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# **Sustainable Investment, Production, Consumption and the Social and Solidarity Economy**

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### *Abstract*

Social and Solidarity Economy (SSE) calls for a fair, inclusive and equitable global economy and envisions an alternative view of the economy which puts the environment and people in the centre. The current course of economic development has not led to shared prosperity for all, but to rising inequalities, the climate crisis, and unsustainable consumption and production patterns, affecting disproportionately the most vulnerable. A fundamental redesign of production and consumption patterns, as well as the financing of economic activity, is necessary to achieve 2030 goals. Financing systems play an important role in promoting sustainable consumption and production. The sustainable investment covers a broad range of financing activities. More precisely, social and solidarity financing (SSF) is concerned with the needs of people seeking finance and ultimately in redistributive and equitable socio-economic activity. Similarly, there are many approaches to sustainable production and consumption (SPC) and early approaches focused on limiting negative environmental impacts, “green” intentions, and actual consumer behaviour. SSE goes beyond this to consider circular social-economic systems and endeavours to put in place or “revamp” an economy that can support the societal and cultural changes necessary for SPC which create shared prosperity for people and environmental sustainability.

*Keywords:* sustainable investment; sustainable production; sustainable consumption; circular economy; Social and Solidarity Finance; Degrowth

## Introduction

At the core of the Social and Solidarity Economy (SSE) is the call for a fair, inclusive and equitable global economy. In order to achieve it, the SSE envisions an alternative view of the economy which puts the environment and people in the centre (also see “Heterodox economics and SSE”). In the 59th United Nations Commission for Social Development on the priority theme of socially just transition towards sustainable development (E/CN.5/2021/3), it was noted that the current course of economic development has not led to shared prosperity for all, but too high and rising inequalities, the climate crisis, and unsustainable consumption and production patterns, affecting disproportionately the most vulnerable. The Report further analysed the relationship between inequality, consumerism and environmental degradation and climate change, making the argument that a fundamental redesign of production and consumption patterns to achieve Sustainable Development Goal (SDG) 12 is an imperative for the realization of the 2030 goals (UN DESA 2021).

This readjustment implies a significant transformation in both values and methods of valuation, economic activities, and how the predominantly market-driven economy is structured. One important example of the need for better methods stems from the fact that negative externalities of production and consumption are often not taken into account in analyses of efficiencies or optimisation of activities within market economies (also see the entry “Ecological economics and SSE”).

This entry focuses on three main interlinked aspects: sustainable investment and finance, sustainable production, and sustainable consumption. Although they are interlinked, for example as set out in Box 26.1 below, they are located in different spheres of activities and influenced by significantly different actors. Herein, each concept is described, before considering their interconnectedness and the role of SSE, particularly with regard to circular value creation. Finally, reference to the comparative advantages that SSE has in creating sustainable circuits of investment, production, exchange and consumption will be referred.

### 1. Sustainable investment and SSE

Sustainable investing, sustainable finance, or socially responsible investing are broad categories. In their simplest form, they refer to a type of investing wherein the investor predominantly considers environmental, social, and governance factors before investing funds and/or resources in a particular initiative, fund or business. In the last decade, various initiatives have been launched: in 2019 the *International Platform for Sustainable Finance* was formed to mobilise private capital towards environmentally sustainable investments. It focused on engagement with policymakers who are in charge of developing sustainable finance regulatory measures intended to help investors identify those investment opportunities that actually improve climate or environmental objectives (also see the entry “Finance sector and SSE”).

*Principles for Responsible Banking* was also launched in 2019 during the United Nations General Assembly by 130 banks from almost 50 countries. This undertaking concerned a commitment to reducing negative impacts on the environment resulting from such

banks' activities, and banking products and services. The European Commission published its 'Strategy for financing the transition to a sustainable economy in 2021 (European Commission 2021) initially branded as "financing sustainable growth" after an extensive period of drafts and consultations. It is concerned with sustainable finance standards, disclosure, and labels, so as to recognise legitimate transition efforts. Inclusion, support for SMEs, individuals, and the real economy are noted as being important to achieving sustainability. The necessity for the financial system to become more resilient to climate change and environmental risks posed by climate change and environmental degradation is also highlighted in this strategy. It identifies sustainable economic activities, an EU green bond standard, methodologies for low-carbon indices, and metrics for climate-related disclosure.

