the areas of food, welfare, environment, information, and so on. It is established because the function which one wants is created as a business.

According to a survey by the Workers’ Collective Network Japan (WNJ) in the summer of 2003, there are about 600 groups active nationwide which describe themselves as workers’ collectives. These groups have more than 16,000 members and have a business turnover of about 12.7 billion yen.

The role of workers’ collectives in machi-zukuri (community-building)
“Machizukuri,” the creation of comfortable communities to live in, is used in various senses, including both the aspects of “software” and “hardware.” In this report, we look at ten elements of the software side, which people need in order to live healthy and cultural lives, and try to see what kind of roles workers’ collectives are playing in each particular field.

Food
The supply of food, which is the very foundation of the continuation of life, is one of the main pillars for the promotion of the workers’ collective movement. Some workers’ collectives which are engaged in preparing box-lunches, cooked food, and meals at homes for senior citizens, consider it important to use safe foods which contain no additives, to use locally or domestically (inside Japan) produced food, and to give priority to the cooking of traditional and home-style dishes. Taking environmental effects into consideration, they do not use disposable bowls and plates but lunch boxes, which are washed with soap containing no synthetic detergent after they are collected each day. When there is no other option but to use throwaway items, they select materials which do not emit toxic substances when burned. Although they spend much time and effort on cooking with high quality ingredients, the price of the lunches is reasonable, being between 600 and 800 yen.¹

All over Japan, more than 80 workers’ collectives (as of 2003), which prepare and sell box-lunches, meals, and bake bread, are running their businesses on this basic concept. Some of them prepare food not only for adults and senior citizens but also for children, and deliver to childcare facilities and schools. Some workers’ collectives also produce bread without using eggs, milk, or soy-beans, and so on, for people who suffer from allergies to these kinds of ingredients.

Health maintenance programs
As yet there are no medical workers’ collectives which provide medical treatment, though some workers’ collectives offer programs to
assist people to live self-reliantly and in good health. There are various programs such as acupuncture and moxibustion, rehabilitation assistance, and physical exercise instruction.

**Home support for senior citizens and the handicapped**

Firstly, more than 220 workers’ collectives (as of 2003) all over Japan offer housekeeping or nursing care services to clients at their home in order to support those who wish to live independently in their own homes. Many of these workers’ collectives have acquired corporate status, such as nonprofit organization status, have participated in the Nursing Care Insurance System, and have promoted the socialization of the home care system. Bearing in mind that they too would one day be the recipients of these services, the workers give courteous service based on the point of view of the recipients, who have been very pleased with the service given. They have also designed a self-evaluation system to assess their services, and are carrying out other social activities such as proposing improvements in the Nursing Care Insurance System from their point of view at the interface with the end users.

Secondly, there are also workers’ collectives which offer comfortable facilities for day care services for senior citizens. They manage day care services in neighborhood locations, and also longer day stays with meals and care services at welfare apartment houses.

Recently, some workers’ collectives providing transport services which can respond to the detailed needs of individual users are being established. They not only assist those who cannot move by themselves to go out and to visit the hospital, but also provide transport for helpers to get to clients’ homes. There are many different kinds of requests for this service, and it is thought that transport services will be very important in the future. There have been reports of enjoyable experiences when clients and their helpers have gone out together, and this is a field in which we expect growth and diversification.

There are also workers’ collectives whose concept is not to provide specific services to handicapped people, but to create workplaces where handicapped and non-handicapped people can work together. They look like the B-type social cooperatives in Italy.² We are trying to increase them in Japan, and some members of workers’ collectives have visited Italy to study them.

**Childcare support**

There are more than 150 workers’ collectives (as of 2003) nationwide providing child day care services which respect children’s human rights and try to meet various childcare needs. There are various management methods—some operate day care centers under contract from the local government, some take care of children in places rented by the workers’ collectives, and some provide care directly in the child’s home. However, every workers’ collective takes the view that parents and children can build up human relationships in the community, and also provide children with meals and snacks which can be given to children without any fears concerning food safety. The childcare support businesses not only provide childcare services but also consider food safety and other factors important in the upbringing of children.

**Education**

There are also some workers’ collectives which provide places where anybody can study without regard to age or any other limitation. Especially with regard to Information Technology, they give short courses with in-depth instruction that other schools generally cannot provide.
Clothing
Regarding clothes, there are over 20 workers’ collectives in Japan (as of 2003) which carry out recycling and re-tailoring of clothes. These workers’ collectives consider cloth to be important and not a disposable resource. Recently, the re-tailoring of kimonos has gained popularity. Some workers’ collectives have made use of their profits in machi-zukuri (community-building) or for assistance to Asian women. There is also a workers’ collective which takes people’s measurements and makes tailor-made, reasonably priced suits using high quality materials.

