

# **SOCIAL EXCLUSION AND ECONOMIC GROWTH AT THE EUROPEAN UNION: CAN SOCIAL MARKETING AND BEHAVIORAL ECONOMICS HELP US TO OVERCOME THE PROBLEM?**

**MARCO ANTONIO CRUZ MORATO**

Departamento de Economía y Administración de Empresas, Universidad de Málaga,  
Escuela Técnica Superior de Ingeniería Industrial de Málaga, C/ Doctor Ortiz Ramos s/n. (Campus de  
Teatinos) 29071. Málaga.

**ANTONIO GARCÍA LIZANA**

Departamento de Economía Aplicada (Política Económica), Universidad de Málaga, Facultad de  
Ciencias Económicas y Empresariales, UMA, Calle Ejido 6, 29013, Málaga.

**JOSEFA GARCÍA MESTANZA**

Departamento de Economía y Administración de Empresas, Universidad de Málaga, Facultad de  
Turismo, Campus de Teatinos S/N 29071, Málaga.

e-mail **autor de contacto:** [mcruz@uma.es](mailto:mcruz@uma.es)

## **Abstract**

The problem of poverty and social exclusion is growing nowadays in the European Union context, according to Eurostat (2015 and 2016). And, in spite of the fact that Europe 2020 Strategy is apparently focused on that situation, the perspectives are not promising. What could be happening? In this paper we analyze this issue from a Macromarketing approach, including elements from Behavioral Economics (stigmatization process and stress coping theories, going further than the “homo economicus” traditional model) to reach a better understanding, and recommending a combined public-private response to overcome the problem, using the elements that Marketing provide us (such as Social Marketing, Macro-social Marketing, Corporate Social Marketing and also traditional Commercial Marketing techniques, under a “fortune at the bottom of the pyramid” approach). Doing so, we do not only want to eradicate this sort of curse, but also to boost economic growth in an effective inclusive manner.

*Keywords:* Economic growth, social exclusion, European Union, Social Marketing, Behavioral Economics.

*Thematic Area:* Social Economy.

## 1. INTRODUCTION

Poverty and social exclusion (PaSE from now on), represent an endemic evil of our world, despite the apparent efforts of governments, international organizations and increasingly also the private sector. According to Kotler, Roberto and Leisner (2006, p. 233). "Poverty has been humanity's ever present curse [...] We believe, however that world poverty can be more skillfully addressed [...] by applying micromarketing techniques to macromarketing challenges". And we must not forget that Macromarketing is focused on market problems and solutions to those problems that would improve the wellbeing of various stakeholders within the marketing system (Layton, 2007; Ferrell and Ferrell, 2008). "Macromarketers can play an important role in designing solutions that ameliorate the survival pressures faced by the poor and thereby alter the nature of trade-offs" (Viswanathan and others 2014, p. 23).

There is no doubt that PaSE (according to authors such as Sen, 1998 and 2000; Robila, 2006; or Atkinson and Marlier, 2010; social exclusion includes a wide range of privation dimensions, encompassing economic poverty) is higher in the Third World, in absolute terms, according to their worst overall context. The attention of the related literature, in this sense, is greater in these areas (see, for instance, Hammond and others, 2007; Subrahmanyam and Gomez-Arias, 2008; Upadhyaya and others, 2014; or Gau and others, 2014), although there is also an increasing interest in developed economies (Ekström and Hjort, 2009; or Saatcioglu and Corus, 2014). However, despite the various efforts from many fields as we have been discussing, it seems that the situation is becoming even worse (increasing PaSE levels), beyond the obvious impact of current economic situation. That is the situation that is taking place in some developed areas, such as the European Union (see Eurostat, 2015 and 2016). What could be happening? Are we facing the problem from the right perspective?

Our objective in this paper is addressing the European Union (EU) situation from a perspective of "academic activism", offering academic-based solutions related to Social Marketing and Macromarketing analysis, including a Behavioral Economic component in that study. In Krisjanous (2014) we could go in depth into the relations between Social Marketing and Macromarketing, while authors such as Kotler and Lee (2009) propose Social Marketing as a way to solve the problem of poverty (although focusing on developing countries again, not PaSE levels existing in developed economies, as we will carry out). Furthermore, Lefebvre and Kotler (2012) or French (2013), among others, point to the need of integrating Behavioral Economics with Social Marketing interventions in a general way, and others have studied the impact of Behavioral Economics jointly with Marketing to address the problem of PaSE, but focused on the poor, and differently from how it will be implemented in the present study (Bertrand, Mullainathan, and Shafir, 2006).

So that, based on the ideas of greatest personalities on the history of economic thought such as Keynes [1936], (1983), Myrdal (1971) or Sen (1999), (see Martín-Reyes, García-Lizana, and Fernández-Morales, 1995; or García-Lizana and Pérez-Moreno, 2003 and 2012, among others) in section 2, after analyzing the reasons to study this issue from a Marketing approach, it will be studied (theoretic and empirically) the limits to macroeconomic outcomes that high PaSE levels have into economic growth, focusing on EU case. According to that analysis, in section 3 we

will deepen in how private sector interventions such as Social Marketing, Corporate Social Marketing, among the consideration of PaSE people as a market segment, are a solid alternative as a way to stop the problem (opposite traditional redistributive public policies, although applying them in a coordinated way, among other public interventions such as Macro-Social Marketing), focusing on that concepts from a Macromarketing approach. In section 4 it will be introduced Behavioral Economics (the need to integrate Psychology into the model would have been showed in previous sections), not only related to excluded people but also the rest of society. Thus, incorporating theories of coping with stress caused by the presence of social stigma and more realistic models of human behavior, away from perfectly rational and self-interested homo economicus of traditional economic theory (Simon, 1951; Katona, 1975; Miller and Major, 2000; or Compas and others, 2001), the analytical model of the situation will be completed. Furthermore, in section 5, based on previous recommendations, it will be briefly analyzed EU policies and possible application of these measures. In the final section we will discuss the conclusions and possible future implications of this study.