Social and Solidarity Financing (SSF), on the other hand, although it shares certain characteristics with the sustainable investment, sustainable finance, and socially responsible investing initiatives and characteristics referred to above, is connected to the SSE, where both financial and social relationships are interconnected, that is, relationships are not solely economic (also see the entry "Finance sector and SSE"). SSF as part of the SSE is concerned with the needs of people seeking finance and ultimately in redistributive and equitable socio-economic activity. SSF is involved in both taking savings and deposits as well as lending activity. It finances businesses that rank highly in socially desirable behaviour (environmental, educational and social welfare, and economic inclusiveness). It does not involve itself in speculative or "casino" finance, a term used to describe the mainstream banking sector and investment and finance, and is engaged only with the productive or real economy. To understand the importance of this, it is useful to bear in mind that most shareholder-owned banks have both retail and investment arms and trade on their own account, where regulation allows, using the retail savings, pension contributions, and deposits of ordinary people and small businesses to trade and invest speculatively for their own benefit and ultimately for the benefit of their shareholders. As a result, much financial activity is not based on the real economy but on highly speculative trading.

Amongst the type of SSE financial entities are credit unions, cooperative banks, ethical banks, microcredit and microfinance and to a certain extent socially responsible investment. Whether an investment or finance entity may be considered to be part of the SSE depends on the degree of involvement, cooperation and associative solidarity relationships amongst workers, customers, producers and consumers, and also to the extent that which the entity practices democratic governance. Ownership arrangements are also key distinguishing factors. It is these latter characteristics that create a circuit of value creation so that there is a reinvestment of economic returns into the community, members, or the organisation itself. In its simplest form, the money deposited by one member of the community is utilised or invested to meet the borrowing needs of others and to create added value for the community as a whole. It is an efficient use of financial resources that creates a virtuous circle. The profits or benefits are not diverted to outside shareholders. The more successful the community is, the more surplus value will be reinvested and available to further finance other needs, whether local or beyond.

In addition, financing systems play an important role in promoting sustainable

consumption and production. In their analysis of sustainable investment, Sandberg and Sjöström (2021) consider the financial versus moral motivations of financial decision-making, that is, why investments are directed towards sustainable consumption and production practices. Sustainable investment, sustainable finance and socially responsible investment are still often motivated by financial goals where sustainability is seen to be a method to generate long-term shareholder value. On the other hand, the motivation to “do good” and be inclusive, not to invest in harmful industries and production, or not to extend credit for unsustainable consumption, is of a different moral logic.

Financial motivation requires investors to “adopt a reactive and hypothetical stance” while investments motivated by moral reasons require a proactive approach to sustainability issues (Sandberg and Sjöström 2021). The nature of the “return on investment” as well may differ greatly. The former approach to sustainable investment attempts to “make good” by “doing good”, and the latter SSE approach is more concerned with returns on investment that have more to do with moral or ethical considerations. For example, the return on investment as a result of inclusive investment to set up a senior or child daycare may mean more equitable conditions for women or dignity for the elderly. Investments in training farmers in better agroecological techniques may mean they spend less on chemical products and inputs, create less environmental damage, have less health and safety risk, and produce healthier products for consumers.

## **2.Sustainable Production and Sustainable Consumption (SPC)**

Early approaches to sustainable consumption and production were focused on limiting negative environmental impacts, and the treatment of “consumption” was focused on “green” intentions, and actual consumer behaviour (Moors, Mulder, & Vergragt 2005).

