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# The Prospects for the Social Economy in a Changing World

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## ABSTRACT

*Even if the 'social economy' has traditionally been marginalized and a subordinated form of production within capitalist societies, the economic, social, territorial and environmental problems of the present times have tended to make it a strategic instrument. This is not only because of its qualities as an economic and management instrument, but also because it is an expression of a dynamic and creative civil society. The aim of this paper is to show the potential of the social economy, the way it has been encapsulated during the postwar period and the conditions that now favour its full development. In the face of new challenges, the efficiency criterion, hitherto used to assess alternative forms of production, is shown to be insufficient. Some complementary criteria are proposed that in better with the new path society must follow if fundamental values have to be satisfied. Starting from these criteria and relating them to management in fields of growing social importance, a new insight into the advantages of the social economy over the market and public sectors can be obtained. Stimulated by such challenges, and connected to the new social movements, a new social economy is emerging with significant potential and a strategic role in managing society. But this development is not without serious problems, and objective and subjective conditions need first to be fulfilled.*

PALABRAS CLAVE: Social Economy, strategic role, values.

CLAVES ECONLIT: P130, Q130.

## Perspectivas para la economía social en un mundo en transformación

**RESUMEN:** La economía social ha sido tradicionalmente una realidad marginal y un modo de producción secundario en el seno de las economías capitalistas. Sin embargo, los problemas económicos, sociales, territoriales y medioambientales característicos de la época actual tienden a mostrarla como un instrumento social estratégico, no solamente en virtud de sus cualidades como herramienta económica y de gestión, sino también como expresión de una sociedad civil dinámica y creativa. El objetivo de este artículo es mostrar las potencialidades de la economía social, el modo en que fueron minimizadas durante los años posteriores a la guerra y las condiciones que ahora favorecen su pleno desarrollo.

De cara a los nuevos desafíos, el criterio de eficacia utilizado hasta ahora para evaluar los modos alternativos de producción resulta insuficiente. El artículo propone criterios complementarios mejor adaptados a las nuevas vías que la sociedad debe recorrer para alcanzar metas fundamentales. Gracias a estos criterios y a su adaptación a la gestión en campos de importancia social creciente, se obtiene una nueva visión de las ventajas de la economía social en relación a los sectores público y privado. Estimulada por estos desafíos y unida a los nuevos movimientos sociales, surge una nueva economía social dotada de un gran potencial y con un papel estratégico para configurar la sociedad del futuro. Sin embargo, este desarrollo conllevará serias dificultades y deberá satisfacer previamente determinadas condiciones, tanto objetivas como subjetivas.

**PALABRAS CLAVE:** Economía social, papel estratégico, valores.

## Perspectives pour l'économie sociale dans un monde en mutation

**RÉSUMÉ:** L'économie sociale a traditionnellement été considérée comme une réalité marginale et un mode social de production mineur au sein des économies capitalistes. Néanmoins, les problèmes économiques, sociaux, territoriaux et environnementaux caractéristiques de l'époque actuelle tendent à la faire apparaître comme un instrument social stratégique, non seulement en raison de ses qualités en tant qu'outil économique et de gestion, mais aussi en tant qu'expression d'une société civile dynamique et créative. L'objectif de cet article est de montrer les potentialités de l'économie sociale, la façon dont elles ont été étouffées pendant les années d'après-guerre et les conditions qui favorisent maintenant son plein développement.

Face aux nouveaux enjeux, le critère d'efficacité utilisé jusqu'ici pour évaluer les modes alternatifs de production s'avère très insuffisant. L'article propose des critères complémentaires mieux adaptés aux nouvelles voies sur lesquelles la société doit s'engager pour satisfaire les valeurs fondamentales. Sur base de ces critères et en les appliquant à la gestion dans des domaines d'importance sociale croissante, on obtient une nouvelle vision des avantages de l'économie sociale par rapport aux secteurs public et capitaliste. Stimulée par ces défis et en liaison avec les nouveaux mouvements sociaux, une nouvelle économie sociale émerge avec un potentiel considérable et un rôle stratégique dans la gestion de la société. Ce développement ne se fera cependant pas sans rencontrer de graves problèmes et des conditions objectives et subjectives devront dès lors être remplies en premier lieu.

**MOTS CLÉ:** Économie sociale, rôle stratégique, valeurs.

## 1.- Introduction<sup>1</sup>

Every scientific work, especially in the social sciences, is guided by valuations (Myrdal 1970). Although that fact does not necessarily affect the objectivity of the results<sup>2</sup>, as long as the scientist is aware of the problem and avoids biases, the conceptual framework, the variables and relationships considered significant, and the information selected and used, are influenced by the leading valuations.

When values are not made explicit and are not submitted to systematic control, we are incurring a double risk: first, of hiding their presence and the guiding role they play, as well as the blurred conceptual and, hence, political biases they convey; second, of putting forward as scientific propositions things that are only rationalizations of hidden values. It is not unusual, on the other hand, to fall into the trap of submitting the scientific analysis to the clutches of criteria that, like that of economic efficiency, have only an instrumental value. In doing this, we are not only setting up an instrumental value as supreme, but also excluding the consideration of effects of undoubted social and ecological relevance.

Therefore, to make values arise explicit is a question of principle and necessary for understanding. The supporting values on which this study rests are: the preservation of human life; freedom; democracy; development of productive forces compatible with the co-evolution of society and the environment; and equal opportunities. It is clear that freedom refers to the person as a whole and not simply to economic activity, which, as an instrumental value, must be subjected to the aforementioned primary values.

In contrast with mainstream economics, based on the efficiency criterion, centred on short-term economic effects, an analysis directed by the above-mentioned values makes long-term learning and social transformation the central nucleus of concern.

In this paper, first, the different features of the subject under study, social economy, will be defined. Then, there will be a brief outline of the historical development of the subject, the change of model that it has been going through, and the forces creating a situation, already in the gestation period, that favours its growth and development. The challenges that face humanity today, and the need for a dynamic perspective of analysis and praxis (as well as the centrality that must be bestowed upon man in all social analysis), will lead us to set up new criteria and a re-evaluation of the organizational eco-

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*2.- The idea of objectivity used here refers to independence with regard to the wishes and preferences of the researcher.*

nomie forms. These criteria are thought more capable of dealing with social policy, the environment, and local and community development. The risks, dangers and weaknesses of social economy at present and in the future are, finally, questions to be considered.

