

Opinion of the Economic and Social Committee on ‘The Economy for the Common Good: a sustainable economic model geared towards social cohesion’

(own-initiative opinion)

(2016/C 013/06)

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On 19 February 2015, the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on:

The Economy for the Common Good: a sustainable economic model geared towards social cohesion

(own-initiative opinion).

The Section for Economic and Monetary Union and Economic and Social Cohesion, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 10 July 2015.

At its 510th plenary session, held on 16 and 17 September 2015 (meeting of 17 September), the European Economic and Social Committee adopted the following opinion by 144 votes to 13 with 11 abstentions.

1. Conclusions and recommendations

1.1. The EESC considers that the Economy for the Common Good (ECG) ⁽¹⁾ model is conceived to be included both in the European and the domestic legal framework in order to advance towards the Single European Market through a more ethical economy based on European values and achievements of social responsibility policies, moreover establishing synergies that reinforce them.

1.2. The Economy for the Common Good is an holistic approach whose concepts are close to the fundamental values of the Social Economy, Circular Economy, Sharing Economy, Functionality Economy, Resourced-Based Economy and Blue Economy.

1.3. The Economy for the Common Good is supported by civil society organisations, businesses and universities and it is considered to be a feasible model which strengthens European values, social cohesion and promotes a responsible economic system. In fact, the ECG has been supported by more than 100 local groups, close to 2 000 companies ⁽²⁾ and social organisations.

1.4. Aligned with the Europe 2020 framework, it proposes the transition towards a ‘European Ethical Market’ which will foster social innovation, will boost the employment rate and will benefit the environment. The ‘European Ethical Market’ can be built through the implementation of several strategies:

1.4.1. Measuring indicators of wellbeing and social development beyond GDP ⁽³⁾ such as the Common Good Product and the Common Good Balance Sheet.

1.4.2. Policymaking aimed at recognising companies with higher contributions to the common good, such as ethical public procurement and the promotion of ethical internal trade.

1.4.3. Promoting ethical external trade as the ‘Brand Europe’. In this way, Europe will pave the way to be recognised as an ethical market and European companies will lead the global ethical market and will contribute to the enhancement of human rights, labour standards and the protection of the environment throughout the world.

⁽¹⁾ See the Economy for the Common Good website.

⁽²⁾ Some of them present in very competitive markets.

⁽³⁾ To take into account GDP and other complementary indicators.

- 1.4.4. Encouraging all kind of entrepreneurs who start up organisations aimed at contributing to the common good.
- 1.4.5. Fostering ethical consumption and awareness among European consumers.
- 1.4.6. Increasing the diversity of the financial ecosystem by promoting networks of ethical banks and stock markets throughout the EU.
- 1.5. The EESC demands that the European Commission, as part of the renewed CSR strategy, make a qualitative step in order to reward (in terms of public procurement, access to external markets, tax advantages, etc.) those enterprises that can demonstrate higher ethical performance.

2. Introduction

- 2.1. The economy and, consequently, economic policy play a crucial role in today's society, on which hinges the success or failure of other basic policies for the well-being of citizens — education, health, social services, culture, the environment, technology and innovation. These all largely depend on the economic situation affecting the different local and regional levels.
- 2.2. The crisis, which continues have a negative impact on Member States' economies and the quality of life of the European people, has revealed the poor resilience of the EU's social and economic system.
- 2.3. On the other hand, according to the International Trade Union Confederation (ITUC) Global Poll 2014 ⁽⁴⁾, there is not a single country in which most people believe that the economic system is fair. Four out of five people (78 %) believe the economic system favours the wealthy. Similarly, 88 % of Germans and 90 % of Austrians want a 'new economic order' (Bertelsmann Foundation survey ⁽⁵⁾) and the same undoubtedly applies to the countries that have suffered most from the economic crisis such as Greece, Portugal, Ireland, Spain and Italy.
- 2.4. Taking into account the progress made by the commission concerning social innovation and EESC opinion SC/39 on Taking stock of the Europe 2020 Strategy, the report on The Mid-term Review of the Europe 2020 Strategy, and the Europe 2020 Steering Committee initiative 'Let's talk happiness — beyond GDP', it is evident that if we want to effectively support economic competitiveness and social cohesion, this requires a paradigm shift to make the economic, environmental and social targets truly interdependent and achieve greater equilibrium between qualitative and quantitative aspects of development thanks to a holistic approach.
- 2.5. The ECG model offers a proper complement that is supported by European society. Its aims and values go beyond what conventional corporate responsibility has to offer, and its holistic vision gives it the capacity to bring together the most diverse actors of society.
- 2.6. In just 4 years, the ECG has turned into a social movement supported by more than 100 local groups, close to 2 000 companies and social organisations and an increasing number of universities in countries including Austria, Germany, Switzerland, Italy and Spain. In addition, the South Tyrol region in Italy and several local governments across several European countries have adopted the ECG model for their own territories.