Housing
There are more than 10 workers’ collectives (as of 2003) that clean houses with soap, not with chemical detergents, as well as construction collectives that build houses without using chemical materials in order to avoid “sick house syndrome” (adverse effects on the dweller’s health caused by chemical substances used in the construction of the house).

Culture and sports
Although “culture” may overlap with the field of education, so far there are no workers’ collectives that specialize in culture. Theatre companies, musical performance groups, sports teams, and so on are considered to be fields that workers’ collectives can expand into in the future. Some members of the Seikatsu Club Cooperative are organizing theatre groups or chamber orchestras and giving performances as part of the Seikatsu Club Cooperative’s activities.

Environmental conservation
Efforts towards environmental conservation, such as reducing garbage, preserving farmland and green land, and preventing water pollution are the basis of the workers’ collectives’ activities, especially in the area of food, and the recycling and re-tailoring of clothes presented above. There are still only a few workers’ collectives whose main business is environmental conservation itself, but there are some workers’ collectives that make soap from waste cooking oil or contract with local farmers to produce pesticide-free vegetables in order to obtain safe food and prevent farmland being abandoned.

Allow me to describe in detail what workers’ collectives are doing to conserve the environment.

- Reducing garbage: Garbage is roughly categorized into burnable waste, unburnable waste, leftovers from lunch boxes and prepared meals, cardboard, containers, packages, and raw garbage from food processing. Convenience store and supermarket operations are based on mass buy-in, mass production, and mass disposal. On the other hand, workers’ collectives do not buy or produce more than they need, mainly because in most cases they produce on the basis of orders received in advance. Even though it is time-consuming, they use whole foods, not semi-processed produce. Some workers’ collectives compost vegetable garbage or use it for animal feed, and some return it to the fields of the farmers from whom they buy organic or low-chemical vegetables.

They are especially active in oil recycling. Instead of disposing of oil as waste, they make soap from the used oil and use the soap in their businesses. They do not use plastic disposable lunch boxes. They deliver and take back the lunch boxes in a handmade furōshiki, a Japanese fabric wrapping used as a bag. They try to minimize the use of plastic bags, which will not decompose in the soil and which generate poisonous dioxins. They reuse cardboard boxes in order to reduce garbage.
workers collectives and those by convenience stores and supermarkets, the latter use far larger amounts because they depend on mass production and long-distance transportation, which increases the length of time between production and sales.

On the other hand, workers’ collectives use far less food additives because the advance order system means that the time between cooking and delivery, as well as delivery distances, are very short.

- Preventing water pollution: Most workers’ collectives use natural soap instead of synthetic detergent to wash lunch boxes.

### Information dissemination

There are more than 30 workers’ collectives (as of 2003) which carry out editing and planning. They are helping to build communities and promote civic activities or movements through the gathering and dissemination of necessary information in easy-to-understand formats and by carrying out research projects and so on.

### Community building outside the principal work of the workers’ collectives

The workers’ collectives contribute to the building of the community through the work in their special field and also cooperate with other local organizations to create functions or policies which are necessary for the community.

The members of the workers’ collectives also participate in the management of their respective workers’ collective associations in each prefecture, which are the support organizations for the activities of the workers’ collectives. As directors or members of the administrative committee of each association, they take initiatives to carry out various activities nationwide to organize programs for promoting issues of public interest and to make proposals for social change. Specific cases include the activities for submitting
proposals for the reform of the pension system, to organize symposia, to conduct campaigns for establishing new rules and regulations, to establish nonprofit organization support centers and so on.

The flexible working schedule of the workers’ collectives is based upon mutual understanding and cooperation, and often enables the members to engage positively in activities in their own communities on a personal basis. Their activities cover a wide range of fields, such as programs at municipal public halls, PTA activities, promotion of gender equality in society, preservation of the environment, NPO support and so on.

Furthermore, the members have organized election campaigns to send representatives of their movement to the local councils, and today it is no longer unusual for the members of workers’ collectives to stand as candidates in elections. For the workers’ collectives, obtaining seats in local councils in order to reflect their opinions and to make proposals is as vital as their main work, because the ultimate aim of the activities of the workers’ collectives is to solve problems in their local communities for the construction of a better society.

**The appeal of workers’ collectives**

There are many aspects that make workers’ collectives attractive, such as:

- Each individual can have his or her own goals, and work in an active way while making use of his or her abilities.
- Beginning from the quiet but sincere wishes of the community, they carry out the function of enriching the life of the community. They are nonprofit organizations which give priority to the viewpoint of users and consideration for the environment.
- It is a form of work that can provide the individual with a feeling of self-fulfillment and a sense of satisfaction from contributing to the community.