## 2.- What is and what distinguishes social economy

It is common to find negative or pragmatic definitions of the social economy (or 'third sector') in literature on the subject. The very idea of a third sector is a catch-all for forms of economic organization that do not go well with the two main categories (public sector and capitalist sector) that form the mixed economy.

What kind of organizations are we referring to? This, too, is not clear. While some include cooperatives, mutual societies and nonprofit-making associations in the social economy (Gui 1991, Defourny 1992), others widen its field to incorporate social and political organizations (political parties, pressure groups, lobbies, unions, grass-roots organizations, etc.) (Barea 1991, Barea and Monzon 1992, Michelsen 1994). Nongovernmental organizations and the voluntary sector also have a privileged place in such a classification (Kendall et al. 1992). Nevertheless, to include political parties, pressure groups, lobbies or unions, whose aim and main activity are not productive, in the social economy produces confusion and deprives it of being a differentiated and alternative, social form of production, outside the capitalist and public sectors<sup>3</sup>. In other words, we include in the social economy those organizations producing goods and services that have very specific property rights. Property rights allocation and organization control are the cornerstones of the concept.

These property relations are not strictly homogeneous. The means of production may be owned by workers, consumers or service users. The coexistence of members and employees and the existence of simple shareholders are not infrequent either. Doubtless, these differences affect the social potential of this form of production. But that is not to deny some common and distinctive features, capable of conveying a theoretical unity to an apparently motley collection. In fact, all the organizations that can be included in social economy share similar social and organizational properties: they are private; their members become so voluntarily; collective aims (social objectives, jobs, members' welfare, continuity of the organization, etc.) have priority over profit; the interaction between members is, in principle, not hierarchical; there is a predominance of the human element; their aim is the satisfaction of members' needs; their institutional principle of organization is democratic.

3.- *Doing this we are assuming the Rock and Klinedinst criterion (Rock and Klinedinst 1994).*

Such properties make the social economy an institutional reality radically different from the capitalist and state sectors. It is distinguished by the predominance of personal relations, ethics and trust, as opposed to the maximization of political power and money, which is characteristic of the other two realities. Social relations also distinguish the social economy, both relations between social economy and civil society, and relations of production. The first relationship introduces the possibility of an essential change of interaction between citizen and production process. While the capitalist and state sectors are governed by forces out of citizens' reach (individually considered), the social economy allows the individual to participate directly, through individual membership, in the definition of an organization's goals and management.

That specific relationship confers two generic properties to the social economy of great importance for economic allocation, accumulation, distribution and regulation. First, the quality of membership, through involvement, adds a new dimension through which the individual can influence the economic process, which is different from the exit (characteristic of the market) and the voice (belonging to politics) referred to by Hirschman (1970). Second, its proximity to the individual makes it a reality closely linked to civil society, that is, to the life of people in its wide and qualitative sense (Michelsen 1992). From that the social economy derives its socializing and activating potential, as shown by several experiences in Latin America (Hirschman 1986).

This connection gives functions of preference and decision to the social economy (as well as to the social movement in general) different from those of capitalist firms and the public sector, as well as distinct instruments and information channels, which increase its sensitivity to social questions and accessibility to society. Therefore, its evaluation methods have also to be different. In contrast to the capitalist and the public sectors, which govern the economic reproduction of civil society from the outside, the social economy contributes to that governing at the same time as being governed by it (when not being one of its constituent parts). The logical consequences of that are: (i) the fate of the social economy will depend, to a great extent, on the development of such associations in general (and social attitudes to it), and (ii) the evolution and results of social movements, directed by social, ecological and democratic goals, will rely on their capacity to combine civic action with the establishment of socio-economic structures capable of strengthening them and giving them continuity. On that score, the organizational forms of the social economy are economic and educational instruments of great interest and efficacy. From what has been stated, one can deduce several useful ideas in order to gain at least an abstract understanding of the social economy: (i) it can become a social movement in its strictest sense; (ii) not all its achievements can be seen and appreciated solely from an economic perspective; (iii) owing to its close connection with civil society, it can become a strategic instrument of de-alienation (Hirschman 1986) and social change, and allow for the production of a new lifestyle built up from below, being at the same time a valuable tool of democratic planning (in its double role of providing a voice and individuals' involvement in the economic process); (iv) it can be a fundamental support in territorial planning<sup>4</sup>, of special importance in the context of the globalization of the economy.

4.- The idea of territorial planning used, as a contrast to functional planning, is that of Friedmann and Weaver (1981).

At this point, to avoid being simplistic or idealistic, it should be said that both the relationships mentioned and some of the ideas that come from them (the condition of social movement and support of democratic and territorial planning) refer to properties of the social economy that can be neutralized by: (i) external relationships, given its present socially subordinated position within the social capitalist framework, and/or (ii) internal dynamics negating the nature of this social form.

For that reason (and because of its close connection with civil society) its development cannot be understood independently of the evolution of society, of the relationship to movements that emanate from it, and of the interaction between the state, the market and civil society.

From a strictly economic perspective, the social economy, as has been mentioned above, is differentiated from other social forms of production by specific social relationships and property rights. But the very diverse relationship of its members to production (as workers, customers, simple part-time work or finance providers, friendly-society members, joint responsibility, etc.) makes it difficult to talk of a mode of production in the strict sense of the term. But it can become an instrument of social change, as a potential educational and socio-economic framework of a social, alternative praxis, and constituent element of social movements of larger scope and goals. In this context, a new kind of social economy would be emerging, driven by new social challenges and forces.

### 3.- The Fordist mode of regulation and the degeneration of the social economy

The origin of the social economy in the West rests on the historical, spatial and socially plural response of civil society to the problems created by the great transformation that the bourgeoisie and industrial revolution entailed. Thinking of a single development model of social economy means overlooking the diversity of material, social, political and ideological processes that organized that transformation in time and space<sup>5</sup>. That diversity is not, however, so different to that which capitalist society itself shows.

5. - Liberal ideology, the frontier and settler society encouraged a great diversity of processes in the USA: nonprofit organizations, backed by churches and ethnic groups (Hall 1987); a spectacular development in volunteer organizations (Rock and Klinedinst 1992); introduction of cooperatives by immigrant groups according to their original country models; setting up different kind of social economy organizations by social movements, etc. (Rock and Klinedinst 1995). Social transformation movements, critical of capitalist production relationships, were the main movers of the cooperative, mutualist and associative processes in Europe (Monzón 1989, Monzón and Defourny 1992). The greater degree of public interventionism in the area of welfare has meant that private activity and volunteer organizations in this field have had much less relevance in Europe. Despite this, the procedural differences and the diversity of the social movements have also been significant. A very different story is the development of social economy in the Third World (Develtere 1993).

