The preferential option for the poor: the role of socially responsible consumption and saving

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From our General Principles..

- [The law of love ] challenges us to see our serious responsibilities and to seek constantly the answers to the needs of our times and to work together with the entire People of God and all those of good will for progress and peace, justice and charity, liberty and the dignity of all people.
- We are particularly aware of the pressing need to work for justice through a preferential option for the poor.
- The Community helps us to live this apostolic commitment in its different dimensions, and to be always open to what is more urgent and universal, particularly through the "Review of life" and through personal and communal discernment.
- The Community urges us to proclaim the Word of God and to work for the reform of structures of society, participating in efforts to liberate the victims from all sort of discrimination.
There is a strong link between people and numbers . . .

A task of the researcher is to remember the link between the one and the many and to unveil the faces who are hidden beyond the numbers . . .
The first goal (and joy) of a socially responsible action

- An act of everyday life (consumption, saving, etc.) which is not associated to a sense of guilt..
- ..but is a bridge and a hand given toward the last…
- Buying a product, investing in microfinance, doing a wedding list of FT products is the joy of creating a link which is not humiliating charity but dignifying solidarity and prize for work
- We do not give neither fish, nor fishing rods but occasions to build and strengthen capacities in the direction chosen by beneficiaries…
- There is nothing more exciting than working for the last and with social responsibility we can all participate
Structure of the presentation

1. The stylised facts of a globalised world
2. The cultural mission: a three dimensional approach (not just material progress...)
3. Against anthropological and corporate reductionism
4. The potential of social responsibility: the magis in the preferential option for the poor
5. The crucial role of social market enterprises
   - Fair trade
   - Microfinance
   - Ethical finance
6. What can we do: conclusions
The situation of the “last” across decades: population with less than one dollar a day in PPP

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share on world pop</td>
<td>83,9</td>
<td>56,3</td>
<td>54,8</td>
<td>44</td>
<td>35,6</td>
<td>31,5</td>
<td>28,3</td>
<td>23,7</td>
<td>23,4</td>
</tr>
<tr>
<td>Millions</td>
<td>886,8</td>
<td>1150</td>
<td>1176</td>
<td>1231</td>
<td>1343</td>
<td>1431</td>
<td>1183</td>
<td>1176</td>
<td>1175</td>
</tr>
</tbody>
</table>
Some differences are declining, others rising

Trends in life expectancy

Life expectancy has risen on average from 53 to 65 years

<table>
<thead>
<tr>
<th>Region</th>
<th>Countries</th>
<th>Income per capita (1993 PPP $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>Mali, Ethiopia, South Africa</td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td>Cambodia, India, rural, Pakistan, India, urban</td>
<td></td>
</tr>
<tr>
<td>East Asia</td>
<td>China, rural, Indonesia, China, urban</td>
<td></td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>Nicaragua, Argentina, Brazil</td>
<td></td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>Yemen, Morocco, Israel</td>
<td></td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>Russia, Albania, Poland</td>
<td></td>
</tr>
<tr>
<td>OECD countries</td>
<td>Ireland, Denmark, United States</td>
<td></td>
</tr>
</tbody>
</table>

Inequities across countries
The opportunity to earn/consume

Per capita income for the 10-90%, of the pop, mean and median (1997-2002)
Some differences are declining, others rising

Trends in extreme monetary poverty

Extreme monetary poverty (consumption below $1/day) has declined globally, but not in every country.
Social indicator dynamics across macroareas