**Challenges for workers’ collectives**

On the other hand, workers’ collectives still have some challenges to tackle:

- Although all the members are supposed to be both managers and workers, there is a difference in the managerial awareness between individuals.
- It is hard for individuals to evaluate each other’s abilities.
- Much time is needed to reach decisions that everyone agrees with.
- 80% of the members are women; moreover, most of them are housewives. There are very few workers’ collectives in which men
are three keywords which describe the society that workers’ collectives are trying to create.

1) “Sustainable;” a society which avoids environmental destruction in order to pass on a cleaner environment to future generations.

2) “Recurrent;” which means circulation and repetition. It is not just about recycling waste to save natural resources, but also about other areas of circular and repetitive processes such as mutual aid in a local community, and a free coming and going between various life activities, for example having a working style which ensures that we can engage in learning when necessary, the freedom to be involved in work (whether paid or unpaid) when we want to be, and also to participate in social activities when we wish to do so, and so on.

3) “Decent work;” humane and worthwhile work, which is promoted by the ILO, and which is thought to be very effectively promoted by cooperatives.

Workers’ collectives are valuable because they put these three keywords into practice. They are not like destructive businesses which prioritize economic efficiency. They focus on a comfortable way of living in their community, and provide goods and services to alleviate the severe situation caused by the aging of society and the decrease in birth rate.

References

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Values

Workers’ collectives place value in the bases of independence, mutual responsibility, democracy, equality, and justice within the spirit of mutual support. Furthermore, workers’ collectives believe that in
all activities, honesty, transparency, social responsibility and consideration for others are important.

**Principles**

**Purpose**

Workers’ collectives are workplaces that are open to the community and which are established by people who wish to work towards social and economic independence.

**Membership**

Anyone who is willing to bear the responsibilities of membership may join by paying a capital subscription of their own free will in order to participate in group labor and to enter into joint ownership of an enterprise which promotes the independence of human beings.

**Democracy**

Taking the form of a small group, democratic management is carried out on the basis of one person one vote. Furthermore, each individual takes responsibility for management, and information concerning the organization is freely available to all.

**Finance**

There must exist the self-awareness that an enterprise can be established with the initial capital subscriptions, and there must be on hand the necessary capital to establish the enterprise. Furthermore, a part of the capital should be indivisible and belong to no individual. Aiming to realize a fair income for labor and social security according to social standards, information concerning finance must be made transparent. Collective property remaining after liquidation at the time of dissolution of the workers’ collective is to be made over to other cooperatives or workers’ collectives.

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**Education**

Aiming at independence, basic knowledge of society, economy, ecology and so on is to be studied, and skills for industry that have value for life are to be improved through education.

**Contribution to the community**

As a workers’ collective enterprise is linked directly to the life-value of the community, it works through the enterprise to enlarge the area useful for the maintenance and development of the community.

**Joint activities between cooperatives**

Joint enterprises formed through partnership between workers’ collectives, cooperatives and so on promote the establishment of facilities for joint use.

**Relations with the public sector**

Workers’ collectives are citizens’ groups which are independent from government or other public organizations. In order to carry out their purpose and maintain responsibility to the local community, cooperation with the public sector is carried out having first made clear the area of operation of the required enterprise.

Chigusa Fujiki was born in 1956. She became a member of the Seikatsu Club Consumer Cooperative and, in 1992, she created the workers’ collective Seikastu-Koubou Machi-Machi with three other women to promote cooperation between citizens, businesses and government. Its core activity is publishing and organizing conferences and debates. From 2000 to 2006, she chaired the board of the cooperative of workers’ collectives in Tokyo, and she has been a representative of the Workers’ Collective Network Japan (WNJ) since 2004. She lives in Tokyo.
10. THE LABOR MOVEMENT’S PERSPECTIVE

The social economy and the unions (both employees’ unions and farmers’ unions) arose out of the same social circumstances in the 19th century as reactions to the problems caused by industrialization and capitalism in what would later be called “developed countries.” Elsewhere, the labor movement formed alliances with the cooperative and mutualist movements to combat extreme poverty, illness and illiteracy. This partnership has fostered numerous initiatives which have led to the creation of nonprofit organizations, worker cooperatives, consumer cooperatives, mutual health insurers and, of course, agricultural cooperatives and mutual societies.