What is, nevertheless, more general and more relevant to an understanding of past social economy dynamics is: (i) its relationship to other social movements (of an economic, religious, ethnic or political nature); (ii) its weakening as a social movement, owing to the encapsulation of civil society by the market and the state after the Second World War; (iii) the tendency of business logic to predominate over associative logic in accordance with the development and professionalization of social economy organizations. These three phenomena are, without doubt, strictly related to the subordinated character of this form of production within capitalist society.

The relationship to other social movements was the main originator of the social economy, in furnishing it both with the values that shape its principle of organization and the mobilization, and with the participation and creative capacity of their own members. But this relationship is paradoxical. On the one hand, the dependence with regard to social movements, whose origins addressed very specific problems and the defence of particular interests, not general values, could twist the praxis of social economy organizations in at least two ways: (i) by forming a discriminatory/partisan bias in the way they act, and (ii) by encouraging dispersion and confrontation within the social economy sector. By contrast, the disconnection with respect to other nonbusiness, socially based, movements may promote progressive subordination of the social economy's associative dimension to its business dimension, with the consequence that the organizational structure will finally impose its functional logic on the values and the mobilization and participative praxis of the social economy movement.

The progressive disconnection, since the end of the nineteenth century onwards, of the social economy from the workers' movement could be one of the reasons for the degradation (in a social and democratic sense) of the traditional social economy. Growth and pursuit of management rationalization by social economy (according to the current model), as well as leadership evolution, also played a significant role in this process, especially in sectors affected by strong competition, such as retail (Brazda and Schediwy 1989). In my opinion, however, those were not the only causes of the problem. The spread of capitalist production relationships, the concentration and centralization of capital, economic growth, the development of the consumer society in Western countries, with its influence on culture, values and information, and the development of the welfare state, as well as the neutralization of market failures through public intervention, meant that the years that followed the Second World War were ones of growing pressure on the social economy. Not only were the reasons for its very existence (unemployment, insecurity, poverty, monopoly prices, etc.) seen to have been overcome to a great extent, but exit and voice, especially the latter, turned out to be effective and sufficient ways for workers to have influence on the social and economic process.

The trend to a moral disarmament and one-dimensional man in the West, the crisis of ideas and loss of values and community ties - because of the urban way of life - as well as the "independence" provided by new products (the car, electric appliances, television, etc.), reduced social participation and commitment. That process, linked to growing market pressures, technological changes and growing economies of scale, as well as "managerialization" of organization, decision making and management of firms in the social economy, meant that the business dimension of the latter predominated over



the associative dimension (Baeger 1994, Vienney 1994). The assimilation of the capitalist firm's values, criteria and methods, have done the rest.

It is true that the evolution of different parts of the social economy has varied with their characteristics (service or industrial sector), and nationality. Maintenance of ties with social movements or with other associations has also distorted the aforementioned trend. However, in every case, the social economy has become increasingly assimilated (via isomorphism) by the logic of the capitalist sector (Baeger 1994). Deregulation and the growing competition of the last few years have also contributed to this. The result has been the deterioration of its nature as a movement, of its social relationship and democratic praxis and, more important, its relationship with civil society and the way the members are involved in its economic and social process (Volkers 1994).

The social economy, therefore, has not only been essentially affected by the Fordist mode of regulation, as a macro-social framework, but its component firms have assimilated the organizational feature of the corresponding industrial paradigm on the micro-level (hierarchy, strong specialization, rigid regulation and single-directional management). Paradoxically, when this happened, the very basis of the Fordist industrial paradigm was being questioned by the business praxis of the emerging new economic leader, Japan.

It is also paradoxical that the new industrial paradigm should question the rigid hierarchy of Fordist organization, and should promote poly-valency and continuous education of the worker and also push for cooperation and involvement of that worker in the firm's organization, management and innovation. The reason for this was not a change in values on the part of company direction. It was due to the positive effects of this new approach on efficiency and effectiveness (Best 1990, Kaplinsky 1993). The fundamental question involves a radical change of perspective: the narrow and static traditional economic conception, guided by the idea of equilibrium, has been replaced by a socio-technical conception of the productive process, which is evolutionary and driven by the idea of creativity. In this conception man gets a central role in production.

Assuming the organizational logic and praxis of the Fordist paradigm, firms within the social economy not only renounced their social and motivational 'capital' underlying their principle of organization and property rights, but also introduced the constraints to change that today torment Western companies. The most reasonable way of recovering their lost identity would be to regain, in a wise critical and progressive way, their associative dimension. In this way, their organizational coherence and competitiveness would be propelled through the propensity to involvement that the condition of membership involves.

## 4.- Crisis of regulation and transformation of society

The general economic crisis, the deregulation that has followed it, the transformation of the Keynesian state (oriented towards stability and welfare) into the Schumpeterian state (preoccupied with competitiveness), and growing unemployment, has relaxed the pressure exerted on civil society by market and state. As a result there have been new possibilities for the development of civil society.

What implications for the social economy has the crisis of the Fordist mode of regulation had? All social transformations give rise, on the one hand, to unsatisfied needs, unemployment, uncertainty, insecurity, social and political tensions and the emergence of new realities (needs, techniques, sectors, social movements, institutions, etc.). On the other hand, it produces important changes in the social and spatial divisions of labour, social mobility, and new social problems. Ultimately, it is a process of creative destruction that, while generating new opportunities, creates problems (new or old). When neither the market nor the state appears capable of tackling them, civil society usually mobilizes itself to find a solution. It is here that the social economy finds a rich soil for its development.

