Is social economy at the heart or on the fringes of market economy?

Le Monde's Great Debate // Social and solidarity economy and Social business

Moderator

Antoine Reverchon
Chief Editor, Le Monde Economie

Speakers

Gérard Andreck
Chairman, MACIF Group

Susan George
Honorary President, ATTAC France

Martin Hirsch
Chairman, Agence du Service Civique

Cécile Renouard
Researcher, ESSEC IRENE

Seybah Dagoma
Deputy Mayor of Paris, responsible for social and solidarity economy

Executive summary

Several main trends co-exist at present. Big private companies are led to take actions in social and environmental fields. Moreover, following the crisis, governments have cut their social budgets and could be ready to disengage from their responsibilities in the field of social economy. In this context, social and environmental policies must lead to genuine progresses, and to do so, these policies should be assessed with specific tools.

Although it is not desirable that States disengage from the social sector, they can however improve their effectiveness by making social and solidarity economy organizations intervene and by encouraging "standard" companies to create specific projects with social purposes. Joint projects between "standard" companies and social enterprises are also a good means of changing minds and practices.

Generally speaking, to provoke a change in mentalities and in the attitude of public authorities vis-à-vis social and solidarity economy, the players in this field must work together towards a shared goal.

Synthesis

Seybah Dagoma, Deputy Mayor of Paris, responsible for social and solidarity economy, opened the session, explaining how the crisis of financial capitalism brought forward social and solidarity economy. **Paris City Hall** has a pro-active stance in this area which provided about 3,000 jobs to RSA recipients (Revenu de Solidarité Active: French welfare complementary income) in 2010.

The current crisis urges us to scale up and take risks by betting on the convergences between the different social and solidarity economy organizations. These organizations should make alliances with the traditional business sector, particularly to deal with public contracts in their areas. Local authorities can initiate, control, coordinate and watch over these projects. This support should be improved by reforming public contracts rules with the introduction of social and environmental constraints.

Can social and solidarity economy lead to a global change in the system? Is it part of the market?

Gérard Andreck explains that social and solidarity economy accounts for 10% of employment in France, that it has kept creating jobs during the crisis, but that it remains a very heterogeneous sector. The CEGES (Center for Social Economy Enterprises and Groups), chaired by **Gérard Andreck**, gathers all players, from the smallest organizations to big banks and mutual insurance companies, bound together (the big ones support the small ones) by common ideas of solidarity.

The insurance sector shows that social and solidarity economy is indeed part of the market: 1 out of 2 Frenchmen has car insurance within a mutual insurance company. As opposed to the "standard" sector, mutual companies must satisfy their members and make available to the general public products which would otherwise be too costly. However, the social economy branch devoted to "repairing" (medical and social services) is not in the market and is going through difficult times because State subsidies have been cut. Besides, the framework of social and solidarity economy is more suitable for service activities than production activities.

As for the big companies' social and environmental policies, do they serve as alibi, reparation or do they foster a real change?

For **Cécile Renouard**, private companies are part of the problem and should be part of the solution. Our growth model is unsustainable; it thus needs to evolve. Can companies participate in this evolution? There is a contradiction between the social and environmental commitments they should make and shareholders' short-term financial demands.

Several Western companies now develop "bottom of the pyramid" (BoP) strategies: the poor indeed represent huge markets, which they wish to conquer by offering products and services with a social utility. It is sometimes difficult to identify the underlying motives of big companies and we should be cautious about so-called "win-win" strategies, serving both the interest of the company and of local populations. Case-focused discrimination seems essential. For instance, in India, Unilever sells soups with added vitamins at a low price, thus truly improving the locals' diet, which is a positive thing. However, when Unilever sells washing powder packets to the poorest in Nigeria, one can wonder whether the objective couldn't lay in breaking into a new market by making consumers buy brand products, thus excluding local producers without improving life standards. The initiatives developed in partnership with social entrepreneurs are interesting because they force big companies to think outside the box and stimulate their employees.

Regulation is still lacking, particularly regarding transfer pricing (i.e. the prices of goods and services exchanged within a firm, among branches and between subsidiaries and the parent company). Manipulating these prices and transferring the benefits towards fiscally advantageous areas help the companies practice tax optimization, generally legal, but harmful to development, as they are financial losses for the States. To think outside the box and look at economic and social performance with a fresh view, social and solidarity economy indicators should be applied to big companies.

The role of the government and its evolution are important in the fight against poverty. According to **Martin Hirsch**, public authorities can encourage private companies to develop projects in the area of social economy. When he was a member of the French government, **Martin Hirsch** developed a pilot project with Danone allowing access to baby milk with a 40% discount. The company accepted not to make profit on this project. There are similar on-going projects in the fields of optics and mobile phones. Such projects generally take the form of "joint-ventures" with no return on investment. Afterwards, it will be possible to adjust the economic model in order to pay some limited remuneration to capital providers and hence attract investors.

Public policies disengaging from welfare are tempted to transfer their responsibilities onto social and solidarity economy. In many countries, the creation of wealth comes with the creation of poverty. In this context, the United Nations advocate for all countries to adopt a shock-reducing welfare standard, which was already proposed to the G20. Social and solidarity economy is not meant to replace welfare systems, but we can imagine hybrid, private/public structures, such as Mohammed Yunus' ophthalmologic hospitals in Bangladesh, where everybody pays according to their means. Companies should not use social concerns as an alibi, and governments should not disengage from welfare. Yet there are synergies to be explored between these different players, synergies which could take social economy out of its fringes.

Susan George claims States have pledged allegiance to neo-liberalism. Social economy remains marginal, both in Europe and in the rest of the world. The World Bank and the IMF policies have pushed for the privatization of all public services, which indeed are part of the social economy. When combined with health and education fixed costs and overly export-oriented policies, this leads to disasters. For instance, in 2005 in Niger, a very extensive privatization of public services created an economic and social system with no stocks, no means of transportation for the harvest, no veterinary care, thus resulting in starvation.

In the OECD countries, social budgets are cut irrespective of revenues. In 1985, companies' benefits represented 25% of GDP; today they represent 35%. Likewise, business taxes represented 4.2% of GDP in 1985;

a percentage that dropped to 2.4%. According to the estimate of a Public Services International survey, privatization processes that took place in the same period were worth about $1.9 billion. Therefore, the context in which social economy operates is rather unfavorable. It is essential that all players and stakeholders unite to bring a change in mentalities and in the system.

But how great is the capacity of all these initiatives to change things?

For **Susan George**, it is surprising to see that the crisis did not stir things up at the G20 or at the European level.

Martin Hirsch observes that there are welfare protection needs in the Arab countries who have witnessed revolutions. The funds accumulated by Mubarak or Ben Ali would be fully sufficient to cover these needs. They outweigh the French reserve funds accumulated over the past 15 year.

For **Cécile Renouard**, the regulation of financial markets is very insufficient; the crisis did not cause real change. There is great need for training on these issues in universities. Social responsibility, ethics and philosophy should be taught, industrial placement internships reintroduced, the very meaning of economic activity questioned.

According to **Gérard Andreck**, to go forth, we should be able to assess the impact of initiatives and therefore draft indicator tools. For the time being, we are making statements, not taking action.

Official rapporteur:
Priscilla De Moustier, *OXUS*