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# Entrepreneurship and “Conscientious Capitalism”? Economic Solidarity Within the Banco Palmas Network

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*Entrepreneurship and “Conscientious Capitalism”? Economic  
Solidarity within the Banco Palmas Network*



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**Fall 2006**

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## **Dedication**

First, I would like to thank all of the wonderful people at Banco Palmas for making this project possible and welcoming me with open arms during the ISP period. It was a truly life-changing experience to live in solidarity with you all for a month. Also my host mother, Nilma, and friends from UFC, who worked very hard to assist me with my project and found fabulous contacts for me to interview as part of my research. Finally, thank you to the program—Oelito, Bill, and especially the members of our group, who were always there for me through frustrations, arguments, and even just to speak English while I was isolated in Conjunto Palmeiras. This project would not have been possible without the work of all of you, and I am extremely grateful to have had such an unforgettable experience at Banco Palmas because of your hard work.

## **Abstract**

Capitalism is often thought of as a struggle between the ‘haves’ and ‘have-nots’. Although the very nature of the economic system is to reward innovative ideas that can survive competition and the ‘free market’, many ‘have-nots’ do not have the same opportunities to succeed as those born with economic resources. The gap between those with capital and those without has gradually widened into a gaping hole that few can cross. While there are certainly enough resources in Brazil to keep all citizens above the poverty line, the reality is that economic survival has been replaced by one of the most acute wealth disparities of any nation in the world. Banco Palmas is one of the few organizations that has managed to bridge the gaps where capitalism has failed to alleviate poverty. Through a unique program of economic solidarity, the organization has started half a dozen cooperative businesses, initiated the use of a unique social currency called “Palmas” in the community, and given numerous micro loans to entrepreneurs within the Bairro. Through proposing what they believe is an “alternative economic system”, Banco Palmas has united a community and increased the overall capital circulating amongst the 30,000 inhabitants.

During my ISP research at Banco Palmas, I examined the role that entrepreneurship plays in introducing solidarity into the Conjunto Palmeira community. Through a methodology consisting of a series of observation and interviews, I found that unlike traditional notions of entrepreneurship which focus on innovation and individualistic competition in the market, Banco Palmas strives to create a more inclusive system of innovation through collective solutions to problems of wealth generation in the community. Through studying two micro-businesses, PalmaLimpe and PalmaFashion, as

well as the Bairro Escola training program, I found that Banco Palmas defines entrepreneurship as a spirit in the community that allows them to work cooperatively towards economic solidarity.

Additionally, I also studied whether or not the efforts of Banco Palmas are part of a potentially prosperous new economic model, or merely a means of economic survival within the existing capitalistic system. While Banco Palmas proposes what they say is an alternative economic system, the reality is that they cannot survive without their connections to the capitalist community. The reach of Banco Palmas is limited to the Conjunto Palmeiras community, and its small, community scope financially is not based on growth and profit, the way that prosperity is measured in the capitalist system. Instead, Banco Palmas measures their prosperity in the amount of generated wealth, or Palmas, that stays in circulation within the community. They also base their success on the amount of community cooperation and solidarity businesses that join the network, intern Bairro Escola students, and participate in the collaborations organized by the bank. As the goal of Banco Palmas is not monetary profit, but rather sustainable solutions to promote human development, they are actually not a successful economic model, but rather a successful model for sustainable overall development.

## Introduction

“The capitalist system was built based upon some basic principles: Private ownership of the means of production and an economy based upon the rules of a free market and profit generation. A most important characteristic of this system is, with no doubt, its complete dependence upon profit generation and constant capital accumulation for its expansion.”<sup>1</sup> This constant capital accumulation has led the capitalistic system to expand its economic and geographical boundaries, resulting in what we know as globalization today.<sup>2</sup> Yet globalization still leaves out the ‘have-nots’ of society, or those born with few or immeasurable economic resources. Along with increases in wealth and capital accumulation, there have also been drastic increases in poverty. With more than a billion people in the world living on less than a dollar a day, it has become difficult to view the capitalist system as an ideal economic model.

The extreme poverty created by the perversion of the capitalist economic system consists of more than just low income. As Amartya Sen states, “there are good reasons for seeing Poverty as a deprivation of basic capabilities, rather than merely as low income. Deprivation of elementary capabilities can be reflected in premature mortality, significant undernourishment (especially of children), persistent morbidity, and other failures.”<sup>3</sup> These various forms of poverty can also negatively affect political and social freedoms, thereby preventing citizens to use their agency as change-makers to improve their livelihoods in their communities.<sup>4</sup> The loss of such ‘basic’ political and social freedoms can often be traced to economic deprivations “which can result when people are

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<sup>1</sup> De Almeida, Agamemnon T. Lecture: “Understanding World Capitalism Today”. 25 September, 2006. Fortaleza, Brazil.

<sup>2</sup> Ibid.

<sup>3</sup> Sen, Amartya. Development as Freedom. New York: Anchor Books, 1999. pg. 20

<sup>4</sup> Ibid, pg. 25.

denied the economic opportunities and favorable consequences that markets offer and support.”<sup>5</sup> With no access to the market, many of those in poverty have no means to ameliorate their situation and instead are trapped in a perpetuating cycle where the rich constantly increase their wealth, while the poor retain less and less.

The concept of economic development in the “third world” was created with the intention of alleviating poverty in many countries with intense wealth disparities. Despite the efforts of the World Bank and IMF, however, the problem appears to be getting worse. Anup Shah believes that this may be because “Economic efficiency is for making profits, not necessarily for social good (which is treated as a side effect).”<sup>6</sup> Another common perception in the corporate community is that focusing on sustainable business to alleviate poverty is often “expensive to implement and ultimately a brake on development.”<sup>7</sup> Socially responsible innovators have therefore turned to alternate programs as a means of engaging with the capitalist system in order to increase the wealth of those in poverty. One such innovation is the concept of economic solidarity, which infuses the ideas of community, social responsibility, and entrepreneurship into low-income areas throughout the world. Through valuing people over profits, Banco Palmas believes that it proposes a new form of economic interaction and sustainable quality of life.

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<sup>5</sup> Ibid, pg. 20

<sup>6</sup> Shah, Anup. “Causes of Poverty”, “Sustainable Development”, “Behind Consumption and Consumerism”. Online. <http://www.globalissues.org> pg. 5

<sup>7</sup> Ibid, pg. 4.



## **Personal Motives for Choice of Research**

I have taken courses and participated in research on social entrepreneurship in the states, and thus was naturally drawn to the innovative ideas of Banco Palmas. After visiting the location and realizing that the founder was also an Ashoka fellow, I knew that I wanted to do further research at the organization and do my independent study project there. I could tell from just one visit that Banco Palmas took a different approach to economic relations than my own views, and I wanted to challenge my beliefs by studying the inner workings of their economic relationships. Since arriving in Brazil, a particular saying I thought of has stayed with me—“you don’t have to live the life in order to play the game”. While I usually consider this quote in relation to the capitalist system and American dream set of values that I usually interact with on a daily basis, part of my reason for exploring economic solidarity in Brazil was to see if this idea was actually possible.

On a professional level, I am very interested in the intersections between the public and private sector—areas in which Banco Palmas manages to interact. I am also very interested in continuing studies with Ashoka fellows and especially the Ashoka-McKinsey partnership, which works to unite social entrepreneurs with members of the corporate world to enhance their effectiveness.

## **Importance of Research**

This research is critical for Banco Palmas not only to help them articulate the role of their programs and the connections between the theory and practice of their work, but to increase their effectiveness in the community. In order to gain more resources and be more legitimate, Banco Palmas needs to articulate their relationship with the capitalist system as a whole and, if so desired, how their system of economic relations offers a different model to the current paradigm. My research is also important for the breadth of different sources that are included; these sources can be useful connections for Banco Palmas in the future or can help them to consolidate their resources regarding the work of economic solidarity. Also, Banco Palmas has few partnerships or connections with organizations in the United States. The fact that I am an American student researching them who will continue to do research on economic solidarity back in the states means that my work could serve as an important way for them to connect to potential collaborators or other networks in America.

## **Location and Methodology of Research**

The location of my ISP project was in the Favela community of Conjunto Palmeiras in the outskirts of Fortaleza, Brazil. I worked with Banco Palmas, a community bank and organization seeking to increase human capital and generate wealth circulating in the community.

I accomplished my project through living in the community with a family of two employees of Banco Palmas and essentially following the schedule of an employee of the organization. I was in the field all of the time as I was living in Conjunto Palmeiras, and I went into work at Banco Palmas every day from 8am to 5 or 6 pm with the rest of the employees. While there I accomplished my project through first observing and participating in various programs and offered classes. I then formulated my interview questions and progressed to interviewing various people within the organization. During my ISP, I also sought outside resources on economic solidarity such as professors at UFC and at SEBRAE (National Association of Small Businesses) to get other points of view on Banco Palmas. I also had the opportunity to participate in various special events such as traveling to visit another community bank and going to a seminar on the development of economic solidarity, which contributed to the scope of my methodology and access to different views concerning my ISP research.