The most critical years (1974-84) of the last great economic transformation of Western society provide evidence of the counter- cyclical nature (Ben-Ner 1988) of the development of the social economy. The comparison between the general economic trend in this period and the evolution of the social economy, using the employment index and the creation of firms as indicators, provides good evidence. A few examples will suffice. In Italy, where overall employment grew by 1 per cent a year between 1971 and 1981, employment in production cooperatives grew at an annual rate of 5.7 per cent (Guerreri et al. 1992). In France, where employment hardly increased at all between 1974 and 1983, the number of cooperatives multiplied nearly threefold and their employment by more than 1.4 (Defourny 1990, Huntzinger 1994, Cornforth and Thomas 1995). In the United Kingdom, the number of workers cooperatives increased more than ninefold and their workforce by more than 2.5 over 1976-84 (Jefferis and Mason 1990, Cornforth and Thomas 1995). In Spain, during the period 1977-84, in which employment declined at a rate of 1.3 per cent, the creation of workers' cooperatives was considerable (Monzon 1989). In Catalonia, where there is more precise information, the number of new cooperatives increased sixfold between 1971 and 1984 (Generalitat de Catalunya 1986). Something similar to the Spanish experience occurred in Portugal (Ferreira Da Costa 1987, Bartlett and Pridham 1991). In Holland, employment in workers' cooperatives was multiplied by almost eight between 1970 and 1985 (Voets 1990).

Something new has appeared, however, in recent years which gives new dimensions to the development of social economy. The first dimension has been the emergence of an alternative movement seeking both new forms of economic organization (democratic) and new market niches (natural and ecological goods, ideologically committed bookshops, etc.). Second was the growing weight of the ser-

vice sector (tertiarization of the economy), the development of flexible production and the externalization of functions on the part of firms, which has propelled the growth of small businesses and the feasibility of productive organizations in expanding activities without any great investment. Third, a restructuring of state activity and the externalization of public service management, stimulated by the fiscal crisis and conservative assault, with the aim of 'rationalizing' the welfare state, has created new opportunities for the social economy to expand. At the same time, the recomposition of state action in social and economic affairs and the technological and economic transformation under way have created a growing number of problems and unsatisfied needs (unemployment, social exclusion, territorial decline) that have had an impact on civil society and local authorities. Consequently, alternatives are looked for outside the capitalist sector and the state.

It is no coincidence that even when, between 1985 and 1990, the Western world was going through a new period of economic reactivation, the social economy had followed an upward trend, showing in several cases a greater capacity for job creation than the rest of the economy, as is reflected in Italy (Guerreri et al. 1991), Spain (Libro Blanco 1991), Portugal (Bartlett and Pridham 1991) and the United Kingdom (Jefferis and Mason 1990).

Even if a slowing down of the trend is noticed, its rationale is not solely attributable to economic reactivation. The very weakness, or non existence, of a social economy movement, its dependence on uncertain state financing and support (which is especially significant in the United Kingdom) (Cornforth and Thomas 1995), a social and ideological adverse atmosphere, as well as deregulation in recent years, do not favour a great momentum of this social form of production. It is, on the other hand, theoretically weak to link the evolution of the social economy to the market dynamic, reducing its *raison d'être* to the single task of creating or maintaining employment. The ethical and social components underlying its genesis, which makes it a form of production in itself, producing a differentiated symbolic world, is forgotten.

## 5.- New trends and potentials of the social economy

What is more appealing with regard to the process we are considering is the sectorial turn-around of recent years. In contrast to the industrial, construction, commercial and mutualist activity of former days are the newly edged services which have recently been attracting firms within the social economy. In Italy, a new form of common cause organization, the social cooperatives, came into being during the second half of the 1970s, with the aim of confronting the problem of social marginalization; these experienced spectacular growth in the 1980s and 1990s (Scalvini 1994, Borzaga 1996). The approval of Law 381 of 1991, acknowledging social cooperatives to be an instrument of the wider community's

general interest, has accelerated their development (Borzaga 1996). The development of cooperatives of the last few years has been carried out by social services cooperatives and social insertion cooperatives (Bidet 1994). In Spain, the SAL (Workers Limited Company) of services went from representing less than 20 per cent of such societies in 1983 to 33 per cent in 1990. Cooperatives dealing in social services are experiencing a boom. In the United Kingdom, the majority of cooperatives created have been in the tertiary sector (Jefferis and Mason 1990). In United Kingdom and Sweden, management of social services by firms within the social economy has undergone considerable expansion and the future is looking very bright (Pestoj 1994a, Spear 1994). In both cases the transfer of activity from the public sector to the social economy explains a great deal of the above-mentioned process.

The fiscal crisis, the anti-bureaucratic reaction, the search for efficiency and flexibility, in addition to the involvement of citizens, as well as the progressive growing awareness of public authorities regarding the properties of the social economy, are all generating in governments, especially at a local level, an increasing interest in involving the social economy in developing and managing social services. In the United States, the massive federal withdrawal from local housing provision has led to the growth of a nonprofit housing movement through the community development corporations (Robinson 1996).

But the most important thing in the last few years is the renewal and expansion of the social movements in a more socially committed social economy. We see a renewed vocation for creating nonprofit organizations and firms (cooperatives) for social and value-oriented reasons (democratic ideals, ecological aims, etc.) and the development of the voluntary sector committed to social and ecological goals. The spectacular growth of the human rights, ecological, cultural and conservation organizations, as well as the gradual change of attitude with regard to social economy organizational forms on the part of trade unions, is favourable to the extension of social economy. It also helps to create the conditions for its full acceptance in civil society and the re-emergence of an authentic social movement around it.

The values and conceptions that underlie such movements also aid the development of a new style of social economy, more committed to the problems of the community. However, social commitment of this kind is feasible only through forms of democratic management. Without necessarily eliminating the functions of the capitalist and public sectors, this will allow the social economy to overturn the pre-eminent position that they presently maintain with regard to civil society.

Apart from the social forces that are favourable to the renewed development of the social economy, some new economic, ecological and social trends also render the social economy potentially superior to the alternatives (capitalist firms and the public sector). Four trends deserve special mention: (i) the new economic development model; (ii) the new approach of social services; (iii) the need for the co-evolution of the social system and the ecosystem; and (iv) the trend to decentralization in planning and public services provision.

Technical and organizational changes and economic globalization, as well as the growing weakness of the state, raise two problems of fundamental social relevance: the danger of 'Brazilianizing'

Western society, with the risk of structural marginalization of an important percentage of the population, and the growing vulnerability of the territories.

