Inclusive businesses as a development strategy to fight poverty: understanding how multilateral organizations promote engagement in progressive neoliberalism

Natália Sant’Anna Torres; Francisco José Mendes Duarte
INCLUSIVE BUSINESSES AS A DEVELOPMENT STRATEGY TO FIGHT POVERTY: UNDERSTANDING HOW MULTILATERAL ORGANIZATIONS PROMOTE ENGAGEMENT IN PROGRESSIVE NEOLIBERALISM

Natália Sant'Anna Torres¹; Francisco José Mendes Duarte²

Abstract: Inclusive businesses implement policies aimed at bringing a marginalized part of the global population into value chains. This paper analyzes these social inclusion strategies which have gained increasing importance in the development debate. In order to do so, we have examined the role of two multilateral organizations – the United Nations and the World Bank – in constructing the concept of inclusive businesses and analyzed 107 cases which are considered inclusive. From the analysis of how inclusive businesses incorporate low-income people and microenterprises into value chains, we identified three central approaches: inclusion through consumption, distribution chains, and supply chains. We rely on Boltanski and Chiapello's (1999) theoretical model to understand the assumptions and dynamics behind each of these three approaches and to grasp the moral justifications that legitimize them. In this sense, such strategies are understood here as a response by capitalism to its critics, a kind of response that allows neoliberal capitalism to absorb the less threatening demands of the progressive agenda and promote new forms of engagement in the system. We conclude that these development strategies do not address the structural asymmetries of the global productive and distributive system, since they replace an agenda for decreasing inequality and poverty eradication with one of mere poverty relief and overshadow the role of the state in the development process. The first step to move beyond this approach requires bringing collective and redistributive demands back into the center of development debate.

Keywords: Global Development Strategies; Multilateral Organizations; Progressive Neoliberalism; Inclusive businesses; Criticism.

¹ Holds a B.A. in International Relations at Universidade Estadual Paulista and a Master Degree on Public Policies, Strategies and Development from UFRJ. Natalia works currently as WEConnect International's Regional Corporate and Partner Engagement Manager for Latin America. E-mail: nasantorres@gmail.com
² Holds a B.A. in History and a PhD in Social Policy at UFF, with a Sandwich Scholarship at University of California (Berkeley). He is currently Professor at the Graduate Program of Public Policies, Strategies and Development (PPED) at UFRJ. E-mail: franciscomduarte85@gmail.com
I. Introduction

In this article, we discuss some recent metamorphoses of the capitalist system, based on the assumption that its evolution occurs symbiotically on a moral and material level. To understand the overlaps between these dimensions of reality, we analyze two sets of historical transformations.

The first set of transformations started in the 1970s, when capitalist economies were experiencing stagflation and decreasing profitability. Then, the emergence of new social movements demanding radical individual emancipation and combating the established moral order, especially as it permeated state and business bureaucracies during the Golden Age of Capitalism (1948-1973), created an ideological context that was very propitious for all kinds of reformist subversion. Capitalists and neoliberal politicians and economists took advantage of that individualistic criticism to fight for social and economic deregulation to increase profit rates and overcome stagflation.

The second set can be observed in the late 1990s, when frequent financial crises and increasing social instability led capitalism to assimilate demands of critical movements – above all those calling for recognition of identities such as feminist, anti-racism, LGBT and so forth – as a form of re-engaging economic agents in the accumulation process. This paradoxical marriage between an increasingly financialized capitalism and less threatening demands of new social movements is what Nancy Fraser (2017) calls progressive neoliberalism.

Therefore, it is possible to say that critique revived capitalism, at least twice, during the last forty years.

We focus, above all, on this second revival period, arguing that progressive neoliberalism is not limited to partial responses to demands on identity recognition, but includes as well, albeit superficially, responses to socioeconomic criticism on the growing inequality generated by the system. In order to highlight this facet of progressive neoliberalism, we examine a corporate movement, based on business models that aim to mitigate effects of poverty through the inclusion of impoverished social groups in their value chains. These initiatives have taken a prominent place on the agenda of multilateral organizations under terms like inclusive, social, or impact businesses and are understood here as a global development strategy – directly influenced by prestigious business thinkers and multinational companies – formulated to respond to critics of neoliberalism.

Using the analytical tools developed by Luc Boltanski and Ève Chiapello in The New Spirit of Capitalism (1999), we try to reinterpret the conformation of progressive neoliberalism...
and demonstrate that inclusive markets are new mechanisms for the moral integration and reengagement of individuals in capitalist logic. Such mechanisms reveal the system's continuous struggle to respond to its critics.

We focus our empirical analysis on the UN and the World Bank, understood here as spaces of dispute, capable of channelling and institutionalizing both the criticism of the system and the responses of capitalist actors. Firstly, we observed a historical divergence between these two organizations when it came to their development views. Currently, however, we notice a convergence between their agendas around the concept of inclusive businesses. We argue, then, that this inclusive strategy is part of a broader set of initiatives, promoted by national governments and international agencies, which added some policies to alleviate poverty to the neoliberal reform agenda (Richardson, 2001; Craig & Porter, 2005; Ruckert, 2006).

In order to grasp the proposals of the World Bank and the UN with regard to inclusive markets, this study presents a quantitative and qualitative analysis of 107 business cases that are considered inclusive by both institutions and its branches, such as International Finance Corporation (IFC), the United Nations Development Programme (UNDP), the Business Call to Action, and the Iniciativa Incluir.

In this way, we analyzed each case to investigate how inclusive businesses incorporate low income people and microenterprises into value chains. From this analysis, we identified three central approaches: inclusion through consumption, distribution chains, and supply chains. By observing the assumptions and dynamics behind each of these three approaches, we highlight their possibilities and limitations in terms of real inclusion.