## **2. BACKGROUNDS**

### **2.1. WHY STUDY POVERTY AND SOCIAL EXCLUSION FROM A MARKETING APPROACH?**

It is not new the interest of Marketing (micro and macro level) into poverty, its impacts, determinants and possible solutions, as it have been mentioned before. Usual micro marketing techniques (segmenting, targeting and positioning; S-T-P process) should be considered as integral tools for poverty alleviation (Kotler, Roberto and Leisner, 2006). Without aiming to repeat well-known concepts such as poverty (see Sen, [1973], 1979; among others) or social exclusion (Chakravarty and D'Ambrosio, 2006; or Atkinson and Davoudi, 2000), there is no doubt that both concepts are measuring a situation of basic needs deprivation on part of the population. Thus, social exclusion adds to simply economic poverty other factors such as labor discrimination, worst health and educational conditions, etc. (as long as poverty would be considered part of social exclusion as well, see Sen, 1998 and 2000; Robila, 2006; or Atkinson and Marlier, 2010). And we must not forget that Marketing studies the target people needs. We could ask, then, are these people needs considered by market systems? To Ekström and Hjort (2009, p. 703): "poor consumers are often being neglected by marketers and are not identified as interesting customer "segments"". Why they are not considered an attractive market, only due to their fund and transaction capacities limitations? Or there could be other reasons to this discrimination of market systems, not only as potential productive factors, but also as possible consumers?

Poverty and Marketing have been studied before, from a Macromarketing perspective, although focused on Subsistence Marketplaces (Subrahmanyam and Gomez-Arias, 2008; Gau and others, 2014 or Upadhyaya and others, 2014). To our knowledge, they are not so usual, however, Marketing studies of social exclusion phenomena (in the way it is carried out in this paper, although Kobayashi and others, 2013, deal partially this issue, in particular a Social Marketing intervention with deaf people). Not even in EU context and from a holistic perspective which incorporates psychological factors (Behavioral Economics) as it

will be carried out in this paper (but we must remember the studies of Bertrand, Mullainathan and Shafir, 2006; Lefebvre and Kotler, 2012; or French, 2013; previously quoted).

Anyway, there are not only reasons to address the PaSE problem from a macro perspective (fighting against PaSE benefits all the society, both in humanitarian or social and macroeconomic terms, as it will be shown later), there exists other reasons to deal with this issue from Marketing, according to what it have been said:

- Poor and social excluded as a market segment (“fortune at the base of the pyramid approach”, see Prahalad and Hart, 2002; or Prahalad, 2004 studies, who considers the poor as a market segment in which it can be applied traditional Marketing techniques, it is not “selling things to the poor”, but more related to helping them getting out of that situation so that they would be able to buy the products that market systems provides).

- Group with high consumption propensity (Keynes [1936], 1983), so it could be interesting to deal to private sector (as well as public sphere, if aggregate demand wanted to be pushed).

- “[...] in order to understand the socio-cultural processes for inclusion and exclusion, there is a need to increase interdisciplinary work between consumer researchers and welfare researchers” (Ekström and Hjort, 2009, p. 707).

- Marketing allows a micro approximation to the problem (being possible also to analyze their macro consequences), focused on the needs and psychological features of each individual (poor people and also the rest of the population), which could be essential to understand why the problem still persists (from a Behavioral Economics perspective, to overcome the traditional behavior models limitations, as it will be said), in order to tackle the problem in a solid way, according to what is has been said for Kotler and Lee (2009).

## **2.2. POVERTY AND SOCIAL EXCLUSION IN THE EUROPEAN UNION: THE CURRENT SITUATION.**

As it have been said, there is no doubt that PaSE situation in developing countries is much more serious (with more attention for researchers), but: does not it dangerous also the growing PaSE levels in developed economies? According to that, focused on the EU case (aim of this paper and one of its new elements for that field), in Eurostat (2015) some specific information is presented (the latest data do more than emphasize on the same conclusions, see Eurostat 2016). Without aiming to repeat what is said in Eurostat (2015) (deeper information can be found there), we could highlight that: “The number of people at risk of poverty or social exclusion has increased in most Member States [...] The serious impact of the economic crisis on Member States’ financial and labour markets was the most likely cause for the rise [of the people at risk of poverty or social exclusion] from 2009 onwards” (Eurostat 2015, p. 138). What is more, the current refugee crisis (see Trauner, 2016) could have also a probable impact in the future situation.

However, it is well worth it to note the following Eurostat (2015) comments, which would help to empirically reinforce the theoretical model that it would be drawn later:

- “People with low educational attainment are three times more likely to be at risk” Eurostat (2015, p. 144).

- According to the study, there is a relationship between people at risk of poverty and income inequality.
- And, very important to this study, regarding to the influence of PaSE as a limiting factor to economic growth, in Eurostat (2015, p. 136) it is said that: “[...] [inequality] can lead to long-term loss of economic productivity from whole groups of society and hamper inclusive and sustainable economic growth”.

Thus, we could say that the persistence (and increase) of PaSE in the EU is a problem, not only since a humanitarian perspective, neither solely as part of inclusive growth (which means economic growth and PaSE reduction, regardless the influences between these two elements), but also due to its possible impacts on macroeconomic procedure, including economic growth levels.

### **2.3. THE INFLUENCE OF POVERTY AND SOCIAL EXCLUSION INTO ECONOMIC GROWTH: THE EU CASE.**

Thus, based on the previous conclusions (Eurostat, 2015), we will study (theoretical and empirically) while not intended to be exhaustive, the relations between PaSE levels, as form of inequality, and economic growth (it has to be mentioned that economic growth has been previously studied from a Macromarketing perspective by authors such as Layton, 2009, although from a different point of view than it will be carried out in this paper).

