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Isidor Wallimann

Syracuse University, isidor.wallimann@sunrise.ch

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Social and Solidarity Economy for Sustainable Development: Its Premises - and the Social Economy Basel example of practice

Isidor Wallimann, Maxwell School, PARCC, Syracuse University

Abstract

The SSE is a viable strategy in dealing with some contemporary problems known both in industrial and developing countries. SSE is contextualized against the background of recent developments: The liberalization of goods and capital flows world wide, continued industrialization, and the increased global division of labour. Addressed is how local populations could reach certain objectives and satisfy certain needs using techniques characteristic of SSE and, thus, carve out a social and economic space of their own vis-à-vis anonymous markets, global actors, local and national elites. Within this self governed space, it is suggested, a path can be layed for the necessary transition towards local, social and ecological sustainability. The Social Economy Basel www.sozialeoeconomie.org (SEB, founded 1996) will serve as an example to suggest how SSE principles could be operationalized into organizational practice.

Social and Solidarity Economy in a general macro economic context

Since its very beginning, from primitive accumulation to its latest phases, capitalist market society continues to experience small and large business cycles: stagnation, crises, destruction of means of production and people, renewed growth and capital accumulation. Even though technocratically minded economists and apologists of these cycles tend to redefine the terms for “full employment” it remains true that the financial and sociocultural bases for people’s existence has been eroding. So has the ecological basis to human life. Reinforced is the above pattern by market pressures due to rationalization, labour competition and globalization from which ever new patterns in the global division of labour emerge. Manifestations thereof are seen in capital moving freely among countries and continents creating new labour markets here and destroying old ones there. Constant world migration in textile, electronics and other consumer goods production and distribution can be observed – juxtaposed by the relative non migration of people left behind. Some five of the seven billion in world population remain outside the industrial society loop, the rest – though being in it – goes from cycle to cycle and is at risk of moving the planet ever closer to major ecological problems or even catastrophies.

Once free movement of capital and goods under globalization has progressed far enough, certain economic techniques to manage cycles, like those of Keynes, also begin to lose their potency in the absence of global fiscal policy such as through the UN. Under these circumstances state level deficit spending will to some extent dissipate through capital export flows into an unspecific global space, unless such spending is restricted to nationally confined or nationalized enterprises. Monetary policy being a last resort, however, also comes with risks and lack of vigor: speculative bubbles (in housing, foods, minerals, stocks), liquidity trap type stagnation, inflation, and growing wealth and income disparities. Given credit expansion only those who already have assets and wealth are getting access to credit and, therefore, to more wealth and income through wealth. Even though these patterns are broadly recognized, secondary redistribution of wealth and income are fought tooth and nail on both company and national levels. The very costly ‘solution’ of underemployment, unemployment, social and economic marginalization, health impairments, illegal underground economies, crime, and ecological damage for short term gain seem to be preferred. These, however, are mostly paid for by the general taxpayer on a ‘socialization of cost’ basis.

Social and Solidarity Economy in a problem management context
When the economy threatens people’s very existence, when free roaming capital and trade deprives entire population strata of an opportunity to be productive in intact ecological systems, time is ripe for turning to local resources and potentials. It is time to implement the social and solidarity economy – the sooner the better. Networking and building on local resources is bound to also revitalize and bring forth a new understanding of community. These may possibly include an already existing alternative economic and social movement sector. The social and solidarity economy (SSE) can be understood as a kind of counter-culture, counter-economy, counter-democracy. It challenges the conventional societal and economic system. It is rooted in democratically run companies, and create a totally novel understanding of the social bond and connectedness in our society.

We are currently witnessing the greatest crisis in socio-economic life of the 21st century since the 1930s. Today, as before, a secure livelihood and existence lies at the root of the problem. Poverty is spreading and deepening, though some maintain that it has globally been reduced according to UN applied standards. Novel ways must be divised, some ‘old’ efforts must be revived in order to ensure the physical and socio-cultural existence of much of the world’s population. SSE can be understood to be such a renewed effort. According to civil society notions, it seeks to establish democratic economic and social structures for the preservation of everyone’s existence. According to SSE, society shall cease to be subject to autocratic economic firms, institutions and systems.