To conclude, vis-à-vis the intensification of the critique of progressive neoliberalism after the 2008 financial crisis, we question to what extent the metamorphoses of the neoliberal development paradigm are able to confront its intrinsic mechanisms of social exclusion.

II. Critique and its shaping function: a theoretical approach to the dynamics of capitalism

We depart from the notion that capitalism tends to transform itself both by means of competition and innovation in its productive systems, along the lines of the Schumpeterian logic of creative destruction (2011), and by incorporating elements of anti-capitalist critique, resulting in a set of beliefs and practices that aims to support and legitimize the system of accumulation before society (Boltanski & Chiapello, 1999). Although both these drivers of change are obviously interconnected, here we will mainly focus on the second, the continuous feedback loop between capitalism and its critique.
As the process of capitalist accumulation is intrinsically amoral, it is through the internalization of moral justifications from the critique it is exposed to that the system gathers input for building its ideological platform. Thus, ironically, the system’s assimilation of parts of the criticism has permitted some incremental changes to mitigate its self-destructive tendencies.

According to Boltanski and Chiapello (1999), the element capable of balancing the asymmetry between the insatiability of the system on the one side and the satiability of its actors on the other is the spirit of capitalism, that is, the ideology, understood as a set of beliefs, that justifies and legitimizes the participation of individuals in the endless accumulation system. This spirit is not static, but very dynamic instead, as it needs to continuously absorb ideas in order to maintain its mobilizing potential. In the view of the authors, the survival and reproduction of capitalism occurs therefore through the formation of an ideology that is able to include both individual justifications, as well as justifications for the common good, making the system acceptable to most people, if not even desired.

The authors identify three major stages of the formation of the spirit of capitalism. The first one, around the turn of the 19th century into the 20th, was based on bourgeois morality, on the family and on the patriarchal relations established between the bosses and their employees. The second one, between the 1930s and 1960s, was based on the separation of private and professional life, the rise of large corporations, the dissociation between capital owners and corporate control, the centralization of bureaucracy in public and private management, and the ideal of social and civic justice which was a result of institutional solidarity and alignment between companies and governments. Lastly, the third spirit came in the 1970s as a reaction to the decline of the structures and the mobilizing power of the previous spirit, especially in its civic and industrial aspects. It has as its main symbol the companies in which labor relations are organized in temporary projects and decentralized teams. This was enabled by advances in telecommunications and transports, liberalization of the global economy, and decentralization of production, among other factors.

Business management literature continuously provides arguments to justify the engagement of workers in the system. This is no coincidence, as business executives occupy positions relevant to the proper functioning of capitalism. Therefore, in this third formation of the spirit of capitalism, workers are mobilized by a sense of creative emancipation, fascination for innovation (think outside the box), by the decline of authority (administrators assuming a coaching role), horizontalization of work relations (flat management), mobility, variety, and fluidity of projects, and expansion of professional connections (networking). In this way, new
forms of meritocracy emerged, characterized by the praise of mobile individuals with the ability to maintain an active network and implement projects and eventually, to include the least connected and least integrated members of society.

To understand the formation of the most recent spirit, Boltanski and Chiapello analyzed the different sources of resentment that fuelled criticism towards capitalism during the twentieth century. From this effort, they identified two types of critical movements. The first is based on social critique and originated from the socialist movement. It is concerned with inequalities, human misery, individualism, and the destruction of solidarity bonds under capitalism. Its central aims are welfare guarantees and a more equitable redistribution of the surplus produced by the system. The second type is an aesthetic criticism that denounces the capitalist order for commodifying relationships, oppressing and curtailing freedom and creativity. Profoundly ingrained in the hippie and counterculture movements, this critique echoes strongly from the 1960s onwards, seeking to subvert the hierarchical and patriarchal structures inherent to public and private institutions.

During the second half of the 1960s, the aims of both the social and aesthetic counter-movements found themselves in a particular symbiosis, with the convergence of the student and trade union movements. However, throughout the 1970s, they began to diverge and even found themselves in conflict with one another, once the ruling classes understood, tacitly, that the key to avoiding the overly regulated conflicts, responsible for the steep decline of profit rates, was to reject the social criticism and embrace some elements of the aesthetic one. This inspired a revolution in management techniques, deeply critical of the hierarchies imposed by the production order of the second spirit, which later on would also encompass the State structure implementing reforms that subordinated public management to some private management precepts, such as competitiveness and efficiency.

Further, it is necessary to clearly understand the dynamic of conflicts between capitalism and its critics. According to Boltanski and Chiapello (1999), this process is based on tests and displacement. Tests derive from demands that critics formulate towards the system, based on a set of current dominant principles of justice and a shared belief through which people justify the status quo. Capitalism somehow must deliver what its spirit promises, and for that matter, it is continuously being put to the test. Criticism, therefore, uses these tests to keep the existing order in check, while the system itself responds to it either by means of tests of strength, by imposing new power structures, or by means of legitimate tests, when the changes are endowed with a certain legitimacy. Displacements in turn are movements of capital to circumvent the issues brought about by critics. By changing the courses of the tests,
displacements seek new horizons of accumulation and subvert the existing order for the reproduction of the system itself.

Our reading of Boltanski and Chiapello's theoretical approach necessitates two disclaimers.

First, unlike the authors, we adopt the term neoliberalism as an equivalent to what they call the third spirit of capitalism. Notwithstanding the acknowledged lack of analytical rigour of this term, generally used to refer to multifaceted phenomena, we understand that it is still useful. This is because the idea of neoliberalism contributes to highlight the importance that a complex liberal ideology – arising from the reformulation of classical liberalism in the post-World War II period – had to legitimize regulatory models that, since the 1980s, have promoted the expansion of markets, the economic and political power of the private sector, and the reconfiguration of the role of the state.