My methodology was essentially to immerse myself in the Banco Palmas community so as to observe and learn as much as I could while contributing in any way I could, which usually meant teaching English classes or answering phone calls from the states. However, I found that being at Banco Palmas all-day, every day with the rest of

the employees was essential to developing relationships and achieving qualities  
interviews and information for my research.

## **Problem Statement**

During my ISP project, I propose to examine the role that entrepreneurship plays in introducing solidarity into the Conjuncto Palmeira community, and especially the community bank Banco de Palmas. I also hope to study two of the existing businesses under the Banco Palmas umbrella (PalmaFashion and PalmaLimpe) as well as the Bairro Escola training program to analyze how entrepreneurship plays a role in their effectiveness. In other words, what is the definition and role of entrepreneurship in Banco de Palmas' system of economic relations? Additionally, I hope to determine whether or not the efforts of Banco Palmas are part of a potentially prosperous new economic model, or merely a means of economic survival within the existing capitalistic system. My hypothesis is that I will find that economic solidarity is, in other words, 'capitalism with a conscience', that functions similar the capitalist system with more consideration for solidarity and cooperation in economic relations.

## **Summary Statement of Findings**

During my preliminary research and initial days at Banco Palmas, I was sure that my hypothesis was correct, that Banco Palmas was only ‘Capitalism with a Conscience’ and that entrepreneurship was used as a means of promoting wealth generation. As my research there progressed, however, I found that Banco Palmas’ commitment to cooperation and solidarity truly did create a different form of economic interaction within the community. Though somewhat small in scope and only involving 25% of the 30,000 inhabitants of Conjunto Palmeiras, Banco Palmas is also managing to confront traditional notions of entrepreneurship by creating new mechanisms and structures through which people learn professional skills and exchange goods. The system is by no means perfect, and struggles to maintain sustainability as it is dealing with small strides to increasing wealth in a low-income community. Overall, however, Banco Palmas is truly attempting a different form of economic relations that includes the humanity of the market, and not just the products or services. They are striving for a more sustainable way of life and a more comprehensive form of development that includes both economic growth and quality of life.

## *Entrepreneurship and “Conscientious Capitalism”? Economic Solidarity within the Banco Palmas Network*

### **Introduction**

Capitalism as an economic system has come to dominate world markets today. With 51% of the world’s 100 wealthiest bodies being corporations, it can be said that capitalism also plays a powerful role in international affairs as we seek to globalize our world<sup>8</sup>. Yet, the capitalism of today is an exclusive, not inclusive, system of wealth generation and development. Although the foundations of capitalism are built upon private ownership of the means of production and an economy based upon the rules of a free market and individual profit, the system often manifests itself through economic growth with an accompanying wealth disparity<sup>9</sup>. This wealth disparity has led not only to 20% of the population in developed countries consuming 86% of the world’s goods, but also to a dependency on economic efficiency and profits as opposed to programs for the social good<sup>10</sup>. Brazil in particular has one of the most acute wealth disparities in the world. Capitalism and a culture of exploitation have rewarded those with traditional market resources and excluded whole communities, forcing them to resurface in the form of favelas on the outskirts and within metropolitan areas.

Banco Palmas, an NGO located in the periphery of Fortaleza, Brazil, is an organization engaging those who are both literally and figuratively ‘outside’ of the

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<sup>8</sup> Shah, Anup. “Causes of Poverty”, “Sustainable Development”, “Behind Consumption and Consumerism”. Online. <http://www.globalissues.org> pg. 1.

<sup>9</sup> De Almeida, Agamemnon T. Lecture: “Understanding World Capitalism Today”. 25 September, 2006. Fortaleza, Brazil.

<sup>10</sup> Shah, Anup. “Causes of Poverty”, “Sustainable Development”, “Behind Consumption and Consumerism”. Online. <http://www.globalissues.org> pg. 1.

economic system through a series of micro-credit programs, innovative social currency, and philosophy of economic solidarity. The concept of economic solidarity is fairly new as a means of monetary relations and potentially development, and is classically defined as: “A form of economics to generate employment and income for people that are unemployed and marginalized or that wish to construct new relationships of production to improve the pattern of consumption of all that participate in it, to protect the natural environment and to construct a new society in which there would be no exploitation of people or degradation of the ecological equilibrium”<sup>11</sup>. Essentially, the bank uses many of the same instruments of the normal capitalist system, but claims to offer an alternative means of economic interaction within the community due to the fact that monetary profits are not their central goal.

For example, entrepreneurship is most commonly defined in relation to innovation and success in business, yet rarely applied to the field of social organizations. At Banco Palmas, however, entrepreneurship is often used as both a catalyst and goal for social programs within the community. The following pages seek to define entrepreneurship at Banco Palmas through the lens of several of the bank’s most active programs: PalmaLimpe, PalmaFashion, and Bairro Escola. The first two are micro-businesses under the Banco Palmas network, while the third is a training program for youth with businesses in the community. Through observing the role of entrepreneurship in each of these locales, the author will ultimately extrapolate the importance of the concept for Banco Palmas as well as the organization’s definition of the term in relation to commonly accepted theory.

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<sup>11</sup> Mance, Euclides André. A Revolução das Redes. Editora Vozes, 2000.



In addition to the role of entrepreneurship at Banco Palmas, the author will explore the relationship between Banco Palmas' "economic solidarity" and the traditional capitalist system. Their interactions, similarities, and conflicts will be discussed, ultimately leading to the question of whether or not economic solidarity can be seen as a prosperous alternative to capitalism for the poor and marginalized, or if it is merely just a means of survival in the system.

### **History of Conjunto Palmeiras**

It is impossible to discuss Banco Palmas without first describing the history of the organization and especially the community of Conjunto Palmeiras in which it operates. Conjunto Palmeiras developed in 1973 as a favela of citizens moving from the interior of Brazil. Lacking basic infrastructure and utilities, it soon became increasingly expensive for the low-income citizens to survive in the community. To address these needs, the community formed a neighborhood association titled ASMONCONP in 1981, with the aim to fight to achieve these basic necessities. Through the organized actions of the association, Conjunto Palmeiras soon received electricity from the state and a water sanitation system funded by a German NGO.

Yet, despite the new infrastructure, Conjunto Palmeiras remained a very low income community on the outskirts of Fortaleza. A fundamental lack of professional qualifications, training programs, and jobs contributed to keeping Conjunto Palmeiras on the low end of Brazil's intense income inequality. A study of employment in the community in 2003 yielded "Only 13% of interviewed people had completed basic schooling; 83% lived solely on government aid and had no interest in a project of wealth

generation. Only 14% exercised any business activity and of these only 16% had received any kind of professional training. 47% of the families declared that, even with government aid, they were suffering from hunger.”<sup>12</sup> Obviously, aid efforts on a governmental level were falling short of their objectives. Thus, ASMONCONP sought the help of local community organizer Joao Joaquim de Melo to help create a system of generating and circulating more wealth inside of the community. The result was Banco Palmas, founded in 1998 with the philosophy “to give incentives, through creating local jobs and local products, to increase local consumption using various methods such as a line of credit, palma credit card and the social currency”<sup>13</sup> to assist in this process.

Through various training programs and a social currency, Palmas, circulating in the community for over six years now, Banco Palmas has established itself as a community center and is now used as a model for the expansion of community banks in the rest of Brazil and internationally. Whenever the founders speak of the bank’s accomplishments, they never fail to mention the importance of the strong civil society association that preceded them and made their initial efforts successful. “Without the strong social support from ASMONCONP, our banks would have never been successful”<sup>14</sup> A collaboration with international NGOs and the state government would never have been effective were it not for the strong presence and support of ASMONCONP in Conjunto Palmeiras.

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<sup>12</sup> Neto, Joao Joaquim de Melo. Banco Comunitário e Cooperativa de Credito: Uma relação necessária para potencializar as finanças da periferia. Fortaleza, Expressão Gráfica, 2005. pg. 23

<sup>13</sup> Joao Joaquim De Melo Neto, founder and director of Banco Palmas. Interview, Nov. 17, 2006.