According to Martín Reyes, García Lizana and Fernández Morales (1995), or García Lizana and Pérez Moreno (2003 and 2012), among others, the relationship between these two phenomenon can be based on the ideas of greatest economists such as Keynes [1936] (1983) or Myrdal (1971). They both considered poverty as a form of inequality (see Spicker, 1993). As Kotler, Roberto and Leisner (2006, p. 234) said: “The macroeconomic approach to poverty analysis ends up pointing to inequality”. And, about this inequality, we would go further in the underlying related discrimination processes of people in PaSE conditions. It would also be mentioned Sen (1999), who paved the way to the need of reinforcing the analytical model from a Behavioral Economics approach.

Against traditional theories of Kuznets (1955), according to whom there exists a functional relationship between income equality and economic growth in “U” shape (thus, in a first phase, economic growth should be preceded by a equality reduction, and only until a concrete level economic growth would encourage more equality), due to their theoretical and empirical inconsistencies (authors such as Deininger and Squire, 1998, or Fields 2001 proposed to reconsider this theory), it can be proposed the assumption that income equality boost economic growth (and inequality hinders it, see Galor and Zeira, 1993). An “L Hypothesis” model, instead of traditional “Kuznets U Hypothesis” (Martín Reyes, García Lizana and Fernández Morales, 1995; García Lizana and Pérez Moreno 2003 and 2012).

This way, according to Keynes [1936] (1983), redistributive policies play an important role on economic growth, through an increase in consumption by transferring resources to poor people (because, to this author, consumption propensity is higher to that group, which helps economic growth by pushing the aggregate demand). It is not only important to consider the economic potential of

this group of society to public authorities (aiming to boost economic performance), but also to private sector, as a way of reaching new markets, with growing interest.

On the other hand, a poverty reduction affects in a positive way variables such as health, education or social cohesion, provoking at least a higher economic growth (Myrdal, 1971). This interpretation is still valid nowadays (Hall and Ludwig, 2009, for instance). What is more, other authors have agreed that inequality narrows economic growth, although focusing on how it hampers human capital generation, due to the lack of available funding for students (Chambers and Kraus, 2010, according to Galor and Moav, 2004).

As it was said by Sen (1999), poverty means a privation of the full development of one person capabilities (and, also of its liberty), which implies an underutilization of productive resources and, so for, a restriction to economic growth. Furthermore, this author (Sen, 1990) also critic the restrictions that perfectly rational "homo economicus" impose into the model, forgetting external factors (historic, social a cultural), in a related way to Behavioral Economics principles that it would be presented in following sections. This interpretation will be important to explain the persistence of PaSE, and also to sustain their influence on economic growth, as well as base the need to appeal to Marketing in order to face the problem.

So that, it could be thought that, if poverty is high in a society (and, thus, social exclusion, as long as it has been defined as a multidimensional phenomenon that measures the problem in a more complete manner, incorporating solely economic poverty and also other variables such as marginalization of the labor market, education, health, credit, social relations etc., see Cruz Morato, García Lizana and García Mestanza, 2017), consumption levels would be limited, as long as investment incentives (local markets perspectives would be really negative). Furthermore, a privation of health, worst education, social tensions, less equipment, etc. (a limitation in the full development of PaSE people capacities) would also affects negatively work productivity, hampering production levels, according to the ideas of Myrdal and Sen.

There exists, then, a set of limitations that affects simultaneously aggregate demand and supply. In the end, several conditions have been created to block economic growth, as it was said by Eurostat (2015) (although not only in the long term, but also in the short one), especially if there exists external factors, as it seems to be happening nowadays. According to that, it can be found the research of Martín Reyes, García Lizana and Fernández Morales (1995), García Lizana and Pérez Moreno (2003) or Cruz Morato, García Lizana and García Mestanza (2017), who says that it is necessary to overcome a significant PaSE level in order to achieve a sustainable economic growth.

This way, PaSE would affect economic growth, according to Myrdal or Sen, restricting productive capacity and incorporating into economic procedures a low number of people (so that the empowerment solution proposed by Sen, as it would be said). Especially if we have into account the psychological implications that discrimination/stigmatization situations suffered by excluded people could have into their participation (economic activities, labor market, etc.), so the way they face their social stigma could also have different consequences into production levels.

This theoretical "L Hypothesis" between PaSE levels and economic growth have been verified empirically since the early 90's in different geographical contexts

(Martín Reyes, García Lizana and Fernández Morales, 1995), and have also been confirmed in EU countries by García Lizana and Cruz Morato (2010a and 2010b), and more recently by Cruz Morato, García Lizana and García Mestanza (2017). This way, it is proved that EU PaSE levels (as a way to measure inequality) have an impact on economic growth outcomes, so that high PaSE (using different indicators and at different times, and thus giving robustness to the result interpretations) represents a limitation to boost the inclusive economic growth pursued by EU. To deep into methodological questions, more information can be found on the quoted studies.

To conclude, it is pointed out the need to: a) reduce PaSE levels to encourage economic growth (especially if social exclusion is considered as a multidimensional phenomenon and how every single component of that concept could impact into economic growth), and b) reinforce the PaSE people position to balance their limitations and so they can contribute to economic growth (what lead us to Behavioral Economics and Marketing as a way to face the problem).

### **3. MARKETING APPROACH TO FACE THE PROBLEM: A COMBINED PUBLIC-PRIVATE INTERVENTION.**

#### **3.1. CONTEXTUALIZATION**

According to previous sections, there is no doubt that fighting against PaSE has a special interest for Macromarketing. It has been proved, moreover, its potential macroeconomic impact (reducing its levels would encourage economic growth) and the current concerns from public organizations such as EU institutions in order to boost economic growth as well as the increasing interest from private sector ("fortune at base of the pyramid" perspective). Relating to this approach it is said that: "This market [people who are economically at the bottom of the pyramid] is traditionally considered the domain of governments, aid agencies, non-profits, NGOs and other do-gooders. Yet, as recent articles and books point out, this is a matter that merits attention even by for-profits" (Subrahmanyam and Gomez-Arias 2008, p. 402).