3. The Economy for the Common Good: objective, values, strategy and indicators

- 3.1. The objective of a society must be the well-being of each and every one of its members, in keeping with constitutional provisions.

⁽⁴⁾ ITUC Global Poll 2014.

⁽⁵⁾ Bertelsmann Foundation 'Burger wollen kein Wachstum um jeden Preis' ('Growth at any price is not what the public wants' — link in German only).

3.2. In line with those guidelines set out in Article 3(1) (2) and (3) of the Treaty on European Union⁽⁶⁾ the main proposal of the ECG model is that **the economy must serve people**; in other words, the common good. The starting point for achieving this goal must be that money and capital are important instruments — of exchange and investment — but never ends in themselves.

3.3. The economic model of seeking the common good would be based on values that all recognise as universal: human dignity, solidarity, ecological sustainability, social justice, transparency and democratic participation.

3.4. Recognition of the common good as the central objective of the economy demands a specific method for measuring economic success in accordance with the end and not only the means: the Common Good Product with the Common Good Balance Sheet and the Common Good Creditworthiness Assessment that, respectively, complement GDP, the balance sheet and the financial CA.

3.5. The ECG is a holistic model that seeks to integrate the economy into the social, cultural and ecological setting of European society. As can be seen in the attached table, the ECG model reflects the fundamental values of various economic proposals:

ECG VALUES/MODELS	Human dignity	Solidarity/ Cooperation	Ecological sustainability	Social justice	Democracy
Social Economy	X	X	X	X	X
Circular economy			X		
Collaborative economy		X			X
Functionality Economy		X	X		
Resource-Based Economy			X	X	
Blue economy			X		

Source: I original.

3.6. The ECG is an economic model that can successfully contribute to the Europe 2020 strategy, in particular by:

- boosting the employment rate and enhancing the quality of existing jobs ('human dignity' and 'social justice' values),
- fostering social innovation in civil society and the business and political spheres ('participation and democracy' values),
- cutting CO₂ emissions, promoting renewable energies, improving energy efficiency and reducing energy consumption ('ecological sustainability' value),
- reducing the population at risk of poverty or suffering social exclusion ('solidarity' and 'social justice' values).

⁽⁶⁾ OJ C 83, 30.3.2010.

3.6.1. ECG is a process of 'social innovation' and positive entrepreneurship useful to promote and support new ideas that simultaneously solve social needs, create new social relationships and strengthen economic value creation. In this context, 'Innovation' refers to the ability to create and implement ideas that demonstrate the ability to produce value; 'Social' refers to issues such as quality of life, solidarity, happiness and well-being.

3.7. The ECG is a tool to build a resilient social and economic system that can give European civil society 'protection and development', that contributes to finding solutions and, where possible, preventing crises and that in addition contributes to economic and social change. The ECG is the way to place resilience at the centre of the processes for supporting the transition from crisis to recovery and development.

3.7.1. Resilience is a factor that affects civil society's ability to react to major upheavals and address unexpected tensions and crises. Means of preparing civil society to avert and cope with crises do exist, but they require more effective management and closer cooperation at all levels representing institutional, economic and social interests.

3.8. Increasing the economic and social partners' ability to absorb, manage and prevent the effects of crises and structural changes is a key element for civil society when it comes to supporting the achievement of standards of living that are appropriate to peoples' needs. This also supports the EU's economic competitiveness with a view to social cohesion and sustainability, with the aim of not limiting opportunities for future generations.

3.9. To put these ideas into practice, the ECG model is based on the direct participation of people in both the business and political spheres. Tools such as the common good report/balance sheet and, in particular, the Municipal Common Good Index, are based on the active participation of all stakeholder groups.