Faced with the inability of the capitalist sector to solve a problem that its own developmental logic has created, the improbability that the state (ever more deprived of efficient regulation) can achieve it, and the proven inefficiency of bureaucracies in mobilizing the creativity and confidence of the citizen, the search for new mechanisms for participative and endogenous problem solving is encouraged. Those mechanisms are only found when civil society is capable of creating its own circles of organization. Voice, involvement and loyalty are, in such cases, the most solid response modes of its members: voice to deal with the state, involvement and loyalty to deal with their own associations. Its success is what may allow the full exercise of the exit in relation to market. As social development and reinsertion mechanisms, and as an instrument of local and community development, the different forms of social economy and the associative network with which it must integrate should constitute the cornerstone of the strategy. As it tries to satisfy social and economic needs, this strategy can be the vehicle for self-reliance and self-respect, and the basis for a participative democracy.

Several experiences prove the mobilizing and self-developing capacity of civil society in the context of local and community development. The associative movement has been capable of making effective involvement and loyalty, in order to achieve its social and economic goals, mobilizing the organizational, productive and creative capabilities of problematic groups and depressed areas through cooperative, associative and self-help organizations. The Community Development Corporations in the USA, created in the 1960s in order to deal with socio-economic problems of city suburbs, are a relevant experience in the Western world (Perry 1987, Favreau 1994). Their role in community-sensitive regeneration of degraded urban areas, mobilization of marginal groups for self-help and social participation, and upward mobility of their employees, in the last few years, has been of growing importance (Vidal 1992, Robinson 1996). Since the 1980s, Quebec has become another very interesting experimental field of associative responses to serious economic problems, through community economic development corporations and union solidarity funds (Fournier 1993, Favreau 1994). Several examples of local development and marginalized suburb social regeneration strategies carried out in Europe also show the role played by different forms of social economy. Not less important are the worker reinsertion roles played by nonprofit associations, alone or with public support (some examples appear in Defourny and Simon 1995). In the Third World, the strategies of "agropolitan" development, resting on cooperative and solidarity organizations, stand out, as does the role played by the popular economy, as shown by the Santiago de Chile example (Larraechea and Nyssens 1994).

The new approach of the health and social services (driven by both the efficiency and effectiveness criteria), which give priority to prevention over cure and demands the involvement of the community, questions both market provision and the exclusivity of public sector provision because of its problems of flexibility and communication with co-producers. The engagement in those functions of an associative network originating from civil society is, again, the only guarantee of efficient and effective implementation of that approach.

As Von Weizsäcker (1993) observes, we are abandoning the century of economy and entering into that of ecology. The Western style of life will have to change if man values his survival. The exchange value of objects will have to be increasingly subordinated to the use value (not only with regard to the needs and satisfactions of human beings, but also because of their effects on the biosphere). The consequences of this are many, although here we are only concerned with pointing out two of them: (i) the change of values and praxis that it can entail and (ii) the change of both the relationships among people and citizens' response mechanisms. Both consequences point to a cultural and social climate that is favourable to the development of the social economy. A new style of development, more endogenously sustained, more plural, more democratic, and more egalitarian is required (Daly and Cobb 1990). The eco-development and the commitment of civil society that this implies will make the social economy of fundamental importance.

From a more immediate perspective, it is evident that the political demands of change, as well as the cultural implications of the environmental challenge, will give rise to (as is already happening) associative development and social mobilization. It is possible that we are at the beginning of a civil society mobilization without precedent. But such a mobilization should not end in the exercise of the voice, despite it being very important. Social learning of new values and new routines, a coherent change of lifestyle and the transformation of the inherited material structure will require not only citizenship involvement, but also mechanisms of flexible collective action, inspiring confidence and endowed with a mobilizing capability.

The decentralizing trend that is driving the structural policies (especially the social environment, development and cultural policies) clearly favours the participative forms of planning and management. That decentralization facilitates the definition of a more fluid communication between the public sector and civil society, putting forward the development of small social agents and their involvement in decision making and public management. These agents, whose activity is usually oriented on the local level, are grounded in personal involvement, self-management and group responsibility strategies (Garcia Roca 1992), constituting multiple forms and varied combinations of social economy.

## 6.- New problems and new criteria

Contrary to what many people believe to be the spirit of our times (deregulation), the magnitude and consequences of the emerging problems and challenges require greater intervention and public regulation. Nevertheless, a distinction should be made between public function (obligation to attend) and provision (to render service) (Subirats 1992). The fact that the state would assume responsibility for changing present institutional frameworks (e.g. introducing environmental rationality in social dynamics), for providing the necessary resources to guarantee the social needs and equal opportunities for everybody (in accordance with the principle of universality), as well as for planning and control, does not necessarily imply its involvement in their management. Many methods are feasible and it is necessary to analyse them.

Without attempting to tackle in depth such a large and complex task, it is useful to present briefly some ideas about evaluation criteria and properties of alternative organizations.

The allocative efficiency criterion has been, up until now, the most influential, both in theoretical and political debates, as well as in practice. Mainstream economics and the dominant interests have imposed it. But nothing could be more dangerous than to submit the future of society to only one criterion that, apart from its partiality and static character, does not involve more value (which, however, is not to be neglected) than that of pursuing the reproduction of dominant values at a given moment. Its instrumental character is too restrictive for it to be a leading criterion on its own, especially in a changing world. In this case only explicit end values and dynamic criteria are suitable.

Resorting to the guiding role of values and making them explicit, considering the challenges and problems facing mankind, is the only legitimate way of dealing with socially significant criteria. Therefore we must put the evolution of man (as object and as subject of social action) at the centre of the scene, relegating to second place a criterion (that of economic efficiency) that only serves to evaluate very partial and short-term results of human action.

Neither environmental problems nor social exclusion and territorial decline can be effectively tackled without the involvement of individuals and communities, and this implies consciousness and responsibility. Environmental effectiveness and sustainable development need changes in values, beliefs and attitudes, capable of defining both individual and social behaviour coherent with the normal evolution of ecosystems and a new direction to institutional change in support of co-evolutionary development. Not only a new technological trajectory is necessary, but also a new rationality (Daly and Cobb 1990, Lej 1994, 1995). That is why the educational dimension is so necessary to the new social trajectory. Besides, the uncertainty and risk that the sustainable development strategy involves calls for an organizational flexibility, and citizenship and community involvement not known hitherto. The environ-

mental rationality and the challenges of sustainable development are in need of a holistic approach of social action that the single economic criterion does not allow for.

