THE SOCIAL ECONOMY -- A NICHE IN CAPITALISM OR A PATHWAY BEYOND?

Preliminary notes towards an analysis

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Preface: the context of these notes

This paper (at least part II and part III) should be read as a set of extended comments on various issues connected to the “social economy” rather than a fully worked-out paper. It is being written with two primary concerns in mind:

First, I am in the early stages of an empirical project on the social economy and various forms of worker cooperatives. The research is focusing especially on the social economy coordinating institutions in Quebec, but I will also examine a number of other comparative cases. In recent years, both in academic circles and in the popular media, there has been growing interest in non-government economic activities which, in one way or another, embody some kind of “social mission”. These economic initiatives fall on a spectrum from organizations that look very much like ordinary capitalist firms but publicly announce some kind of social concern to organizations that are clearly noncapitalist in character both in terms of their internal structure and their objectives. Many different terms have been deployed to tap different parts of this spectrum: social enterprises, socially responsible investment, social economy, solidarity economy, the community economy, the nonprofit sector, the third sector, the citizen’s economy. Some of these have quite clear meanings; others are umbrella terms covering a quite heterogeneous collection of activities. As I use the term, the “social economy” is a way of talking about a range of economic activities on the noncapitalist end of this spectrum. As a first approximation the social economy is contrasted primarily to three other ways of organizing economic activities: through capitalist markets, by the state, and within the family. The social economy is the least familiar of these forms and has received the least systematic treatment by sociologists and economists. Negatively defined, these are economic activities that are not oriented to maximizing profits in the market and not organized by the state or by the family. It is less clear precisely how the social economy should be defined positively. As part of this empirical project I want to clarify the concept of the social economy and give greater theoretical precision to the issue of variations in the relationship between the social economy and both capitalism and the state.

Second, in February, 2010, I gave a talk in Montreal on my book, Envisioning Real Utopias, in which I identified one of the seven “pathways of social empowerment” in my general framework as the “social economy” (I will explain this in part II of this paper). This triggered a very lively debate over the rather restrictive way in which I was using the term. The audience included both researchers and practitioners actively engaged in what they called the social economy, and they felt that my definition only covered a subset of the initiatives which they included under this term. They argued that my usage was drawing arbitrary boundaries within the broader domain of their activities and, furthermore, because the term “social economy” has a positive ideological valence in Quebec, my more restrictive usage had the effect of devaluing certain kinds of initiatives. Of course, the issue of what is a sensible and constructive way to use particular words in specific ideological contexts is different from the appropriate lines of conceptual distinction, but still this discussion did suggest that perhaps there were other ways of mapping out the conceptual terrain. This provoked some very intensive rethinking of some aspects of the pathways diagrams for the book (the book was in page proofs at the time), and I almost decided to postpone the actual publication of the book to give me time to work this out. In the end I did not revise the book, but I want to lay out in these notes some of the new ideas provoked by this discussion in Montreal.
Ultimately I am interested in the social economy because of the way in which it embodies non-capitalist principles of economic organization and thus, potentially, could constitute one component of both the design of an alternative to capitalism and of the process of moving beyond capitalism.¹ I am certainly not proposing, in the manner of Michael Albert’s arguments in his book Parecon (short for “participatory economy”), that the social economy could by itself constitute the only form of economic organization for an entire economic system.² But I do feel it potentially could be one of the central elements in a postcapitalist, democratic egalitarian economic structure. This is why I want to study the empirical workings of social economy initiatives and why I want to give more theoretical precision to the kinds of economic activities that get subsumed under this rubric.

In order to set up the discussion of alternative ways of conceptualizing the social economy, in part I below I will briefly describe the social economy in Quebec, generally regarded as having one of the most robust (and innovative) social economies in the developed world today. Part II then examines two different strategies for giving more positive conceptual precision to this type of economic endeavor. Part III contains some preliminary thoughts on the institutional conditions for sustaining an expansive social economy and the ways in which this might constitute a component of a long term erosion of capitalism.