Second, by analyzing the conflicting engagement of the World Bank and the UN in the redefinition of the roles of the state and the private sector in the process of socioeconomic development, we highlight how the networked company’s management logic gained importance in the development debate with the rise of the strategy of inclusive markets.

III. Displacement and tests of strength in the formation of neoliberalism: the transition period

The liberalizing socio-economic reforms advocated by international financial institutions during the transition to neoliberal capitalism at the end of the 1970s resulted in a series of displacements and tests that were essential in the formation of the third spirit of capitalism. The new value system in full expansion began to influence both decision makers of the political-economic powers, as well as the directors of multilateral organizations who, in a dialectical manner, promoted reforms that facilitated the displacement of capital towards countries where the relations of production were less regulated (Boltanski & Chiapello, 1999).

In concrete terms, the multilateral organizations, especially the International Monetary Fund (IMF) and the World Bank, wielded a much stronger influence on developing country policies, promoting top-down reforms in many of them (Andrews, 2013). This happened, above all, because rich countries like the United States used their contributions to the multilateral organizations to pressure developing countries to open their domestic markets to them (Chang, 2008).
The Structural Adjustment Programmes (SAPs) were the principal instruments that allowed for the interventions of the World Bank into the domestic affairs of countries. These programmes were initially focused on macroeconomic stabilization, but were increasingly influencing industrial regulation, labor laws, the democratic system and so forth (Chang, 2008). This transformation added to the process of productive restructuring, marked by a growing decentralization of the structures of large corporations and the mechanization of their activities, with serious consequences for labor markets and social welfare systems that were funded, primarily, by taxes paid by these large industries (Grun, 1999).

Although the displacements of the system towards new and less-regulated horizons weakened social criticism that was still largely focusing on national arenas, the implementation of the neoliberal project did not happen without opposition. The UN addressed fundamental criticism to the neoliberal development paradigm, especially during the 1980s. This did not occur unexpectedly. During the first decades of its existence, the UN was a space for critical reflection on reforms necessary to modify the imbalances of the global economic system that placed barriers to socio-economic progress on the countries of the so-called Third World.

This trend can be demonstrated by the establishment of the Economic Commission for Latin America and the Caribbean (ECLAC) in the 1940s, the United Nations Conference on Trade and Development (UNCTAD) in the 1960s, and the New International Economic Order (NIEO) project and the United Nations Commission on Transnational Corporations (UNCTC) in the 1970s. All of them were created to reform the established economic international order. In this same way, throughout the 1980s, UN agencies – like United Nations International Children's Emergency Fund (UNICEF) and Economic Commission for Africa (ECA) – played an important opposing role by addressing critical arguments and reports on rising poverty, the widening of global inequality and the increased human suffering due to the implementation of the SAPs (Paul, 1996; Stiglitz, 2002; Ruckert, 2006; Jolly, 2014).

The critical role of these UN agencies was opposed through the decisions made by the countries with a permanent seat in the Security Council. The consequences of this distorted governance structure became particularly evident at the beginning of the 1980s, when the Reagan administration, backed by North American companies and think tanks like the Heritage Foundation, responded to the UN with serious political pressure and contributions cuts. Such reaction, a clear test of strength, triggered a crisis of UN financing, which, together with the growing rejection of state-led development projects, contributed to forcing the organization towards a more conciliatory agenda regarding the balance of power within the global economy (Joyner & Lawson, 1986; Wills, 1987; Adams & Martens, 2015).
At the turn of century, the moral confrontation between the development projects of the UN and World Bank gradually led to greater convergence. On the one hand, this meant the UN increasingly began to consider the private sector as a central agent in promoting social welfare. On the other hand, the World Bank and the IMF recognized, albeit partially, the limitations of the neoliberal structural adjustments and initiated a series of reforms within their programs, aiming to relate them more directly to poverty reduction in response to the social criticism that reappeared in the second half of the 1990s.

IV. The return of critique and the formation of progressive neoliberalism: back to the legitimate tests

While increasing global wealth and aggregate income is an undeniable fact, neoliberal recipes have proved disastrous for many of the developing economies where they were implemented. In those countries that enjoyed some form of growth, it was observed that such benefits have been mostly accumulated among those who were already better off, aggravating domestic and international inequalities (Stiglitz, 2002). More precisely, during the 1980s and 1990s, inequality increased in 73 of the 105 countries that had adequate statistical information on Gini data (UNCTAD, 2012).

This increase of inequalities resulting from the neoliberal model also proved to be an obstacle to economic growth. A study published by the IMF in 2015\(^3\) suggests that income inequality negatively impacts economic growth and its sustainability, therefore challenging the trickle-down neoliberal thesis, whereby increasing the income of the richer portion of a society would, gradually, generate benefits for the other layers of the economic pyramid.

Given the failure of neoliberal development policies, criticism of them gained greater visibility worldwide. Nobel laureate Joseph Stiglitz (2002), for instance, opposed the orthodoxy of the World Bank and the IMF, even though he was chief economist at the World Bank between 1997 and 2000. His work points out the systematic errors in the economic policies that are recommended to developing countries by the Washington Consensus due to ideological commitments to the free market and antipathy to government interference rather than concrete observations of reality.

It was, however, the hybrid socio-aesthetic critique formulated by the economist and philosopher Amartya Sen that had the biggest impact on the international development

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community. Sen's (1999) main contribution can be found in his understanding of development not only in its economic dimensions, but also in its social and ethical ones. Sen defines human development as a process of expanding people's capabilities and freedoms so that they can live the life they value.