For the time being, it is to be expected that the process of world industrialization will continue for the time being, the free flow and flight of capital from countries will continue, and jobs will continue to be exported playing countries against countries, societies against societies. The poverty of the global south will continue to be exported in various forms also to the core – playing economies against developing economies. It will not change this underlying trend. However, world industrialization and its consumer life styles will no longer be sustainable over the next generations. Too huge is the use and loss of resources, too burdensome the impact on populations through damaged natural environments. The problem of securing people’s existence worldwide will, thus, be exacerbated by a manifold, especially given the still significant world population growth. Problems in sustaining life for all, however, will be maximized when the presently known industrialization process will be faced with physical and environmental resource scarcity as severe impediments to growth. Industrial production will, then, have to be downsized. Scarcity in energy and other physical resources on which the present system depends will create bottlenecks and conflicts to be managed by new economic and social ways. For many, though, it would not be wise to wait much longer. It would be wiser to use the time still available to prevent more drastic problems and to create a platform to better deal with the ones still to confront us.

Novel approaches are needed now, let alone in the near future, to guide us through problems and to restructure society into a socially and ecologically sustainable pattern. When acting today, it is imperative to include those who have been socially or ecologically hurt by present institutions. When acting also institutions can be created that are prepared to manage the severe bottlenecks, social and ecological problems yet to come. In sum, today already new institutions are needed for a sustainable, predominantly regional, more labour intensive socio-ecological system.

In many ways the SSE approach can contribute toward such goals:

- It does not aspire to keep pace with growth driven ‘industrialism’ of multinationals, it rather seeks to get away from it. It will seek more qualitative over quantitative growth.
- It is more labour intensive and pays lower wages, it aims at building communities making individuals independent of those with concentrated privately owned capital.
- It does not seek to abolish the market economy, but rather to find relative protection from it and build resilience against its blackmail and extortions.
• It emphasises resources – not deficits – people have, particularly in those who have been labelled as lacking resources by traditional labour markets.
• It does not seek to divide up communities but to expand them by pooling resources for mutual use.
• It aims not for a short term, but for a long-term synergetically derived existential security for an ever increasing number of people

If SSE is to achieve these goals, it must ascertain that those working in its organizations have a stake in the assets as they build them. In addition, democratic structures must ensure that assets gained are not unconditionally privatized or ‘autocratized’ due to a lack of social control over them. In addition, if SSE is to be successful, it must recognize its adversaries and seek to deal with detractors through permanent open discourse.

Social and solidarity economy as local economy
SSE is to be seen as a political and economic strategy to combat, denounce, and boycott internationally mobile capital which has traditionally resisted any socio-economic ties and responsibility to a specific locality and its population. Furthermore, SSE must consider how it can take over certain areas of production goods and services production from free floating international capital. Alternatively, SSE must demand tributes for it. The local population, e.g., does not need multinational providers of health care and prepared foods who take surpluses out of town as they supply necessities of life.

SSE also must find political strategies preventing the outflow of resources and surpluses generated by local populations. Simultaneously, it is challenged to develop ways to beneficially reinvest these surpluses under local control. Finally, SSE must arrive at ways to practice local level ‘import substitution’. Here the rule of thumb is not to import things that can be produced locally. Import substitution is known to have been a potent state policy in various countries aiming for industrialization and emerging country status. The SSE can use it similarly for its own goal attainment.

The above are but a selection of strategies that could be employed under SSE. They all will gain in importance as the present economic system will run into impasses on an increased scale. They all can further gain in strength if simultaneously embedded in new social movements engaged for more for social justice and ecological care – movements that work for social and ecological sustainability. Such alliances will both be a first step in a revival of self control over destinies on the local level, of resilience against being black mailed by anonymous market forces and their powerful actors, and be a social solidarity platform for transitioning towards downscaling industrial society and social and ecological sustainability.

Social and solidarity economy as a purposive organization
In practical terms the SSE could be conceived as a ‘grass roots’ based, regionally oriented federation of democratically run ‘local’ enterprises, whereby networks between federations may be created to cover larger territories. Organized in various legal forms as cooperatives, associations, foundations, or corporations, the important criteria is that all be organized for members to have control over capital and surplus value.

How can a federation of self managed firms, alternative banks, alternative retirement funds, and organizations provide mutual support and assistance for mutual reinforcement, stability and qualitative growth? How can the SSE be constituted and built up? Such questions lead to a set of other questions like:

1. How is it possible to increase the inflow of resources from outside the network?
2. How can the credit volume within the federation be maximized?
3. How can economic and socio-cultural integration be encouraged for the federation to attract outsiders to join?
Various answers and possible courses of action can answer to the above questions, depending on the SSE’s point of departure and the social and political setting within which it is embedded.

**Preventing resources from leaving the SSE**

SSE business organisations can be stimulated and rewarded to some extent for making their purchases within the federation. This, in turn, can be facilitated through marketing information transparently showing the major categories and quantity of necessary purchases. At the same time such information can form the basis for setting up new companies that could meet demand arising from necessary purchases. Such new companies, then, would also be elements of an import substitution strategy. Mutual business relations in the federation can additionally be enhanced and stabilized by discount rates for members of the federation. Similarly, a certain quota for purchases within the federation could be set and a local currency could be issued to go along with it. The latter would assure administrative efficiency.