4. Transition to the construction of a European Ethical Market

4.1. As a result of the harmful effects felt during the recent economic and financial crisis, people in Europe are less tolerant of issues such as loss of income, cuts in social provision and services, environmental damage, economic and employment uncertainty and the diminishing importance of their social rights together with their rights as consumers and users.

4.2. At the same time, voluntary and insufficient corporate social responsibility policies, that are not presenting enough relevant information, need fresh impetus as pay gaps are widening in many big companies, women are in the minority in decision-making processes and the commitment to the career development of young workers is weakening.

4.3. Entrepreneurs and SMEs are, for their part, threatened by unfair competition and unethical practices, putting the survival of many such enterprises at risk. People in general are calling for an economy based on the values which are, in theory, enshrined in national constitutions.

4.4. The climate of social disengagement is reflected in a loss of public confidence in institutions and those who represent them. If it is to win back this necessary confidence and strengthen social and territorial cohesion, the European Union will have to redesign its policies and draw up a new strategy in keeping with people's demands and values.

4.5. In this sense, the EESC opinion on the Annual Growth Survey 2014 calls for the scoreboard of social indicators to be proactively included in the European Semester on an equal footing with macroeconomic and budgetary indicators. Furthermore, the European Semester's objectives, methods and instruments should continue to include the greening of existing industrial processes in each sector and of the economy as a whole, in order to ensure economic recovery based on a more sustainable model of development.

4.6. This is why the ECG model proposes a shift to a 'European Ethical Market' in which economic and trade policies are aligned with the culture and values that people identify as universal. By means of this strategy, the European economy and companies would restore their international 'brand image' as exemplary organisations in terms of protection and promotion of human rights, the quality and meaning of work, and environmental protection.

4.7. Recognition would therefore be given to organisations that market products and services in accordance with ethical criteria and which contribute to the common good. More specifically, products and services that do not guarantee an ethical minimum through the value chain would be removed from the profitability zone.

4.8. To summarise, the ECG model matches the proposals of conventional corporate social responsibility (CSR) with regard to values, but goes further in terms of objectives and methods. CSR in Europe mainly has been based on the principle of 'giving back to society part of the profit obtained from it' before focusing on the aim of 'maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large' (7). This is why, unfortunately, a significant number of companies have reduced CSR to no more than philanthropic actions or public relations gestures.

5. Future strategies for building a European Ethical Market

5.1. Several strategies are proposed for building a European Ethical Market. The roadmap will start with the measurement of companies' contributions to the common good and the convergence towards a European non-financial reporting. Next, European civil society will be informed of companies' performance through the development of ethical labelling. Policymaking will recognise those companies with a higher contribution to the common good through ethical public procurement and policies aimed at building an ethical internal and international market. Finally, entrepreneurship, consumption and banking policies will also be aligned with the common good principles. All this will take place by avoiding excessive administrative burdens and using market mechanisms.

5.2. **Measurement of companies' contribution to the common good by completion of a Common Good Balance Sheet.** The Common Good Balance Sheet measures the non-financial part of a company's success: its ethical success and contribution to the common good. The current version of the CGBS measures the most important constitutional values: dignity, solidarity, sustainability, justice and democratic participation: 'ethical performance' vis-à-vis all the contact groups.

5.3. To move beyond conventional CSR, the ECG movement proposes that the balance sheet should meet eight 'metacriteria': it should be 1. universal, 2. measurable in neutral points, 3. comparable between companies, 4. comprehensible for stakeholders, 5. public, 6. externally audited, 7. mandatory, 8. legally binding: the better the result, the lower taxes, customs tariffs, interests etc. would be in keeping with the slogan 'with ethics to success'.

5.4. As part of the ECG movement, more than 200 SMEs have carried out a CGBS through to the final stage: peer evaluation or external audit. The transition to a mandatory balance sheet could be gradual. The EU has recently taken the first step with its directive on non-financial reporting. The second step could be for the directive only to include standards that comply with all the above-mentioned metacriteria and entail legal advantages according to result. The remaining standards could subsequently be combined into one, which would be the non-financial part of the mandatory company balance sheet. The 'universal' (financial and non-financial) balance sheet would become a passport to entry into the future Common Ethical Market.

5.5. **Ethical labelling.** The ECG argues that information on ethical behaviour should be provided on all products sold on the European common market by means of a common ethical labelling setting out the company's contribution to the common good. The labelling could visually rank the result of the Common Good Balance Sheet, for example, in five different colours. Via the QR code, consumers could see the balance sheet in detail.

