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BOB DOPPELT: Social businesses pose promise and questions

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Flaws in the global economy are producing significant social, financial, and ecological problems, and new approaches are needed. One alternative is “social businesses,” which are private companies set up to solve social problems. Although this new form of enterprise holds potential, it also raises important moral dilemmas.

That’s the conclusion I came to last month after attending the 4th Annual Global Social Business Summit. Five hundred people, mostly from poor nations around the globe, ventured to Vienna, Austria, to talk about how to grow the social business movement. Nobel Prize laureate Muhammad Yunus created the concept and was prominent at the event. I participated to see if this approach could address some of the downsides of our current economic system.

A social business is a privately owned firm established to reduce poverty and address other social problems, not generate profits for owners. Financial investors are recruited, but their investments are repaid with little to no interest. All revenue beyond that needed to pay staff, operating costs, and debt service is reinvested in the company to expand its work.

The conference highlighted social businesses around the world. Grameen Shakti, for example, is a company that now sells 4,000 solar panels a month as well as small biogas plants to rural people without power in Bangladesh. Technicians and operators are hired at the facilities. Jobs are also created in food, textile and other businesses that are launched after people gain access to electricity and light.

Another example is a French company that helps elderly, disabled, and low-income people obtain transportation to distant work sites. The income generated by securing a job promotes self-sufficiency while reducing demand for government services.

These and many other social businesses are creating jobs, or access to them, and reducing poverty. As demonstrated by the French company, this model holds significant potential for Western nations, including the U.S. But it also raises a number of concerns.

For instance, I participated in a session focused on how social businesses might help impoverished people in the Amazon Basin. Scientists call this region the “lungs of the planet” because it produces about 20 percent of the earth’s oxygen and continuously recycles carbon dioxide. To protect the climate, it must remain intact.

During the discussion a representative from Grammen Bank, which promotes social

businesses, said its assessment found that roads and other transportation infrastructure must be constructed to ease the difficulty and costs of getting goods to markets. New roads, however, will open the region to intensive development and undermine forest health.

This triggered a spirited debate: What is more important — economic development or protection of the rainforest?

Still another moral dilemma that surfaced at the event is the possibility that social businesses might trap some people in even deeper poverty.

For example, I joined a discussion about a social business that leased cell phones to poor women who paid off their loan by selling call time to community members. After demand grew for cell phone use, however, an international corporation moved in and sold cheaper phones. The women who purchased the original phones were unable to repay their debt, and the corporation gained control of the local market.

The biggest challenge, however, relates to the differentiation of duties between poor nations and the U.S. and other western nations.

In many poor countries the natural environment remains in decent shape. However, globalization has allowed international corporations to offshore pollution-intensive manufacturing to undeveloped nations with few environmental laws or means to enforce them. As evidenced in China, India and elsewhere, the result is that when the economies of poor nations grow, so do pollution and greenhouse gases.

But the Earth's climate has been disrupted because the concentration of atmospheric carbon emissions is already far too high. Unless developed nations, especially the U.S., reduce our emissions, there is no space available for poor nations to generate more without catastrophic consequences.

This presents those of us in Lane County and the U.S. with a difficult moral choice: Do we have an ethical responsibility to reduce our emissions to make room for poor nations to expand theirs? Do we refuse to change and expect poor countries to remain poor? Or do we do the unthinkable and allow global climate disruption to become uncontrollable?

This is the quandary that led to the impasse at the recent U.N. Climate Summit in Doha, Qatar. Rich and poor nations could not agree on who should restructure their economy to protect the climate and people. The stalemate threatens everyone on Earth, and all future generations.

New ideas are urgently needed to raise people out of poverty and address other social problems. If done well, social businesses provide a viable new approach that can be applied locally and worldwide. But numerous questions must be resolved for this method to reach its full potential.

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