IS THERE A FAIR AND JUST PRICE IN SOLIDARITY ECONOMY?

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ABSTRACT

That a solidarity economy cannot but include fair and just prices only, is an essential assumption – however, it is simply an assumption, in any case. After we explore what a fair and just price might be, we dedicate this paper to the examination and study of the possibilities to have really such prices in solidarity economy.

Our main concern stems from the fact that all initiatives of solidarity economy have to be established within non-solidary contexts, whether those might be capitalist, or non-capitalist but competitive and/or exploitative in one or another way. We also include in this inquiry the term “social economy” because, just like with the “solidary”, using the adjective “social” does not by itself make the economy any better in practical terms.

At the end of the day, the inquiry becomes one of political economy: our quest for fair and just prices reminds us of the need to define whom and what each concept of economy is constructed for. It seems that solidarity economy raises through the issue of prices the claim for a fair and just economy in general.

Keywords: solidarity economy, fair & just prices.

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¿HAY UN PRECIO JUSTO EN ECONOMÍA SOLIDARIA?

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Que la economía solidaria no puede sino incluir sólo precios justos, es una suposición esencial– sin embargo, es simplemente una suposición, en cualquier caso. Después de explorar lo que puede ser un precio justo, dedicamos esta comunicación para examinar y estudiar las posibilidades de realmente tener tal precios en la economía solidaria.

Nuestra preocupación principal surge del hecho que todas iniciativas de economía solidaria tienen que ser establecidas entre contextos no solidarios, los que sean capitalistas, o no
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capitalistas pero competitivos y/o explotadores de una u otra manera. También incluimos en esta investigación el término “economía social” porque, igual al “solidaria”, utilizando el adjetivo “social” sólo por sí mismo no hace que la economía sea mejor en la práctica.

A fin de cuentas, la investigación se convierte en una indagación de economía política: nuestra búsqueda de precios justos nos recuerda de la necesidad de definir para quién y por qué se construye cada concepto de economía. Parece que la economía solidaria a través de la cuestión de precios plantea la demanda para una economía justa en general.

**Palabras clave:** economía solidaria, precios justos.

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1. INTRODUCTION

This paper has been the result of a study experiment undertaken after having finished the main body of my PhD dissertation titled “Exchange networks and parallel currencies: Theoretical approaches and the case of Greece”. The research has examined for the first time the schemes which exist in Greece and whose members transact with each other without the use of the official currency, i.e. the euro, either by performing non-monetary exchanges, or by using other accounting units\(^1\). The dissertation is still under consideration by my Supervising Committee, so in the meantime I am working on some issues which have been raised by the research findings themselves.

In other words, the scope of this paper is not to study the theme of fair price in depth, but to examine the idea of the fair price within the context of the principles of solidarity economy, exactly because the idea of solidarity is very often used by the schemes I studied during my PhD dissertation. The solidarity principle is a very good thing, but implementation of this principle is better, although it is by far more difficult to be found in real economy.

As a consequence and without being sure at this stage about what is fair and what is not, but suspecting that some economic behaviours might not be fair at all, I started studying about fair prices without really having a clear idea what I would find in the literature. Then, this paper comprises my first attempt to approach theoretically the idea of fair price within the context of solidarity economy and to discuss the questions this topic raises.

2. DISCUSSION ON DEFINITION OF TERMS: SOLIDARITY ECONOMY AND THE OTHERS

Although the term “solidarity economy” is widely used, we are not quite sure what a solidarity economy would be. In some cases it is confused with “social economy”\(^2\), in some others it is distinguished from it. In other words, there is not one definition only about solidarity economy. We can see that solidarity economy “can be defined as the sum of activities under the intention of democratic management, where the social relations of

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\(^1\) More information about the research findings exists in all papers written by Sotiropoulou I. (see references).

solidarity prevail over the individual interest or the material profit…”¹. Or, the solidarity economy is directly linked to the idea of “ethical” or “fair/just” prices².