### Key indicators: regional data from the WDI database

<table>
<thead>
<tr>
<th>People</th>
<th>Population</th>
<th>Life expectancy at birth</th>
<th>Under-5 mortality rate</th>
<th>Youth literacy rate</th>
<th>Child malnutrition</th>
<th>Prevalence of HIV, female % ages 15-24</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
<td>2002</td>
<td>2002</td>
<td>2002</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td></td>
<td>millions</td>
<td>years</td>
<td>per 1,000</td>
<td>% ages 15-24</td>
<td>% under-weight</td>
<td>% ages 15-24</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>1,033</td>
<td>69</td>
<td>42</td>
<td>98</td>
<td>93</td>
<td>15</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>473</td>
<td>89</td>
<td>37</td>
<td>100</td>
<td>98</td>
<td>.</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>525</td>
<td>71</td>
<td>34</td>
<td>95</td>
<td>93</td>
<td>9</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>308</td>
<td>89</td>
<td>54</td>
<td>87</td>
<td>61</td>
<td>.</td>
</tr>
<tr>
<td>South Asia</td>
<td>1,402</td>
<td>63</td>
<td>96</td>
<td>77</td>
<td>50</td>
<td>48</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>658</td>
<td>46</td>
<td>174</td>
<td>83</td>
<td>60</td>
<td>.</td>
</tr>
</tbody>
</table>

Note: % ages 15-24 and % under-weight are percentages relevant to specific age groups and nutritional status.
Some differences are declining, others rising

Trends in income inequality

Three concepts of world income inequality:

- **Intercountry inequality**: Three countries and three representatives with mean incomes (height)
- **International inequality**: Entire population included, but with mean incomes
- **Global inequality**: All individuals with their actual income

*Source: Milanovic (2005)*
Some differences are declining, others rising

Trends in income inequality

Intercountry (unweighted) inequality has gone up, while international inequality (weighted) has gone down

Source: Milanovic (2005)
Some differences are declining, others rising
Trends in income inequality

Global income inequality has increased, but not in the last 30 years

Source: Data by Bourguignon and Morrison (2002)
Opportunities

Endowments:
Wealth, land, social group, family background, ...

Individual traits and preferences:
tastes, talents, efforts, ...

Process:
investment, schooling, market transactions, political process.

Outcomes:
income, consumption, health, environment, ...
A synthesis of empirical results on the determinants of growth

Conditional convergence is confirmed and support interpretation C

A. Pessimistic (deterministic) perspective: inequalities are inevitably bound to increase;

B. Optimistic (deterministic) perspective: inequalities are inevitably bound to reduce; *(catching up)*;

C. Halfway path: conditional convergence arises if developing countries catch up in terms of factors of conditional convergence:
   1) Physical capital investment and infrastructure
   2) Human capital investment
   3) *Information Technology*
   4) Quality of institutions and social capital
What changes in a globalised framework...
A source of turbulence: North-South skill adjusted wage gaps

- Skill adjusted wage in western countries
  - Antidelocalisation agreements
  - Currency appreciation
    - Socially responsible consumption
  - Skill adjusted wage in LDCs
Effects of globalisation on labour markets

1. From local to global labour markets
2. From local to global product markets

Due to effects 1 and 2, globalisation enhances skill wage differentials.
The consumer-worker conflict in the North is exacerbated by the delocalisation option

Households
More flexible and precarious as workers

Goods market

Firms

Labour market

Demand
Supply
Demand
Supply

Happier as consumers...
The providential role of globalisation

- Globalization has significantly increased global interdependence and transformed most local problems into global problems, whose lack of solution would harm everyone.
- The misery of large part of population in less developed countries, after the global integration of domestic labour markets, generates a wide supply of cheap labour and represents a significant threat for the defense of workers rights in more industrialized countries.
- From this point of view, globalization may be seen as having a providential aspect in making unfeasible the old equilibrium, in which social justice was ensured only in some countries of the world.
- The “fence” raised to defend social order in our countries against social chaos in less developed countries fell and it is now necessary to care about social protection in these distant countries if we want to improve workers rights in ours.
- This is why social responsibility is nowadays no more a matter of altruism but, more simply, a matter of enlightened and longsighted self interest against the shortsighted self interest which ignores the “blowbacks” and consequences on our life of problems coming from distant countries.
CSR and globalisation

- Social responsibility emerged as an “endogenous reaction” of the socioeconomic environment to the fall of the old system of checks and balances through which corporations, domestic trade unions and domestic institutions ensured the joint pursuit of economic development and social cohesion.