<sup>14</sup> Ibid

## **Entrepreneurship in Micro-Businesses Within the Banco Palmas Network**

Entrepreneurship is most commonly defined in relation to innovation and business, yet is rarely applied to the field of social organizations. At Banco Palmas, however, entrepreneurship is often used as both a cause and effect of their social programs and especially in their micro-businesses in Conjunto Palmeiras. Two of the main micro-businesses of Banco Palmas, PalmaFashion and PalmaLimpe, were created as “small productive units, formal and informal, that are financed by Banco Palmas and directed by adhering to local demands, articulated under a networking system. The businesses are independent and intermediaries for instruments and rules of solidarity of the Palmas system, accompanied by the banking team. They use the logo and operating structures of the bank.”<sup>15</sup> Their main objectives are to generate jobs, provide access to quality, sustainable services, and to promote local development. The businesses are located within the physical space of Banco Palmas so that operational costs can be absorbed by the organization as a means of promoting solidarity within the network. As another method of promoting solidarity, the businesses pay a portion of salaries in Palmas, receive training and credit from Banco Palmas, and sell their products at many of the solidarity mechanisms for the bank such as the solidarity fairs. While the businesses often struggle with the small scale of production, inability to compete at the most competitive prices, lack of technology and administrative knowledge, they continue to work operating under the principles of economic solidarity and manage to survive in the current economic climate.

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<sup>15</sup> Neto, Joao Joaquim de Melo. Banco Palmas: Ponto a Ponto. Fortaleza, Expressão Gráfica, 2003. pg. 52

## **PalmaFashion**

Considered the most successful micro-business within the Banco Palmas network, PalmaFashion comprises the majority of the Banco Palmas compound outside of the main building and employs about fourteen members of the community. Though it was founded in 1998 by twelve women seeking to create a cooperative, each of the founders has since left to create their own businesses. For the past five years, Maria DaSilia has been managing the clothes manufacturing and administration of the business. When asked about their entrepreneurial activities, Maria responded: “For our business, we don’t have capital to make our own clothes, so I have to go to the capitalist businesses and enter into a contract agreement with them where they send cut pieces of clothes to us.”<sup>16</sup> Though forced to seek contracts with large Fortaleza industries to generate income, PalmaFashion is still committed to practicing solidarity within their micro-business. “In businesses outside of the network our work looks like slave labor. Here, we work in companionship and are not working solely towards profits” Maria explained when comparing PalmaFashion to other businesses in Fortaleza. While the workers receive minimum wage for Brazil, they work in a spacious, relaxed environment with several breaks throughout their day; they never work more than 40 hours per week. PalmaFashion’s commitment to solidarity, as well as the occasional collaborative project that they do with international organizations, comprise the innovative, entrepreneurial aspects of the business.

While PalmaFashion is financially independent of Banco Palmas due to their contracts with outside businesses, they have forfeited their freedom to produce what they

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<sup>16</sup> Maria DaSilia, coordinator of PalmaFashion. Interview, Nov. 24, 2006

want for local consumption. They do not have the financial means to create new clothing, designs or programs, and thus their ability to innovate is limited. However, the fact that they are now a sustainable business functioning under the principles of economic solidarity and that many of their workers go on to open their own businesses demonstrates the role of Banco Palmas' conception of entrepreneurship in creating a new and functioning businesses in Conjunto Palmeiras.

### **PalmaLimpe**

Located in a back corner of Banco Palmas next to a community garden, one finds the small, dimly-lit quarters of PalmaLimpe. Elias and Geovane, the two young men working at PalmaLimpe, are busy stirring a soapy substance in an old and weathered bucket. Created in 2001, PalmaLimpe is “a micro-business that produces cleaning materials, detergents, disinfectants, sanitary water, and other products done by 5 young people in the community. The capacities for this business were realized by the Prefeitura Municipal and the resources continue to be guaranteed by Banco Palmas.”<sup>17</sup> Five years after its inception, only Elias and Geovane are left to manage business affairs. Though they work tirelessly to produce their products and deliver them, usually by bike, to the community, their business remains small, struggling, and under the supportive wing of the Banco Palmas network. They sell about 4,000R worth of products per month, just enough to cover expenses, loan payments, and their salaries. Entrepreneurship for them is defined as survival in a competitive market while trying to offer just prices to consumers.

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<sup>17</sup> Neto, Joao Joaquim de Melo. Banco Palmas: Ponto a Ponto. Fortaleza, Expressão Gráfica, 2003. pg. 52

When asked why they always struggle to break even with the business, Elias replied: “People don’t understand why it is good to have local businesses to support the development of the community. People are selfish and only concerned with the ‘here and now’. The only thing that is important for them is themselves and not the community or the development of local businesses. Often times they don’t even care about the quality of the product- they just buy whatever is cheapest and if it is not good they will get whichever product is on TV or that they’re friends recommend.”<sup>18</sup> For this reason, it is difficult for PalmaLimpe to compete in the community, even though their products are cheaper, as what they define as a culture of egotism is preventing their entrepreneurial efforts from being successful. Though PalmaLimpe has dreams of becoming a more independent enterprise in the Banco Palmas network, for now their entrepreneurial role is relegated to increasing production and publicizing the importance of “buying locally” to increase solidarity and community development.

### **Entrepreneurship and Social Programs: Bairro Escola at Banco Palmas**

Banco Palmas also stresses the importance of entrepreneurship within their training programs for the Conjunto Palmeiras community. The most active and consistent of these programs as of now is Bairro Escola, a 3-month long program which offers youth in the community skill training for the business world as well as internships with a local business and sometimes the option of being hired at the end of the term. Supported by the Inter-American Fund and US congress, the goal of this program is to capacitate 1000 young people in Palmeiras in some skill so that they have a better chance of finding

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<sup>18</sup> Elias of PalmaLimpe, Interview. Nov. 21, 2006.

employment or starting their own business; they also plan to create five new cooperative businesses from graduates of the program. The program has already trained about 350 youth in the Conjunto Palmeiras community, and of the 33 students each term between 8-12 are contracted for work by local businesses.

With these goals and results in mind, entrepreneurship plays a serious role for the program. The final classes of each term are spent with a professor from SEBRAE, the National Small Business Association, talking about entrepreneurship and how the graduates can be more innovative in their jobs. Rosie Pontes, SEBRAE professor and teacher for the Bairro Escola program, defines the term as she uses it to inspire her students:

Entrepreneurship is a state of mind. It is a spirit within someone that drives them to continuously look for opportunities to improve themselves in every area of life. Entrepreneurs look to improve their jobs, homes and lives; here for the poor those who are entrepreneurial continuously look for business opportunities, jobs, and ways to improve their relationships.<sup>19</sup>

Rosie manages to define entrepreneurship without mentioning competition or innovation, but rather a spirit that seeks and makes the most of opportunities. Bairro Escola does just that—it gives youth the opportunity to work hard, learn a skill, and be contracted by their internship employers.

It is the opportunity to improve their situation that has young people constantly knocking on the doors of Bairro Escola to find out when the next session opens; it is the opportunity to gain potential employees and create a safer community with youth off of the streets that brings business owners as volunteers to the program. Ana Claudia, a student at Bairro Escola, says that she decided to join the program because: “I’ve been trying to take a course on fashion and design for some time but I never could. Now, the

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<sup>19</sup> Pontes, Rosie; SEBRAE professor and Bairro Escola teacher, Nov. 22, 2006.

doors have been opened for me”<sup>20</sup>. Through the Bairro Escola program, students have the chance to learn from and be entrepreneurs in a struggle to improve themselves and local businesses. While if asked most of the graduated students will still define entrepreneurship as being able to be “a good business person” and do not necessarily identify themselves as such, the reality is that they may be practicing another interpretation of entrepreneurship—entrepreneurship as a mission to improve oneself and to make the most of opportunities offered in life.

### **Entrepreneurship’s Relationship with Banco Palmas**

Considering the experiences of PalmaFashion, PalmaLimpe and Bairro Escola, it seems safe to say that definitions and manifestations of entrepreneurship vary greatly within the network of Banco Palmas. Sifting through these apparent disconnections and differences appeared hopeless until Sandra Magalhaes, coordinator of all projects and businesses at Banco Palmas, explained the various intricacies of the term for her work:

We understand entrepreneurship as the act of making things important in all areas of life. Entrepreneurship is very important because it offers options for people who don’t have other alternatives—it can help create businesses. Entrepreneurship is the fundamental value needed in creating businesses, but unfortunately this concept has been popularized with a definition more relating to the PSDB party and neo-liberalism. The PSDB party and the right often use this concept of entrepreneurship as a way of saying that everyone has opportunities and that if you fail you are not being entrepreneurial. The party teaches that if you have success, you are entrepreneurial, and if not, you are not. We understand the opportunities are not equal for all and that therefore this definition does not function.<sup>21</sup>

These two differing definitions of entrepreneurship mark a clear distinction from the diction between that of the government and social sectors, and also clear confusion when

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<sup>20</sup> Ana Claudia, student of Bairro Escola. Interview, Nov. 24, 2006

<sup>21</sup> Sandra Magalhaes, coordinator of projects and external relations for Banco Palmas. Interview, Dec. 6, 2006.



it comes to defining the term and interpreting views of entrepreneurship within the organization. Sandra used the neo-liberal definition of entrepreneurship as a basis for comparison to depart into the following interpretation:

As for our definition of entrepreneurship, we assume that to produce is fundamental, but many people in economic solidarity don't want to use the term entrepreneurship for fear of it being confused with the neo-liberal definition of the term. People have different opportunities, and this needs to be included in whatever definition of entrepreneurship you have.<sup>22</sup>

By emphasizing the interconnection between opportunity and entrepreneurship, Sandra struck a central theme for how the term is defined for the organization. In each of the micro-businesses and Bairro Escola, it is always a lack or presence of opportunity, whether in the consumer or job market, that determines the innovation or ability of the programs to produce. For Banco Palmas, it is the creation of choice, and what people then do with those choices, which comprises how entrepreneurship is defined and ultimately expressed for the organization.