In this section, we will focus on the set of possible actions that, together with traditional public redistribution policies, could be developed from private sphere (non-profits and business organizations), playing Marketing an important role (both in private and public interventions, as it will be discussed later). It would also be pointed out possible psychological limitations in order to develop these performances, which would strengthen what was said in previous section, and they will lead us to delve further in these issues in the following section (it must be remembered that planning Marketing actions should enable us to explore more deeply into psychological characteristics of human mind to develop a better understanding of the situations).

But before proceeding our study, it is worth reminding very briefly what is Macromarketing. According to what has been mentioned, its aim is solving market problems improving the well-being of different stakeholders inside market system. It is focused on explaining marketing process and its relations with society (Bartels and Jenkins, 1977). In contrast to Micromarketing (process developed in one or more business units to obtain a private benefit), Macromarketing is the process developed in public and private organizations to benefits the society as a whole

(not only individually). In Shapiro (2006) we can find the origins and theoretical foundations of it. From a Macromarketing perspective, we look for the creation of an environment that nurtures fair exchanges for all (Kotler, Roberto and Leisner, 2006). We must remember that, according to Viswanathan and others (2014), this kind of approach can help the poor to face their situation.

### **3.2. SOCIAL MARKETING, CORPORATE SOCIAL MARKETING AND MACRO-SOCIAL MARKETING.**

It should be pointed out what Kotler, Roberto and Leisner (2006) said that poverty reduction requires inducing behavior change through Social Marketing programs. In addition, “[...] social marketing techniques increase both social inclusion [...] and social cohesion” (Kobayashi and others 2013, p.2). In this chapter it will be developed, schematically, the theoretical framework that supports all the micro and macro actions which may develop private companies and other organizations, as well as the Public Sector.

Therefore, “Social marketing is the design, implementation, and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution, and marketing research” (Kotler and Zaltman, 1971, p. 5). According to Andreasen (1995, p. 7) it could be defined as: “[...] the application of commercial marketing technologies to the analysis, planning, execution, and evaluation of programs designed to influence the voluntary behavior of target audiences in order to improve their personal welfare and that of their society”. Wiebe (1951-52) could be considered a Social Marketing precursor, he formulates “Why can’t you sell brotherhood and rational thinking like you sell soap?” (Wiebe, 1951-52, p. 679). In McMahon (2002) or Dann (2010) we can find more details about foundations and definitions of Social Marketing. On the other hand, Krisjanous (2014) focuses on relations between Social Marketing and Macromarketing, while authors such as Andreasen (2006) or French and Gordon (2015), among others, determines the main criticism of Social Marketing (for instance, the perception that it is manipulative and not “community based”).

This way, Social Marketing aim is changing the target behavior to benefit general population or those who have a disadvantaged situation. In our case, the social issue would be the fight against PaSE, actions benefiting for the community and also for this particular group (improving their options to escape from this situation) and to raise awareness of the issue (about possible determinants, implications, etc.) on private companies and non-profit organizations in micro level to be prone to change the mentioned behaviors (also governments in macro level, as it will be said later). In Duhaime, McTavish and Ross (1985) we can deepen on how Social Marketing can improve the living conditions of this population, although focused in the Third World.

In spite of the fact that it is not our primary objective to delimitate an exhaustive conceptualization, it would be necessary to highlight that Social Marketing must not be mistaken with the actions carried out by organizations whose final aim is to obtain a private profit (Corporate Social Marketing), which, according to Donovan (2011) or Hastings and Angus (2011) even where this contributes to the public good, then this is not Social Marketing. In this case, philanthropic actions only constitute a way to get the highest goal for companies: increasing sales and profits

(Smith and Alcorn, 1991). Therefore, an incorrect application could have devastating consequences (if the purpose of the campaign seems unrelated to business core strategies, clients tend to suspect, and this situation may have an adverse impact on the image, see Andreasen, 2006). Kotler and Lee (2005) defines Corporate Social Marketing as a type of Corporate Social Initiatives (in relation with Corporate Social Responsibility, CSR), among others such as Corporate Cause Promotions, Cause-Related Marketing, Corporate Philanthropy, Community Volunteering and Socially Responsible Business Practices (a complete description of these can be found in that study; and, furthermore, Kotler and Lee 2009, adds a new one: developing and delivering affordable products for the large market “at the bottom of the pyramid”, related to previously mentioned “fortune at the bottom of the pyramid” approach).

About other macro level public interventions, “Government is increasingly making use of macro-social marketing to action societal change. We propose that the use of macro-social marketing in conjunction with other interventions, such as regulation, legislation, taxation, community mobilization, research, funding, and education, is an effective systems approach that is actually positive social engineering” (Kennedy and Parsons, 2012, p. 37). According to these authors, public sector should act not only in different levels (state, local, etc.), but also they should work with communities, organizations and people themselves. Regarding the fight against PaSE, obviously it is also necessary to work with companies.

Nevertheless, let us recall briefly that Macro Social Marketing is where upstream actors use Social Marketing within a systems approach to societal change (Domegan, 2008; Kennedy and Parsons, 2012). It is government leading macro levels of change, not individual change (Domegan, 2008). According to Kennedy and Parsons (2012, p. 40): “Macro-social marketing as part of a systems approach to social change, along with other interventions, is actually part of a positive social engineering intervention, and is commonly used by governments to shape the context of behavior changes in their societies”. Furthermore, French (2012 and 2013) outlines the need that policymakers take into account such proceedings in their development strategies.