- The ICT revolution and the ensuing global market integration was the leading force which caused the crisis of the old equilibrium.

- The positive consequence of the new equilibrium is that, while citizen’s action cannot be seen as a substitute but as a complement of new (global or globalization consistent) governance rules, it represents a step ahead in economic democracy.

- With socially responsible consumption citizens learned to vote everyday with their portfolio, thereby significantly increasing their degree of active participation to the political and economic life.

- Their bottom-up pressure stimulated socially responsible practices of corporations which aimed to conquer the emerging group of “concerned” consumers.
Social Responsibility and Christian Social Doctrine

- We must use our purchasing power consistently with moral requirements of justice and solidarity and social responsibility: we must not forget the obligation of charity, that is, providing what is indispensable for the life of the poor with one’s own superfluous and, sometimes, with what is necessary. Owing to the wider flow of information, this responsibility gives consumers the chance of affecting producer behaviour, with individual or collective decisions to prefer products of some and not other firms, not just by looking at prices and product quality, but also at fair working conditions and the engagement in the preservation of the environment.

- Compendio della dottrina sociale della Chiesa n. 359
What are social market entreprises

- Firms with a primary social goal competing in the market with traditional profit maximising corporations
- Examples: fair trade importers, (not for profit) microfinance institutions.
The rise of “social market entreprises”

- Firm with a specific social goal (promoting inclusion) which compete in the market with profit maximisers and are “contagious” generating partial imitation
- SME overcome the traditional dichotomy between creation of economic value (with likely negative externalities) and redistributive or inclusive policies aimed to correct the distortions introduced in the moment in which economic value is created
- They increase work satisfaction of intrinsically motivated workers
Anthropological and corporate reductionism

1. All individuals are “myopically self-interested” and purse only monetary or material goals
2. All entrepreneurial activities have profit maximisation as their own goal
Against anthropological and corporate reductionism

1. A huge number of lab and natural experiments document that individuals are also driven by empathy, moral commitment and social norms.

2. A large minority of firms pursue social goals (cooperative firms and “social market enterprises”)


SME and CSR beyond “reductionism”

- Beyond the dichotomy of the self-worker and the self-consumer
- Positive market share and empirical findings of nonzero willingness to pay for the ST features of FT products reveals that consumers are not homines economici or “rational fools” (Sen, 1976)
- Among alternative microfoundation of economic agents our findings seem to support especially altruism, fairness and inequity aversion (Fehr-Schmidt, 1999; Fehr and Schmidt, 2002; Sobel, 2002) or long-sighted self interest [and less reciprocity]
A definition

- Fair trade schemes use consumption and trade in an aim to promote inclusion of poor farmers in global product markets through a package of benefits which include anti-cyclical mark-ups on prices, long-term relationships, credit facilities and business angel consultancy to build producers’ capacity.

- NOT TO BE CONFUSED WITH fair trade generally referring to the absence of duties, controls and dumping practices in international trade (Mendoza-Bhadur, 2002; Bhagwati, 1996; Stiglitz, 2002; Suranovic, 2002).
IFAT criteria

- Creating opportunities for economically disadvantaged producers.
- Transparency and accountability.
- Capacity building.
- Promoting Fair Trade.
- Payment of a fair price.
- Gender Equity.
- Working conditions.
  (healthy working environment for producers. The participation of children (if any) does not adversely affect their well-being, security, educational requirements and need for play and conforms to the UN Convention on the Rights of the Child as well as the law and norms in the local context.)
- The environment.
- Trade Relations.
  Fair Trade Organizations trade with concern for the social, economic and environmental well-being of marginalized small producers and do not maximise profit at their expense. They maintain long-term relationships based on solidarity, trust and mutual respect that contribute to the promotion and growth of Fair Trade. Whenever possible producers are assisted with access to pre-harvest or pre-production advance payment.
Importers associations