The role of this version of entrepreneurship in Banco Palmas programs and economic solidarity is clear based on the mission of both, which is to create more wealth and solidarity within low-income communities. Joao Joaquim, founder of Banco Palmas, explains that "The concept of entrepreneurship is much stronger in economic solidarity, because we need to create structures, values, and new models for generating wealth. We don't have ready-made instruments like the capitalist system does- we have to create all of our tools and mechanisms."<sup>23</sup> Thus, the role of entrepreneurship is to create new ways of economic interaction that provide opportunities and choice for people within the community. This role is magnified and adapted even more due to Banco Palmas'

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<sup>22</sup> Ibid

<sup>23</sup> Joao Joaquim de Neto, founder and director of Banco Palmas. Interview, Dec. 7. 2006.

commitment to solidarity, which means that the economic options it seeks to create are not just for individuals, but for the group or community as a whole. “There is more of a collective entrepreneurship in economic solidarity. If you have the above skills mentioned of credit, technical knowledge, and professional capacity, you can avoid the limits of expansion and create collective entrepreneurship,”<sup>24</sup> says Aecio de Oliveira, professor of economics at UFC. Unlike many people in the traditional capitalist system who are “entrepreneurs by necessity,”<sup>25</sup> entrepreneurs within economic solidarity are given incentives to work together under the assumption that they will avoid limits of individual expansion with collective work and responsibility.

The examples of PalmaFashion, PalmaLimpe and Bairro Escola all utilize the concept of collective entrepreneurship as a means of increasing chances of survival in the market. Though the micro-businesses are not exhibiting large financial growth, they are exhibiting growth in human capital through the people they have trained that go on to start their own businesses or remain employed after training programs. The organization is constantly focusing on innovative ways to inspire production, training, and knowledge in the community, often starting from scratch with unique approaches to economic and social problems. In the words of Sandra, “People say that if you don’t have financial success you can’t be an entrepreneur, but we say there are many other factors to be considered in this process.”<sup>26</sup> Success is not just measured in money, and entrepreneurship is not just measured through innovation that creates growth. To be sustainable, especially in a low-income community such as Conjunto Palmeiras,

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<sup>24</sup> Aecio de Oliveira, professor of economics at the Federal University of Ceara. Interview, Nov. 28, 2006.

<sup>25</sup> Francisco Neto, Director of Microcredit operations at SEBRAE. Interview, Nov. 28, 2006.

<sup>26</sup> Sandra Magalhes, Coordinator of Projects and External Relations for Banco Palmas. Interview, Dec. 6, 2006.

humanity and collective action need to be mobilized to take what small steps are possible in economic solidarity with all that can be included.

## **Banco Palmas as an Alternative to Capitalism**

### **Why it's Similar**

Despite claims that Banco Palmas is practicing a new form of economic interaction, one notices some very similar mechanisms to the traditional capitalist system. First, Banco Palmas is a community bank, and offers lines of credit to consumers in the community. While these micro-loans are often with small or no interest, they are still a basic function of the capitalist system to ignite wealth generation. Most significantly, Banco Palmas has created their own currency, Palmas, which functions only within the community and holds a value equivalent to Reals. This currency serves as lines of credit with the Palma credit card and low interest loans, while also stimulating economic interactions in the community through various discounts and incentives at businesses which accept the social money. In addition to actual structures within the bank, Banco Palmas strives to integrate people into the marketplace and promote sustainable strategies for development, mirroring goals of traditional development projects in low-income communities. The Vice President of Banco de Brasil appears to sum up the general objective of Banco Palmas when he says that the organization and development programs are both “Talking about strategies to insert people in productive market, with generation of wealth an important objective”. By apparently treating the poor as an underutilized market resource, Banco Palmas is helping the poor integrate the 250 billion Real informal

sector into both their own Palmas economic network and the larger capitalist system as a whole.

## Differences

If confronted with these similarities, those at Banco Palmas will admit that yes, they do use many of the instruments of the Capitalist system. Their structure and terminology focusing on ‘trust of the client’, ‘control of money’, and ‘social responsibility’ all mirror current economic jargon. Yet Joao Joaquim offers the reasoning behind this terminology: “All of these terms were created for strategies of a capitalist economy. Unfortunately, we still cannot live without engaging with this economic model. It is still the hegemon and encircles us from all sides.”<sup>27</sup> In order to articulate economic solidarity, Joao Joaquim believes that Banco Palmas first needs to engage in the language of capitalism to relate to consumers, then help them redefine economic relations through teaching and practicing solidarity. The result is ultimately a break from the current paradigm and capitalist objectives; instead of creating “an approach to help the poor that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable,”<sup>28</sup> Banco Palmas seeks to become a part of

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<sup>27</sup> Neto, Joao Joaquim de Melo. O Poder do Circulante Local. Fortaleza, Expressão Gráfica, 2005. pg. 35

<sup>28</sup> C.K. Prahlhad, The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits. Upper Saddle River, NJ: Wharton School Publishing, 2006. Pg. 2.

the community, and to “create a bank of people versus a bank of clients” that deals with “what it means to be human.”<sup>29</sup>

Banco Palmas believes that they offer a new form of economic relations by fostering connections between civil society, business and public policy; allocating credit and localizing growth through a social currency; and supporting a different set of values than those in the present capitalist system. While philanthropic capitalist may claim that it is possible to create capitalism with a conscience to help the poor, for Banco Palmas, there is no such thing as “inclusive capitalism or inclusive globalization”<sup>30</sup> as the bottom line remains profits, and not people. The question remains, are these mechanisms working and are they being prosperous amidst our current economic system today? The following is a discussion of each proposed programmatic difference between economic solidarity in Banco Palmas and capitalism, with special attention paid to the implications of this difference in the community Conjunto Palmeiras.

### **Cooperation over Competition—Values of Economic Solidarity**

Before creating dialectic between the values of economic solidarity and capitalism, it is necessary to articulate some of the core values of the capitalist system. Capitalism as an economic system is founded on the principles of ‘free market’ competition, supply and demand, and negotiating the scarcity of capital in all areas—human, environmental, financial. The goal or outcome of utilizing these aforementioned principles is to create financial profit for those who can maximize economic efficiency in

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<sup>29</sup> President of National Micro-Credit operations in Brazil. Seminar on Developing community Banks, Nov. 30, 2006.

<sup>30</sup> C.K. Prahlhad, The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits. Upper Saddle River, NJ: Wharton School Publishing, 2006. Pg. 5.

the producer-consumer relationship. The more efficient you can be with resources and the better you can compete to market your product or service, the more money you make. Since the accumulation of monetary profit is a central goal of the capitalist system, it is natural that those with less money are less valued customers. C.K. Prahlhad outlines several fundamental assumptions that major multinational corporations have concerning low-income consumers in the capitalist market:

The dominant assumptions are that the poor have no purchasing power and therefore do not represent a viable market; that distribution to these markets is very difficult and thus an economic inefficiency; that the poor are not brand or value-conscious; and that the poor are not connected or able to accept technology.<sup>31</sup>

Due to these preconceived notions about the poor, key players in the capitalist system often ignore those of lower socioeconomic class as a potential market altogether, creating products and services to compete only for those with monetary resources and inadvertently excluding the majority of the world's population.

Economic solidarity is fundamentally based on working towards a sustainable relationship between producers, consumers and the environment, with the ultimate goal being to increase a sustainable quality of life, not profit. "Cooperation is valued over competition" Sandra Magalhaes says, and "we value an idea of collective-ownership that is outside the values of the capitalist system—which means that the private sector is often completely against our work."<sup>32</sup> Forgoing the traditional emphasis on the power of the individual and the philosophy that all have equal opportunities to succeed, Banco Palmas instead focuses on a model of solidarity within monetary relations. Aecio de Oliveira

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<sup>31</sup> Ibid, pg. 13.