Problems of exclusion and in the development of local services can be considered in a similar way. On the one hand, their consideration and treatment are not only in need of an integral conception of man and community, but they require citizenship and community mobilization, institutional creativity and a redefining of relationships in order to prevent the vicious circles of exclusion and territorial decline. On the other hand, social synergies and active involvement of users and relatives in local services are a better way for a coherent specification and setting up of quality criteria, via a creative dialogue between users and suppliers. Besides, the way the citizen is involved in change significantly affects his mode of life in its largest sense (Mengin 1994, Laville 1995). Therefore, from a democratic and welfare point of view, neither the scope of citizens' participation nor the constraints that the regulating organizations impose on his creativity and good judgement are matters of indifference. The product at issue cannot be produced in ways that do not involve substantial elements of the citizen's life (Tomas Carpi and Garcia Roca 1994).

Consequently one may infer that axiomatically and historically new criteria, other than that of economic efficiency, are required. They should be explicitly impregnate with values and they should introduce a dynamic bias to analysis. The first of the fundamental criteria to be proposed is learning. It is supposed that man is to a great extent a product of his praxis and vital experiences, and both are essentially defined by the institutional and productive framework. Consequently, if consciousness, freedom and socially committed praxis are basic values and a requisite of responsible social behaviour, the learning that the social and economic processes involve, in terms of such values (related to the enrichment of man, adapting capability, critical sense, etc.), turns out to be fundamental in order to evaluate their social and historical sense. Therefore, the social forms of producing goods and services are not only concerned with economic results, but also with education. To consider only the former means not only to exclude socially significant issues, but to place obstacles to a critical and explicitly value-oriented analysis. In so doing, social science models are a rationalization of the existing social reality.

The second fundamental criterion to be proposed is involvement. Consciousness (thinking globally) requires committed action (acting locally). The assessment that we make of social and organizational forms will depend, from this point of view, on the capacity to cause a conscious, critical and responsible involvement, which is the axis of a dealienating and ethically committed learning.

The complexity of the problems that affect us today, the uncertainty over development and the uncertainty and experimental nature of the solutions, require flexibility in ends, instruments and behavioural frameworks. Therefore a new criterion arises, that of flexibility, which is operationally fundamental. The assessment that we make of organizational forms, of the learning process to which they contribute, and the involvement they stimulate, must be guided by: (i) their ability to perceive the new; (ii) the speed, transparency and truthfulness that they produce in the communication of novelty, and (iii) the versatility of their management mechanisms.



In such a context, moreover, the ability of social organizations to contribute to human creativity, to the development of the innovative potential and institutional innovations in tackling the emerging problems and solutions, is fundamental. Thus, creativity constitutes the fourth proposed criterion.

Considering that, as shown by the new industrial paradigm (Kaplinsky 1993), learning, involvement, flexibility, and creativity are the basic conditions of dynamic efficiency, it is logical to infer that the new criteria are perfectly in line with the demands of economic rationality. However, while the economic rationality is concerned only with the means, considered as neutral, the aforementioned criteria not only introduce values into them, but maintain a relationship with the definition of the ends, considering that they are concerned with the evolution of man, producer of both ends and means. This property is especially important in judging management methods when the objectives cannot always be defined a priori with accuracy, as happens with social policy, nor are the instruments socially neutral.

Obviously, the characteristics of the proposed criteria and their plurality considerably complicate the work of evaluation, as opposed to the simplicity of the economic efficiency criterion, but it is no less certain that the partiality and static character of the latter make it of little significance in guiding a socially and ecologically responsible social praxis. On the other hand, considering that what matters in those issues is the capacity of the organizational forms for creating the conditions giving rise to maximum achievements according to the four aforementioned criteria, we are concerned with effectiveness, not efficiency.

Finally, the security criterion is useful in some circumstances, particularly when dealing with local development. Apart from other considerations, the mobility of a capitalist firm, especially the large ones, makes it a more insecure instrument than the public firm (which can be affected by the voice) and much more than the social economy (affected by the involvement of the members in a community, and loyalty to the territory which gives it life).

## **7.- How alternative organizational forms stand with respect to the new criteria**

Through its social, economic and educational aims (Pesto; 1994b), as well as its associative dimension, the social economy seems, in abstract, especially well situated to satisfy the aforementioned criteria. In those fields in which consciousness, mobilization, reconceptualization and social integration are important, the social economy and the associations around it define the framework and the mechanisms capable of producing significant results with respect to the new criteria. This occurs in fields like social services, health care, social development and environmental management, where not only

producing goods is the aim, but also new values and new practices (man is subject and object of production in its highest expression). The low capital intensity of the activities implied, as well as their public character, make the option realistic for social economy organizations.

As has been said before, the potentialities of the social economy are not spontaneously realized, much as the propensity to efficiency and innovation of the capitalist firm are not realized when the competitive market is absent. What characterizes the social economy and gives it advantages for satisfying the above criteria is its coherence (in terms of goals, rationality and principle of organization) with social movements. Therefore, only its full integration in civil society, as an economic and educational product and instrument of the latter, will allow the full development of its social and economic potential. By contrast, its strict submission to the market logic significantly restricts its educational and social innovation capacity.

These considerations lead on to the relevance of the interaction between the three levels defining every social process: the micro, the meso and the macro. The associative development and the creation of solid social movements are processes of great importance on that score: for stimulating the social economy from below, guaranteeing its commitment with the aforementioned social ends and the educational function that is proper to it; and for influencing the institutional change and the public action in order to define a framework able to make those ends compatible with the economic functionality of the social economy within a society where the market is accomplishing allocative and accumulation functions. The meso-social level becomes fundamental to the social economy in the setting up of territorial sociopolitical networks aiming to mobilize and develop resources, to organize the economy in a sustainable way and to offer and demand certain services.

Productive organizations within the social economy (the micro- social level) can contribute not only through their economic and educational potential, but also through their potential for democratic participation. Citizens and community have in associative forms of production an instrument for influencing directly and systematically the process of production and management, as well as a field for democratic learning and experimentation, a mechanism of autonomy in the face of market alienation and the bureaucratic power of the state.

To what extent do the other organizational forms (capitalist and public sectors) satisfy the new criteria? The strictly lucrative goal of the capitalist firm, the strategic rationality that underlies it, its very limited ability to mobilize community creativity and involvement, as well as the commercial bias that is given to learning, considerably restrict its achievement on three out of the suggested new criteria, especially the security one. Only on the flexibility criterion can it achieve significant results when adapting its organization to this aim, but frequently at high social cost.