Anti-globalization protests also played an important role in advancing social criticism and creating awareness about the harms caused by neoliberal policies. These protests were pushed by an ensemble of transnational movements that gained prominence in the mid-1990s denouncing the increasing social injustices. Facilitated by advances in telecommunication, these movements organized a series of meetings and forums, such as the World Social Forum, as well as more radical demonstrations that triggered violent conflicts, such as at the ministerial summit of the World Trade Organization held in Seattle in 1999. Many of these protests were also a resistance against the growing power of multinational corporations, such as the anti-sweatshops boycotts, calling for an end to human rights violations and environmental degradation (Buttel & Gould, 2004).

In the political sphere, this rise of social criticism gave way to the so-called Third Way governments. Popularized as the ideology of the future by the then-US and -UK leaders Bill Clinton and Tony Blair, the Third Way made concessions to social criticism without breaking entirely with the fundamental neoliberal premises. Despite the conciliatory proposal between policies favorable to big capital and to social welfare directed mainly to the poorest, the former prevailed, paving the way for financial deregulation that would trigger the global crisis of 2008.

In response to criticism, the World Bank formulated the Comprehensive Development Framework in 1999. This was intended to be a multidimensional policy approach focused on poverty reduction and on a more prominent role for governments in developing countries (World Bank, 1999; 2001; 2002). Despite this new approach, the Bank did not abandon the essence of the structural adjustment policies of the past. It continued to prescribe macroeconomic policies that aim for, above all, fiscal austerity and to emphasize the central role of pro-market institutions for development (UNCTAD, 2003).

Thus, in response to the frictions and conflicts that emerged in the second half of the 1990s, a wave of centrist and conciliatory programs and policies entered the agenda of both the World Bank and a handful of national governments. Craig and Porter (2005) note that the concepts of opportunity, inclusion and empowerment - and their variations - are points of

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intersection in these *hybrid* agendas that seek, on the one hand, to consider the aggression of neoliberal policies that are admittedly unsuccessful and on the other, to include aspects more directly related to social issues, especially to the fight against poverty.

Regarding the changes of position within the UN at the turn of the millennium, it was the critical approach to human development, strongly based on Amartya Sen's (1999) theory of capabilities, that had become the dominant vision of the organization. Although Sen's theory opposes central aspects of the Washington Consensus - by reintroducing the question of ethics as a premise for development and by recognizing that social hierarchies impose barriers to individual freedoms - in practice, the UN Human Development Approach somehow sidelines the power of private players to direct public policies according to their interests.

By tempering its criticism of neoliberalism, the UN has sought rapprochement with the private sector since the turn of the millennium (Adams & Martens, 2015), which can be exemplified by the creation of a private sector donation system (UN Foundation and the United Nations Fund for International Partnerships) in 1998 and, notably, the UN Global Compact in 1999, a voluntary guideline to encourage corporate social responsibility (CSR) in the private sector.\(^5\)

Unlike in the 1980s and the first half of the 1990s, when the capitalist system mostly undertook displacements and tests of strength in response to social criticism, it is possible to say that, from the end of the 1990s and throughout the 2000s, the response came more in terms of legitimate tests, that is, in searching to neutralize the sources of indignation that drive the wave of social criticism.

All the changes highlighted above indicate the emergence of a more inclusive and more progressive type of neoliberalism, capable of adapting to certain progressive demands with ease, while tactically leaving aside a large part of the collective and redistributive demands. It is yet another historical dynamic in which the great flexibility of the capitalist system has become evident.

V. Inclusive business approaches as legitimate test

Within the political and economic changes that comprise progressive neoliberalism, it is possible to identify several trends aimed at increasing the responsibilities and accountability

\(^5\) Agenda 2030 and the Sustainable Development Goals, launched in 2015, reinforce the United Nations’ inclination in this direction and propose a “Global Partnership,” including not only states, but also calling on the private sector to support its implementation.
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of the private sector towards societies. More precisely, the practice of corporate social responsibility (CSR) has become a globally used tool for large companies to respond to criticisms towards them, as well as to manage the interests of stakeholders, to reduce reputational risks, and to motivate employees (Kotler, Hessekiel & Lee 2012). On the one hand, the expansion of the CSR movement has taken on a more pragmatic character in order to mitigate socio-environmental problems, giving way to entrepreneurial initiatives of self-regulation and to models of shared governance between the private sector, states and civil society. On the other hand, these techniques for the management of business-society relations have opened space for true corporate utopias, which seek to fully integrate the socioeconomic and environmental interests of societies into the dynamics of capital accumulation.

In the wake of these more utopian perspectives, business activity began to be understood, especially since the mid-2000s, as a useful mechanism for the inclusion of socioeconomic segments that were still little exploited by the expansion of the global market. They are, in other words, new geographic and demographic arenas in which justification mechanisms responding to new moral criticism can be constructed, since the tests related to them are still little-regulated and new opportunities for profit and inclusion by the system can be achieved.

In this way the concept of inclusive business, coined in 2005 by the World Business Council for Sustainable Development, is defined as “enterprises that go beyond philanthropy by integrating low-income communities into companies’ value chains as clients, suppliers, retailers and distributors” (WBCSD, 2016: p. 2).

The concept gained methodological accuracy with the emergence of the Inclusive Market Development Approach (2010), a global strategy for socio-economic development through the private sector within the framework of the UN. Encouraged by this new understanding of the role of the private sector in development, a series of initiatives was set up within the UN system aimed at the inclusion of lower income people through the value chain, such as the Growing Inclusive Markets (2007), the Business Call to Action platform (2008) and the Istanbul International Center for Private Sector in Development (2011). In order to mobilize companies in several countries around this theme, these initiatives focused mainly on mapping good practices, setting metrics, and parameterizing the new approach.