<sup>32</sup> Sandra Magalhes, Coordinator of Projects and External Relations for Banco Palmas. Interview, Dec. 6, 2006.

describes this solidarity as “an organization of people that have a common objective to produce, generate wealth, and to develop an activity to benefit all. There is a constant prevalence of collective interest.”<sup>33</sup> This collective interest, cooperation and solidarity comprise the core values of economic solidarity.

But are these values being effectively implemented within the concept of economic solidarity, and succeeding against the current paradigm? Aecio de Oliveira believes that “solidarity doesn’t combine with capitalism, especially when everyone in the market is out against everyone else. Capitalism wants to squash the competition for individual victory, while economic solidarity seeks to advance everyone together.”<sup>34</sup> Teaching people who have been systematically excluded to work cooperatively against a system that values individualism is a mammoth task. Incentives, programs, and education can help, but ultimately “we can do no more than try to stimulate the idea of solidarity, and hope that people speak about it and see that it is a worthwhile investment.”<sup>35</sup> For Banco Palmas, this is a battle that must be fought in order to achieve a sustainable community; this is a bottom-line that they have to achieve in order to ensure that their members will avoid the exploitation and profit-driven individualism that has absorbed much of the capitalist market resources. They must make sure that their members know that “In order for a community to grow you are going to need to buy from within the neighborhood. Development is not only a question of having more money but also survival and sustainability. People consuming from the neighborhood improves everyone

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<sup>33</sup> Aecio de Oliveira, Professor of Economics at UFC. Interview, Nov. 28, 2006.

<sup>34</sup> Ibid

<sup>35</sup> Francisco Neto, Director of Microcredit operations at SEBRAE. Interview, Nov. 28, 2006.

as people use their own products and wealth to serve others' needs."<sup>36</sup> That is the bottom line.

Conversely, C.K. Prahalad believes that "the bottom line is simple: it is possible for big business to "do well by doing good"" through reaching out to the poor as a new market.<sup>37</sup> However, in the case of sustainable development, sometimes 'doing good' is not enough, or not what the low-income community needs or can sustain for themselves. The bottom line really is that 'doing good' for others and 'doing well' financially are going to have to be redefined outside of the current capitalist paradigm if people are going to be able to be included in a system that seeks to improve their quality of life. Banco Palmas is going to have to constantly struggle against prevailing conceptions of cooperative work, and fight against ingrained preconceptions of success and development to truly make people realize that economic solidarity does not seek to turn the poor into the 'next biggest market', it seeks to create a new market for them in which everyone can be included and gain security in a sustainable way.

In other words, economic solidarity addresses the concept of human development, not just economic security. As Juarez de Paula states, "Development and economic training are not the same thing. Economic training is necessary, but is not sufficient to induce development. Development needs to be human, social and sustainable, and will need to be focused on promoting the quality of life for people. Development requires not only a creation and reproduction of economic capital, but also of human capital (knowledge, abilities and skills) and of social capital (trust, cooperation, empowerment,

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<sup>36</sup> Herlane Rangel, director of PalmaFashion's Academy Das Modas. Interview, Nov. 24, 2006.

<sup>37</sup> C.K. Prahalad, The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits. Upper Saddle River, NJ: Wharton School Publishing, 2006. Pg. 5.



organization and social participation).”<sup>38</sup> Through embodying the aforementioned characteristics, economic solidarity allows local civil societies to engage in both human and economic development within their communities.

A central component of economic solidarity work is the theory’s commitment to the entrepreneurial spirit and potential of human capital, which it encourages as a means of maintaining its values and achieving its goals. However, economic solidarity organizations realize that:

The existence of human capital and social capital is a pre-condition for the development of entrepreneurship (a culture of entrepreneurs). Still, the success of micro and small businesses does not depend completely on talent and the capacity of micro and small enterprise. It also depends on the creation and maintenance of a macro environment favorable for development. This is significant to construct a collaborative culture, of cooperation and integration, so that micro and small businesses can become competitive and sustainable.<sup>39</sup>

In addition to creating an entrepreneurial culture through training, micro-credit, and persistence, programs in economic solidarity also strive to create cooperation between the business and social sector to strengthen partnerships and chances for survival. Whether through using Palmas, hosting an intern from Bairro Escola, or participating in training programs, the bank always emphasizes the humanity of economic interactions and the reality that economic relations are comprised of interactions between people, not paychecks. Banco Palmas does not just want to create a favorable market environment to increase the purchasing power of consumers and the capital in circulation; they want to create a strong community, a powerful network of businesses and citizens that can fight for the inclusion and rights of citizens in Conjunto Palmeiras. Their goal is strength

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<sup>38</sup> “Urbe e Humanidade”. January 2005. [www.cdvh.org.br](http://www.cdvh.org.br) . Brazil Readings.

<sup>39</sup> Juarez de Paula of SEBRAE. “Urbe e Humanidade”. January 2005. [www.cdvh.org.br](http://www.cdvh.org.br) . Brazil Readings.

through solidarity, not economic wealth; their battle is to fight against individual competition through collective cooperation.

### **Comprehensive Credit with Consolidated Choice**

One way to increase cooperation and protect against capitalist market competition is to offer an alternative, the social currency Palmas. With the same value as Reals, the only difference between Palmas and the Brazilian national currency is that you cannot spend them outside of the community, thus limiting the options of community members and forcing them to “buy locally”. Unlike money that you can spend anywhere in the capitalist system, social currency forces community interaction and community consumption, essentially guaranteeing that a certain amount of Reals are circulating in the community. For those in low-income communities, where capital always flows out of the community due to lack of local resources and producers, social currency proposes a marked difference in sustainability. For Heloisa Primavera, Director of Redlases

Economic Solidarity organization in Argentina:

Social money is a lever capable of triggering a new economic and social development, in a gradual and sustainable process. It can provoke an easy, permanent involvement of people (according to their legitimate interests in their individual/family immediate projects); once this is launched, it can naturally facilitate the appearance of solidarity with other individual or small groups, and at the same time, it can improve the results of other institutions (not specifically dedicated to economy, but that suffer anyway from the impact of a scarce economy, like schools, hospitals, community centers for social aid) making them sustainable and self-sufficient. It may create synergies with other social movements or networks, as well as creating new relations with the state and those enterprises open to their social responsibility. It has, then, important contributions to constructing long-term political accumulation, as it is the case of the strategies already being discussed and constructed within the alliance.<sup>40</sup>

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<sup>40</sup> Primavera, Heloisa. “Social Money as a Lever for the New Economic Paradigm.” Solidarity Socioeconomy Workgroup, Nov. 2001. pg. 4.

Social currencies not only enhance the chances for increased capital accumulation in low income communities, they also act as creating agency for those outside of the current economy and politics- making them included in the system as opposed to ignored within capitalist interactions.

Banco Palmas' has also taken the capitalistic system of credit and applied it for low-income persons in Conjunto Palmeiras. However, instead of giving credit solely in Reals, the bank offers two types of credit: one in Palmas at no interest which is for consumption within the community, and one in Reals which is for purchasing items that can only be bought outside of the community at a slowly escalating interest rate depending on the amount of the loan and how many the person has had in the past. Credit is given based on a laborious manual application and review process considering the principles of solidarity, often accomplished by 40 youth 'consultores comunitarios' that will go door to door to interview applicants. Financial director of Banco Palmas Jaqueline Dutra explains the significance of credit:

Solidarity in credit doesn't mean to give money out, it means to implement strategies to give people opportunities. We do this through low interest rates, respect of people, and focusing on the generation of wealth. If people can't pay back loans we do not react like other banks and close the door on them after a month, we have a more patient system and will listen to people's reasons. Solidarity finances are here to understand, trust, and have confidence in a person. From this perspective, it is not hard to understand that you can have solidarity in finances, even though it seems to be an inversion of the current system.<sup>41</sup>

Banco Palmas is able to give these low-interest loans and credits because they are financed through the state municipality. Traditional banks cannot offer these same rates and maintain their profit margins, and thus usually ignore the community altogether. But

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<sup>41</sup> Jaqueline Dutra, Financial Director for Banco Palmas. Interview, Dec. 5, 2006.

Banco Palmas is not seeking to profit off of these credit loans. For them, “Credit is understood as a politics of social inclusion and now as a product of micro-finance. With this in mind, the program is not trying to generate wealth like a system of financing small businesses. The only objective is to give families opportunities to generate wealth. Operational costs are charged to the Prefeitura Municipal.”<sup>42</sup> The difference is profound; over 90% of families that receive loans in the history Banco Palmas have paid them back, and over 3,000 families have been assisted in just this past fiscal year.

