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Solidarity Economy: A Key to Justice, Peace, and Sustainability

I am going to advance three theses.

Of course, the truth or falsity of the theses cannot be evaluated without knowing the meanings of the words that compose them. I am going to devote myself mainly to explaining what the theses mean, that is to say to explaining the concepts that compose them. Then readers can evaluate each in her or his own way whether the theses are true or false or, as Edward R. Murrow used to say on the radio many years ago, "somewhere in between."

The three theses are:

1. At the present time what most locks in place social injustice and a tragic march toward the death of the biosphere is the necessity of maintaining favourable conditions for capital accumulation.
2. The physical dependence of human life on the accumulation of capital, and hence the need for a regime of accumulation, is a necessary consequence of the legal framework that constitutes the market.
3. It is impossible to build a governable economy, and therefore social justice, peace and sustainability without making the economy less dominated by the necessity to accumulate capital.

It goes without saying that without justice there is no peace, and that without the biosphere there is nothing. The third thesis also has a positive form: It is possible to build a governable economy, and therefore social justice, peace and sustainability with an economy less dominated by the need to accumulate capital.

Since the concept of "capital accumulation" appears in all three theses, it is best to begin by explaining what it is about.

It can be said, as a first approximation, that it is simply about profit. The accumulation of capital would simply be a feature of normal business. A normal business is profitable. If it is not profitable it is not undertaken, or not continued.

There is a reason, however, for talking about capital accumulation and not just talking about doing business in order to get profits. The reason is that the process is circular. It is repeated. It is a case of positive feedback. Once you sell the products of a business and get a first profit, you can start over again by investing not the same money but the same money increased, and so on. It's like compound interest. Just as one can go deeper and deeper into debt by paying interest and then interest on interest, as you take out new loans to cover your old loans, until you pile up an astronomical debt like the current public debt of the United States or Japan or Greece, you can also accumulate profits on profits, until you have an astronomical fortune.

Thomas Piketty in his painstakingly researched *Capital in the Twenty-First Century* (Piketty, 2015) finds that large fortunes are now accumulating at a rate of 6 to 7 percent annually. Small and medium fortunes grow at lower rates. From the fact that the growth of large fortunes is greater than economic growth, Piketty concludes that inequality will increase.

Now we have to modify the first approximation again. It should be noted that the majority of businesses do not accumulate capital. They are not profitable in the sense of always accumulating greater amounts of money than the annual decline of the value of money because of price inflation. At best, they may serve to pay over time the value of a house or two, but it is not in the case of a typical family business a matter of real estate accumulation. Usually it happens that one has more children than houses, so four children are for example heirs each one to the fourth part of a house.

This is the phenomenon of what Jose Luis Coraggio has called the people's economy. (Coraggio, 2004) The family has a business, or the individual has a business, but the business is mainly used to make a living, not to accumulate.

In the people's economy business income tends to be similar to the salaries of those who have salaried work. One can have a daughter who owns the greengrocer shop on the corner and another daughter who is a teacher, and both make about the same income.

In Latin America, the people's economy is the sector that generates the most employment.¹

However, nevertheless, it can be said that the capitalist sector² that is to say the sector that accumulates, is the dominant sector. It produces almost all of the products found in supermarkets, pharmacies and malls. It produces almost all of the surplus, that is to say almost all that is left over after paying the costs of production.

Having clarified a bit what is and what is not capital accumulation, I return to the three theses. They are:

1. At the present time, what most locks in place social injustice and a tragic march toward the death of the biosphere is the necessity of maintaining favourable conditions for capital accumulation.
2. The physical dependence of human life on the accumulation of capital, and hence the need for a regime of accumulation, is a necessary consequence of the legal framework that constitutes the market.
3. It is impossible to build a governable economy, and therefore social justice, peace and sustainability without making the economy less dominated by the necessity to accumulate capital

Now I have to explain the phrase "maintain favourable conditions for the accumulation of capital." A recent book by three famous economists lists those conditions.³(Rodrik, 2011) One condition is low taxes on the profits of investments. Another is a skilled and disciplined workforce, but not high wages. A third is good infrastructure, such as roads and ports. A fourth is access to credit to finance operations. A fifth is the ease of withdrawing the accumulated capital from the country and investing it in another country if the other country becomes more profitable.

There are others, but what is said is sufficient to explain the meaning of "favourable conditions for capital accumulation." I proceed to explain why those conditions lead to social injustice.