However, to think what a solidarity economy might be, solidarity could not be related only to prices – quite the contrary: prices would be just one aspect of it. Then, solidarity economy would be this space of covering our material needs where people who produce and people who receive the produce not only do not exercise and reproduce hierarchies and exploitation while inter-exchanging among each other, but they also provide for those who might have needs while they are not able to produce like the rest (f.ex. children, elderly, patients, etc) and they also provide for the entire community as such. In that sense, the solidarity economy would not prevent people from covering their need to excel and attract praise within their communities, but people would not be assisted or forced to enter competition as we see it in our mainstream economy. At the same time, solidarity economy could not be an economy where nature would be downgraded and destroyed, quite the opposite: it is a solidarity issue not to pollute environment, but to be economically active in such ways that we all live in a harmonious manner with nature³.

Therefore, solidarity economy is not only about prices and not only about democracy, although it could not be solidary without those two elements. It does not nurture exploitation or suppression of any type, it provides for all community members and it is in balance with nature.

Then, solidarity economy is quite the opposite of the mainstream capitalist economy we live in. An economy based on accumulation of capital and on profit maximisation is by definition a competitive economy, and this economy, particularly because it is an economy where competition is the utmost condition for fairness⁴, could not be solidarity in any case. However, competition does not exist in a capitalist economy only, nor has only the capitalist economy been an exploitative one. Slavery-based economies and feudal economies have not been solidarity economies either. Therefore not all non-capitalist economies can be solidary and this is a very important element not only for studying past economic systems, but also for discussing possible actual or future economic structures.

However, what is of interest here is the notion of social economy, exactly because it seems to be quite near a meaning to solidarity economy. Neamtan gives a very interesting definition of the “social” adjective for the economy⁵:

“social” refers to social profitability, as opposed to purely economic profit. Social profitability is evaluated in terms of contribution to democratic development, of encouragement of an active and empowered citizenship and of projects which promote both individual and collective initiative. Social profitability contributes to the improvement of the quality of life, and of the well-being of the population, particularly through the increase of available services. Like the public sector, as well as the traditional private sector, social profitability can also be evaluated in terms of job creation”.

Neamtan of course writes that the “social” element is contradictory to the “economic”, as she defines “economy” to be referring “… to the concrete production of goods or of services by business or enterprise that contributes to a net increase in collective wealth”\(^1\).

However, economy is not by definition contradictory to the social, perhaps it is social in its very essence. In Greek the word is a composed one: “οικονοµία”\(^2\) [oikonomia], from the words οίκος [oikos] and νόµος/νέµο [nomos/nemo]. Oikos is in Greek for “household”, nomos is law and nemo is “to share, to divide, to manage, to possess”\(^3\). As a consequence, economy in Greek means sharing within the household or making law within the household. It is very important to say that in Greek language law is directly connected to sharing. So, distribution is inherent in economy. However, despite the use of this same word, in classical and modern economic literature the agents are independent individuals and not households, and instead of sharing and law-making, competition and profit-seeking is the inherent idea of economy\(^4\).

Therefore, it is also a matter of defining economy to see whether there is any contradiction with the “social” and “solidarity” or not. In any case, once we accept that economy is not “social”, or can be something else than social, then we also accept that it is normal that economy is a place of competition, exploitation and injustice and that as a society we accept this as the very essence of economy. Then, it is rather a collective decision to agree or not whether economy is social anyway - and this discussion goes well beyond this paper’s scope.

\(^1\) Also in Neamtan N. (2002) p. 2.

\(^2\) I used the dictionary of Greek language by Dimitrakos, D. (1936) p. 5052.


3. FAIR PRICES IN ECONOMIES: IS THERE A FAIR PRICE SOMEWHERE?

As already mentioned, in a capitalist competitive economy, a fair price is what perfect competition and free market can achieve in determining the price of goods and services\(^1\). This is very important, particularly because people in the mainstream economy might have a different perception of fairness in prices, depending on whether they are consumers or producers/providers. This is at least what the mainstream literature shows us, because in this literature the consumers are described as not being well informed about the firms’ costs but also about other elements that affect prices, f.ex. inflation\(^2\).