However, the question still remains; can this system of social currency and alternative credit make a sustainable difference for the community of Conjunto Palmeiras? Statistics show that between 2005 and 2006, 290 families now have accounts with Banco Popular of Brasil, while 350 use the Palma Credit Card within the community. Also, of the 970 people that were financed through credit, not a single person defaulted on their low-interest loans.<sup>43</sup> Considering the financial situations of these clients in the current economic system, it is incredible that they have been able to use this money, whether in Palmas or Reals, to generate enough wealth to be able to repay loans successfully. Even though the amount of loans amounts to less than 1,000, the amount of localized wealth that Banco Palmas has helped to create makes a marked difference in a low-income community such as Conjunto Palmeiras. Banco Palmas recognizes their current small scope and, although they have had great success with their credit program, are constantly searching for ways to improve their services. “To assist with sustainability, credit needs to be done jointly with financial actions and planning, some of which have already been experimented in Banco Palmas, such as: subsidiary credit, maps of

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<sup>42</sup> Neto, Joao Joaquim de Melo. Banco Comunitário e Cooperativa de Credito: Uma relação necessária para potencializar as finanças da periferia. Fortaleza, Expressão Gráfica, 2005. pg. 27.

<sup>43</sup> Powerpoint. “Joao Pessoa”, created Dec. 2006

production and consumption in the community to stimulate production based on demand; local plans of strategic investment, local monetary circulation, fairs, stores and other alternative ways to consume in economic solidarity.”<sup>44</sup> Some say that trying to “build up a new economy from within the current paradigm is not possible,”<sup>45</sup> as the capitalist system will engulf any efforts to defect from its ranks. However, through slowly nurturing local sustained growth and consumption, Banco Palmas and economic solidarity are trying to create a new paradigm by offering similar services as traditional banks with markedly different criteria, goals, and outcomes.

### **Collaboration between Government, Business, and Civil Society**

Banco Palmas was founded with capital from the government and social service sector, and to this day survives on donations and partnerships with the local municipalities. Born out of a collaborative effort between government and civil society, the bank has been operating differently from a traditional business since its inception. Euclides Mance describes the difference between traditional capitalism and economic solidarity in the following excerpt:

While capitalism looks to improve the fortunes of a few while provoking the affliction of many who remain unemployed and at the expense of the stagnation of those who earn lower salaries, the networks of socioeconomic solidarity share in a just way by generating new jobs in a development project that is ecologically and socially sustainable, and distributing wealth in a way that amplifies consumption and increases the demand for production so that new work opportunities can be created.<sup>46</sup>

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<sup>44</sup> Ibid, pg. 35.

<sup>45</sup> B. Lietaer in Primavera, Heloisa. “Social Money as a Lever for the New Economic Paradigm.” Solidarity Socioeconomy Workgroup, Nov. 2001. pg. 4.

<sup>46</sup> Mance, Euclides André. A Revolução das Redes. Editora Vozes, 2000.

Economic solidarity has attempted to modify the flaws within the capitalist system in order to develop a new method of economic interaction. The programs embody an ethos of recent social movements that attempt to bring a sense of community and collective consciousness into domestic business affairs. Such movements can accomplish much more than financial security, however, as Elizabeth Jelin states: “It is possible that “social movements anchored on solidarity mechanisms—that is, anchored in a shared sense of responsibility toward others—play a central role in challenging authoritarian norms and in opening up new institutional spaces that promote the expansion and strengthening of citizenship.”<sup>47</sup> Economic solidarity is not only a positive form of economic development, but can also work to reclaim many of the political and social freedoms that are lost when citizens cannot actively participate in the marketplace.

Reclaiming social and political freedoms is part of a constant dialogue with government and business organizations to promote human development in low-income areas. Community banks such as Banco Palmas cannot function without the strong support of a civil society or neighborhood association, nor can they be sustainable without state funding and program assistance. In turn, community banks work to form a network to impact local, state and national government policy concerning the promotion of economic solidarity. As Sandra Magalhes states, “If you don’t create both the social and political base, you will not be successful- economic solidarity needs to be articulated through various networks.”<sup>48</sup> Unlike traditional banks that do not require collaboration with other sectors, Banco Palmas is truly a collaborative effort towards alleviating

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<sup>47</sup> Jelin, Elizabeth. “Emergent Citizenship or Exclusion? Social Movements and NGO’s in the 1990s”. In Smith, William C. And Roberto Patricio Korzeniewicz, eds. *Politics Social Change and Economic Restructuring in Latin America*. North-South Center, University of Miami, 1997. Chapter 5. pg. 95.

<sup>48</sup> Sandra Magalhes, Coordinator of Projects and External Relations for Banco Palmas. Interview, Dec. 6, 2006.

poverty. Economic solidarity does not try to tempt “large firms to work collaboratively with civil society organizations and local governments to redefine the role and value added of each group dealing with the bottom of the pyramid,”<sup>49</sup> as it does not view the world’s poor as a potential market to be utilized. “It is for this reason that we want to affirm economic solidarity as strategy for development, not just an alternative for the most poor.”<sup>50</sup> Through creating social rights and political inclusion, not solely economic growth, economic solidarity separates itself from capitalism by becoming a means of developing agency for those outside of the current economic system.

### **The Bottom Line: What it Means to be Prosperous**

Determining the prosperity of Banco Palmas in Conjunto Palmeiras can take on two dimensions, prosperity in terms of traditional economic indicators, and prosperity in terms of the mission and objectives of the organization. From an economic perspective, Aecio de Oliveira believes:

There are limits to what Banco Palmas can do because the money can only circulate in a certain local. It is also necessary for this money to have a relationship with the official currency. Regardless of Palmas, people still need to import some goods from outside of the community; they still need the official money. It is the basic system of exporting and importing: In order to import goods from outside, you need to export as well. Palmas and Banco Palmas cannot be autonomous. They need to have relations with the capitalist system.<sup>51</sup>

Interestingly, the concept that is trying to separate itself as an alternative to capitalism cannot survive without the current system in place. Even founder Joao Joaquim Neto

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<sup>49</sup> C.K. Prahlhad, The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits. Upper Saddle River, NJ: Wharton School Publishing, 2006. Pg. 2.

<sup>50</sup> Sandra Magalhes, Coordinator of Projects and External Relations for Banco Palmas. Interview, Dec. 6, 2006.

<sup>51</sup> Aecio de Oliveira, Professor of Economics at University Federal of Ceara. Interview, Nov. 28, 2006.

affirms this, claiming that without the capitalist system, Banco Palmas would cease to exist.

However, even with these limits to expansion and an ultimate dependency on the official currency, Banco Palmas still measures prosperity in its role as “a program of economic formation that has achieved social results.”<sup>52</sup> These results are very difficult to measure considering the current economic indicators only measure growth and financial progress. Joao Joaquim states:

It is very complicated, because the private sector does not have solidarity in its conception. The ideas of reciprocity and working together are not in the market. The principle of distribution of wealth is opposite to the private sector. When capitalists work with networks, it is not like our networks, they are only to make more money. You have to be careful when you hear people speaking of solidarity capitalism and global solidarity—these terms don’t exist right now because the bottom line is still money.<sup>53</sup>

As the principles of economic solidarity are formulated outside of the realm of traditional economic definitions for prosperity, it is understandably difficult for their social outcomes and progress to be measured. It is true that 1100 jobs have been created and sustained by the Banco Palmas network, and that 13 new cooperative businesses have been created just in the last fiscal year.<sup>54</sup> But more than the economic outputs, Banco Palmas is cultivating pride, dignity and success for those who have been traditionally excluded from the market. Perhaps one of the most important outcomes of Banco Palmas is that “today, thanks to community banks, the resources of people who live in pockets of poverty have stopped migrating into the hands of capitalist financial institutions (official banks and the likes), and are creating a saga against the popular saying: “All waters only

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<sup>52</sup> Rosie Pontes, SEBRAE and Bairro Escola Professor. Interview, Nov. 21, 2006.

<sup>53</sup> Joao Joaquim de Melo Neto, Founder and Director of Banco Palmas. Interview, Dec. 7, 2006.

<sup>54</sup> Powerpoint “Joao Pessoa.” Banco Palmas, created December 2006.



run to the sea.”<sup>55</sup> Community banks are truly creating ‘banks of people versus banks of clients’ and making overall human development a priority over simple economic growth.

### **Can Economic Solidarity Survive? Is it sustainable?**

Challenging the engrained practices within the capitalist system provides more than tough competition for Banco Palmas. This challenge is made more acute by the fact that all community banks are only made sustainable through the security of the national currency and through funding from government agencies or NGOs, both areas highly influenced by the private sector. In addition, at their most successful community banks have a small reach, about 25% of the community is involved with Banco Palmas, as their main goal is to increase capital circulation and solidarity within low-income communities of below 50,000 inhabitants. Their resources remain generally small, and are sometimes “insufficient to cover the necessary credit of businesses that already have established a considerable level of organization.”<sup>56</sup> However, community banks are not created for increasing the growth of businesses to a large status, they are for the sustainability and collective growth of the community as a whole.