### **3.3. HOW TO COMBINE THESE MEASURES? SOME REQUIREMENTS OF THE MODEL.**

According to our line of reasoning, it has been focused on a package of measures from Marketing field that, alongside traditional redistribution public policies and other public actions (for example, Macro Social Marketing campaigns), could be developed from private sphere to fight against PaSE problem, being they profit or non-profit organizations: the consideration of PaSE people as a market segment on which it can be applied traditional Marketing techniques, as well as Social Marketing measures (also Corporate Social Marketing, with the risks and limitations mentioned before). Both policy change and Social Marketing are needed for macro-level societal change (Hoek and Jones, 2011) and helps to improve Strategic Social Marketing processes (according to French and Gordon, 2015, social marketers, politicians and other stakeholders should build strategies that work with; it is not enough individual “voluntary” behavior, governments should enhance positive social behaviors).

However, in order to achieve a successful implementation of these measures, some previous requirements are necessary. Thus, Kirchgeorg and Winn (2006, p. 178) said that: "Strategic marketing management goals must be expanded to explicitly include the building of a certain level of transaction capacity on part of the poor". In absence of this transaction capacity, PaSE people would not really become into a market segment. Related to these Transaction Capacity Building strategies, it is considered essential the notion of empowerment: expanding the capabilities and assets of poor people (Sen, 1999), as it has been mentioned before for this author about poverty and its potential impact on economic growth. Kotler, Roberto and Leisner (2006) also talked about the importance of empowerment solutions. How to build and rise empowerment? According to International Fund for Agricultural Development (1995) through access to productive resources, to information, and the participation and cooperation.

Henceforth, it has seen the importance of creating the necessary resources conditions in poor population to achieve success, by policy makers (redistributive policies, education, access to productive resources, etc.) and private sector (see, for instance, Grameen Bank microcredits case, Prahalad, and Hart, 2002). Although, about this issue, it has to be mentioned the criticism shown by Banerjee and Duflo (2008) or Banerjee and others (2015), who challenges microcredits impact and the empowerment concept itself as a solution: "The point of all of this is to deny us the comfort of assuming that the poor will take care of it all: There are too many things that can go wrong in part because we do not fully understand what motivates the poor and in part because these policies are made without thinking hard enough about the institutional constraints that make it difficult for them to be effective" (Banerjee and Duflo, 2008, p. 340). This has a clear relationship with "bounded rationality" definition (Simon, 1951), as we would see in next section, enabling us again to connect with Behavioral Economics and also with Marketing because motivations are mentioned. This way, following our reasonings, to improve empowerment in an effective manner, through a higher participation into economic life, labor market, etc. it would be necessary to deepen into psychological aspects of human being behaviors (PaSE people and the rest of population), as we will see.

On the other hand, concerning other possible requisites, Kirchgeorg and Winn (2006) exposed how should be adapted objectives, strategies and also Marketing Mix (going further a traditional Marketing perspective) to reach a better adaptation to bottom of the pyramid segment (after Transaction Capacity Building strategies and enough transaction capacity achievement), although this analysis is carried out in developing countries, and psychological aspects are not considered, in the way that this article does. In Subrahmanyam and Gomez-Arias (2008) some 4Ps recommendations are exposed, in a similar way.

#### **3.4. LIMITATIONS: THE NEED OF PSYCHOLOGY.**

Beyond all the previous arguments about the need to integrate Psychology into the analytical model (it was highlighted the importance of delving into psychological process under decision making among the poor, with regard to possible participation into economic activities according to empowerment interpretation, among other comments), hereafter it would be outlined that importance (due to traditional analysis limitations), basing on previous research. In next section we will deepen into these Psychological inputs.

Although, in its very conception, Marketing as a scientific discipline was based on different fields of knowledge such as Economics and Psychology (among others), and thus the analysis of human behavior models (focusing on individuals as consumers) should guide its actions, this psychological interpretation usually means a limited rationality model of traditional “homo economicus”. To Carvalho and Mazzon (2013) any possible Marketing Mix combination neither other traditional Marketing techniques are enough to explain human behavior in all aspects. This way, they carried out an analysis of traditional “homo economicus” perfectly rational human behavior models, in the line of Behavioral Economics (we will focus on next section); challenging this unrealistic “homo economicus” hypothesis, perfectly assumed by the establishment in a general way. Thus, according to Subrahmanyam and Gomez-Arias (2008) in contrast of what it could be easier to think that the poor have orientation to firstly cover their basic needs (see Maslow, 1943), it is exposed that this is not always happening, and sometimes they satisfies higher-order needs as a status symbol against discrimination situations (although lack of basic needs stills remaining), challenging traditional considerations.

Furthermore, according to Nicholson and Xiao (2011) focusing on Social Marketing (because it is one of the main actions that it would be addressed), there are some criticism related to the lack of a firm theoretical basis (Wallack, 2002) and the absence of robust bodies of psychological theory. Thus, “[...] the field was dominated by standard marketing management techniques, with little engagement with psychological theory despite its stated goal of beneficial behavioral change” (Nicholson and Xiao, 2011, p. 2358). According to Kotler, Roberto and Leisner (2006), Social Marketing programs should seek to get the poor to adopt poverty-escaping behavior in exchange for poverty-staying behavior (more probable). Thus, a better understanding of the characteristics, motivations and probable barriers of individual behaviors will help to build more effective multi-level Social Marketing messages.