The World Bank, in turn, claims to have invested more than $18 billion in 550 inclusive businesses in about 90 countries through the IFC since 2005, which corresponds to 10% to 20% of the bank’s long-term annual commitments. The evolution of the importance assigned to this
theme in the World Bank was evidenced by the creation of a specific department within the IFC in 2010 to guide the organization's performance in relation to inclusive businesses.\(^6\)

The relevance of inclusive business approaches in the international community became evident when in 2012 the G20 – the group that comprises the twenty largest economies on the planet – created the G20 Call on Inclusive Business\(^7\), a specific working group to expand research on the subject, with the support of IFC and UNDP.

Therefore, the increasing global resonance of the inclusive markets approaches since the mid-2000s pointed not only to the relative convergence between the two organizations analyzed here – the UN and World Bank – but also to the fact that the responses of the global capitalist system to development challenges and criticism had been organized incisively under a restrictive market inclusion view.

In addition, management literature played a particularly important role in anchoring the spirit of capitalism in business practices (Boltanski & Chiapello, 1999; Grun, 1999). Since the mid-2000s, an increasing number of business scholars have been publishing articles and manuals that encourage the private sector to take action on development issues and to go beyond traditional social responsibility strategies.

In this debate, the work of economist C.K. Prahalad (2010) stands out. Its central argument, as part of the so-called Bottom of the Pyramid (BoP) approach, suggests that there is an immense, unexplored purchasing power among the low-income population and that by operating in these income classes, commercializing products and services, the private sector would, beyond encouraging innovation and profit opportunities for companies, supposedly contribute to the eradication of poverty.

It is also worth noting the concept of shared value, coined by Porter and Kramer (2011). According to the authors, the solution to development problems would be to create economic value alongside social value, suggesting that companies should reconnect their success with social progress, putting these practices not at the margin of their operations, but in the very center. This change, in turn, would fuel the next wave of innovation and productivity growth in the global economy and redefine the relationship between capitalism and society.

Both concepts, the Bottom of the Pyramid and the shared value assumptions, served as a theoretical basis to influence and legitimize various strategies of social responsibility and


\(^7\) Available at: [http://www.g20inclusivebusiness.org/](http://www.g20inclusivebusiness.org/). Access on: January 22, 2020.

sustainability of national and international companies – such as Unilever, P&G, L’Occitane, Coca-Cola and others – paving the way for numerous projects aimed at integrating social impact into the core business.

Although the concept of inclusive businesses is still under construction, the definition elaborated thus far excludes actions of private social investment (philanthropy) and practices of corporate social responsibility that do not interact in any way with the company's business model. In this sense, the agenda of the UNDP defines the concept as:

[…] a private sector approach to providing goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid (BOP) making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers. (UNDP, 2015, p. 13).

Since the mid-2000s, multinationals have turned from large, capitalist villains into important partners of multilateral organizations (Adams & Martens, 2015) and non-governmental organizations (Seitanidi & Andrew, 2009). Such a reorientation of business towards the bottom of the pyramid was key for re-engaging people in the capitalist production process under the new spirit of capitalism. Recent research on professional recruitment, talent retaining and trade preferences, clearly shows how values related to inclusion, purpose and social innovation have held high importance in the decision processes of workers and consumers, especially when it comes to younger generations. According to the UNDP’s Business Call to Action Report:

Beyond the generation of new revenue and growth, diversity and inclusion are increasingly tied to improvements in company performance and are accelerating competition for talent. Corporate citizenship is emerging as an important criterion in the talent market. This has led to more socially conscious companies to gain an edge in attracting, engaging and retaining top employees (JONGH & SAHBA, 2017, p.77).

In this sense, an article published by Deloitte⁸, based on market research, states that the Millennials generation seeks to change the world using the tools of business and entrepreneurship. This new pool of professionals operates in the business sector realm based on the promise that one can change the world and have a commercial career. Building on this latter assumption, the article states that the companies' responses to the new imperatives of employee engagement have occurred, among other things, through inclusive business models:

“Multinational firms such SC Johnson, Danone Group, GE, and Unilever have launched social innovation business units, charged with developing products and services for hard-to-reach,

disadvantaged groups and base-of-the-pyramid customers” (Deloitte University Press, 2015: p.3).

Capitalism is once again producing justifications of engagement to respond to criticism. By including in its discourse a promise of transforming the world while focusing on individual capacities – such as entrepreneurship, innovation, creativity, authenticity, summarized in the image of the *changemakers* – the structural dynamic of the system seeks to excite its central agents through meeting their broader social demands.

VI. Inclusive businesses: an analysis of its different approaches

The concept of including the lower income population, beyond their employability, in different segments of value chains can be classified into three different categories: inclusion through supply chain, where small producers with lower incomes are understood as suppliers; inclusion through distribution chain, where micro entrepreneurs are incorporated into business as sellers and distributors; and inclusion through consumption, where the products or services aim to meet the specific demands of low-income populations that are poorly or not supplied by conventional markets.

Each of these categories is based, directly or indirectly, on a set of premises. Given their importance in the literature on the subject, here we highlight three of them.

The first premise deals with the idea that the reorganization of value chains could overcome barriers that cause so-called poverty penalties. This concept, elaborated by David Caplovitz (1963), states that the poor pay more for commodities of lower quality as compared to the rich. The phenomenon was observed by Prahalad and Hammond (2002), having as its most emblematic example the case of low income areas of Jakarta, where a bottle of water could cost ten times higher compared to high-income areas. The results of these and other multiple exclusions generated what Jeffrey Sachs (2006) and Paul Collier (2007) call poverty traps, mechanisms that mutually reinforce some of the causes of poverty, making it chronic, aggravating the distortions spawned by income inequality, and reinforcing the stigma and prejudice around these disadvantaged populations.