Economic solidarity is constantly engaged in a struggle to involve the community and actors from other sectors to support their programs. Yet in the current economic system advertising benefits of economic solidarity is expensive, and especially difficult when trying to reach a low-income, often poorly educated population. Unfortunately, it often seems that “only people involved in social programs know about the social

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<sup>55</sup> Neto, Joao Joaquim de Melo. Banco Comunitário e Cooperativa de Credito: Uma relação necessária para potencializar as finanças da periferia. Fortaleza, Expressão Gráfica, 2005. pg. 42.

<sup>56</sup> Ibid, 39.

currency. It is only people who are directly involved with Banco Palmas and use Palmas who know about it.”<sup>57</sup> There are people, even living close by the organization, who have never seen or used the social currency. The struggle for expansion is a slow and difficult process, but considering the community that Banco Palmas addresses, all capital, networking, and collaborative projects represent an investment in the neighborhood that would not have existed without the efforts of Banco Palmas. For those 3,000 people that are assisted by Banco Palmas in every year, and for the 25% of the community that participates in Palmas circulation, Banco Palmas is seen as a lifesaver and a way to achieve a higher standard of living. As Joao Joaquim states: “Economic solidarity is like a small boat that sails on the capitalistic seas. What we have to do is increase the number of boats and try to conquer the ocean. The ocean is extremely big, but the important thing is that we are sailing already.”<sup>58</sup> With the amount of citizens participating in economic solidarity programs growing markedly each year and the expansion of community banks expected to reach 30 in 2007, it appears that these small boats are creating a fleet to brave the stormy seas of capitalism. Their sustainability lies in their network with each other and their continually strengthening partnerships with government organizations and civil society, who support them as programs with positive outcomes in low income communities, and with powerful implications for sustainable development.

In addition to asking whether or not economic solidarity is sustainable, one should consider whether or not capitalism as an economic system proposes a sustainable model in itself. Capitalism has pillaged our natural resources in the name of economic efficiency and created a wealth disparity that leaves almost three billion people living on less than

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<sup>57</sup> Rosie Pontes, SEBRAE and Bairro Escola Professor. Interview, Nov. 21, 2006.

<sup>58</sup> Joao Joaquim De Melo Neto, Founder and director of Banco Palmas. Interview, Nov. 17, 2006.

\$2 a day, while many of those on the other end of the spectrum believe that “desperate people are better off earning \$1 a day than no dollars at all, as they are receiving the opportunity to become integrated into the larger world community.”<sup>59</sup> It is certain that although capitalism has made incredible progress in areas of innovation in developed nations, the rest of the world has been generally exploited or ignored. “Capitalism provokes inequalities,” Aécio de Oliveira states, especially due to the bottom line of monetary profit and individualistic competition embodied in the system.

Economic solidarity proposes a solution to the areas where capitalism has failed to alleviate poverty. It is true that

Within the experiences of the environment of the “financial world” that we know, **only community banks can have the necessary flexibility and long reach sufficient to address those most poor.** Only community banks have the freedom to do right without bureaucracy, without taxes on interest and registered analysis on the most poor. It is the community banks that have the sufficient courage to run the risks to invest in the poor and outsiders to construct economic solidarity networks that operate with alternative modes and mechanisms of solidarity—that defy capitalist competition. It is the community banks that today, in Brazil, open the doors for a program of development and that arrive at great pockets of poverty with concrete proposals for generation of wealth and the construction of citizenship.<sup>60</sup>

Banco Palmas exhibits courage in the face of adversity and determination to succeed against the negative externalities of capitalism. The founders work not only at the community level, but national and international level to further grow the network and encourage more partnerships and concrete legislation supporting the concept of economic solidarity as a development strategy. Since Lula’s election to office, there have been national forums, the creation of SENAES, a national network of economic solidarity, and

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<sup>59</sup> Perkins, John. Confessions of an Economic Hitman. New York, NY: Harper Press, 2004.

<sup>60</sup> Neto, Joao Joaquim de Melo. Banco Comunitário e Cooperativa de Crédito: Uma relação necessária para potencializar as finanças da periferia. Fortaleza, Expressão Gráfica, 2005.

networks established in each of the states of Brazil. With or without strong economic growth, economic solidarity is seeking to institutionalize its concept at the federal level to ensure its survival in Brazil. The determination and innovation of those working at Banco Palmas, in addition to the value added of their organization thus far, indicates the foundations of a strong and sustainable development program for years to come.

### **Conclusion: Capitalism with a conscience?**

Though many of the structures within Banco Palmas mirror those in the capitalist system, the organization includes cooperation and solidarity as part of their key objectives in the community of Conjunto Palmeiras. Through envisioning the entrepreneurial spirit as a means of articulating inclusive forms of economic relations, economic solidarity ultimately offers a different paradigm than that the existing capitalist system today. As Aecio de Oliveira states:

Economic solidarity has a different conscience than capitalism, because if capitalism has a conscience it is certainly not ours- it is unconscious. In capitalism everyone needs money to buy and a lot of wealth. You cannot choose, there is an invisible conscience. If you don't have money, you don't exist. There is an inconsistency in the philosophy of capitalism. Humans have a conscience, but capitalism is not human.<sup>61</sup>

Capitalism has no conscience—it is system of monetary relations. Only the people within the system can have a conscience and those included usually only interact with the financially poor when convenient economically to do so. The rest of the time the poor are excluded because financially they do not have the means to participate in the network. The unique aspect of economic solidarity is that it acknowledges all of the people within economic relations and strives to integrate their preferences into economic interactions.

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<sup>61</sup> Aecio De Oliveira, Professor of Economics at UFC. Interview, Nov. 28, 2006.

Though capitalism and economic solidarity have similar structures and similar goals, their outcomes are markedly different in the communities they serve. Economic solidarity finally adds a human aspect to the economy, even though economies have always been comprised of people. In this day and age, we cannot afford a system without an understanding of the environment and the humanity of the people within it—we may not be able to afford capitalism, with or without a conscious, and economic solidarity shows us a potential alternative that deserves both research and support.

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## **Learning Acquired and Indications of Further Research**

I learned volumes from my ISP project, especially about solidarity and its functions and potential within economic relations. Considering my past experiences, studying Banco Palmas provided a unique and completely different vision of economic interactions that I had never been exposed to before. Living in the community of Conjunto Palmeiras, I truly learned what it meant to be in solidarity with those around me. What it means to share what little you have, what it means to develop strong relationships through working together towards a common goal. Practically, I also learned how to write and maintain a field journal to keep comprehensive notes on my experience for use writing the ISP paper and for further research. My Portuguese also improved greatly as I had to survive at Banco Palmas without anyone who spoke English; I feel as if I learned more there than during the actual Portuguese classes.

When I return to Duke, I will continue researching economic solidarity with a mentor as part of my participation in the Duke Civics Scholar program. I have already written articles to be published in the Duke Journal of Public Affairs and hope to continue to raise awareness about the concept in the states. I also will be taking a class on “Radical Political Economy” in which I will further explore alternatives to capitalism and might contribute to my research as well. Next summer, I hope to return to Brazil to continue working with Banco Palmas, and potentially Ashoka or Ashoka-McKinsey partner organizations in Sao Paulo. Ultimately, I hope to transform my research into a thesis before graduating from Duke.

## Appendix

1. Could you have done this project in the USA? What data or sources were unique to the culture in which you did the project?

I certainly could not have accomplished this project in the states as there is very little activity concerning economic solidarity there, and certainly no Banco Palmas. Almost all of my research was based on interviews and observations of the workings of the bank in Conjunto Palmeiras, and this case study could not have been done anywhere else. Some of my most important sources were books created by Banco Palmas, and others were from Brazilian professors in UFC that I would not have had access to were I in the states. Many of the cultural ways to express views on economic solidarity are unique here in Brasil, and it was critical for me to use these resources as opposed to their English counterparts that I may have encountered in the states.

2. Could you have done any part of it in the USA? Would the results have been different? How?

I could have perhaps done some more preliminary research or some continued comparative research to accompany my work at Banco Palmas, but I'm sure that my results would have been different as most of the views of economic solidarity in the states are contrary to sentiments and programs that are having success here in Brazil. I'm sure that my results would have been more debatable and I would have had more counter-points, simply because I would be in the presence of people who do not necessarily believe in the value of economic solidarity programs.

3. Did the process of doing the ISP modify your learning style? How was this different from your previous style and approaches to learning?