So that, according to what has been previously said, it could be concluded that it is essential to include Psychology into the model, not only to get a better development of Social Marketing, Corporate Social Marketing or Macro Social Marketing strategies (and also traditional Marketing techniques, under a “fortune at the bottom of the pyramid” approach), but also to deal with the rest of elements previously analyzed, delve into society behaviors (PaSE people and the rest of population, who could be developing, voluntarily or not, discrimination/stigmatization processes on PaSE people) and boosting empowerment in an effective manner. It seems clear that a better explanation of the situation is required in order to really overcome the problem (not only as a desirable aim, but also as a way to reach an inclusive economic growth). In this sense, regarding the relation between empowerment and Social Marketing, and also the influence of psychological factors, in Oliveira Santos (2012, p. 34) it is said that: “[...] in a [Social Marketing] campaign is priority to proceed to gradual elimination of poverty and social exclusion official statements, that is, demystify stigmas and social representations around this people, eliminating the aspects that restricts the quality of their integration processes”.

#### **4. INCORPORATING BEHAVIORAL ECONOMICS INTO THE MODEL.**

In accordance with the previous sections, in order to face the problem in a more solid way, hereafter it will take into consideration psychological elements about human behavior, both PaSE people and the rest of economic agents (consumers and businessmen) from a Behavioral Economics perspective (including inputs from Psychology to complete the economic analysis).

Thus, in Cruz Morato and García Lizana (2011) can be found an analysis about the relationship between Psychology and Economics, before the rise of Behavioral Economics, and also its fundamentals (including a similar argumentation that will be explained in this paper to explain PaSE persistence, but applied to the case of disabled people labor inactivity in Spain). To authors such as Young and Caisey (2015), Behavioral Economics and Social Marketing are different (although they have in common the aim of changing behaviors) and, thus, they have to be applied to different issues (it can be delved into that questions in that study). To Lefebvre and Kotler (2012) or French (2013) it is important to appeal Behavioral Economics to the correct implementation of Social Marketing actions in a combined way, as it is defended in this paper (considering Behavioral Economics and Social Marketing complementary interventions: they can be applied separately, but an integrated intervention is much more complete and effective). In Bertrand, Mullainathan and Shafir (2006) it is examined how Behavioral Economics can be used with Marketing to improve decision-making among the poor (although our perspective will be different, as it will be exposed).

Without intention to be exhaustive, Behavioral Economics can be defined as the field of knowledge that studies the economic behavior of consumers and businessmen (human economic agents) which implies economic decisions, as well as its determinants (personal, cultural, situational and economic factors) and consequences (Van Raaij, 1981). In accordance with Hosseini (2003), it would be a reaction to traditional Economics deficiencies, and it is based on the studies of Katona (1975, who started to introduce elements from Social Psychology to understand economic behavior, especially at macro level) and Simon (1951, who defined a theoretical framework based on the concept of "bounded rationality", replacing traditional economic maximization hypothesis by satisfaction hypothesis; and being necessary to explain that "bounded rationality" the presence of cognitive human limitations and individual environmental structure). We could also see the relations with capabilities approach previously mentioned (Sen, 1990) and the influence of poverty into economic growth.

In Young and Caisey (2015) it is highlighted the growing importance of Behavioral Economics (also defined as "nudging") in public policy. Especially relevant since the publication of "Nudge" (Thaler and Sunstein, 2008). But nudging, on its own, can be criticized because it could be paternalistic, top-down and needs other forms of intervention that deal with the causes (French and Gordon, 2015). It is seen again the importance of developing a complete intervention, including actions related to Social Marketing, etc. (see also Young and Caisey, 2010; or Smith, 2010).

Focusing on PaSE people behavior, Saatcioglu and Corus (2014, p. 123) said that: "Increasingly, consumer researchers who study marginalization call for

intersectional work that [...] provides a deeper analysis of structural processes that create and exacerbate consumer vulnerability (Baker, Gentry and Rittenburg, 2005)". Arguing, also, that this vulnerability derives from a complex interaction process between personal characteristics and external conditions, which is related to Simon's previously concept of "bounded rationality".

In Saatcioglu and Corus (2014) it is talked about "social stigmatization" concept, in order to define the discrimination suffered by people on PaSE situation. The same study points out that: "Recent research [such as Hill, 2001; Shultz and Holbrook, 2009] recognizes poverty as marked not only by economic disadvantage but also by multiple other disadvantages including psychological, social and political deprivations" (Saatcioglu and Corus, 2014, p. 123).

Thus, as Myrdal (1944) did, we could ask about psychological effects of discrimination (or stigmatization, there exists authors that use these concepts indistinctly, for instance Scheid, 2005) on people under this discrimination/stigmatization processes. We would start defining what stigma is. Very briefly, it can be defined as an especial attribute that a person has, provoking a wide discredit in the rest of people, relegating this person to a social role different from normality (Goffman, 1963). In Crocker, Major and Steele (1998) it can be found the most common reasons to stigmatize other people and among them stands out the justification of a system based on inequality (people who stigmatize would think that stigmatized people deserves this situation).

According to Miller and Major (2000), having a social stigma is a potential source of psychological stress. Which basically means that the stigmatization of one group provokes a high stressful situation to this people. Such stress would lead the stigmatized person (PaSE people in our case) to decide not to participate in economic activities and labor market, restricting the empowerment of this individual. In accordance with Mandiberg and Warner (2012, p. 1736), quoting Corrigan and Watson (2002): "Stigma leads some to reduce their exposure to discrimination from the larger community by restricting their activities in it".

However, if we do really believe in individual freedom, maybe it could be reconsidered to give such a big importance to exogenous factors (stigmatization processes) in individual decision choice. But, in practice, it is necessary to recognize the cognitive limitations that, as it was said by Simon, some circumstances could introduce; as well as all kinds of conditioning that could affect human will.