The second premise that gained prominence through the World Bank, via the IFC and World Resources Institute (2007),\footnote{Available at: http://pdf.wri.org/n4b_executive_summary_graphics.pdf, Access on: January 31, 2020.} assumes that there is a massive unexplored global purchasing power at the bottom of the pyramid. The report suggested that there would be a
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global consumer market of approximately $5 trillion among the 4 billion people living in relative poverty. More precisely, it argues that there are countless opportunities for companies willing to explore this niche, especially in health, telecommunications, water, transport, energy, financial services, and food segments.

The third premise, widely disseminated by proponents of the BoP approach, asserts that individuals in poverty are skilful entrepreneurs by nature (Prahalad, 2004). According to Yunus (2007), the poor are naturally entrepreneurial and have a strong propensity to innovate due to the skills acquired in the harsh conditions in which they find themselves.

Based on the three categories of inclusion, we classified the 107 business cases considered as Inclusive Business by IFC and UNDP, and we sought to highlight the limits and possibilities inherent to each of them. The cases are mostly based in Latin America (43), Africa (34) and Asia (40). In the table below the cases are distributed by types of inclusion of the base of the pyramid (BoP):

<table>
<thead>
<tr>
<th>Type of Inclusion</th>
<th>UNDP</th>
<th>IFC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>BoP Inclusion through Supply Chain</td>
<td>27</td>
<td>6</td>
<td>33</td>
</tr>
<tr>
<td>BoP Inclusion through Distribution Chain</td>
<td>12</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>BoP Inclusion through Consumption</td>
<td>56</td>
<td>26</td>
<td>83</td>
</tr>
<tr>
<td>BoP Inclusion through Shareholding</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: author's accounts (2017).

Of the 107 cases in the sample, 31% of them are focused on supply chains. A classic example of this type of model are the fair-trade agreements, which have successful results regarding increasing small and medium producers’ profit margins by eliminating abusive intermediaries and strengthening their negotiating capacity.

The analysis points out that about 73% of these cases of inclusion through the supply chain are related to commodities or low value added products. Most cases in this category are managed by multinationals that are directly involved in supplier communities, cooperatives,
and associations of small rural farmers in developing countries, with the aim of strengthening their agricultural or semi-processed input suppliers’ quality, production capacity, and reliability. In most of these cases, the anchor company supports small producers by providing investment in infrastructures, increases in the profit margin of producers, credit, certifications around sustainability and quality standards, and investments in education and health provisions for their communities.

Multinational companies confirm that besides contributing to the improvement of the quality of the final product, these practices also favor the promotion of the brand and the loyalty of its consumer base. These findings can as such be seen as practical examples of the functioning of the principles of equivalence, between the strong and the weak, in the connectionist world of the third spirit of capitalism. By including the weakest individuals – the least flexible – in their project networks, some companies can get more approval and loyalty from the public.

Of the 107 cases, 24% represents initiatives that promote entrepreneurship among the low-income individuals by relying on them as microentrepreneurs, distributors/sellers or by offering them microcredit. In this way, large companies such as Unilever, Nestlé, Coca-Cola, Natura and Ajinomoto have been recruiting and training low-income microentrepreneurs, especially women, to become their decentralized sales force, micro-franchises, and door-to-door sellers.\footnote{For instance, the Multilateral Investment Fund’s SCALA Program.}

Finally, 77% of the cases intend to incorporate low-income populations into their value chains as consumers. Motivated by projections of the market potential of consumers at the bottom of the pyramid and the possibility of alleviating poverty penalties and traps, companies offer products and services developed or adapted to the realities of these poor populations, with pricing strategies adjusted to their purchasing power.

It is possible to categorize the consumption-oriented cases as follows: 35% of them offer customized financial services to the low-income population, such as microcredit; 21% focus on health services; 14% are services related to education; 8% offer water and sanitation services; and 6% offer light and electricity services. Although many of these services are considered basic services in most of the countries, only 25% of all these cases have shown some minimal interface with the public sector.\footnote{There is the case of Saútil in Brazil which works in partnership with municipal governments to reduce queues and waiting time of patients when accessing the public health system (SUS). Saútil facilitates the access to services provided by SUS via digital information.}
It should be noted that the high incidence of microfinance models – microcredit providers account for 32% of all inclusive businesses aimed at financial services – is related to the idea that they would incite an exceptional entrepreneurial energy among the low-income population and the naive belief that, once these small enterprises were strengthened, the country's economy will be boosted as a whole, thereby translating into development (Chang & Bateman, 2012). This idea was supported by Yunus’ (2007) argument that poor people do not thrive because they cannot raise the money needed to realize their visions, either because of the discrimination they suffer from conventional banks, or because of the high interest rates charged by local moneylenders.

VII. The inclusive business approach versus growing inequalities: a new critical wave

Despite the undeniable incremental social benefits of these business practices and their growing legitimacy, the targeted and voluntary features of these development strategies have been raising a new wave of criticisms, both in the academic and civil society spheres.

Authors such as Craig and Porter (2005) and Ruckert (2006) point out that this emerging set of “more inclusive” practices in the global economic and political system generally had little to do with the redistribution of power or with the formation of a more democratic governance model that was favorable to the interests of peripheral countries. Instead, it should be seen as a movement motivated by the need for stability and legitimacy among public opinion.

The supply-oriented inclusion experiences, for instance, seem beneficial compared to traditional models when it comes to the construction of fairer trade relations and the immediate benefit to small producers, especially in terms of increased income and improved working conditions. However, observed from a long-term development perspective, such models could hardly confront the structural asymmetries of the world's productive and distributive system, nor the competitive pressures in global trade, in which rich countries continue to commercialize sophisticated goods and services, with high valued added, while poor countries keep specialized on low value added products and commodities.