I. THE QUEBEC SOCIAL ECONOMY³

While Quebec has a long history of producer cooperatives in various sectors, and other economic activities which could be broadly considered part of a social economy, the term only became part of public discourse over economic alternatives in the mid 1990s. The pivotal event was a “Summit on Employment and the Economy” convened by the Provincial Government in 1996 to deal with long-term problems of unemployment and economic development in Quebec. A wide variety of organizations from civil society and the economy were invited to participate. Such

¹ I am not, in this paper, going to defend the idea that it would be a good thing to transcend capitalism by creating a democratic egalitarian economic alternative. I assume that among people who share egalitarian and democratic values, the most controversial issue is not whether it would be desirable to move beyond capitalism, but whether an alternative economic order is viable.

² Albert’s concept of parecon is very close to some versions of social economy. In his model markets and private ownership of means of production are completely eliminated and economic activity is organized through democratic collectivities engaged in participatory planning over both consumption and production. At least some enterprises within the social economy prefigure this kind of nonmarket, needs oriented, democratically organized economic activity.

corporatist policy forums are a familiar thing in many countries with strong social democratic or Catholic-corporatist traditions. What was rather special about the 1996 summit in Quebec, however, was the inclusion of social movement organizations, community organizations, and other grass-roots civil society associations in the dialogue.

Out of this meeting came a set of concrete policy proposals for the state and action plans for civil society to enhance the vitality of the social economy in Quebec. Some of these proposals have subsequently been adopted. They involve, among other things, making it much easier for non-profit associations engaged in social economy activities to acquire the necessary financial resources, through government grants, indirect subsidies, or access to credit; the creation of a social economy office within the provincial government; and the consolidation of an umbrella organization in civil society, the Chantier de l’économie sociale, to coordinate strategies for enlarging and deepening the role of the social economy. The word “chantier” means, literally, “outdoor building site,” which is evocative of the idea that its mandate is to build the social economy. In reality it functions as a coordinating council for the social economy. While the social economy in Quebec is still only a small part of the total Quebec economy, it is firmly rooted institutionally, growing in importance, and broadly accepted as desirable.

A few examples will illustrate different ways in which the social economy in Quebec functions. The first example is childcare services. Such services are organized in four basic ways. First, they can be organized within personal networks of family, kinship, and friends. This is certainly the most common way that childcare is traditionally provided, motivated by private concerns and regulated primarily by moral norms of care and concern for the well-being of others. Second, childcare can be organized through markets, either by for-profit capitalist daycare centers, or by self-employed individual childcare service providers. The central motivation for the provision of childcare through markets is private profit, and the norms regulating the provision are anchored in property rights: people have the right to set up businesses to provide services, and parents have the right to sign contracts for these services. This is the primary way in which non-family childcare services are provided in the United States. Third, the state can directly provide childcare services, as in France. The motivations for provision involve some conception of the common good, and the norms regulating the provision generally include some notion of citizenship rights. Finally, the services can be provided by civil society associations of one form or another. As in the state provision, the motivations here are rooted in the common good, but the norms are more directly grounded in moral concerns for care-giving. This is the Quebec solution.

In Quebec, the Provincial government guarantees universal early childcare at a charge to parents (in 2010) of seven Canadian dollars per day, but it does not directly run these centers. Most of these centers are non-profit organizations (called centres de la petite enfance, or CPE) governed by boards of directors elected by daycare staff, parents, and members of the

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4 An earlier organization, the Conseil de la coopération du Québec (recently renamed the Conseil québécois de la Coopération et de la Mutualité), played an important role in one aspect of the social economy, the cooperative movement, since the 1940s. The Chantier differs from the Conseil in trying to represent the full gambit of social economy organizations and activities—collective enterprises, non-profit organizations, and cooperatives—and in its governance structure which includes old and new social movements, a wide range of sectors, local development intermediaries among others. The Conseil continues to exist alongside the Chantier, and at times there have been tensions between these two organizations.
community. The Quebec provincial government supplements the parental charge of $7/day with roughly $35/day per child so that the combination of the parent charges and the state payments provide a solid living wage for the childcare providers. Beginning salaries for workers in these centers is in the low $30,000s, and senior daycare workers earn in the upper $40,000s. By 2008 there were over 40,000 childcare workers in this supported social economy sector. As originally designed, the rules governing the state payments made them available only to childcare service providers organized as non-profit associations or worker cooperatives, thus blocking the entry of capitalist firms into this market. Capitalist childcare services were not prohibited from operating in Quebec, but they did not receive the social economy state financial support that underwrites the financial viability of the co-ops. Needless to say, for-profit daycare providers strenuously objected to this policy, saying that it created “unfair competition.” More recently, under the initiative of a more conservative government with a more neoliberal ideology, private firms have been allowed to receive the state payment as well (through the mechanism of a tax credit to parents who pay a higher charge to the daycare provider), although the sector is still overwhelmingly dominated by non-profit associations.