There were periods of division between the labor movement, which wanted to change society radically, and worker cooperatives, which wanted to achieve concrete results. The unions accused the worker cooperatives of selling out to the dominant capitalist system, but the dialogue was gradually re-established, including in industrialized countries, as the unions were forced to react to persistent high unemployment, growing job insecurity in the 1970s and 1980s, and political change in Europe (with the fall of the Berlin Wall).

The relationship remained better in the sectors of social protection, healthcare and insurance, as if the labor movement had less difficulty recognizing the social economy’s social role than its economic role.

Today, the unions can see the social economy more clearly as a real alternative that has proven itself in various fields and sectors. Many areas for partnerships are opening up, including finance (savings, life insurance, pension funds, etc.), which plays a fundamental role in a period of globalization. This point of view of the European labor movement and the articles presenting community-based alternatives demonstrate the potential for greater partnerships between the labor movement and cooperatives, mutual societies and nonprofit organizations.
The labor movement in Europe and the challenge of globalization
Henri Lourdelle (Belgium)

The immense global challenge facing the labor movement and the social economy
According to the ILO’s estimates, 1.39 billion workers around the world (i.e. nearly half the workers in the world and nearly 60% in developing countries) do not earn enough to lift themselves and their families above the poverty line of US$2 a day. Millions of workers have neither representation nor social protection and work at the subsistence level. Disparities between countries and inside them are growing.

Poverty is the cruelest form of social insecurity. Today, 20% of the world population lives in extreme poverty. Only 20% of the world population has adequate social protection, and it is estimated that every year 4 million children die before they reach the age of 5 as a result of poverty. Only 2% of world GDP would be needed to ensure everyone had basic social protection. Most countries could fund this themselves from their own resources. Others would have to turn to international sources.

Despite growth in some countries and huge company profits, unemployment, poverty and income inequality between countries in the North and the South and within countries remain glaring. The structural adjustments recommended by international financial institutions (the World Bank and the International Monetary Fund) run counter to the social needs of workers and their families and people in society in general. It is becoming increasingly clear that the neo-liberal macroeconomic orthodoxy cannot on its own produce sustainable development in the developing world. The structural adjustment programs of these international financial institutions have included various reforms that are against the interests of the poor and the demands of the labor movement (in particular, privatizing public enterprises, spending cuts on education and healthcare, freezing wages, job cuts, deregulating the prices of consumer goods, unpaid wages, unpaid worker and social-welfare benefits, etc.).

Even if there are signs of change in the international financial institutions indicating a growing recognition of the negative impact of some policies on social development and the need for including social development criteria and strategies in their programs, it is clear that the vast majority of people does not gain from globalization and has no influence on its direction.

Is there another way?
This is the challenge facing those who support and are working for another kind of development, one that puts people first and respects their dignity and combines economic development and social cohesion.

Among them, the social economy movement and the labor movement, and in particular the European Trade Union Confederation (ETUC)—which represents 60 million workers belonging to 71 national unions and 11 European industry federations in 36 European countries—are singularly concerned and particularly involved with meeting this challenge.

They all share the same set of principles that underlie their work:
• solidarity
• democracy
• responsibility
• autonomy and independence from government
• joining together individual interest and public interest

In their actions, the two movements pursue common objectives, such as a shared interest in developing decent jobs for everyone.
Organizing to combat threats to social-protection systems

The situation is critical as the current debates at the European level on social protection and pensions demonstrate. Putting aside the various ways of running and funding social-protection systems, there are in effect two, fundamentally different options.

The first is based on an individualistic conception of social protection in which everyone is responsible for their own social protection through private insurance according to their financial resources. In these systems, blanket coverage exists but only at a very basic level. This is the option found in the United States and spread by the World Bank.

The second is a collective conception of social protection based upon solidarity in which risk is pooled across generations and among all social groups. This is the option that has been favored by the ILO and the Council of Europe. As previously indicated, this option can involve various ways of running and funding social-protection systems, even including public-private partnerships, but it is government’s responsibility to ensure that everyone has a decent level of social protection.

Today, in both Western and Eastern Europe, solidarity, “that fundamental tie of reciprocal interdependence that binds all human beings together in society and from which no one can free oneself” (Léon Bourgeois, 1898), is under attack.

However, social-protection systems, particularly in Western Europe (since for over half a century in the East, society and, consequently, social-protection systems have been organized according to a different model) demonstrated their economic and social utility and their effectiveness from the late 1970s until the mid 1990s during a period of massive structural unemployment. Unemployment benefits, healthcare benefits and retirement pensions prevented the
social exclusion of groups at risk. Of course, inequality and social problems have since grown, but these systems have served the populations’ needs adequately.