On the level of individual working within the federation, it is equally possible to ask where and for what salaries are being spent. Here, too, detailed information can lead to establishing new companies within the federation as elements of an import substitution strategy. Conceivably such companies might be established in the food, restaurant, retail, clothing, entertainment, travel, child care, health care, construction, etc. segments of the economy. Again, incentives for individuals to spend their salaries within the federation can be designed. Of particular focus should be large budget items such as those for housing. The average household spends up to 50 percent of the budget on housing, depending on location and income category. If pooled, such funds could be used to establish federation construction cooperatives and tenant owned housing units.

**Enhancing the inflow of resources into the SSE**

As part of an ‘export strategy’ SSE can locate business partners outside the SSE network. Typically, such partners can be found among ‘friends’ of the SSE that, themselves cannot – or would not want to – become a SSE network member. Business partner friends of the SSE are most likely be found in new social movements and, possibly, also among labour unions, small scale industry, crafts, retailers, and local banks. In a more general approach, the local population can be motivated and convinced to first consider the SSE network when purchasing goods and services and, thus, contribute to preventing capital from leaving the region and to building SSE as an alternative, local economic system. SSE federation volunteer staff could pursue the sole task of exploring new business opportunities and of organizing new business activities and SSE member firms. Lastly, given that small business are always under market pressures to the extent that they cease to exist, there are increased opportunities for cooperative enterprises to commercially fill the vacuum left behind and also to employ the labour power left behind in closures.

It is more difficult to include welfare state institutions in building a SSE since they are (still) seen as derivaties of traditional, global, capital accumulation strategies. To the extent that labour and educational subsidies are used by the welfare state for the social and economic integration of the unemployed and handicapped, these subsidies could also be spent within the SSE. For this to occur, SSE network firms would take on integration, education and training functions on behalf of the welfare state. At the same time, the SSE could benefit from a new work force that has learned the new theoretical and behavioral tenets subscribed to by the SSE’s alternative regional development path. Furthermore, it is to be assumed that integration and education efforts would show better results in democratic than in the usual autocratic work settings. Accepting welfare state labour subsidies could also allow the SSE to set up new firms that specialize in providing certain public goods and services, since some of the labour subsidies may not be used to ‘unfairly’ compete with private enterprise in the open
market. Finally, welfare state subsidized labour can be used within the federation to build lasting assets such as cooperatively owned housing. Here, subsidized labour would be SSE organized to build their own dwellings to which they also contribute their budgets in terms of coop tenant rentals.

In general, however, welfare state subsidies should be accepted with great caution. Should they be withdrawn, the SSE could be – politically intended or not – maneuvered into problems or crises. Furthermore, welfare state labour subsidies could take the form of short term subsidies designed to put pressure on employees to find non subsidized employment (at whatever conditions) or to be further marginalised as welfare recipients. Should the SSE cooperate with the welfare state under such conditions? Particularly if it itself is cannot employ such individuals within its own federation enterprises without subsidies.

Creating credit instruments for the SSE
Enterprises and Organizations need some liquidity to operate on a daily level. Not all liquidity is used all the time. Some of it, by definition, rests in deposits somewhere. Therefore, if the SSE succeeds in pooling operating liquidity, it can generate from it a source of credit to be invested within the SSE. The first step is to make liquidity within the federation transparent. The second is to get a business to business lending practice started within the federation, or to pool business liquidity in a designated account transparent for all. In a further step, a credit policy is to be defined so as to both credit enhance SSE while not endangering network firms in their need for liquidity. Here a collateral type of back up system might also be useful. Simultaneously, the liquidity pool could also be used as collateral for outside local bank loans. Finally, the SSE federation could establish its own credit union cooperative and benefit additionally from individuals depositing their money from inside and outside the federation. Funds, however, can also flow into the SSE from other outside sources. It is possible, for instance, that ideologically compatible retirement funds, banks or organisations and individuals (especially from new social movement groups) can provide the SSE with credit or, in other words, invest in the SSE – its firms and economy. Investments could be direct with SSE firms, or indirect through a SSE investment fund.