(7) COM(2011) 681 final.

5.6. **Ethical public procurement.** Priority in public procurement could be given to organisations that can demonstrate the greatest contribution to the common good in their Common Good Balance Sheet. Public procurement in Europe can serve as a driver for implementing the 'European Ethical Market' by adopting criteria linked to the contribution to the common good and the quality of the social and ecological footprint set out in Directive 2014/24/EU of the European Parliament and of the Council⁽⁸⁾ and the implementation of the corresponding social clause.

5.7. **Ethical Internal Trade.** Free internal trade would be encouraged in those organisations that can demonstrate the greatest contribution to the common good in their Common Good Balance Sheet. Firstly, the free marketing and movement of products and services for European companies would be facilitated for those that can demonstrate compliance with minimum ethical standards under the 'European Ethical Market'. Secondly, the import of products, investment and provision of services from companies in non-EU countries that can also show they comply with minimum ethical standards under the 'European Ethical Market' would be facilitated. In this way, import tariff and tax policies relating to internal trade and imports would be framed in accordance with the ethical behaviour shown by companies.

5.8. **Ethical International Trade.** Ethical behaviour and contribution to the common good must be the European economy's calling card — in other words, 'Brand Europe'. European companies, as ambassadors for European society, culture and values, must make sure they behave ethically and prove it by means of the balance sheet. The European Union's policies to promote external trade (aid programmes for external trade, ethical standards for trade rules, etc.) should therefore in the first place support those companies that demonstrate the greatest contribution to the common good.

5.9. **Entrepreneurs for the common good.** Fostering entrepreneurship is key to ensuring the European Union's economic sustainability. By the same token, social innovation must by definition be geared to supplying products and services that contribute to the common good of society. For this reason, policies to promote entrepreneurship in the 'European Ethical Market' would foster business start-ups and training for entrepreneurs on the basis of the values of human dignity, solidarity, ecological sustainability, social justice and democratic participation. Common good hubs could be set up in all (Common Good) cities, creating businesses that either practice the balance sheet from the outset or are initially set up as 'common good enterprises'.

5.10. **Consumers and fostering ethical consumption.** The success of the 'European Ethical Market' will depend on the demand on the part of European consumers for products and services that contribute to the common good. Strategies and programmes to boost ethical consumption will need to be devised and promoted. These programmes would provide information on the nature of the 'European Ethical Market' by means of education, awareness-raising and publicity campaigns. The 'double act' of the common good balance sheet and labelling would provide ideal tools for achieving this objective.

5.11. **Ethical Banks and extension of the Basel Accords, including ethical quality criteria in banking regulation.** Since the 2008 financial crisis and the adverse banking and financial events, the European public has progressively lost trust not only in its banking system, but also in national and European regulators. This state of affairs poses a major risk to the economic stability of the euro area.

5.11.1. It is consequently necessary to improve the ethical standards in the financial industry and, at the same time, to increase the diversity of the financial ecosystem, reinforcing the networks of ethical banks throughout the EU (cooperatives, savings banks, new ethical banks) that contribute to the common good. This may help the promotion of banking in Europe that: (a) only carries out basic services (savings, payments, loans), (b) does not pay dividends or they are limited, (c) carries out a common good audit for each loan request. An ethical creditworthiness assessment of this kind would represent an extension of the Basel Accords to ethical criteria. It would measure the ethical added value that an investment would bring.

⁽⁸⁾ OJ L 94, 28.3.2014, p. 65.

5.11.2. An initial prototype of such a common good check is currently being developed by the 'common good bank' project in Austria. Loan conditions could be geared to the result of the assessment. In this way, the financial market would become a tool for sustainable social and ecological development.

5.12. **'(Regional) Common Good Stock Market'**. All the ethical banks working for the common good could jointly create a regional common good stock market, which would receive loan applications that pass the ethical test but not a financial solvency one. These stock markets, unlike their conventional counterparts, would not be a forum for negotiating company shares or obtaining financial returns — this would not represent the reason for investing in a company. The benefit for financial investors would lie elsewhere, for instance in meaning, utility and ethics (the 'triple skyline'). In this way, European people and companies would have an opportunity to make ethical investments reflecting the values of the Member States' constitutions and the EU's own Treaties.

Brussels, 17 September 2015.

The President
of the European Economic and Social Committee
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