As a number of European studies have shown, 15% of the population in Europe is still living today below the poverty line, i.e. has less than 60% of the median income to live on (over 65 million men, women and children!) but, if we had an American-type social-protection system, instead of 15% of the population below the poverty line it would be 40%! This may be the risk some of the proposed reforms sometimes imply.

These policies of course have certain negative implications, in particular growing deficits and funding gaps, whether the source is taxes or social contributions (companies and workers). The cost of healthcare has escalated due to scientific and technological advances. The general demographic situation is bad: fewer births and more elderly people. The future of social-protection systems in Europe is being challenged on every front (funding, revenues and expenditure, universal coverage, protection level by industry sector, management, etc.)

Certain forces (conservative parties sometimes, employers, insurance companies, etc.) exploit these conflicts and difficulties for their own advantage, arguing for the partial or gradually complete privatization of the social-protection system.

It is therefore important that other forces such as the labor movement, including the ETUC, and the social economy address these current problems and take up the challenge of proposing reforms for strengthening and improving existing systems based on solidarity, paying particular attention to vulnerable, poor and excluded groups.

This debate runs throughout the whole European Union. Fundamentally it is a debate about the kind of society we want to live in. The European Union does not have the authority to make decisions about social protection; that is the responsibility of individual countries. As the ETUC has called for, we need to move towards harmonizing systems, but we also need to be aware that there are conflicting views within the institutions of the European Union itself (the Commission, Council and Parliament). Nonetheless, the European Union can make an important contribution to this debate, despite its internal differences.

**Developing synergies at both the national and European levels**

During its Helsinki congress (July 1999), the ETUC examined the issue of the future of social protection in Europe and passed a special resolution on this matter, which could stand as an action plan for the labor movement and the social-economy movement on the national and European level.

“The 9\textsuperscript{th} Congress commits the ETUC to:
- developing legal social-protection systems, making their financing more employment-friendly, and ensuring that changing family structures (direct rights) are taken into account;
- demanding all workers are covered by social-protection systems, particularly those with atypical contracts and the “fake” self-employed;
- calling for EU guidelines on social protection in order to combat all forms of social exclusion and marginalization that could result from newly created competition between different social-protection systems;
- campaigning for broadening the sources of funding of social protection and the development of alternative sources of funding;
- calling for a European legal framework for setting up occupational pension funds based on collective bargaining agreements, guaranteeing the transferability of migrant workers’ rights and establishing prudential rules for managing these funds;
There is still more work to do

One of the ways of moving forward is to get to know each other better, or at least get to know each other well. Some initiatives for doing that have been taken, such as, on the European level, the partnership agreement signed in April 2003 between the ETUC and Euresa. Recognizing the similarities in their views about the future of Europe and the European social model, based on their shared values, in particular solidarity and personal dignity, the two organizations decided to strengthen their cooperation through a joint working program.

Given the differences in culture and ways of working, this joint work is currently mainly concerned with retirement and pension funds. More precisely, Euresa and the ETUC decided to … how pension funds are managed. Often seen as destroying jobs, how can pension funds be used to create and preserve jobs?

The two organizations drafted together a code of good practice for occupational pension funds, and they are now looking at the investment strategies of these funds and how they can become socially responsible investors.

As part of their joint work, they also decided to work towards the very concrete goal of setting up a European ethical investment fund, based on social responsibility and sustainable development criteria, which occupational pension funds and financial participation schemes managed by the unions would invest in.

Other issues still to be tackled:

• in healthcare, fighting against the creeping, or in some countries more explicit, privatization of healthcare systems
• regarding long-term care, (dependent clients) finding a solution that is both ambitious and provides high quality care
· in employment, fighting against precarious contracts and for decent jobs;
· sustainable development
· etc.

As previously stated, these issues can only be tackled if there is cooperation not just at the international or European level, but also at the local and national level. Once these joint projects become well established, they will then be able to prosper and spread to other levels and on a larger scale. This also entails the effective participation of all partners in the drafting and implementation of public policies that foster personal self-fulfillment, social development and economic growth. This means a shared commitment to fighting for democratic governance, decent jobs and high quality public services that help the unemployed, the under-employed, low-income workers and, more broadly, all those excluded from society. Finally, this also means working together for more and better aid programs for developing countries, debt cancellation, fair trade, national policies, protecting human rights and, in particular, workers’ rights, and creating decent jobs for everyone. Of course, this is a huge program, but we need ambitious goals if we want to turn the slogan “globalization with a human face” into a reality.