Henceforth, it is necessary to explore, with the help of Psychology, about possible kind of behaviors that stress should provoke on stigmatized people (stress coping behaviors), and how they can affect their level of participation into economic activities (according to the previously said by Kotler, Roberto and Leisner, 2006, that the lower risk is developing a poverty staying behavior). From a psychologic perspective, the person could be suffering from stress, but it depends how they want (or can) to face it, they would decide to participate or not (consciously or unconsciously). Compas and others (2001) made a complete classification of possible coping strategies, dividing them into voluntary and involuntary. A deeper study (that it will not be done here because it is not objective of this paper) would say that coping strategies could be positive or negative (or functional and dysfunctional). The majority of these coping strategies are negative (that is to say, dysfunctional), finding better not to participate in economic activities (less risky).

But there are also functional coping strategies: select to participate, related to higher human capital dotation and resources (empowerment). Thus, Viswanathan and others (2014) talked about the importance of empowerment and education, in addition to the emotional toll caused by poverty and how self-esteem is damaged, especially to those with low levels of literacy.

Going back to Saatcioglu and Corus (2014), we can relate it again with our reasoning, because it is said that there are two options to manage with social stigma: get “stuck” or cope with social stigma. However, “[...] the negative social stigmatization exacerbates other deprivations such as lack of education, low literacy, and lack of a steady employment that might have been achieved through schooling” (Saatcioglu and Corus, 2014, p. 128). This way, the process feeds back itself, since it has been mentioned the importance of human capital into empowerment in order to develop functional coping strategies to the stress caused by social stigma, and thus overcome the situation.

On the other hand, about psychological aspects on the rest of economic agents (consumers and gentlemen), beyond the stigmatization processes (that, in a voluntary or involuntary way, they could be developing against people on PaSE situation), it has to be mentioned additional questions. Hence, it has not to be forgotten some generous actions that some people actually do (behaviors also further from perfectly rational and self-interested “homo economicus” defined by traditional Economic Theory, more related to the Behavioral Economics field of our analysis), such as charity, volunteering and so on, not always at individual level, but also developed by organizations. Whereof, we could talk again about corporate social responsibility, Social Marketing, etc. These actions can improve excluded people empowerment, arousing their participation into the market (as potential customers or work offerors, performing entrepreneurship actions, etc.).

In relation with that, concerning Social Marketing, Calderwood and Wellington (2013) exposed some Social Marketing strategies to stigmatized people. Thus, it is said that, normally Social Marketing campaigns are oriented to the general public, but it should have also to be taken into consideration stigmatized people as audience targeting, trying to avoid the negative consequences that these communication campaigns could have for that people (their special circumstances have to be considered, in order not to perpetuate the stigma). In a similar way, Gurrieri, Previte and Brace-Govan (2013), analyze from a critic point of view (in connection with Macromarketing) how Social Marketing campaigns could also influence stigmatization and exclusion of some groups. Andreasen (2006) also said the importance of orienting Social Marketing interventions not only in people with the problem, but also all the groups besides the problem. So that, these issues should be taken into consideration when specific actions would be designed.

In conclusion, since it has been seen that between the causes of PaSE persistence are the lack of empowerment (which is closely related to transaction capacity limitations, a key aspect if PaSE people wanted to be considered as a market segment), human capital, and also the dysfunctional strategies developed to cope with the stress provoked by the social stigmatization suffered (these causes are related between them); a Marketing approach (Social Marketing, Macro Social Marketing, Corporate Social Marketing and also traditional Marketing techniques from a “fortune at the bottom of the pyramid” approach) can be useful to face the situation, acting: a) over PaSE people (increasing functional coping strategies,

mainly through Social Marketing, Macro Social Marketing and Corporate Social Marketing), and b) over the rest of society (reducing the negative attitudes to this people that generates the social stigma, discrimination practiced in different situations: access to labor market, to education, funding, and the consideration as a market segment; and also promoting generosity which would help PaSE people access to productive resources; using similarly the Marketing tools previously mentioned, which are also related to the creation of transaction capacities, empowerment and constitution as a market segment).

## **5. COMING BACK TO THE EUROPEAN UNION SITUATION: A BRIEF POLITICAL ANALYSIS.**

In the final part of this paper, according to previous recommendations, it will be analyzed (while not intended to be exhaustive), the current EU policy intervention scope and the eventual application of designed measures. It has become clear the apparent commitment of EU institutions fighting against PaSE. Thus, for example, year 2010 was proclaimed “European Year for Combating Poverty and Social Exclusion”. Moreover, current “Europe 2020: Europe’s growth strategy” advocates an inclusive economic growth, as it has been said (this growth has to be also “smart” and “sustainable”). Among their initiatives stands out “The European Platform against Poverty and Social Exclusion”, which is pursuing social inclusion of this people, being its objective, according to European Commission (2010) to ensure social and territorial cohesion so that growth benefits would spread among PaSE people in order that they could live gracefully and participate actively into society (however, economic growth is seen as a previous step before reducing inequality, opposite the way it has been presented here, although Eurostat 2015 seems to start pointing out to that interpretation, at least on the long term).

According to Eurostat (2015), one of the biggest problems to achieve the Europe 2020 target is monetary poverty, which is closely related to income inequality, and thus it would be recommended more social protection and improve the efficiency and effectiveness of income support. Thus, not only could we talk about the “European Platform against poverty”, but also about the EU flagship initiatives “Youth on the move” (study programs to facilitate the employment of young people) and “An Agenda for new skills and jobs” (reforms to improve the flexibility and security in the labor market, “flexicurity”, to ensure better conditions for workers and job creation) (Eurostat, 2015).

Focusing on concrete measures addressing PaSE, they are monitoring the Member States’ economic and structural reforms, and also other actions (in the labor market, education, housing, better use of EU funds to support social inclusion, working in partnership with civil society, enhancing policy coordination among EU countries, among others). According to Eurostat (2015), employment and education are essential to help people escaping from poverty, and, it is also said (Eurostat, 2015, p. 144): “The flagship initiative ‘A European platform against poverty’ incorporates policies to help integrate the most vulnerable groups of the population. It aims to provide innovative education, training and employment opportunities for deprived communities, fighting discrimination and developing a new agenda to help migrants integrate and take full advantage of their potential. To underpin this, the initiative asks Member States to define and implement measures, addressing the specific circumstances of groups at particular risk, such as

minorities and migrants". In European Union (2011) it is also defended the need to relate inclusion policies with antidiscrimination policies. So it is taking into consideration the possible discrimination suffered by disadvantaged groups, closer to our arguments (although embryonic in its considerations).