Pestoff (1994a) distinguishes between ordinary consumption goods and minor services (hair-dressing, cleaning, short-distance transport, meals out, etc.), on the one hand, and durable consumption goods and major services (education, social services, child care, hospital services, conservation,

forestry, etc.), on the other. In the first case, the commercial relationship (via exit) can be efficient and effective, but in the second, voice and involvement are potentially more effective.

Consequently, in these cases the social economy and public sector have advantages over the capitalist sector.

As regards the public sector, the bureaucratic organization and rules that define it, the standardization that it requires, the lack of confidence that it generates and the demotivation of citizens' involvement that it produces, mean that the theoretical results of its management can present weaknesses. There also serious deficiencies appears in implementing learning, involvement and creativity criteria, while that of flexibility is only exceptionally satisfied.

In a changing reality, with emerging problems and potentialities, the social economy, with its extra-economic goals and democratic organization, has the additional advantages of a greater prospective ability and capacity for institutional innovation, since it is able to involve community and voluntary forces ^ with their pluralistic nature ^ in seeking of new ways of organizing and mobilizing people and resources, facing up to problems, creating social consensus, and improving policy implementation (Hirschman 1986, Robinson 1996).

Certainly, not all forms of social economy are equally suited to satisfying the above-mentioned criteria. In this respect it is necessary to distinguish between the 'social economy firms in the market' - committed only to the interest of their members - and the 'committed social economy', whose aims are social and public. While the former are theoretically able to satisfy the criteria with regard to their members, the latter are able to extend this capacity to a larger group of citizens.

## **8.- Weaknesses of the new social economy and obstacles to development**

The challenges posed to the social economy demand of it a perspective, a spirit, which for several of its traditional, more widely recognized forms, is a real novelty. We should not forget that traditionally the social aim of cooperatives and mutual organizations did not go beyond the interests of their members. The general and public nature of the objectives to be satisfied within the framework of integration and social promotion, environmental action and local development, for example, require the taking on by social economy organizations of aims of citizenship and community in their largest sense, as the Italian law on social cooperatives shows (Scalvini 1994).

This new dimension reaffirms and consolidates the radical change that the social economy is undergoing. Such a change is not only, however, in the sectoral field and objectives. The aim of service to the community that is conferred upon it not only introduces an important variation of content and motivation to the social, communicative and relational action of the social economy, but also means a change in its development constraints. The risks of degeneration that were observed in the past may be reduced, but the dangers of sectarian politicization may increase as they take on functions of a public nature. The challenge posed to the social economy movement in preserving its identity, when it competes with the public sector, is not less than when it confronts the capitalist sector. Bearing this in mind, it is necessary to respond to the dangers of degeneration. The moral, democratic and critical reinforcement of the movement and the commitment to education as an exercise of freedom must be a priority in the renewed strategy for the development of the social economy.

The present weakness of the social economy, due to both its relatively small part of gross national product and its social inertia, is undoubtedly a source for possible evolutionary degeneration within a context of the booming public demand for its services. The first risk derives from the possible loss of independence with regard to the public administration; its critical capacity might be reduced and, consequently, the social exercise of the voice diminished. The second has to do with the possibility of degeneration for 'genetic' reasons, leaving aside its movement characteristic.

There is the quite general impression among nongovernmental organizations that any agreement with the public sector diminishes their organizational independence, and especially their operational management (Subirats 1992). Such pressure tends to formalize the organization, running the risks of bureaucratization, growing rigidity and loss of innovative capacity. These risks increase with the size and growth rate of the organization (Korten 1989).

Certainly, in theory, the danger of succumbing to control by the public administration exists, especially when dealing with small organizations. However, the fears are often exaggerated and the argument lacks consistent empirical support. Research on the experience of several countries does not sustain this hypothesis (Kramer 1987). Nevertheless, defining the institutional and political conditions that would guarantee a balanced relationship between the state and the social economy is a practical requirement. To achieve its effective materialization, the level of organization and strength of the social economy movement and its associative environment need to be considered.

A balanced relationship with the public administration, far from being detrimental to social economy organizations, could be very beneficial to their development. The fulfilment of certain contractual requisites (subjecting itself to regulations, control of results, practices regulation, etc.) can bring benefits from the point of view of management (Kramer 1987), effective achievement of social objectives, democratic practice, better technical services, workers' and managers' learning, self-control, innovation and management evaluation. Moreover, some of the weaknesses of the newly fledged organization (spontaneity, organizational deficits, improvisation, tendency to take risky decisions, etc.) may be neutralized, so avoiding possible degenerative processes and harmful practices (e.g. unjustifiably high salaries to management personnel).

Financial dependence on the public administration is considered a potential danger to the exercise of criticism of public policy and to the determined defence of concrete social interests, the main commitment of associations and non governmental organizations (Subirats 1992). That danger exists, but it should not be exaggerated. Management responsibility allows one to gain scientific and technical knowledge as well as political realism, which often moderate postures. In any case, the danger of loss of a capacity for criticism must be confronted by maintaining a close relationship with civil society and by creating mechanisms that guarantee self-criticism and self-evaluation (Korten 1989).

Of greater worry is degeneration due to 'genetic' reasons. The present weakness of the social economy, the lack of experience and weak involvement of grass-roots associations in management, plus the present government strategy of promoting social economy experiences without associative support, leads one to fear an outburst of social economy under state tutelage and without social and explicit ideological support.

An important problem is that of financing. First, economic dependence on the public administration may pose functional problems of undoubted importance for financially weak organizations. The delays with which certain public administrations frequently make their payments tend to lead to cash-flow problems, which not only hinder efficient management, but also put the continuity of the firm in danger. This means that reforms of certain state practices have to be undertaken as an objective of relevant strategic value in the development of the new social economy.

Second, financing working capital can be a serious problem, even when the necessary initial investment is small. Independently of the members' dislike of risk, or of the combination of risks which the working member runs (Thomas 1990), the fact is that many people interested in the development of such firms lack the necessary resources to start the activity soundly. That weakness is not only the result of the characteristics of the social form, but also of the market. In any case, it constitutes a serious feasibility problem for the social economy, under-capitalization being the fundamental cause of poor firm results in this sector (Thomas 1990).