Producers and first level producers association

“concerned” consumers

World Shops
Price breakdown of a FT product

<table>
<thead>
<tr>
<th>Description</th>
<th>Euro</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of 250 gr</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UCIRI - Union Comunidad Indígenas de la Región de Istmo (Mexico) - coffee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To the farmer</td>
<td>0.55</td>
<td>22.6</td>
</tr>
<tr>
<td>To UCIRI general expenses</td>
<td>0.16</td>
<td>6.4</td>
</tr>
<tr>
<td>A UCIRI social projects</td>
<td>0.13</td>
<td>5.5</td>
</tr>
<tr>
<td>A UCIRI biological component</td>
<td>0.08</td>
<td>3.4</td>
</tr>
<tr>
<td>Transportation costs to the transformer</td>
<td>0.06</td>
<td>2.4</td>
</tr>
<tr>
<td>Tariff and custom expenses</td>
<td>0.04</td>
<td>1.7</td>
</tr>
<tr>
<td>Toasting and packaging</td>
<td>0.46</td>
<td>18.8</td>
</tr>
<tr>
<td>Distribution costs and financial expenses</td>
<td>0.13</td>
<td>5.2</td>
</tr>
<tr>
<td>Importer (CTM) margin</td>
<td>0.29</td>
<td>12</td>
</tr>
<tr>
<td>Retailers (World shops) margin</td>
<td>0.54</td>
<td>22</td>
</tr>
<tr>
<td>Sale price</td>
<td>2.45</td>
<td>100</td>
</tr>
<tr>
<td>VAT</td>
<td>0.49</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>2.94</td>
<td></td>
</tr>
</tbody>
</table>
New data

- In 2005, sales of products certified as fair trade ones were estimated at €1.1 billion worldwide, a 37% year-to-year increase.
- European FT net sales grew by 20 percent per year in the last five years and that in 2005.
- Significant market shares in specific sectors such as bananas in Switzerland (47%) and the ground coffee (20%), tea (5%) and bananas (5.5%) in the UK.
The cultural role of FT

- Consumers’ vote with portfolio extends participation
- Creation of economic value with values overcomes the traditional dichotomy
- FT gives more dignity to the market!
- Differently from charity it is contagious
Nestle has launched a fair trade instant coffee as it looks to tap into growing demand among consumers. The firm is the first of the four major global coffee firms - the others are Kraft, Sara Lee, and Procter & Gamble - to put out such a product in the UK.

Ethical shopping is an increasing trend in the UK, as consumers pay more to ensure poor farmers get a better deal.

But the involvement of a leading multinational has proved controversial among the aid and development workers.

Fair Trade is quite clearly growing enormously in terms of its awareness. Fair trade has been growing at good double-digit growth and continues to grow." said Fiona Kendrick, Nestle’s UK head of beverages.
Fair Trade is quite clearly growing enormously in terms of its awareness," said Fiona Kendrick, Nestle's UK head of beverages.

"Specifically in terms of coffee, fair trade is 3% of the instant market and has been growing at good double-digit growth and continues to grow."

Other companies have also recognised the importance of ethical brands.

Proctor and Gamble launched a FairTrade coffee brand in the United States in 2004 under its Millstone label.
The price distortion fallacy

- A main criticism to fair trade is that it would generate a price distortion on the market price of a given commodity, say coffee, providing a wrong incentive to producers to invest inefficiently resources for a product for which there is scarce demand.
- There are two theoretical fallacies beyond this reasoning.
- First, in many cases the exchange between producers and intermediaries does not occur in a competitive framework. In such case the market price is a distortion because it does not reflect the productivity of producers but their lower market power.
- Second, the food industry produces highly differentiated products with a continuous wave of innovations which create new variety. There is not one coffee but many different coffee products which differentiate each other in terms of quality, blends, packaging and now also “social responsibility” features. For any of these products exists a specific and different market prices which is determined by consumer tastes for that kind of products (and that for fair trade coffees does not seem to be weak or declining). In this sense fair trade is an innovation in the food industry which creates a new range of products.
Difference between socially responsible consumption of FT products and charity