Since in one way or another the state has to be financed, low or zero taxes on investment income lead in most countries to a high VAT paid by all consumers, and an income tax paid mainly by the professional middle class. One way or another the investing class pays low taxes and others have to make up the deficit. Typically, nobody takes up all the deficit, leading to the indebtedness of the state. We have already observed that capital accumulation requires good infrastructure and a skilled labour force. Both mean public spending. The outcome of large public expenses and low public income is the fiscal crisis of the state. (O'Connor 2002) The state cannot comply with social rights, such as the right to health and the right to a decent retirement, due to the high costs of attracting investment, and because of its low income. The low income of the state is the consequence of an insurmountable wall between the wealth of the country, which remains in private hands, and the needs of the people. (Galbraith, 1958) The wall is insurmountable because of the need to attract investment and its flip side the need to avoid capital flight.

Worse than the case of those who in spite of their miserable salaries pay VAT, is the case of the excluded. There always are people who fail when the name of the game is buying and selling. The excluded are those who fail to sell at a decent price and on a regular basis either their labour power or some other commodity. Since the fact that one person desperately needs to sell something to make a living does not impose on any other person a duty to hire or to buy, there is no reason to expect that all would-be sellers will find buyers. Let this be enough to clarify the meaning of the phrase "locks in place social injustice." I repeat again the three theses:

1. At the present time, what most locks in place social injustice and a tragic march toward the death of the biosphere is the necessity of maintaining favourable conditions for capital accumulation.
2. The physical dependence of human life on the accumulation of capital, and hence the need for a regime of accumulation, is a necessary consequence of the legal framework that constitutes the market.
3. It is impossible to build a governable economy, and therefore social justice, peace and sustainability without making the economy less dominated by the necessity to accumulate capital.

Now I have to explain why "the necessity of maintaining favourable conditions for capital accumulation" locks in place "a tragic march toward the death of the biosphere."

The reason is that the principle of accumulation is *more*. The principle of ecology is *less*. Accumulation demands more profit. That's why it demands more sales. To have more sales there has to be more production. There has to be more population so that there are more producers and more consumers.

Ecology advises leaving the coal in the earth instead of burning it and raising the level in the atmosphere of carbon dioxide. Ecology requires less population, less consumption, less production, less sales, less accumulation of money and more conservation of nature. It is for these reasons that ecology teaches us that the path of accumulation is the path to the sunset of the biosphere.

The clarification of why accumulation is inconsistent with ecology overlaps with the clarification of the following concept, namely: "The physical dependence of human life on the accumulation of capital."

The issue of our physical dependence on the current system leads me to what I most want to say. It is necessary to encourage already existing tendencies, to recover old practices that have fallen into disuse, and to create new social innovations in order to build another economy that can be called solidarity economy. Solidarity economy can be defined as that economy whose goal is to attend to human needs in harmony with nature, and whose means to achieve this goal are solidarity, imagination, and realism.

Another economy is necessary because we cannot simply opt out of accumulation and choose instead social justice, peace and ecology. That option does not exist. The current system, even with all its drawbacks, produces our daily bread. If it stops working we do not have daily bread, as was evident in Chile in 1973 when there were long queues in the streets where one waited three hours to get half a kilo of bread, and as is evident in Venezuela today.

If we want justice, peace, and sustainability we have to build another economy.

A historical perspective agrees: The human species has existed for more than two hundred thousand years. In all this time, except for less the last six thousand years, it has lived in tribes or clans or small groups, collecting and hunting. The human species has organized the work and distribution of food and other goods in many ways. In recent centuries increasing numbers of human beings have lived by exchanging goods and services with money. We get money by selling something. We get what we need and what we want by buying it with money.

I consider it important to emphasize a thesis of Jürgen Habermas: In the modern world, the market is the institution that most defines society. The government is secondary. We do not live in markets that operate within legal frameworks defined by governments. We live under governments operating within markets. (Habermas, 1975) So, to think about social change we have to think about changing markets.

There is more. Today, not only selling, but also the *production* of goods and services is primarily for profit. The first step is the investment motivated by confidence that the investment will be profitable. The second step is production. It is because of production that there is employment for producers, and goods for the consuming public. The third step is the sale. If all goes well, the fourth step is consumption. It is by the fourth step, consumption, that people can eat and life can continue. It all starts with the first step, the investment. Investment begins with confidence. That is why the first and most necessary task of any government is to assure the confidence of the investors. That is why Habermas teaches that the market is primary and the government is secondary.

The accumulation of capital has become a physical necessity. If it stops working, it is necessary to improvise alternatives, as the Argentines did in the economic collapse of 2001. The Argentines in 2001, like the Chileans under the dictatorship, improvised the solidarity economy with neighbourhood assemblies, with soup kitchens and community meals, with recovered industries, with local currencies to facilitate barter, gift economy, freecycling, shared clothing, cooperative work, and a series of other innovations that emerged as immediate responses to the emergency. (Coraggio, 2004)

The accumulation of capital may cease to function either because there is no confidence that investment will be profitable, or because powerful interests want to create an economic crisis in order to overthrow the government, or because of a combination of both. In all three cases, bread, meat, diapers, medicines, matches, spare parts for vehicles, and sometimes even electricity, gas and potable water disappear.