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NOTE:
1. Euresa is a European network of social-economy insurance companies that develops joint operational projects.
The social economy in action: Transnational convergences
Thierry Jeantet and Jean-Philippe Poulnot (France)

The social economy is starting to play a larger role on the scene and is subtly changing the way we think about the economy. It had already been an active player for some time, but it was so discrete it was hardly noticed. It now plays a role in globalization and has decided to try to reshape it. The time when it was thought that there was only a single vision, a single way, is receding. This is what emerges from the contributions of this book. The social economy is coming out of the shadows and starting to offer new ways of thinking about the planet and, more importantly, new opportunities for acting in a democratic and socially responsible manner—both to overcome unacceptable situations (B.M. Vyas) in too many places around the world and to offer concrete, sustainable alternatives (as with the theme of Roberto Savio’s article on the social economy and a new world governance). Of course, as the authors point out, others have already taken action to distance the specter of the free-market model and cast off the shackles of a capitalist system temporarily boosted by the decline of statist regimes. The meetings of the World Social Forum that came out of Porto Alegre have been playing a crucial role for several years, showing that there is a worldwide civic capacity for mobilizing against a capitalism that is hardening as it modernizes. These meetings stand up against Davos and other ostentatious gatherings of heads of multinationals that are part of an economy that is not only very private but one that deprives citizens of their social, environmental and civic rights.
The social economy participates in these meetings. In them, it meets new civic and social movements and older allies like the labor movement. This is important. The social economy is always looking for partners from civil society, who reveal new needs of populations. As Roberto Savio shows, the neo-liberal model not only fails to take into account the public interest (one of its inherent features) and has thus created new inequalities (North/South and also even within the North), it has also proved incapable of properly managing the world economy, jolted by financial turmoil, brutal takeovers, etc.

In the face of this decadent system, which tries to dominate and monopolize everything, it is clear that alliances between new movements, including the social economy, are needed, as well as a shift from being an “improvised” coalition to an organized coalition.

Henri Lourdelle shares the same view when he adds that there is an even greater need for these alliances as the “structural adjustment” policies recommended by international financial institutions only create social dislocation and do not meet the needs of individuals and families. He thus stresses the importance of building upon what the social economy and the labor movement have in common in the search for a new model of human development based on the shared principles of solidarity, democracy, responsibility, independence, public interest, etc. The same argument should apply to other civic and social movements that are trying to make the needs of populations known and develop solutions.

The various articles in this book highlight the primordial needs of healthcare, housing, education, etc. and the right for everyone to lead active lives economically, socially and culturally, etc., all of them together adding up to the right to be permanently included in society. The market is only one aspect of human activity and only one aspect of the necessary exchanges between individuals, groups, enterprises, communities, etc.

The social economy is gradually being seen as a viable alternative, as shown by the statistics (3 billion people concerned by cooperatives alone) and the multi-sectoral presence of the social economy on every continent (Thierry Jeantet).

The articles illustrate the plural capacity of the social economy to meet citizens’ needs, which are themselves plural. Nobuji Kasuya’s article, for example, refers to a Japanese, Korean and Taiwanese social economy that is closely tied to traditional sectors (agriculture, retailing, etc.), a new wave in those sectors (Seikatsu Club Consumer Cooperative, etc.) and the emergence of social-economy organizations operating in new sectors (healthcare, homecare, environmental protection, etc.). For Yuko Wada, new types of needs are appearing in developed and rapidly developing countries that are faced with new risks (connected, for example, with industrial pollution), new lifestyles, changing family and social structures, etc. Paul Singer uses a survey on social-economy organizations in Brazil that was conducted by his department to highlight the choice social groups have made in creating cooperative and nonprofit organizations to meet their needs in an autonomous and voluntary manner—needs related to the concerns of families (housing, food, etc.) and communities (local job creation). From one end of the globe to the other, the social economy matches the social and even personal needs of individuals and groups and provides local solutions directly in the places and regions concerned. The contributions from the representatives of the African continent during the second Mont Blanc Meetings confirmed this adaptability of the social economy in responding to the expectations of people who decide to respond themselves, in or outside the market, and sometimes both in and outside the market. The legitimacy and strength of cooperatives, mutual societies, nonprofit organizations and other self-organized organizations of this type come from this phenomenon. B.M. Vyas stresses that the social economy...
Jeremy Rifkin signaled the start of this period, our times, calling it the “age of access,” and cooperatives, mutual societies and nonprofit organizations have a crucial role to play here. The objective is to provide, as professor Ignacy Sachs and the ILO call it, “inclusive development” for everyone in society. It is obvious from the articles in this book that the various projects were all designed for this purpose. Carlos Monjardino speaks of the social economy’s role in providing solutions for the most fundamental human needs; Ivano Barberini mentions the “feeling of belonging” (social and civic) that the social economy produces; Paul Hazen talks of how cooperatives keep the elderly more fully involved in society; Marcos de Castro Sanz emphasizes the fact that a collective of individuals is integrated into the economy through a social-economy enterprise; Chigusa Fujiki shows the same thing with “workers’ collectives” as does Yuko Wada with the Seikatsu Club consumer cooperatives. Along with B.M. Vyas, they all also show the pivotal role women play by setting up cooperatives and nonprofit organizations that give them both independence and an income, often acting as catalysts and innovators—a remarkable feature of the new social economy (e.g. Amul and Sewa Sisters).