(2)

STRONGER ARGUMENTS

- only the fair trade purchase generates the positive indirect effects on social responsibility of traditional producers;

- fair trade, differently from charity, provides a minimum wage measure needed to solve market failures in case of monopsonistic labour markets (or may reduce intermediary rents in local transportation market) (donations have no antitrust effects);

- Fair trade create a new variety of product and satisfies tastes of fairness or inequity aversion of consumers
Open issues: the dynamics of FT market

FTO
label

ATO

1

2

3

4

5

World
shops

Supermarkets

Imitators

Flo

FIGURE 1.1

Socially Responsible Investing in the United States • $2.3 trillion in 2005

Community Investing 1%

Screening and Shareholder Advocacy 5%

Shareholder Advocacy Only 26%

Social Screening Only 68%
(Mutual Funds and Separate Accounts)

SOURCE: Social Investment Forum Foundation
Banca etica - Etimos

- Around 600 million euros of savings in 7 years
- 29,000 shareholders (3.5 million if we consider association members)
- Primary goal is social.
The rise of modern microfinance

- Yunus experiment the effects of lending small sums to poor borrowers without asking collateral (in 1976 with 27 dollars he could lend to 42 bamboo workers which needed 22 cents each to buy raw material for their work)

- The Grameen Bank has now six million borrowers and the Microcredit Summit Campaign at end 2006 documents the existence of 3,133 microfinance programs around the world reaching approximately 113 million borrowers and, among them, 82 millions in straight poverty conditions.
The rise of modern microfinance (2)

- The most outstanding element of the performance of MFIs is their extremely low share of nonperforming loans. According to the most systematic source of aggregate data on MFIs, the MicroBanking Bulletin (http://www.mixmbb.org/en) which created a panel of 200 MFIs from different world continents – the average MFIs loan loss rate was 1 percent in 2005.
Reasons for the astounding performance (1)

- One of the most important keys of success is considered to be the *group lending/joint liability mechanism*
- The bank provides small individual loans to a self-selected group of borrowers and enforces a contract in which the default of one of them implies penalties for the other groupmates.
- In a framework of asymmetric information this creates an incentive for *virtuous group selection ( assortative matching)* among potential borrowers (no one want to mix with unproductive groupmates in order to minimize the probability of paying the penalty) before and *peer monitoring* after the loan has been provided.
Reasons for the astounding performance (2)

- Problem: some successful MFIs (and the same Grameen after its 2000 reform and the start of the Grameen II system) do not use joint liability !!
- Two alternative explanations
- 1) Berger-Udell (2002): key role of loan officers who accumulate soft information which is crucial to assess creditworthiness of small businesses
Reasons for the astounding performance (2)

- 2) the unique opportunity of rise in dignity cannot be lost by borrowers...

- “The rich can evade the consequences of non-payment; the poor cannot. They value access to credit so highly, and dislike the loan sharks so much, that they are only too grateful for a once-in-a-lifetime opportunity to improve themselves.”

- Mohammad Yunus
MFIs promote inclusion and are effective in recovery after shocks (our findings on the field before an after tsunami for a sample of MFI borrowers)
SME and the reputation of the market

- Does the market erodes social virtues? “commodification” (Marx and Hirsh, 1976), “depleting moral legacy” and “tyranny of small decisions” (Hirsch, 1976) crowding our of intrinsic motivations (Frey)
- The market has not always negative moral consequences: moral consequences of growth (Friedman, 2006), self generating flow of altruism (Arrow, 1972), “countermovement” (Polanyj, 1957)
- FAIR TRADE REVOLUTION: creates value with values and uses “commodification” to generate social values
SME and Keynes prophecy

- "For at least another hundred years we must pretend to ourselves and to everyone that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight."