However, the SSE goes beyond consumer behaviour to consider social-economic systems and endeavours to put in place or “revamp” an economy that can support the societal and cultural changes necessary for SCP which create shared prosperity for people and environmental sustainability (UN DESA 2021). The extensive work done by Dasgupta (2021) on the economics of biodiversity has also underlined the fact that production and consumption demands exceeded Nature’s ability to continue to supply people with all the goods and services they relied on and pointed to “widespread institutional failure”, not just a market failure. The fundamental problem identified by Dasgupta was that governments reward people more to exploit nature than protecting it, prioritising unsustainable activities, including the extraction of natural resources for production and consumption. The solution, according to Dasgupta, is to understand that our economies are embedded in nature (also see the entry “Ecological economics and SSE”).

A common approach to sustainable consumption and production is to locate them in the circular economy, where the emphasis is on closing material loops. A transition to the circular economy would have significant impacts on sustainability, consumption and related investments in such activities. Circular economy upends the production and consumption patterns of using resources to produce, consume and then throwing away

or disposing of the products. Instead, the circular economy seeks to keep product value circulating as long as possible through reuse, repair, remanufacturing or repurposing, and recycling (Geissdoerfer et al. 2017). The European Commission's circular economy action plan adopted by the EU in 2015, and relied on by its new circular economy plan (European Commission 2020), defines the circular economy as:

*...an economy [that] aims to maintain the value of products, materials and resources for as long as possible by returning them into the product cycle at the end of their use, while minimising the generation of waste. This process starts at the very beginning of a product's lifecycle: smart product design and production processes can help save resources, avoid inefficient waste management, and create new business opportunities (European Commission, 2015).*

However, SSE can be seen to go one step further than the circular economy which concentrates mostly on environmental issues within an industrial context. The SSE integrates not only the environment but also the economic and social dimensions of sustainability and solidarity. Both organisational and governance aspects are included in the SSE approach to regenerate and restore consumption and production to include more than the economic aspect and to build inclusive and equitable economies (Geissdoerfer et al. 2017).

The SSE approach can be seen to focus on various levels from local business and community initiatives to overall social and economic dynamics. While circular economy scholars focus on how to close material loops, SSE requires a more profound change of consumption and production patterns. Recently, more research has been carried out tying the SSE to sustainability and consumption, pointing to the "sharing economy, collaborative consumption, reuse, second-hand, product-service system, repairs, etc." (Camacho-Otero, Boks, & Pettersen, 2018). (See generally, Bali and Sweet 2021a, 2021b)

However, the complexity of implementing such profound changes and their inter-relationships should not be underestimated. Not only are social and institutional changes that transform the upstream process of production and consumption (Bocken, Ritala, & Huotari, 2017) necessary, the redesign of actual goods and services to meet people's needs is also required (Merli et al. 2018), as well as the scaling up of such alternative sustainable and SSE systems.

Initiatives such as consumer and producer networks, a wide range of social enterprises (manufacturing, work integration, tourism, etc.) and cooperatives (supply, consumer, producer, service sharing, energy, waste, etc.) provide a different approach to SCP. Cooperatives and social enterprises combine social and economic value within their business models through their organisational design – they are essentially designed for such purposes. For example, cooperatives are "autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise." (ICA 2015).

### **3.SSE's role in future challenges in sustainable investment, production, consumption**

There is a need for a critical rethinking in SSE, where sustainable production and consumption may mean not consuming or investing in the production of goods at all, rather than trying to endlessly produce and consume more sustainable goods. Since the SSE does not measure its value solely by turnover, contribution to GDP, shareholder profits, or other monetised valuation methods, SSE is not trapped within the predominantly environmentally damaging production and consumption paradigm, which needs a constant supply of energy, natural resources, and other inputs, such as unfairly paid labour. Sustainable consumption and production necessarily implicate a discussion about growth. There are various perspectives about growth: Degrowth refers to the need to reduce production and consumption and looks to other indicators to define economic or societal success; Post-growth focuses on decoupling economic growth from a vision of “well-being”; Green growth puts its faith in scientific and technological progress and innovation to achieve sustainability and ensure that natural assets are depleted as little as necessary; and finally the “Doughnut economy” refers to conciliation between real needs of humans and the possibility for a sustainable future.