Because of the fundamental role of accumulation in the production of the necessities of life we speak of "a regime of accumulation." "Regime of accumulation" means that all the institutions of a society are compatible with accumulation. Education, family, religion, media, wages, taxes, culture, highways, sports and in sum *everything* has to facilitate and not hinder the accumulation of capital. It is said that in the sixties the most common accumulation regime in Latin America was developmental. Now it's neoliberal. In the future, it may be another. As long as accumulation is the engine of the economy, all other institutions have to fit with that engine.

Let this suffice to clarify our present physical dependence on the accumulation of capital. I repeat that the three theses are:

1. At the present time, what most locks in place social injustice and a tragic march toward the death of the biosphere is the necessity of maintaining favourable conditions for capital accumulation.
2. The physical dependence of human life on the accumulation of capital, and hence the need for a regime of accumulation, is a necessary consequence of the legal framework that constitutes the market.
3. It is impossible to build a governable economy, and therefore social justice, peace and sustainability without making the economy less dominated by the necessity to accumulate capital.

Now I explain why the inevitable, or perhaps just almost inevitable, outcome of the legal framework that constitutes the market is the physical dependence of the population on investor confidence. The legal framework constituting the market is as follows:

1. The laws that govern the ownership of property.
2. The laws that define contracts. Purchases and sales are contracts, each sale being a purchase from the point of view of the buyer, and each purchase being a sale from the point of view of the seller.
3. The definition of the person as a juridical subject capable of owning property and entering into contracts, and therefore of buying and selling.
4. The absence in the law of the solidarity obligations typical of families, clans, tribes and traditional life generally, summarized in the Bible as "love one another"(John 15: 12) and summarized in the ideals of the French revolution as "fraternity."

With these legal rules, there is a market. Without them there is no market.

Now again a historical review is appropriate. The market, the law, and the accumulation of capital are social and historical constructs connected to each other. The three evolved together. Their logical evolution is at the same time the trend of their historical evolution. For two thousand centuries, and to this day in some places, the role of markets has been less, and also different, from the role of markets in the modern economy. (Godelier, 1976)

In a first phase of an evolution destined to lead to modernity, one can think of the early market as a fair to exchange goods. One goes to the fair with grain from one's farm, with the aim of selling the grain and buying a pig to take the pig home again home again jiggety jig in order to eat sausages made from the pig during the winter. That's "sell to buy."⁴ There follows a commercial stage that can be called "buy to sell." You go to the market to buy grain in order to sell the grain in the winter when prices rise, or to take the grain elsewhere where its price is higher.

Then, in another stage that inevitably follows, commerce defined as buy to sell leads to buy-to-produce-to-sell. Instead of simply buying things and then selling the same things, traders, now entrepreneurs, undertake production. They buy inputs for production, including labour, and sell the products. With this platform of production relations capitalism properly so-called develops, calculating from the beginning the profitability of

the investments, thinking from the beginning about the initial purchases and the eventual sales with the purpose of accumulating money.

At a still later stage, typical of today, the stage of production is often eliminated. Today strategies of financial speculation bypass the real economy. Money generates money without facilitating the exchange of grain for pigs or the manufacture of sausages or any useful activity. (Hudson, 2012)

I suggest ⁵ that the historical evolution ending with the current social chaos and the current march toward the death of the biosphere is virtually inevitable, given the legal framework of the market and (retracting the second thesis a little) in the absence or weakness of a culture of solidarity. The law constitutes the institutional framework of the market. The market, and the market-dominated way of life, tend to make it inevitable that the objective of a great deal of human activity is going to be profit. Once it is established that profitability is the goal, there swings into operation a "law of substitution." (Marshall, 1930) The concept of "law of substitution" refers to the triumph of those innovations, be they financial or technical, that are more efficient. If they are more efficient for achieving greater profitability, they multiply. They grow. They drive out the earlier and less efficient practices. The triumph of more effective forms of accumulation occurs with greater force because life depends physically on accumulation. It occurs with still greater force because there is a constant and perpetual trend towards insufficient investment to maintain desired levels of employment. (Keynes, 1936) Public policy perpetually strives to strengthen the inducement to invest, often at the expense of other objectives, in a scenario where the inducement to invest perpetually tends to be too weak.

The denouement is that the general public, once mostly peasant farmers more or less locally self-sufficient, more or less exploited by a more or less military or priestly ruling class, comes to depend physically on a system whose engine is investment undertaken for the purpose of capital accumulation.