John Maynard Keynes
"The Future", *Essays in Persuasion* (1931) Ch. 5

With SMEs which create economic value in SR way fair is also useful and we can see the light beyond the tunnel ...
To sum up: why SME are the magis

- Their role goes much beyond the direct beneficiaries
- They create contagion among traditional market actors
- They contribute to change the cultural climate by fighting corporate and anthropological reductionism
- They contribute to the increase of life satisfaction among workers
What can we do?

- vote with portfolio (saving and consumption)...
- Participate to this adventure by becoming shareholders of social market enterprises
- Promote them in our associations
Questions for the groups

- How do I feel after the presentation (perplexities, signs of hope…) ?
- What are the limits and the opportunities on my opinion of social responsibility ?
- How can we act concretely as individuals and as CLC groups to enact the preferential option for the poor ?
Main Author’s references

Alcune frasi importanti che sottolineano nuove frontiere dell’etica in economia (1)

- “L’utilizzo del proprio potere d’acquisto va esercitato nel contesto delle esigenze morali della giustizia e della solidarietà e di precise responsabilità sociale: non bisogna dimenticare “il dovere della carità, cioè il dovere di sovvenire con il proprio superfluo e talvolta anche col proprio necessario per dare ciò che è indispensabile alla vita del povero. Tale responsabilità conferisce ai consumatori la possibilità d’indirizzare, grazie alla maggiore circolazione delle informazioni, il comportamento dei produttori, mediante la decisione – individuale o collettiva – di preferire i prodotti di alcune imprese anziché di altre, tenendo conto non solo dei prezzi e della qualità dei prodotti, ma anche dell’esistenza di corrette condizioni di lavoro nelle imprese, nonché del grado di tutela assicurato per l’ambiente naturale che lo circonda.
- Compendio della dottrina sociale della Chiesa n. 359
Alcune frasi importanti che sottolineano nuove frontiere dell’etica in economia (2)

- “Uno dei modi migliori di amare è aspettare qualcosa da un altro, poiché la carità non consiste solamente nel dare, ma anche nel chiedere, nel mostrare agli altri che possono essere utili”.
- Jean Danielou
  (Promozione di un nuovo concetto di solidarietà che implica la responsabilità del ricevente)
A good synthesis of my presentation: everyone can play a crucial role

- “In recent years we saw many times government and corporations forced to reconsider and change their policies for the bottom up pressure from grassroot movements and civil societies… This is the kind of pressure we need in order to achieve the Millennium Development Goals”[1]

- Kofi Annan
- UN General Secretary
- Quote from “La Repubblica” 18 December 2002.
Christian Social Doctrine

- We must use our purchasing power consistently with moral requirements of justice and solidarity and social responsibility: we must not forget the obligation of charity, that is, providing what is indispensable for the life of the poor with one's own superfluous and, sometimes, with what is necessary. Owing to the wider flow of information, this responsibility gives consumers the chance of affecting producer behaviour, with individual or collective decisions to prefer products of some and not other firms, not just by looking at prices and product quality, but also at fair working conditions and the engagement in the preservation of the environment.

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Social responsibility and globalisation

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- With socially responsible consumption citizens learned to vote everyday with their portfolio, thereby significantly increasing their degree of active participation to the political and economic life.
- Their bottom-up pressure stimulated socially responsible practices of corporations which aimed to conquer the emerging group of “concerned” consumers.
The domains of action of social responsibility

- Fair trade and responsible consumption
- Microfinance and socially responsible investment
- Ethical investment fund

- THE REACTION OF FIRMS

- Corporate social responsibility
What SR tells us about human beings

- Beyond the dichotomy of the self-worker and the self-consumer
- Positive market share and empirical findings of nonzero willingness to pay for the ST features of FT products reveals that consumers are not homines economicy or “rational fools” (Sen, 1976)
- Among alternative microfundation of economic agents our findings seem to support especially altruism, fairness and inequity aversion (Fehr-Schmidt, 1999; Fehr and Schmidt, 2002; Sobel, 2002) or long-sighted self interest [and less reciprocity]
What SR tells us about enterprises: the rise of “social market enterprises”