The ISP process introduced me to a more observation and interview based learning style. Instead of seeking research that defended my hypothesis, I entered the ISP phase with a more open mind, and ended up changing my results from my original thinking. Previously, I would have only sought out sources to defend my point of view, and then considered only a few others as counterpoints. With the ISP approach to learning, I became more critically engaged in a dialogue about my topic, doing real research as opposed to one with pre-conceptions as many of my projects have been in the past.

4. How much of the final monograph is primary data? How much is from secondary sources?

I did numerous interviews while at Banco Palmas, and the responses from my interviewees comprise much of my monograph. I would say that there is certainly

more evidence from primary sources, but that I also tried to include a fair amount of secondary sources as well to back-up or support my interviewees' claims.

5. What criteria did you use to evaluate your data for inclusion in the final monograph? Or how did you decide to exclude certain data?

Concerning primary sources, I often included important quotes from the founders of Banco Palmas, as they were often the most articulate and concise statements made. Data that was extremely analytical, uniquely expressed, or contained specific personal experience was included in the final monograph. Other responses veered off topic and were not included because they did not pertain to my specific research question. In terms of secondary sources, I sought to include both material that supplemented my research as well as counterpoints to my hypothesis. I excluded material that was repetitive of my primary sources or was not pertinent to my research question.

6. How did the "drop-offs" or field exercises contribute to the process and completion of the ISP?

The field exercises did help me develop various field methods to use in the field, especially with interview skills, and also helped me to overcome some of my initial nervousness when dealing with Brazilians. However, many of these "drop offs" occurred at the beginning of the program, and really did not contribute much to the completion of the ISP.

7. What part of the MTFSS most significantly influenced the ISP process?

The advice that various readings gave on keeping field notes was the most helpful for me, as I usually have difficulty organizing my material. I also have trouble categorizing and organizing research, and the advice given in the FSS readings, as well as the feedback, was valuable. Though I often found the length of the readings too long and the information repetitive, the basic structure of the assignments were helpful. At times I wished that feedback was more critical and specific to my paper, or that we read the assignments while having some sort of practical knowledge. I also really enjoyed our excursions to MST and our community projects, which assisted me a great deal in terms of practical application preparing me for the ISP period.

8. What were the principle problems you encountered while doing the ISP? Were you able to resolve these and how?

The largest problem I encountered was with my Portuguese ability, which I did not have confidence with and felt frustrated with at time when I didn't understand various words. I also was afraid for a while to ask for interviews or to be more assertive with my advisor to ask for help. Finally, it was sometimes difficult for me to organize community visits, especially to other community banks. I resolved the Portuguese issue with a dictionary, practice, and a great deal of patience on behalf of people who I was interviewing. As time went on I became less shy and developed strong

relationships with people at the organization, facilitating dialogue and making it easier to speak with them. In regards to visiting other community banks, I managed to see one in Paracru, but my meeting with EcoLuzia in Salvador fell through.

9. Did you experience any time constraints? How could these have been resolved?

I would have loved to spend more time at Banco Palmas, but as I was in Fortaleza and could spend a few more days there and was there every day, I did not really experience time constraints. I had the time to do all of the observations and interviews that I wanted to at the organization, and was fortunate to participate in a few unique events such as the seminar that was held during my stay. The only time constraints that I experienced were in relation to my field journal and paper, which were hard to write in the Banco Palmas or home environment, and could have only been resolved by me going to another location with electric plugs and no people to do my writing.

10. Did your original topic change and evolve as you discovered or did not discover new and different resources? Did the resources available modify or determine the topic?

My original topic did not change as I researched it thoroughly and had a chance to do my community project at my organization before the ISP period. I did, however, have access to unprecedented human resources and literature due to my connections in Fortaleza, which greatly influenced the outcomes of my research as I tried not to hold onto my hypothesis, but rather respond to my research and the resources that I encountered during the ISP process.

11. How did you go about finding resources: institutions, interviewees, publications, etc?

I was fortunate that the people of Banco Palmas connected me with a plethora of literature considering economic solidarity. My host mother in Fortaleza was also well connected, and organized interviews for me with SEBRAE members. As I know a few students at the Federal University of Ceara, I was also able to arrange interviews with a few professors who greatly assisted me in my research. Further resources were found at the seminar on community banks, and I was sure to check out past publications regarding community banks during my site to Paracru and also online. Whenever I met people visiting Banco Palmas or in Fortaleza, I would tell them about what I was doing, and quite often they would offer resources, personal knowledge, or connections to help me with my research.

12. What method(s) did you use? How did you decide to use such method(s)

I focused on a methodology of observation, active participation and formal interviews. As I felt more comfortable planning out a basic outline for questions, formal interviews made more sense for my ISP. While I did spend a good amount of

time observing classes for Bairro Escola and other Banco Palmas programs, I was also invited to participate frequently in seminars and also went on numerous site visits. I decided on this method because I essentially decided to take on the role of volunteer (teach of English) and researcher at the bank. Being there all day every day with everyone allowed for these methods naturally to evolve as my relationships with people developed and I was included in various programming and activities.

13. Comment on your relations with your advisor: indispensable? Occasionally helpful? Were there cultural differences which influenced your relationship? A different understanding of educational processes and goals? Was working with the advisor instructional?

My relationship with my advisor was not based on extensive contact, as Joao Joaquim is very busy and the founder of the organization. I did have two long, phenomenal interviews with him, and while I felt that many of my logistical issues were dealt with by the financial director Jaqueline, when it came to theory Joao Joaquim was there to answer my questions. While I did not experience culture differences or differences in educational process, we certainly had different views of the economy and it was interesting to learn from him. His advisor role was more formal in the role of interviews, and thus it was a bit more instructional than what I hoped. However, being able to have an advisor that is an Ashoka fellow was phenomenal, and our last interview was great for talking about my personal interests and what I could do for the organization. While I did not speak with him formally many times, he always made me feel welcome and included in the organization's efforts.

14. Did you reach any dead ends? Hypotheses which turned out to be not useful? Interviews or visits that had no application.

While I did not reach 'dead ends' exactly, I did have some interviews that did not turn out to be very useful. While I greatly enjoyed talking to community members and going out to businesses in the community, the people were often timid while talking to me and gave many short answers. Many of the questions that I had formulated with high hopes fell flat when I asked them to members of the community and therefore were not used directly in my paper.

15. What insights did you gain into the culture as a result of doing the ISP, which you might not otherwise have gained?

Living in Conjunto Palmeiras showed me a completely different side of Brazil, and introduced me to the reality of the lower-income class in Fortaleza. I ate only the staple feijao and rice, slept in a hammock, and participated in all of the typical activities for a youth my age living in Conjunto Palmeiras (lots and lots of movies or the mall). I also experienced the wonderful feeling of being a part of a close-knit family in Conjunto Palmeiras, complete with many dysfunctions and problems that sometimes plague lower-income communities. At Banco Palmas, I had the chance to interact with many youth and to truly experience what it is like to interact and live in

solidarity with people. I learned how a non-profit organization functions in Brazil and how those working there express themselves professionally and as individuals.

16. Did the ISP process assist your adjustment to the culture? Integration?

I believe that the ISP process greatly assisted me in my adjustment to the culture, because I was living with two people who worked for Banco Palmas. Living and working in the Banco Palmas community meant that I quickly became known around the neighborhood and had many friends my age, and I was integrated quickly as part of the team very quickly.

17. What were the principle lessons you learned from the ISP process?

I learned principally that original assumptions and hypotheses are not necessarily correct even if you have done a good deal of preliminary research. Only through genuine interrogation and research can you arrive at your results, and you shouldn't be afraid to leave your original assumptions behind. I also learned the importance of keeping up with your field journal, as getting behind with that leads to a lot of stress and too much work in the long run. I discovered the importance of honesty and true attempts at immersion in the organization that you are working with, because it is only with time that you will develop meaningful relationships that will not only impact your research, but your life as well.

18. If you met a future student who wanted to do this same project, what would be your recommendations to him/ her?

I would certainly recommend them to do the project, but to make sure that they did a lot of preliminary research before the ISP period and maybe that they even did their community project at the organization. I would also absolutely recommend living in the community Conjunto Palmeiras, for then you will be living in solidarity with those working at an economic solidarity organization. I would tell them to prepare for Portuguese, and to prepare to conduct all interviews and observations without English. I would also recommend thinking about how to give back to the Banco Palmas community. I taught English during my time there, and there are numerous things that you can do to assist the organization with their mission in the community.

19. Given what you know now, would you undertake this, or a similar project again?

I would certainly undertake this project, and may actually be undertaking a similar one to it next summer for continued research. My ISP experience was phenomenal, and I believe that I was fortunate for everything to work out in terms of compatibility with my host family, co-workers at Banco Palmas, and my research. It was one of those instances where everything seemed to fall into place, and I had a truly unforgettable ISP experience.