I move on to the third thesis, discussing it more in its positive form than in its negative form:

It is impossible to build a governable economy, and therefore social justice, peace and sustainability without making the economy less dominated by the necessity to accumulate capital.

Saying almost the same thing, but in a positive way: It is possible to build a governable economy, and therefore social justice, peace and sustainability with an economy less dominated by the necessity to accumulate capital.

I explain the phrase "less dominated by the necessity to accumulate capital."

That necessity is necessary to the extent that to create employment and in general to meet the needs of people such as the need for bread, meat, diapers etc. there is no alternative.

That necessity is no longer necessary, or is less necessary, to the extent that *there are alternatives*.

Thus, the meaning of the third thesis in its positive form is that to the extent that there exist or come into existence alternatives; that is, effective ways to meet human needs in harmony with nature, whose motivation is not the accumulation of capital; then justice, peace, and sustainability become possible.

Now I will explain the phrase: " It is possible to build a governable economy."

It is possible because there are already many alternatives that are already working that can be enhanced.

Some of them are: everything mentioned above as a solidarity economy improvised in times of crisis; the public sector, parts of the private sector, the non-profit sector, the cooperative sector, and what Coraggio calls "the people's economy." I repeat that the popular economy is made up of the many self-employed people and small business people who are in business to make a living, but who do not accumulate any considerable amount of capital.

The "parts of the private sector" that are alternatives to a world driven by capital accumulation domination are the booming field of social entrepreneurship (Kliksberg, 2011) and the mission-driven companies committed in a serious way and not simply as propaganda to social responsibility and creating shared value. (Prahalad, 2005)

An economy built on solidarity and not on accumulation for the sake of accumulation is also made possible by the advance of science. Sustainability and social justice are made easier to achieve by new and forthcoming *green technologies* that make it possible to do more with less. (Diamandis and Kotler, 2013) Cultures of solidarity are more possible than they were in the past because of advances in the educational and psychological sciences. Education for peace and moral education have become capable of making a difference. (Navarro, 2012)

A solidarity economy is possible because there are remedies to overcome the fiscal crisis of the state. One is the capture of rents, not only rents from natural resources but also other kinds of rents. Another is the reassertion of the public roles of banks and of money. (Wray, 2012, Richards, 2017)

A peace and justice counter-culture is possible because there are talented creators of culture whose hearts and minds are independent enough to resist conforming to the norms imposed by a regime of accumulation.

Alternative economies are possible because other legal frameworks are possible. As we speak there is emerging an updated rule of law whose *Grundnorm* (fundamental principle) is respect for human rights, especially social rights. Starting from declarations and international conventions that already have the force of law, an updated jurisprudence will not defend either an absolute right of property ownership or an absolute freedom of contract when they are incompatible with social rights. It will recognize the legal legitimacy of building institutions to comply with the requirements of ecology and the requirements of social justice. (Atria, 2013, 2014)

I suggest that when it is no longer necessary to subordinate all ecological and social objectives to the overriding objective of making investors confident that their investments will be profitable, it will be possible to solve many problems that today appear to have no solutions. Accumulation just for the sake of accumulation can become responsible management. The private appropriation of the social surplus can become the commitment of persons with a moral compass to serve the common good. (Felber, 2015) Surplus can be prudently recycled, partly to future production and partly to social spending –especially the surplus from the new advanced technologies. Through public channels and through private channels, resources can be transferred from where they are not needed to where they are needed. The excluded can be included by funding the separation of the right to live from the necessity of selling. Instead of standing around the streets dealing drugs, hustling, hooking, or just wandering around depressed, the formerly excluded can develop their talents (for example musical talent) or do useful work (for example planting trees to reverse global warming) while robots do the grunt work that in earlier times was done by human beings.

With this I finish. I have devoted myself mainly to explaining the meanings of the concepts that compose the three theses, including the third thesis in its positive form. Now it's up to the reader. I ask you to evaluate as best you can in the light of your experience, your readings, and your thinking, to what extent the three theses are true and to what extent they are false.

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¹ According to official statistics it is the SME sector that generates the most employment. Official statistics do not track Corragio's concept of people's economy.

² **The** word capitalism was coined by Karl Marx. In his works there are at least three definitions of it. I use the one which says that where there is accumulation there is capitalism, and where there is capitalism there is accumulation.

³ The co-authors of some chapters are Ricardo Hausman of Harvard and Andrés Velasco, former Finance Minister of Chile.

⁴ This historical review follows the sequence of "forms of value" in the first volume of *Capital* of Karl Marx.

⁵ The viewpoint here suggested is one I have further developed with several co-authors in several books available on Amazon, Google, and other sites.