SSE may be seen to fit in within all of these approaches to growth, across many sectors, representing a diversity of organisational and financial models. SSE are flexible enough to provide innovative economic, social, and environmental solutions that are often rooted in their local context, as illustrated in Box 26.2, yet help to redefine sustainable investment, production and consumption by focusing first on the real economy and outcomes that are good for people and planet.

**Box 26.1: Sustainable Investment in agriculture through SSE entities**

In 1955, the Andalusian province of Almería, in southeastern Spain, was one of the poorest areas of Europe. It was a drought-ridden area with little infrastructure and a GDP per capita of less than half the national average. Most residents who had not already fled in search of better opportunities were barely subsisting and starvation levels were high. Today, it is the top Spanish fruit and vegetable growing area with an income among the wealthiest third of Spanish provinces in GDP per capita. This turnaround from a destitute area to a thriving province is due to the local cooperative association and marketing cooperatives and sustainable, cooperative finance. Almería’s average landholding is still only 2 hectares, and most are held by the 15,500 small-scale or family farmers who utilize greenhouses.

The dictatorship regime initiated development efforts in the 1950s and 1960s by introducing an electrification plan and installing water pumps that utilized underground water to lure farmers to increase agricultural production in the area. However, it was an exploitative arrangement, environmentally unsustainable and designed to ensure that farmers would continue to be subsistence farmers and cheap labour for others. Outside buyers offered abusive prices and price-fixing was common. Farmers found it extremely difficult to obtain credit and access to markets, and, frustrated by lack of access to markets, several Almería locals who had been inspired by the Raffeissen model formed the credit cooperative Caja Rural Provincial de Almería in 1963.

Although Cajamar provided financing, more importantly, it acted as a catalyst in building organizational and social capital strength, providing the means by which poor farmers could turn their labour into something of value. Although an agricultural production of

3.5 million tons and a turnover of over 2200 million Euros is impressive, what is most striking is the direct employment provided to more than 40,000 workers (in addition to self-employed farm families), with an equitable distribution of wealth generated in the region. More than 250 complementary or auxiliary businesses, both cooperative and investor-owned, have been created with a turnover of more than 2000 million Euros.

Initially, the co-operative bank offered unsecured loans and thus it had a crucial interest in making sure the agricultural co-operatives' activities were worth financing. COEXPHAL (the association of cooperatives and producer organisations) was formed in 1977 with the support of Cajamar in order to give farmers access to external markets.

The initial catalyst role of SSE entities grew into strategic sector-level innovation. Under the cooperative structure, the goal was to give farmers decent livelihoods but to reinvest surplus back into the system. In the 1970s, SSE-funded experimental farms were set up to test, develop and share the results of new agricultural technologies such as improved greenhouse design and new irrigation techniques, essentially transferring the financial and experimental risk of innovation from the farmer to the SSE entities. Almería cooperatives responded to new challenges brought about by both globalization and climate change by investing further in R+D+i: sustainable greenhouses, efficient water management, biological crop control, genome research, shorter supply chains, renewable energy and conversion to organic farming systems.

The synergies created by the different SSE and cooperative institutions have allowed Almería's agricultural and credit co-operatives to thrive. Cajamar is now Spain's largest cooperative bank, and the farming area is now the largest cooperative vegetable growing area in Europe, with the majority of cooperatives using biological pest control and increasingly sustainable and climate-smart techniques. (See Giagnocavo et al. 2018)

#### **Box 26.2: Alternative production and consumption SSE models**

The Rochdale Pioneers, founded in 1844, established the basis for not only the modern consumer cooperatives but for the modern cooperative movement worldwide. It was formed in Lancashire, England to provide an affordable alternative to poor-quality and adulterated food and provisions, using any surplus from sales to benefit the community. The cooperative movement now extends across the globe and encompasses all sectors of the economy.

Currently, there are many forms of alternative purchasing and consumption networks, such as solidarity purchasing groups, community-supported agriculture, urban gardens, and in general, the sharing economy. These SSE models relate to co-access and co-ownership and/or consumption of a wide variety of goods and services. These could include car and bike sharing, clothes trading, exchanges of housing, workspace, or sharing of tools, or any good or service used on a day to day basis, where ownership is not crucial to enjoying using.

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