Social and solidarity economy expansion and sociocultural integration
A federation of local firms and other organisations is particularly dependent on maintaining unity and solidarity among its members. It is also imperative to avoid units from leaving the federation, particularly when network solidarity has contributed to their success in various ways. The danger to ‘privatize’ the benefits of solidarity must be foreseen. True, democratic control through self management of capital and profits within firms and the network does provide a certain degree of protection from ‘privatization’. Additionally, though, the federation must set clear entry and exit criteria. Such criteria may include a federation tax, fees for joining and leaving, or direct payments for services rendered through and by the federation. On the other hand, federation services to its members can contribute both to expansion and solidarity. For instance, the federation can provide certain insurance services, tax and financial counsel, legal services, market research, management consulting, communication services, leisure time services and cultural events. Sociocultural bonds among individuals working or otherwise active in the federation can be promoted in various ways illustrated above while access to such services can also be given and sold to outsiders. Since people active in the SSE – as the experience of self managed firms has shown – are often also involved in social movement action, the federation’s sociocultural integration may draw from social movement action and cultural activities. Another way to generate social integration is for the federation to issue its own hour based currency which facilitates exchanges between individuals within the SSE network. With very few resources, the federation can implement an exchange and trading center for its and
outside actors. A simple market web page or paper can for all participants list supply and demand and, thus, summarize all exchange possibilities. All members of the exchange and trading circle start at no cost to them with a certain number of hours to begin exchanging. Thus, adults and children can provide services to each other, pay for them in hours, and even move on to paying for goods in hours if they so wish. In such exchange circles all have a greater range of exchanges available than would otherwise be the case without the exchange circle. Finally, it takes but time and some skill to participate in such exchange circles. This is a labour time not capital based approach to enhance both SSE growth and cohesion. For the same purpose, currency backed alternative local money may be issued by the federation. Alternative Money is bought with ‘official’ money – and can under certain rules be exchanged back into ‘official’ money. Using alternative money can be made more or less compulsory for firms and individuals within the federation. If desired, individuals and firms outside the federation may also be encouraged to participate. Participation may also be promoted by selling the alternative currency at a discount given certain conditions are met. As alternative money circulates, some of the ‘official’ money with which alternative money was bought can be invested in the SSE network and, thus, is a form of credit. In this sense, all who purchase and use alternative money also promote the SSE at no cost to them. As with the hour based currency, the ‘official money’ backed currency, too, contributes to SSE cohesion and growth.

Social Economy Basel: an example of SSE in action
The propositions set forth above suggest that community economies are diametrically opposed to the guiding principles, principles of coordination and guiding principles of the dominant economic system. SSE represents a unique economic culture in which firms and social and ecological needs are dependent on each other. To recognize this very interdependence, however, allows for society on a local and regional level to develop resilience against the odds of markets and free flowing capital. Conceived thusly, SSE also can serve as a platform from and with which to move towards qualitative growth and sustainability.

An example of such an effort is the Social Economy Basel. It saw its beginning with the Social Economy Association (SEA) founded in 1996. With its membership and a one member one vote system the association strives to build a prototype of SSE. The idea is similar to that of ‘biotopes’ which represent attempts to preserve bio diversity amidst and against the odds of industrial society and agriculture damaging bio diversity. The SEA Basel mission is to contribute to social, local and ecological sustainability on a local and regional level. Its growth is kept at an ‘organic’ level so as not to depend on top down outside funding. Human resources and funding needed for administrative tasks and growth emanate in grassroot fashion bottom up from ‘the movements’.

The Institute for Social Economy
The SEA Basel – being the first of its kind in Switzerland – immediately began to cooperate with other similar attempts and likeminded organisations in Germany, France and Luxembourg in starting the Institute for Social Economy. Some activities were joint efforts, for others the SEA Basel was acting alone. The purpose was to:

- Inform the public about social economy and its potential in handling present and future problems of development,
- Offer public courses and conferences on issues pertaining to SSE,
- Advance professional, economic, political and cultural skills of individuals involved in the SSE,
- Provide assistance through research and consulting for establishing SSE networks and financial tools,
- Give interviews and offer statements on SSE to mass media, and to encourage research and publications concerned with SSE and its development,
- Document the course of SSE development in conjunction with surrounding economic and social events on the local, national and international level.

The Social Economy Network Cooperative

The next operative step occurred in 1998 when SEA founded the Social Economy Network Cooperative starting with already existing worker self managed firms and civil society movement organisations. Membership is open only for organisations. Each network coop member has one vote irrespective of its size. Organisations with various legal forms are accepted as long as statues guarantee the one member one vote principle, and that members may decide over employment practices and the use of surpluses. For profit or not for profit organisations may be federation coop members. As a result, the network cooperative is composed of a combination of commercial and civil societies. Especially the latter are grounded in new social movements such as the social justice, the environmental and the women’s movement. The network cooperative also considers civil society organisations as socially necessary producers of public goods – mostly information, education, politics and culture. In Basel, therefore, they are part and parcel of the SSE even though the value of their production – though real and socially necessary – cannot be monetized, as is true for other public goods. In terms of growth the Social Economy Basel and its network coop is kept in an organic growth pattern that does not depend on outside funding.

