Growing The Solidarity Economy

by Nancy Neamtan, excerpted from her talk at the USSF


photo: Jim Tarbell

The Solidarity Economy—what we call the social economy in Quebec—refers to cooperative, collective and non-profit, democratically-controlled enterprises, that emphasize the primacy of people over capital and embrace a philosophy of empowerment, equality and inclusivity. Their goods and services respond to the needs of the community. These enterprises do not move away, sell out, or lay off masses of workers in order to maximize return to shareholders. They are born out of the need and aspirations of the community, which will not let them fail. Even conservative politicians want to keep jobs in their community.

Nobel Prize winner Elinor Olstrom points out that the best way to manage resources is not through the private sector and not through the government bureaucracies, but by democratic organizations controlled by users.

We used to define our institutions as a community radio station, or a fair trade organization, or a co-op with no common umbrella for defining institutions as part of the economy. Then in 1996, we came together to establish the *Chantier de l'économie sociale*. Our first victory was for the government and the private sector to recognize that we are part of the economy, which gave us the standing to engage in the policy dialogue.

As a result, the *Chantier* or its allies proposed every piece of successful public policy in the last 15 years. The old top-down approach does not work, because you cannot force programs on people. Having useful public policy means that the priority has to come from the bottom up. You have to find out what the needs are.

We have done a lot of work around access to capital. We raised private money and a government match to create a $10 million fund that made non-guaranteed loans up to $50,000 to co-ops and non-profits. Everybody thought we were crazy. But, we were able to show that this was one of the most solid ways of investing in job creation. Now lots of local funds have opened up to collective enterprise.

The next issue became access to equity, because as our projects grew, we cannot just be borrowing millions of dollars and then have to pay it back the next day. That is not the way General Motors or any other big corporation works. If they need money, they sell you shares on the market. And if you want your money back the next day, you can sell it back on the market, but the enterprise does not have to pay it back. So, of course they can develop.

But the Solidarity Economy mission is not to give return on investment to outside shareholders. On top of this, when venture capital comes in to finance an enterprise, they will share the risk, but they also share the power. We cannot do that with democratically controlled enterprises. So we needed to create democratically controlled tools for investment.

As a solution, in 2006 we were able to negotiate seed money from the Canadian government and leveraged some other capital to create a $52 million investment fund controlled by the *Chantier* Trust. Now we have financial instruments responding to the needs of the Solidarity Economy actors and enterprises.

In Quebec, the biggest venture capital investors now belong to the movement. Unions negotiated with the government to create a $7 billion pension fund that gives a tax credit if you put money into it. In return, the fund has to invest 60% of their money to create and maintain jobs in small and medium-size businesses. And there is a similar fund with a billion dollars that invests in self-management, environmental or Solidarity Economy enterprises.

Now we have the venture capitalists running after us, because we came out of the crisis on a smooth economic rise. When comparing risk to margin of return, we come out smelling like a rose. The circle just grows and grows and grows.

Nancy Neamtan is President and Executive Director of the Chantier de l'économie sociale. *For the past 20 years, she has been involved in various organizations devoted to community economic development and labor force development and training.*

Economic Twists

- The economy is the work people do every day. The economy is not the stock market
- The financial crisis shows that private enterprises are more dependent on government support than non-profits and co-ops.
- Why is it that private companies that provide public services get government contracts that pay high wages and a tidy profit, while non-profits providing public services only get grants that pay low wages and allow no year-end surplus?
- Solidarity Economy enterprises should pay lower taxes and receive subsidies because they produce social benefits.
- Private businesses that harm the public good should pay higher taxes and receive no subsidies.
- Nobel Prize winner Elinor Olstrom points out that the best way to manage resources is not through the private sector and not through the government bureaucracies, but by democratic organizations controlled by users.
- Private enterprise thinks that market share belongs to them. But many things are better done by the Solidarity Economy.
- When a co-op fails, it is not because the model is not good.
- When a private business fails, it may well be because the model is not good.