Erik Reinert (2007) helps us to substantiate this analysis by suggesting that a palliative economy, focused predominantly on alleviating the pains of economic misery, is robbing space from the true development economy, which, he argues, should aim at radical changes in the productive structures of developing countries. As such, while these models seek to increase the capacity of small producers to negotiate prices, they preserve the historical logic of the
international economy in which some economies specialize in markets of increasing returns industries and others in markets of declining returns sectors.

By assuming that access to capital per se will lead to economic development, independent of the productive structure in which investment is made, the inclusive business approach clearly neglects qualitative differences between economic activities and the asymmetries of the global economy, providing superficial solutions to the symptoms of poverty rather than to its causes, and reinforcing, in the end, the specialization of these poor countries in the production of commodities.

The distribution-chain-oriented approach has faced substantial criticism as well. Questioning the assumptions on the natural entrepreneurial capacities of the poor, evidence indicates that most of these entrepreneurs are, in fact, entrepreneurs by necessity.\(^{17}\) According to Adhijit Banerjee and Esther Duflo (2011), leaving aside those genuine specific cases of entrepreneurial talent found in any economic class, the vast majority of the microenterprises of the population at the bottom of the pyramid are subsistence businesses, with limited growth potential, low income generation, little differentiation in their markets, and fragile job creation capacity.

Following the same line, Chang and Bateman (2012) emphasize that the contemporary view of entrepreneurship is overly based on an individualistic perspective, in which it is believed that anyone who strives hard can succeed in business. It is often overlooked, however, that entrepreneurship has a fundamentally collective dynamic. Without the support of collective institutions – such as public infrastructure, corporate and commercial laws, educational systems, scientific research, financial systems, patent and copyright laws, etc. – worldwide famous entrepreneurs like Bill Gates would never have succeeded.

Nonetheless, the strongest criticism against such an inclusion of low-income people as distributors – which has the cosmetic industry’s direct selling systems as its major example – refers to the precarity of labor relations that it usually relies on. According to Abilio (2014), the absence of any regulation of capital-labor relations in these cases generally ends up transferring part of the distribution, advertising, and promotion costs, as well as the risks of default and stock management, from the company to the “sales consultants.” Therefore, despite the unquestionable benefits generated by the increase in the income of these individuals, the economic inclusion promoted by such models only works as long as the resellers are fit to work,\(^{17}\)

denying them the right to become ill, to age, or to enjoy paid leave. Under the pretext of labor flexibility, the company abstains from its responsibility of offering its employees any kind of labor rights.

The consumer-oriented cases, as promising as they may seem, have also been harshly criticized by several economists, most notably by Karnani (2007), who challenges the massive figures presented by Prahalad regarding the unexplored market at the bottom of the pyramid, arguing it is actually much smaller and less profitable than expected. He also argues that expanding the range of consumption choices of low-income individuals does not necessarily imply an improvement of their situation of poverty, although it may perhaps increase their immediate well-being. Keeping their nominal income constant, the only way for a poor individual to consume new goods and services, would be by replacing other expenses, like food and housing, which could lead to a decline in their well-being in the long term.

Finally, based on the Polanyi's criticism of the capitalist system, these inclusive business strategies can be also seen as development solutions grounded on the commodification of social relations. In other words, these initiatives turned a systemic inequality problem into a new opportunity for capital accumulation, giving continuity to the insatiable logic of capitalism. However, one could argue that inclusive markets do not only produce the commodification of the social, but also represent the socialization of the market. In response to this ambivalence, in the last section, we return to the concept of the test to highlight the prevalence of capitalism's urge to commodify and, therefore, to its self-destructive tendency.

VIII. The course of criticism in the crisis of progressive neoliberalism

Despite the concessions made by the system, when it partially adjusted itself to address demands for recognition of social identities and poverty alleviation, criticism seemed to be unable to tame the self-destructive dynamics of the system in this new stage (Boltanski, 2009). This is shown clearly in the hegemony that the leading sectors of financial capital have achieved under progressive neoliberalism, as not even the harms caused by the 2008 crisis led to the formation of more regulated tests. Thus, the attempts to restrict the mobility of financial capital were not strong enough to contain the growth of the hegemony of the financial sector and, ultimately, ineffective in reducing the instability and insecurity that characterizes the neoliberal paradigm of development.

Surprisingly, in the early 2010s, after various states launched emergency packages to save banks on the edge of defaulting, there was a return of the austerity rhetoric and policies
(Crouch, 2011). Therefore, the rapid expansion of legitimate tests, such as development strategies through market inclusion, came to coexist with tests of strength that brought back the most regressive face of neoliberalism and reinforced the structural power of financial capital.

Among the contradictions between the two faces of neoliberalism, the regressive and the progressive, an important body of social criticism has resurfaced to challenge the logic of the third spirit of capitalism, especially its income-concentrating character and its attacks on public spending. Important examples of this criticism included the emergence of the *Occupy Wall Street* movement at the beginning of the decade and, more recently, the emergence of a political movement aligned with the historical demands of social democracy led by Bernie Sanders in the United States; the founding of left-wing parties and coalitions in European countries such as Spain and Portugal; and academic studies of great density, as the work of the economist Thomas Piketty (2013), that have revealed the overwhelming growth of social inequalities in recent decades. In his book, Piketty points out that the growth of economic inequalities in the last four decades is due to the concentration of income by the “richest 1%” everywhere. Therefore, the disconnect between the global financial system and the real economy has generated a mismatch between the return on capital and the return on labor, giving way to a class of super rich.