Social inclusion and access to employment go hand-in-hand. Henri Lourdelle naturally focuses on this common aim of the labor movement and the social economy, as do many other authors in this book. Marcos de Castro Sanz shows that one of the objectives is precisely to provide jobs and give the “excluded” a chance to become active again through economic and social means. For Paul Singer, people creating their own businesses and jobs is one of the key features of the social economy. Ivano Barberini means the same thing with “associated labor” as a dignified and effective way of gaining access to employment around the world. He adds that social-economy enterprises have to concentrate on “economic dynamism, job creation,” etc.
areas that plays a major role is finance. On this matter, Gunvall Grip raises a crucial question: can “institutional capital” be an “instrument for social change?” For him, the enormous accumulated financial assets that company savings plans and pension funds represent are only (as he rightly stresses) “deferred salaries.” It is therefore scandalous that the management of these assets does not take into account the collective interest of these employees and sometimes goes directly against this collective interest. Financial “technocrats” are not concerned about public interest and hide behind the pretense of needing to “maximize returns” (at least in the very short run). He thus proposes that these funds should be systematically managed according to both social efficiency criteria (broader than the concept of socially responsible investment) and financial criteria, and that the choice of these criteria and ultimately the way these funds are managed should depend on the employees and their union representatives. Mutual societies and cooperatives in the financial sector (banks, insurance companies, etc.) would need to offer appropriate management tools to guarantee that such an approach is followed. He thus proposes a new labor movement/social economy alliance. Henri Lourdelle makes a similar point by mentioning the joint work of the European Trade Union Confederation and Euresa on this issue. This clearly means putting a stop to the capitalist system’s appropriation of “institutional capital.” It is thus an issue of capital importance. This is what Léopold Beaulieu calls the “democratization of savings” in his presentation of “plural finance” in Quebec and the “close ties” of new financial institutions with “unions, nonprofit organizations, the environmental movement and several NGOs.” This concerns the union-managed Batirente and Fondaction funds. As he emphasizes, this fosters a “new form of economic regulation” that is an appropriate response to the challenges of the 21st century,” including thus the challenge of development that is sustainable and, let us add once again, inclusive.

In a period when unemployment continues to cause great harm, fostered by the complete indifference of far too many capitalist companies obsessed by share prices, the social economy still has a lot of work to do. This is the aim of the workers’ collectives in Japan described by Chigusa Fujiki and the social economy “entrepreneurship” of cooperatives, mutual societies and nonprofit organizations in Spain described by Marcos de Castro Sanz, which Jean-Michel Reynaud calls “another way of doing business.”

The social economy is looking beyond its partnerships with the organizations created by its own members to ways of working together with other partners that share its concerns for public interest and social utility. As we have seen, this is the case with the labor unions and also applies to local and regional government. Eugeniusz Laskiewicz thus explains that economic changes in Poland, particularly in rural regions, would not have been possible these past few years if there had not been alliances between cooperative banks, agricultural cooperatives and local communities. By developing “multi-layered cooperation” with cooperative farms, SMEs and public institutions, cooperative banks in Poland go beyond their traditional banking role to help create a “common roof” under which they all work and systems of co-development and co-organization. This process resembles those described by Paul Singer for Brazil, Nobuji Kasuya for Korea, and other participants in the Mont Blanc Meetings, in particular the Africans. There is an historic and permanent tie between the social economy and local communities, and it can be found on every continent. This suggests that there are other areas for global cooperation that the Mont Blanc Meetings can pursue, for example with global urban networks and rural organizations.

The social economy is also cultivating new prospects beyond its traditional fields of action and well-established alliances. It is working in new areas and creating new forms of partnerships. One of these

CONCLUSION

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The social economy is also cultivating new prospects beyond its traditional fields of action and well-established alliances. It is working in new areas and creating new forms of partnerships. One of these
To accomplish this, concrete financial mechanisms have to be developed; some examples have been given. In pursuit of these kinds of objectives, specific financial institutions have been founded for the purpose of providing equity capital for cooperatives, mutual societies and nonprofit organizations. While they all obviously have capital requirements, these organizations have, as François Soulage writes, specific, identifying rules (“non-profitability,” democracy, etc.). The Institut de développement de l’économie sociale (Ides) in France and the Desjardins solidarity fund in Quebec have been providing equity capital for cooperatives, mutual societies and nonprofit organizations for several years, fostering the purchase of appropriate securities by institutional investors.