- Firm with a specific social goal (promoting inclusion) which compete in the market with profit maximisers and are “contagious” generating partial imitation.
- SME overcome the traditional dichotomy between creation of economic value (with likely negative externalities) and redistributive or inclusive policies aimed to correct the distortions introduced in the moment in which economic value is created.
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Fair trade data

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- Significant market shares in specific sectors such as bananas in Switzerland (47%) and the ground coffee (20%), tea (5%) and bananas (5.5%) in the UK.
Institutional support

- European Parliament resolution on Fair Trade and Development (July the 6th 2006) asking the European Commission a recommendation and steps up public support for Fair Trade
- Rapporteur, MEP Frithjof Schmidt, "This resolution responds to the impressive growth of Fair Trade, showing the increasing interest of European consumers in responsible purchasing."
- Peter Mandelson, EU Commissioner for External Trade, "Fair Trade makes the consumers think and therefore it is even more valuable. We need to develop a coherent policy framework and this resolution will help us."
Contagion effects: BBC 7 October 2005 (1)

- **Nestle has launched a fair trade instant coffee as it looks to tap into growing demand among consumers.** The firm is the first of the four major global coffee firms - the others are Kraft, Sara Lee, and Procter & Gamble - to put out such a product in the UK.
- Ethical shopping is an increasing trend in the UK, as consumers pay more to ensure poor farmers get a better deal.
- But the involvement of a leading multinational has proved controversial among the aid and development workers.

- 'Turning point'
- The decision represents a turn-around for the Fairtrade Foundation which has endorsed the move.
- **This represents a fundamental, serious commitment to help some of the poorest farmers**
  Nestle"This is a turning point for us and for the coffee growers," said Harriet Lamb, director of the Fairtrade Foundation, which helps regulate and mark fair trade products. "This just shows what we, the public, can achieve," she said. "Here is a major multinational listening to people and giving them what they want."
- Development charity Oxfam cautiously welcomed the move, but said that it was only a small step in the right direction.
Fair Trade is quite clearly growing enormously in terms of its awareness,” said Fiona Kendrick, Nestle's UK head of beverages.

"Specifically in terms of coffee, fair trade is 3% of the instant market and has been growing at good double-digit growth and continues to grow."

Other companies have also recognised the importance of ethical brands.

Proctor and Gamble launched a Fair Trade coffee brand in the United States in 2004 under its Millstone label.
Microfinance

- Around 100 million borrowers in the world
- More than 2,000 MFIs
- Reasons of success: promoting dignity, group incentives
- Support of socially responsible investors
Microfinance in the world

![Bar graph showing the number of poorest families and MFI outreach in different regions.]

- **Asia**: 157.8 million, 23% coverage
- **Africa & Middle East**: 61.5 million, 6.8% coverage
- **LA & Caribbean**: 4.2 million, 8.1% coverage
- **Europe & NIS**: 12.1 million, 1.4% coverage

Legend:
- Blue: # of Poorest Families
- Red: MFI Outreach
SR and Keynes prophecy

- "For at least another hundred years we must pretend to ourselves and to everyone that fair is foul and foul is fair; for foul is useful and fair is not. Avarice and usury and precaution must be our gods for a little longer still. For only they can lead us out of the tunnel of economic necessity into daylight."

John Maynard Keynes
"The Future", Essays in Persuasion (1931) Ch. 5

With SR and SMEs which create economic value in SR way fair is also useful and we can see the light beyond the tunnel …
La rivoluzione del rapporto Stern (dicembre 2006)

- I costi dell’assenza di una politica di controllo delle emissioni di CO2 comportano una perdita del 20 percento del PIL
- Prima del rapporto idea del dilemma crescita-ambiente (se riduco l’effetto serra ho impatto negativo sulla crescita)
- Dopo il rapporto è il non intervento che genera effetti negativi sulla crescita…
An example of reconciliation of creation of economic value and environmental sustainability (Zeri. Org)

A second example: energy saving companies