Recourse to public financial support (in terms of employment subsidies, grants for activities, subsidy loans, etc.), to sympathizers or financial institutions in the social economy, as well as territorial development and social insertion funds, are appropriate ways of overcoming the problem. For this to be effective, however, pressures on the state, mobilization of civil society and/or a clear commitment on behalf of the social economy movement itself are necessary (on the lines shown by the *Caises populaires Desjardins*) (Lachance 1990^91). Very important also is the capacity for mobilizing resources by associations and foundations committed to specific social objectives.

The lack of managerial ability is also a very frequent problem within the social economy, affecting both the establishment and the development of organizations. Given the more egalitarian distribution of their salaries, competition for staff from capitalist firms often deprives them of their most qualified personnel (Vanek 1989). However, the social trends may provide for more sensitive and committed

people with managerial competences (Tomas Carpi 1995), as has been shown (with voluntary members) in social cooperatives in Italy (Borzaga 1996).

No less important are the questions of leadership, of promotion and the initial advice of social economy firms. In some cases the problem may be formally resolved on the stimulus of the public administration itself, involving public employees by changing public services into workers' cooperatives. The existing administrative structure would serve as a support (Cattell 1994). But this cannot be generalized while there are serious risks of degeneration. More convenient is the involvement of the social economy movement itself and other social movements through promotional organizations, such as community cooperatives (Blomqvist 1985). Their functions would be to think up new projects, push the leadership, provide advice for new firms, channel financial resources from different sources, and so on. Social movement and grass-roots associations are, in their turn, an important source of leadership, human resources, involvement and educational support.

Favourable conditions for social economy organizations and grass-roots associations will also be fertile ground for those seeking only power and income. A preventive screen for such behaviour is difficult to find. Only the ethical firmness and the critical capacity of the new social movements, as well as the social economy movement itself, can a posteriori redirect such disturbing interference. This confirms once again the relevance of education as exercise of freedom, the ethical reaffirmation and the self-evaluation tests to avoiding degeneration.

## **9.- Summary and conclusions**

Historically, the social economy has been marginalized as a subordinated social form of production within capitalist societies. But it is endowed with structural properties that make it a very relevant economic and organizational instrument in the present phase of social transformation. The growing failures of the market and state are enlarging old problems (unemployment, inequality, territorial imbalance, social exclusion, etc.), and the globalization of the economy, ecological stress, the crisis of public regulation and the growing and changing social needs are producing new demands for active participation and mobilization of civil society and public action.

The strategic character of the social economy derives not only from its qualities as an economic and management instrument, but also because it may become an expression of a dynamic and creative civil society. This is, of course, only a possibility, not a result of a deterministic trend. Transforming the potential into fact is one of the great challenges of our society, and its success or failure will define the quantitative importance, and the qualitative and strategic content, of social economy as an alternative form of production.

Traditionally, development of the social economy has been a result of defensive strategies. But the problems and the challenges of the emerging society make its organizational forms privileged instruments of a new rationality. Its traditionally defensive, marginal or optional character becomes active and transforming when the social economy adopts not only functions of production, management, social insertion and mobilization of the endogenous development potential, but also of education and materialization of a lifestyle guided by the values of democracy, equity, sustainability and solidarity.

In this context, quantitative development and qualitative transformation of the social economy have become a necessity. This qualitative transformation implies the commitment of that economic form of organization with a social project, making especially relevant the way in which it can become part of civil society and go beyond the strictly economic functions. As an instrument of a social project, it has to be involved in the community and in the social movement development in general, to which it provides autonomy, a capacity for control of the productive process and a way of inserting new values in the economy. In this way it becomes an essential factor for consolidating a new lifestyle.

Given present problems and challenges, considering the evolving character of social reality and the uncertainty we are confronting, as well as the strategic role of the economic system in social and political evolution, it becomes evident that the criterion of efficiency is insufficient to assess and select social forms of production and property rights. What matters is not only their capacity for satisfying needs at the smallest cost, but also the way they are satisfied and the effects of both products and processes on social and environmental evolution. Therefore, it is necessary to look for new criteria that guide the selection and functioning of forms of production able to support the definition of the desired social trajectory.

As the definition of a social trajectory needs the learning of a new social praxis, it requires citizens' involvement if effectiveness and democratic participation are to be its guiding rules. It asks also for flexibility of the organizational forms that manage it and makes technical and social creativity the necessary condition of its production. Therefore, these are basic criteria to be satisfied. There is an added condition that the organizational forms satisfying these criteria also have to be capable of systematically subordinating their economic aims to social and ecological aims. In this new context the traditional accounting instruments of control and support to management are shown to be of limited value. Only a social accounting system makes sense.

In this paper it is held that a social economy committed to the development of civil society, with democracy, equity, sustainability and solidarity values, is better suited to satisfying the above criteria, as well as those of efficiency and security. In those fields where consciousness, social mobilization, reconceptualization and social integration are more relevant (social insertion, health care, community development and environment), the social economy and the associative and community mechanisms in which it is inserted are best suited to their materialization. Additionally, the capital-saving character of those functions, as well as their character as public goods, favour development of this social form of production.

However, for the establishment of a new social economy, it is not enough that objective conditions are found and criteria theoretically satisfied, but subjective conditions and institutional changes are also needed. An associative and community development committed to facing the problems and challenges affecting present societies is of paramount importance, both because it gives rise to the social and political forces able to define the power relations favourable to an institutional and state change coherent with the financial and institutional needs of such an expansion. The associative development of the last few years in fields of great social sensitivity, as well as the growing interest of new generations of the middle class and other segments of society in social and ecological problems, seems to indicate that the subjective conditions are also being met.

To present the advantages of the social economy and social movements for economic management in fields of such social relevance does not mean asking for exclusivity. It would be inappropriate to do so, first because of the weakness of social economy at present and the youth and inexperience of the new social movements, and second because of the significant investment some functions require. That is why mixed systems, made up of public, solidarity and capitalist initiatives, are generally needed, systems whose composition are variable over time, space and function.

Risks and endogenous problems are not absent. Other than the traditional financial and management problems, there is the risk of interference from rent and power seekers. But the greatest danger comes from the possibility of being used in a partisan way, which can lead to disintegration. No less dangerous is the possibility of being instrumentally used by the state. In order to prevent such risks, it is necessary for the following to happen: development and consolidation of grass-roots movements, deepening of democratic management, development of education, ethical and ideological rearmament, as well as recurrent self-evaluation tests by the social economy itself.

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