I have not found till the moment any academic literature on the perception of price fairness concerning the producers/employees towards the firm/buyer. I mean, the literature examines the fairness perception first by considering the firms as indispensable intermediaries of economic activity and by looking only on the fairness of prices between consumers and provider firms. However, the same consumers are also employees at some employer, individual or firm, and we have no information about their perception of fairness concerning their wages.

On the other hand, there are studies which show that even in a capitalist economy, fairness is a choice of the economic agents and actually, fairness allocation cases are observed even when the agents are not afraid of any retaliation if they are unfair. Therefore, one might discuss whether an exploitative economy or a capitalist economy, or even a simple competitive economy might be structurally unable to ensure fair prices. We also know that given the lack of perfect competition in real life (which economy has no distortions stemming from hierarchies, power and norms?), even the abstraction of a simple competitive economy cannot ensure a fair price.

Nevertheless, it is one thing to accept the possibility that there is no fair price in the mainstream economy, particularly the capitalist one, and it is another thing to discuss whether unfairness is inherent in humans or whether a fair price is impossible exactly because humans are involved. Contrary to this, there are experimental research studies which have opened the path for further research and which give important indications of fairness being a possible choice, or even being the most possible or the default choice for a human society\(^3\).

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Thus, it is not absurd that social economy and solidarity economy have been during the last years the privileged theoretical and material spaces where the efforts on determining a fair price have been undertaken by both activists and theorists. Actually, the effort focuses on primary producers, particularly those who produce raw materials and/or food and usually are exposed to the severe pressure of the market price fluctuations with result to have even their livelihoods endangered. Therefore, the first thing social economy and solidarity economy try to fix is the price, and actually the fairness of the price for the primary producers.

Then, it does not come of its own that free markets and competition give the fair prices, quite the opposite: the main idea is that unfairness and injustice is inherent in capitalism so there must be another way (or other ways) to be economically active and do business instead of competing at any cost, even human and social cost. Till now, the methods which have been used to achieve fair prices in social and solidarity economy have been the efforts mostly belonging to what we call Fair Trade.

To be more specific, the fair price for the primary producers is one of the main tools of Fair Trade, along with direct trading with small producers, collective deliberation with producers and efforts to achieve democratic management of the Fair Trade agreements, where all interested parties contribute to decision-making. The fair price itself is a premium or additional reward to the primary producers in comparison to what the mainstream markets pay them for their produce. Although it is not easy to achieve in every case, the aim is that the producers are paid in such a way that they can cover their needs and live a decent life far away from poverty.

Of course, the fair price has also its consumer aspect: a fair price for a consumer is that one which is not so high or is sufficiently low so that the consumers can have access to goods and services in order to live a decent life. However, the consumer part of Fair Trade is usually the one who is paying the premium price in favour of the producers, given that the Fair Trade consumers are considered to be the “strong” and “rich” party of the trade. Particularly in Fair Trade, the idea of solidarity is considered to be expressed exactly by this higher price of the products. The consumers can buy a cheaper product which is produced by an underpaid (paid at regular market prices) producer but instead, the consumers choose to show solidarity and pay something more to ensure that the producers of the “more expensive” product are is receiving a better, decent payment for their work.

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Therefore, the fair price is where the social and solidarity economy (e)merge. The question is of course, whether a premium price for the primary producer is enough a reward for the price to be considered fair, or whether it is just one part of what a fair price might be. For example, is it a fair price the remuneration to producers who while producing for Fair Trade, are completely dependent on the consumers’ tastes and decisions because even with the better payment, the producers remain the poor party of the trade? \(^1\)

4. FAIR PRICES IN INTERTWINED ECONOMIES – IS THERE SUCH A THING LIKE A FAIR PRICE WITHIN THE COMPLEX ECONOMY?

Of course, the dependency issue is one major problem for the idea of Fair Trade and especially the idea of fair price. However, this is not the most important one, because the dependency issue would be a priority if somehow we had reached an agreement on what a really fair price is. We need to distinguish between setting a better remuneration for the primary producers and stating that this better remuneration is the price they should have received in any case.