The Social Economy Network Cooperative aims to:
- Enhance the social, economic and political cohesion among network members,
- Build a local platform for moving towards local, social and ecological sustainability, and to politically mobilize social, economic and political forces towards this goal,
- Promote the exchange of goods and services among members of the network,
- Promote the exchange of goods and services between the network and firms, organisations and individuals outside the network,
- Locate new markets and social movement spaces and to establish new businesses and civil society organizations,
- Organize collateral guarantees for bank loans to federation members,
- Make micro loans for federation members, small coop start up businesses and new civil society organisations,
- Engage in sustainability enhancing investments,
- Issue alternative currencies.

Over the years, the network cooperative and/or the social economy association have provided collateral coverage for network members, grant loans and microloans to them, start small new for profit businesses, and not for profit movement organisations. The latter often have a food policy and urban agriculture focus <www.urbanagriculturebasel.ch>. Investments have been made in a neighbourhood solar energy plant run by one network member. Social cohesion and SSE development is enhanced by a newsletter, the SSE fair, time based exchange circles and a Swiss Franc backed alternative currency.

Alternative Currencies of the Social Economy Network

In 2002 the Swiss Franc backed alternative currency BNB (GoodNetworkVoucher) was launched. In a pilot phase it was first tried only among members of the Social Economy Network Cooperative. Subsequently, it went public in 2005 to include individuals, businesses and NGOs outside the coop network. Some 120 firms and non profit organisations presently accept the BNB. In so doing they receive free publicity. Participation is free of cost. The BNB
is valid for 3 years, when bills in circulation can be exchanged free of charge for the new series. There is no penalty when BNBs do not circulate within a given time. All circulation is based on ideational movement energy and cooperation. Due to cooperation with the neighboring social economy in Mulhouse (France), the BNB can be exchanged against the French SOL – and inverse – being used in the Alsace social economy network. One goal is to make self produced energy units backing the BNB and move away from Swiss Francs as the currency backing the BNB. Another goal is to combine the BNB hours exchange system with the Swiss Franc backed BNB. This would allow for a very low level entry path into the the social economy Basel exchange system.

**The surplus value of alternative currencies**

Given the Social Economy Basel system as it is conceived and practiced, the BNB has a significant surplus value. The BNB

- Is locally and democratically controlled money;
- Does not leave town or the region;
- Cannot be used for speculation;
- Helps in fighting undesirable global competition;
- Connects people interested in promoting local development for sustainability;
- Provides identity for those interested in local development towards sustainability, and allows them to display this identity;
- Serves as a general symbol for local development and the transition towards sustainability;
- Strengthens social movement energy for local development towards sustainability;
- Supports local business and NGOs ideationally and commercially as they support local development towards sustainability;
- Can consciously be spent in support of Social Economy Basel efforts to bring about sustainability;
- Generates funds for loans to federation NGOs and businesses working for local development towards sustainability;
- Generates funds for new start up federation NGOs and businesses working for local development towards sustainability;
- Generates funds for investments in local renewable federation coop energy production;
- Entails and teaches an alternative understanding of the nature and role of money;
- Stands for an economy embedded in society, not for a society dominated by the economy.

**Concluding remarks**

Not all political systems have civil society well developed. As a result, it can be expected that new social movements, too, are not as prevalent in such societies. Equally, the coop movement and tradition may not have had much attraction in some societies and economies. Furthermore, sustainable local development may be an objective for rural areas – not for a small urban space as is the case for the Social Economy Basel. Typically, new social movements have a lower density in rural compared to urban spaces. Alternatively, cities might be huge metropolitan spaces. In such situations, SSE might follow a ‘Plan-B’, a modified local chamber of commerce approach. Under ‘Plan-B’, a network coop could nevertheless be envisioned for various small local businesses and NGOs intent to move towards sustainable social and ecological development on the local or regional level. The same could also be conceived as a possibility for a segment or sector of a metropolitan area (somewhat like the neighbourhood housing construction and habitat coops in 19th and early
20th century European Cities). Nationally or internationally mobile companies would be excluded from membership in the network cooperative for reasons articulated above. Many SSE guidelines and strategies outlined above would still hold, however. Their operationalization and application would follow a similar pattern, though some different outcomes, uncertainties or risks might have to be considered.

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