Another innovative field is fair trade, which is having an impact on what consumer cooperatives offer, while the cooperatives themselves are evolving (e.g. the Seikatsu Club consumer cooperatives in Japan and, in a different context, Kuapa Kokoo, which sells cocoa in Ghana). This kind of business has an ethical approach like the financial institutions previously mentioned. This ethical approach can also been seen in the partnerships mentioned by Yuko Wada between producers and consumers, which are based on mutual respect, solidarity and a desire to create dignified living conditions for everyone. B.M. Vyas draws a picture of the chain of cooperation in India that starts with the individual dairy producer and passes through different cooperative levels (village, district, processing and packaging) to reach the consumer, thus demonstrating another process in which roles and income are allocated equitably. Fair trade can thus be seen as a driving force for a large chunk of the social economy in the future.

The research that many social-economy actors around the world are doing on complementary currencies and the actual systems, although still modest, that have come out of that work reveal another new field of experimentation for the 21st century. This is illustrated by both Jean-Philippe Poulnot’s article on the economic theory and Celina Whitaker’s article unveiling a resolutely ambitious and innovative project—the Sol. In a certain sense, the issue raised here concerns the democratic re-appropriation of money and redirecting its use towards promoting exchanges, which intrinsically create wealth, social ties and solidarity in real local communities where men and women live.

These forms of solidarity and this desire to create new ties are thus integral to the conception of the social economy and are reflected in the efforts at meeting the needs of the young and the elderly, the injured and the disabled, single parents and large families. The aim is to treat people as individuals and not simply as workers, independent producers, retailers, consumers, etc. As Jean-Michel Reynaud says, the social economy is not coming to compete with the State but rather to offer public-interest solutions.

We need to make this social economy better known, raise the awareness of those working in it and educate them. This has been happening “on the job” for a long time, but there are now courses about the social economy in schools and higher education institutions in many countries, as shown by Gérald Larose’s article on Quebec and the information given by other contributors on this subject. The social economy is also involved in providing supplementary educational services (the French experience described by Jean-François Cochet) and running private universities (cooperative universities). We also know from the Indian example that cooperatives are involved with educating children of both sexes from an early age to make them aware of how the social economy is offering solutions for more dignified and safer lives.

Combining both theory and practice, all of these contributions demonstrate the vitality of a social economy that is spreading
democratic, ethical initiatives around the world in response to immediate and even pressing needs as well as the needs of very advanced projects. Its myriad accomplishments and diversity clearly reflect the common principles and social aims that characterize the social economy. There is still much work to be done in building a worldwide social economy network. This is what the Mont Blanc Meetings are trying to do. Through these efforts, the social economy will be able to play a real global role starting from the local level up and present itself as a genuine alternative.

NOTE:


List of Abbreviations

AIM: Association internationale de la mutualité (International Association of Mutual Societies)
CEP CMAF: Conférence européenne permanente des coopératives, mutualités, associations, fondations (European Standing Conference of Cooperatives, Mutual Societies, Associations and Foundations)
CIRIEC: Centre international de recherches et d’information sur l’économie publique, sociale et coopérative (International Center for Research and Information on the Public, Social and Cooperative Economy)
CSN: Confédération des syndicats nationaux (Confederation of National Labor Unions) – Canada
DIES: Délégation interministérielle à l’innovation, à l’expérimentation sociale et à l’économie sociale (Interdepartmental Task Force on Innovation, Social Experimentation and the Social Economy) – France
EESC: European Economic and Social Committee
ESF: European Social Fund
ETUC: European Trade Union Confederation
ICA: International Cooperative Alliance
Ides: Institut de développement de l’économie sociale (Institute for the Development of the Social Economy) – France
ILO: International Labor Organization
IMF: International Monetary Fund
NCBA: National Cooperative Business Association – USA
NGO: Non-governmental organization
SCOP: Société coopérative de production (worker cooperative) – France
SENAES: Secretaria Nacional de Economia Solidária (National Secretariat of the Solidarity Economy) – Brazil
SIES: Sistema Nacional de Informações em Economia Solidária (National Information System on the Solidarity Economy) – Brazil
WB: World Bank
WSF: World Social Forum
WTO: International Trade Organization