That means, the problem of fair prices is much deeper. Once we all live in a world where the mainstream economy is capitalist and exploitative, once we grow up and get trained to understand the economy through the lenses of the mainstream (which exists everywhere and not only in the academic texts), then how easy or how possible is it to be able to think and determine a fair or any fair price? And how possible is this, even in economic spaces where we all accept that the participants try to establish social awareness and solidarity during the trade?

Unfortunately, the news is not very good till the moment. First, producers still receive a small part of what the final consumer pays. This is structural in capitalism, particularly in international trade, fair or not, because trading raw materials from the global South to the global North involves by nature the services of many people\(^2\). At the same time, the one who pays or the image people have about the consumers who buy the products, is the one who determines all the cultural and qualitative criteria for the Fair Trade producers to work in this sector\(^3\).

\(^1\) The power of the rich consumer buying from Fair Trade is well explained in Razeto L. (2007), Reinecke J. (2010) pp. 570-574.


At the same time, calculations and western-type production management and trading have been “adopted” by the producers and the intermediary Fair Trade organisations, or they have been imposed to them by the (international) markets. Production restructuring and expenditure cuts were “necessary” for the Fair Trade to be able to negotiate fair prices – just like any other business sector would have to do¹.

To this, one should add the fact that most of the people working in Fair Trade or in the general social economy, are less paid than their colleagues in the private sector and in many cases overtime or even their main work has a voluntary, unpaid nature². One could comment that it is a good thing to work beyond the structures of wage labour. However, working without (adequate) pay for a sector that is commodified anyway³ is something that is not an advance for the solidarity economy but probably it is an achievement for the capitalist economy (employees being happy without being demanding!).

Similar findings exist from my own research concerning the schemes in Greece where people trade with each other without using the official currency. The mainstream economy has strongly influenced people’s perceptions about value, has already created value hierarchies concerning the labour of each sector and it is very difficult to think beyond those valuations. It is much more difficult to establish prices, when f.ex. a parallel currency⁴ is used, which do not copy the mainstream prices⁵.

This does not mean that the attempts to calculate and establish a fair price in all those cases are a futile struggle. It means that it is not easy to find what a fair price is and actually it is much more difficult to apply any “fair price” and be sure that this will be a just price for all. I am also worried that this acceptance of groupings of people into “poor” and “rich”⁶ might itself be a trap, so that we could never escape from the “demands of the market” or from the image of a stereotyped consumer who is portrayed as being obsessed with what he/she already

⁴ A parallel currency is a currency created by its users and not by any central authority, therefore it is not legal tender but it is used to account the transactions among the members of the group who created the currency. More information about those types of transaction modes can be found in Sotiropoulou I. (2011a), (2011c).
⁵ Issues of valuations in alternative transaction modes and the problem of mainstream valuations being imposed on alternative spaces are examined in detail in Sotiropoulou I. (2012).
knows in his/her own community and whose stereotyped demands should be taken into
account in any case. At the end of the day, how many researches have been made for the Fair
Trade consumer preferences? And how informed is a “rich consumer” or how informed can
the “rich consumer” become to be able to communicate with the culture of the primary
producers? What if the Fair Trade consumer is well informed but the market stereotypes are
imposed on him/her just like they are imposed on the producers?

This does not mean either that we cannot find successful attempts which have reached
some level of prices for producers which, if not completely fair, can make at least the
producers really better off. We can also encounter with alternative transaction schemes which
have achieved certain fair economic activity while protecting it from the expansionary
capitalist economy\(^1\). However, those are just cases instead of generally applied structures,
despite the fact that they might provide us with good examples for future practice and
research on this same topic.