What could be failing, then? Why, in spite of the EU previously mentioned interventions, European Commission prospects still being that to 2020 the people at risk of poverty would remain at about 100 million (see Eurostat, 2015)? Are the considerations exposed in this paper taken into account in the intervention program? According to previous research, this seems not to be happening. Apart from considering the reduction of PaSE as a consequence of economic growth (not as a way to boost it, at least in the short term), psychological effects of discrimination are not considered (neither other possible psychological implications, such as the motivations to generosity of part of the people, related to Behavioral Economics approach), and neither do Marketing tools (such as Social Marketing, among others), as it has been said in this paper.

To reinforce the previous statements it could be quoted French (2012, p. 361), who talked about "The underutilisation and misinterpretation of marketing in government policy and strategy development" and how public sector should implement this kind of actions (it is also said the need to work in a collaborative manner with other agents such as charity and businesses community, although partnership is an issue already considered by European institutions, in European Union, 2011, it is highlighted the importance of promoting CSR actions in business), focusing on Social Marketing. It would not be odd thinking that EU could develop Social Marketing interventions against PaSE when EU itself and other economies such as USA, Canada, New Zealand or England are managing from a Social Marketing approach about public health, for instance (see Oliveira Santos, 2008; or European Centre for Disease Prevention and Control, 2014), regarding the previously mentioned by Kennedy and Parsons (2012) about the growing use of this kind of actions on the part of governments.

Furthermore, Saatcioglu and Corus (2014) talk about the need that social policies take into consideration marginalization processes (which lead us to talk about its psychological consequences). Among the possible solutions to poverty exposed by Kotler, Roberto and Leisner (2006), in relation to our interpretation, it is talked about social protection, defined as the public and private actions in order to provide income or consumption transfers to the poor, protecting the vulnerable and enhancing the social status and rights of the marginalized population (Mpagi, 2002). Kotler, Roberto and Leisner (2006) also said that it is at local level where poverty market segments can be identified and Social Marketing techniques applied, to motivate poverty-escaping behavior. "Along with many other solutions – financial, legal, educative- a good case can be made for the application of marketing S-T-P strategies to reduce the extent and pain of poverty" (Kotler, Roberto and Leisner, 2006 p. 238).

## **6. CONCLUDING REMARKS.**

The persistence of PaSE in the EU is something that, unfortunately, has become more than usual. Despite the apparent efforts that EU institutions (and also civil society and private sector) have been implementing, the situation is getting worse in the current context, as data shows (Eurostat, 2015).

Being a topic previously studied from a Macromarketing approach, (although not in the EU and the way it has been done in this paper, to our knowledge), our aim has been to analyze the situation basing on Behavioral Economics, going further than traditional "homo economicus" behavioral models, completing the model with stress coping theories (stress provoked by the discrimination suffered for excluded people), among other behaviors related to generosity shown by part of the society. So that, it has been proposed a set of actions to develop both by public and private sector based on Marketing (along with traditional redistributive policies), such as Social Marketing, Macro Social Marketing, Corporate Social Marketing or common Marketing techniques (from a "fortune at the bottom of the pyramid" approach, considering the potential of excluded people as a market segment, being necessary previously the creation of transaction capacities on that people), as a way to push strongly the empowerment on this group, in order to tackle the social exclusion suffered.

However, our analysis has not considered the problem only as a social concern, it has been showed (theoretical and empirically) that PaSE persistence in EU means also a limitation to economic growth (affecting aggregate demand and supply). Thus, if the inclusive economic growth apparently pursued by EU institutions would be really wanted to be pushed, PaSE has to be previously reduced in order to unblock growth possibilities. It is not 'making the cake bigger, and then distributing it' as it has been usual in the applied policies. So EU policies ("Europe 2020: Europe's growth strategy") seems to be failing in that question (at least in the short term), and also lacks of Behavioral Economics elements as it has been done in this paper, as long as Marketing instruments, in order to eradicate the problem (Kennedy and Parsons, 2012).

Nevertheless, it is well worth to remember that, among Social Marketing, there are other forms of changing behaviors to overcome the psychological restraints detected, such as legislation, education, persuasion or technology, according to Oliveira Santos (2012), although the holistic and integral vision of Social Marketing is thought to be more complete (see Andreasen, 2006). It is also necessary to take into consideration the possible risks of Social Marketing intervention perpetuating social stigma if actions are not correctly planned (Calderwood and Wellington, 2013; Gurrieri, Previte and Brace-Govan, 2013). On the other hand, as it has been said previously, Kotler, Roberto and Leisner (2006) exposed that it is at local level where poverty market segments can be identified and Social Marketing techniques applied, and, thus, a future research line could be to deepen into the operationalization, design, study and eventual application of Social Marketing programs on specific cases, in an experimental way (we should remember that the most common methodology to empirically verify research hypothesis from a Behavioral Economics approach is Experimental Economics, see Tisdell and Hartley, 2008), according also with the exposed need to go further into micro social experimentation before the development of macro transversal policies on that issue (European Union, 2011).

Cada obra referenciada debe ser citada en el texto de la siguiente forma en función del número de autores de la misma:

- *Con uno o dos autores*: incluir apellido/s y año de publicación, en una de estas dos modalidades, según lo requiera el contexto (Pérez, 1999; García y Moreno, 2008) o Pérez (1999), García y Moreno (2008).
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