The data presented by Piketty was reinforced in a study published by Oxfam International in 2020, which reveals that the world’s 2,153 billionaires have more wealth than 4.6 billion people, who make up 60 percent of the planet’s population.18 According to Oxfam, the global trend of reducing taxes on income as a result of the high, cross-border volatility of capital and the lobbying pressure of the private sector lead the global competition for lower taxes and a race to the bottom that is extremely detrimental to the financing of essential public services (Oxfam, 2016). The organization also emphasizes that the top 50 US companies use offshore tax havens to drastically reduce their corporate tax rates in the United States and in the developing countries where they operate.19 Paradoxically, some of these multinationals – such as Procter & Gamble, Coca-Cola and PepsiCo – are listed by the UN as inclusive business implementers.

Given these facts, we wonder if these new forms of systemic responses to social demands – which are essentially based on the promotion of individual entrepreneurship – could

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present enough legitimate tests to fuel collective hopes. After all, which logic of equivalence could justify such a distance between the 2,153 billionaires and the rest of the world population?

The silent leniency of Western democracies towards the harms caused by the hegemony of financial capital mentioned above seriously delegitimized the political system in many countries and boosted a set of movements and political leaders who were quite averse towards the formal norms of liberal democracy (Streeck, 2016; Fraser, 2017). It also delegitimized achievements of social movements that emerged from aesthetic criticism and towards multiculturalism, elements that were central to the development of progressive neoliberalism. This reactionary impulse seems to be directly connected to the anxiety of segments in society that had their income and social status profoundly impacted by economic and cultural globalization.

It is important to emphasize that the authoritarian critique of neoliberalism focuses, above all, on the progressive elements incorporated in it. This is because some of the newly emerged authoritarian leaders do not appear to oppose the advance of the forces of economic liberalization. This is clearly the case for Jair Bolsonaro, current president of Brazil, and for some authors, as Fraser (2017), also the case for Donald Trump. Although he was involved in a trade war against China which could be understood as an anti-globalist and anti-neoliberal stance, Trump does not break with the logic of income and wealth concentration and the prevalence of the private interests over the public good. On the contrary, in practice, his government has embodied a hyper-reactionary form of neoliberalism.

That said, there is a serious risk of being trapped in a political economy that ends in the dispute between two versions of neoliberalism: one deeply reactionary, both in terms of redistribution and recognition of the demands of minority groups and the urgency of the environmental crisis and another, more progressive but unable to go beyond allowing the uplifting of talented individuals from underrepresented groups and promoting some successful policies to alleviate poverty and environmental destruction. However, just stressing this risk does not seem sufficient. If voluntary business initiatives, subject to “commercial viability” and solely aimed at alleviating poverty, have increasingly become central for socioeconomic development strategies, this appears to be related to the shortcomings of the critique itself.

It is not by chance that the dialogue between multilateral organizations and multinational corporations seems to be limited to an agenda favorable to the continuous expansion of markets and the construction of superficial solutions to poverty, making very little progress in other structural problems, such as combating tax evasion, the financialization of the economy, transparency in lobby activities, and private financing of political campaigns, among
other issues. Since the 1970s, aesthetic and social criticisms, although present, have often been disoriented by system displacements and have been unable to connect redistributive demands to the struggle to recognize historically disadvantaged groups and to the strengthening of environmental protection mechanisms. Doing so would require reversing the growing dominance of the interests of large corporations in all social spheres – the state, civil society, multilateral organizations, etc – and, with it, the excessive freedom of choice they have won for themselves. By claiming the option to choose the tax regime that best suits them, by lobbying for laws more favorable to their interests, or by financing political campaigns whose interests converge with their own, big corporations have been planning their businesses more efficiently, especially because they have easy access to the public decision-making arenas. This is threatening the democratization of the public arenas which, during the second spirit of capitalism, allowed the advancement of some demands of social criticism.

It should be emphasized that, from the strict point of view of business conduct, the reformulation of some practices towards more responsible operations is certainly a major step forward in regard to the often abusive and negligent attitude of large companies over the past decades. However, voluntary entrepreneurial strategies should not be confused with development strategies. Despite recurring failures and delays in the public sector, the state remains the only entity capable of guaranteeing universal access to basic services, untouched by profit imperatives (although economic fluctuations do impact state capacity to provide services). Public services are redistributive mechanisms for socializing production and markets, which are fundamental to combat, for example, poverty and inequality in a structural manner.

Hence, we do not aim to imply that movements critical of capitalism should expect their desires to be met by a benevolent state, but rather that we must advance in at least two directions: 1) on the moral level, challenging the neoliberal dominant belief with renewed collective confrontation that is capable of reaffirming the importance of the demands for equality and expanding them, without denying certain achievements of aesthetic criticism, such as the minority rights and 2) on the material level, democratically re-legitimizing and rebuilding the state – which today is under the hegemony of the large financial capital and its short-term, commercial logic – into a mechanism of social protection and citizen empowerment. After all, it is through the state apparatus that laws and infrastructure necessary for the accumulation of capital are established, and therefore, as Polanyi (2012) taught us, it is by these means that criticism can influence the transformation of the system and mitigate the corrosion of the social fabric produced by it, especially through the decommodification of relations and an expansion of the sense of solidarity in opposition to the culture of individual self-reliance.
Finally, based on Bretton Woods, one must remember that global regulatory arrangements play an important role in imposing institutional limits on the insatiable process of capitalist accumulation. In this sense, the strengthening of critique may come from the resumption of dissent within multilateral organizations, which is so well represented by the insubordinate position of historic UN initiatives, such as ECLAC in the 1950s.

IX. References


Inclusive businesses as a development strategy to fight poverty:...


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