5. ECONOMIC SPACES AS ONE ECONOMY: IS THERE ANY FAIR PRICE IN
THE ECONOMY AT ALL?

If it is impossible to isolate economic spaces, then it is impossible to say that an
economic space which attempts to find and apply a fair price is immune to the influences of
the mainstream capitalist economy. Particularly when we take the mainstream price as the
calculation base of the fair price, we have already lost the battle. How fair could be a price set
while accepting that mainstream prices are more or less normal and just a bit lower than their
fair counterparts?

Interconnected economic spaces are not such a negative situation as one can imagine.
At least, it makes us aware that the adjectives “social”, “solidary”, “capitalist”, “competitive”
etc are just political aims projected on the economy by those who speak each one of the
related discourses.

As a consequence, this interconnection is criticised by many authors as the reason for
Fair Trade to be under pressure to lose its character. It might also be the main reason why it is
so difficult for us to define a fair price, even if we talk about a social or solidary economy,
structured in a quite different way than the mainstream. Therefore, it is difficult to escape both
the commodity form and the efficiency principle and create exchange relations which do not

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resemble the market relations which already exist. Same difficult is, even in the cases where people make efforts to have the producers enabled to decide themselves about the price of their products. Producers also are bound by this interconnectivity of markets and are supposed to take into account the pressure of the mainstream economy\textsuperscript{1}.

However, not all analyses are pessimistic. Apart from the analyses and research findings which might show that there are some ways to pursue a fair price which might be more effective than other ways\textsuperscript{2}, there is also another point of view. Walter Neale asserts that in a markets-system, whenever some of them start to function in a non-self-regulating manner, the entire system ceases to be self-regulating\textsuperscript{3}. Neale names as self-regulating markets the mainstream markets we see in capitalist economy. His analysis might be a hypothesis which would need further research to be sound in the actual economy, but Neale’s argument might also give us another perspective of the interconnectivity of the economies: working for a solidarity economy and searching for a really fair price, might lead us to interfere effectively with the mainstream economy and perhaps make the first steps to change it into an economy which will not be exploitative and unjust anymore.

\textbf{INSTEAD OF CONCLUSIONS: SOLIDARITY ECONOMY AS A LIBERATION PROJECT TOWARDS A FAIR AND JUST ECONOMY}

Therefore, the last thing which would be practical in this case is to just accept that the mainstream economy is omnipotent and the quest for a fair price will be in vain. No-one of course, ever said that establishing a just and fair economy would be an easy thing and perhaps the question here is not whether this is difficult but whether this is possible. The adjectives we use for the several types of the economy are still useful in the sense that they can show us who, when, where and perhaps why someone prefers which type of economy.

However, we need more practical hints than just adjectives. The discussion about Fair Trade among the people of global South instead of turning always to the global North for customers\textsuperscript{4} is a question that sets Fair Trade and fair price into a different context. The notion


\textsuperscript{3} Neale C. (1957), particularly page 369.

\textsuperscript{4} Cotera Fretel A (2009).
of a decent life secured for all\(^1\) and the idea of harmonious living with nature are also rules of thumb for at least starting a practical discussion on fair prices within a solidarity economy. Democratic collective negotiation and price setting where all people affected will be involved in decision-making\(^2\), could be the way through which such fruitful quest might take place.

We already know that fairness is not a non-human feature, rather the other way round: humans can be fair if left free to think and act\(^3\). Daniel Kahneman and his colleagues assert through research that transactors care about being treated and treating others fairly. What we do not know is whether this care is well suppressed by economic structures which are exploitative or whether we could behave in the same competitive and unjust way if we were to act in an economy where solidarity would be the real principle in practice.

We will need to work more, research more, study more, discuss more, disagree more and exchange views and ideas more than usual in order to find any practical answers to all those question. However, it is sure, as Kahneman and his colleagues write, that

> “the rules of fairness cannot be inferred either from conventional economic principles or from intuition and introspection”\(^4\).

Having fair prices in a solidarity economy is, no doubt, a collective project.

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\(^3\) Maxwell S. (2008).

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