



The Economy of Communion (EoC) as a New Ideal Economy

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Abstract

The Economy of Communion (EoC) is a business paradigm that has been developed from the praxis of the Focolare Movement to reduce poverty and to disseminate the culture of giving. The EoC business commits to allocating up to two thirds of their profits for the help of people in need. In this regard, this movement is a new market economy philosophy between Marxism and Capitalism. This paper overviews the EoC from the economic perspective, and discusses the sustainability of the EoC business model and introduces cases of the EoC firms.

Keywords: Economy of Communion, Focolare Movement, Business Model, Social Business

1. Introduction

The Economy of Communion (EoC) is to aim advocating and practising equality and redistribution (Gold, 2003). The EoC shares the profits to eradicate poverty and reduce social exclusion. In this regard, the EoC is a new market economy philosophy between Marxism and Capitalism, which is grounded in a profound respect for the individual dignity of the human person (Linard, 2003). The EoC promotes a commitment of owners (shareholders) to operate their businesses both for profit and for the benefit of society (Grochmal, 2016).

The EoC was originated from Chiara Lubich, founder of the Focolare Movement, during a trip to Sao Paolo, Brazil, in 1991. The EoC business practices to use their resources to help people in need and support the development of a value-based economic culture (Gold, 2003).

Section 2 presents the EoC business and characteristics, Section 3 views the EoC from the economic perspective, and Section 4 discusses the sustainability of the EoC business model. Finally, the conclusions and future research are discussed in the Section 5.

2. The EoC Business and Characteristics

The EoC business is based on the principle of generativity, reciprocity and gratuitousness (Zamagni, 2014). The three principles of the EoC are different from general economic activities other businesses are doing to pursue the profits.

In this regard, the business activities of the EoC seem to be close to an ideal market economy. There are three major ideal economy types which are neo-liberal market economy, social market economy and civil market economy (Zamagni, 2014). Neo-liberal market economy includes some ideas such as privatization, austerity, deregulation, free trade, and reductions in government spending in order to increase the role of the private sector in the economy and society (Vincent, 2010). Social market economy combines private enterprise with regulation and state intervention to establish fair competition, maintaining a balance between a high rate of economic growth, low inflation, low levels of unemployment, good

working conditions, social welfare, and public services (Hook, 2004). Civil market economy is based on the principles of reciprocity, responsibility and redistribution (Bruni and Zamagni, 2017).

Table 1 compares three social sectors according to different ultimate goals: the general markets aims to produce profits through exchange, the State to establish equity through regulation and redistribution, and civil society fostering values of reciprocity and fraternity (Grassl, 2011).

Table 1. Three Social Sectors (Grassl, 2011)

	Government	General Markets	Civil Economy
Ultimate Goals	Order	Profit	Fraternity
Proximate goals	Equity	Efficiency	Solidarity
Means	Regulation, Control Redistribution	Autonomy, Exchange Contracts	Cooperation, Reciprocity Gratuitousness
Goods	Public	Private	Relational

As shown in table 1, civil economy is a concept of the EoC which is in between Government and markets.

3. The Economic Perspective of the EoC Business

What are different economic views characterizing the EoC business comparing with the general business? And what are the challenges to orthodox economic science?

1) The Firm

In a market economy, the firm's goal is known as a profit maximization in an efficient way. Thus, an economic agent acts to pursue personal self-interest. However, the EoC firms pursue to redistribute wealth according to concept of fairness (Zamagni, 2014). The EoC firms put stress on the relationship between economics and civil or social life. Without "gratuitousness" they consider the business itself will implode because gratuitousness is the "stem

cell” to generate the market. The EoC firms see that profit is considered only a constraint or a signal of the goodness of the activity (Bruni and Uelmen, 2006). The EOC business wish to operate according to their ethos of solidarity at every level of commercial activity (Gold, 2004)

2) Consumer and Choice Behavior

In a market economy, consumers are rational and self-interested maximizing their utility by choosing goods rationally under the budget constraint.

However, there can be two types of consumers: the antisocial ones motivated by self-interest only and the pro-social ones who practice reciprocity (Stefano Zamagni, 2014). Consumers can be more sensitive to ethical values, respect for the natural and social environment, and expect businesses to conform with these values. Consumers can boycott products if businesses do not conform with social values. So, recently many businesses have a strong tendency to appreciate this social dimension (Bruni and Uelmen, 2006). The EoC consumers can be the pro-social ones who practice reciprocity and expect the EoC businesses to conform with these social values.

3) Goods and Employee Labor

In the EoC, the goods become bridges, occasions of community, paths of reciprocity and include the concept of relationship. Also, work is a source of personal fulfillment and service, and plays an important function in building the community (Zamagni, 2014).

4) Market

In a market economy, the contract and competition are typical instruments. The contract requires voluntary relationships that require free consent of the involved parties (Bruni and Uelmen, 2006). So, the market tends to be compatible only with the ego-centric behavior of economic actors. However, the market is compatible with different values which the EoC pursues.

4. The EoC Business Model and Sustainability

1) Profit Sharing

The EoC is based on gift and community. Since it started in 1991, EoC businesses voluntarily allocates their profits in three parts: one part for direct aid to the poor, one part for educational programs to disseminate the culture of giving, and one part to finance investment and further develop the company (Crivelli and Gui, 2014). So, only one-thirds of the profits would be reinvested in the business in order to develop and create new jobs (Bruni and Uelmen, 2006; Bouckaert and Zsolnai 2012).

2) Sustainability

If a full two-thirds of its profits are for the poor and the culture of giving, how the EoC firms can survive in a competitive market? In a short term, the EoC business model does not seem to be successful. It can be questionable from the traditional economist view that the EoC strategy can actually increase productivity and profit. So, it needs to understand the complexity of strategies for long-range profit maximization for the EoC business. The success may depend on how relational goods work in a market. The sharing profit makes more potential consumers and cultivating of gift culture more loyalty consumer group in a long term period.

5. Cases of EoC Firms and Business Models

As of October 2015, there are a total of 811 EoC businesses around the world, including 463 (263 Italy) in Europe, 220 in South America, 26 in North America, 18 in Asia and 84 in Africa. This paper introduces best practices of EoC business among them.

1) **Bangko Kabayan** (<http://www.bangkokabayan.com>)
Inspired by the EoC proposed by Chiara Lubich in 1991 IRB (Ibaan Rural Bank) which was established on August 19, 1957, embarked on an expansion program to be able to make a bigger impact, both as an employer and as a rural-based financial conduit. In 1996, the Ibaan Rural Bank Foundation was established, funded out of the bank's profits, to highlight the Corporate Social Responsibility of the bank, with the purpose of extending micro-credit and scholarship program.

When the Ibaan Rural Bank celebrated its 40th anniversary, it adopted the business name "Bangko Kabayan". In 2000, in search for a new product after the financial crisis affected many of their SME clients, Bangko Kabayan explored the possibility of going into microfinance lending. In 2007, Bangko Kabayan celebrated its 50th Anniversary and unveiled its new corporate logo, representing its achievement in becoming a solid rural bank in the region. In 2015, in line with the efforts of Bangko Sentralng Pilipinas (BSP) and the National Government to push microinsurance as a response to the devastation caused by climate change, Bangko Kabayan, in partnership with the Country Bankers Life Insurance Corporation, launched the CB Kalinga Microinsurance for the benefit of both MF clients and depositors.

Bangko Kabayan(BK) is committed to inculcate the culture of sharing among the staff of BK and the local communities by encouraging involvement and active participation in the foundation's programs and activities, and operates in the pursuit of the full human potential, sustainable development and innovative social entrepreneurship.

2) Tassano cooperative

Tassano cooperative is located in Liguria, northern Liguria, Italy, and is responsible for linking with local industries while managing housing for the elderly and mentally ill. It started with a small number of founding members, but within a few years the number of union members increased to 800. The members cooperate with each other so that they can get jobs through reeducation and worked with general companies and local authorities such as Liguria and Genoa for the disabled and people in the vulnerable class to have jobs.

3) Mundell & Associates (<http://mundellassociates.com>)

Headquartered in Indianapolis, Indiana, Mundell & Associates was founded by John Mundell, who encountered the economy of communion (EoC) in 1995 and provide professional earth and environmental consulting services to industry, municipalities, governmental agencies, engineering firms and the legal community.

Mundell & Associates promoted new technology development, and shared new data and approaches with engineering and the scientific community as well as their competitors and even offered free patent innovations to their competitors.

Revenue from \$130,000 in 1996 exceeded \$3 million in 2007. Half of the annual turnover was generated by large-scale long-term projects, 30% through short-term projects, and the remaining 20% through new customers. Almost of projects are coming through recommendations from existing customers and acquaintances.

Mundell & Associates aims to promote actions and ideas that improve society in the long term, and encourage the culture of giving. In 2014 alone the EOC's 'culture of giving' provided help for about 2,000 families in need, despite tough economic conditions faced in many countries throughout the world. It is one of the largest companies participating in the economy of communion (EOC) project, a worldwide, faith-based, effort to humanize economic activity through use of thoughtful business practices and profit redistribution (Buckeye et al., 2011; Bruni and Sena, 2012).

4) Seongsimdang

Seongsimdang started with a small bakery in front of Daejeon Station in Korea. After attending the Friendship School in Tagay-

tay, Philippines in 1997, Lim Young-Jin, the second CEO began to apply the economic spirit of friendship to corporate management and continued to donate new breads and lunch boxes to homeless people, which attracts the interest of local residents and increase the value of the company.

In 2010, Seongsimdang introduced Rainbow Project, which is the management method of economy of friendship, and disclosed the company's financial information, and shared some of the profits with employees. As a result, in 2012, operating profit grew by nearly four times compared to the previous year, and total capital also rose by 2.8 times (Kang, 2013).

6. Conclusion

Our society has a vital need for communion, happiness, relational goods, and goods of gratuity that have been pushed aside by a growth model placing the pursuit of profit (Bruni and Hejj, 2011). The one of the solutions may be found in practical examples that the EoC entrepreneurs are producing relational goods and goods of gratuity. However, the EoC business model can be questionable in the sustainability in a competitive market. So, the EoC business model should be analyzed in a long term strategy.

Acknowledgement:

This study was supported by the Research Program funded by the Seoul National University of Science and Technology.

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