I think it is important not to regard the state payment of $35/day as a “subsidy” to the social economy childcare sector, since the word “subsidy” often implies that the activity in question “uneconomic” and is not being efficiently produced since it would not survive without this transfer. I think a better way of understanding the funding is to see community-based nonprofit childcare services as producing both a private good for parents and a public good for everyone. The parents are charged for the private good and everyone else is charged for the public good. The state is simply the most convenient way of insuring that everyone pays for this service. It is for this reason that childcare services provided by community based nonprofits can be considered part of the social economy rather than part of the state organized economy, even when they charge the state for some of the costs of the service.

These nonprofit CPEs existed before the founding of the Chantier and had formed an association, the Quebec association of childcare centers (Association Quebecoise des centres de la petite enfance, AQCPE), to advance the interests of the sector in the Province. This association was one of the active participants in the 1996 summit which resulted in the creation of the Chantier, and has continued to be one of the key participants in the initiatives of the Chantier. Recently, this association has founded, jointly with the assistance of the Chantier, a childcare services buying cooperative to purchase supplies for these centers. Because of the scale of their purchasing power, I was told by the director of the cooperative, they are able to buy

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5 Personal communication from Nancy Neamtan.

6 Good quality childcare is a public good for a variety of reasons: since children grow up to be adults and the extent to which they will be responsible productive members of society depends in part on the character of the childcare they receive; gender equality is a public good, and good quality publicly provided childcare facilitates the transformation of norms around gender relations; good quality childcare makes it easier for women with children to be full participants in the labor force contributing to social productivity.

7 The actual partition of the total cost of providing the service into a private and public component is, of course, a contentious matter. I am skeptical that this can ever be calculated with any precision and therefore the actual partition will depend on political processes through which policies are formed rather than narrowly economic processes.
supplies for the centers at below the prices charged by Wal-Mart. There are now plans for parents to be able to become members of this coop as well.

The second example of social economy initiatives in Quebec is non-medical homecare services for the elderly. This innovation was launched in 1997 based on a proposal by the Chantier de l’économie sociale in its action plan at the summit in October 1996. Quebec, like most economically developed places, faces a series of difficult issues around the care of the elderly which are seen as increasingly pressing with the ageing of the population and increased life expectancy. As elderly persons become less able to take care of themselves one option is for them to move into retirement communities and nursing homes. Depending upon the location of such facilities, such moves can be extremely disruptive of social networks and, in any case, are generally very expensive (even when they are of low quality). An alternative is for various kinds of services to be created to provide the kind of ongoing practical support that makes it possible for the elderly to stay in their own homes. This would include things like house-cleaning, meal preparation, shopping assistance, and odd jobs. Such services are beginning to be provided on a fairly wide scale in Quebec through the social economy. As described by Nancy Neamtan, the director of the Chantier, ten years after this initiative was launched, the network of non-profit and cooperative home care businesses across Quebec “employs almost 8,000 people, half of whom were previously unskilled welfare recipients. By offering over 5.6 million hours of home care services to over 76,000 clients, the majority of whom are over 75 years old, these organizations have created jobs, taken pressure off public sector services, delayed institutionalization for many elderly people, reduced the welfare rolls and assured access to home care services in record time to all communities across the province.”

The clients pay a sliding scale of $4–18 (Canadian dollars) per hour depending on household income for the service. As in the childcare case, the Provincial government provides some financial support to the service providers, although in this case they only earn around the minimum wage rather than a living wage level. Because of recent cutbacks by the current conservative provincial government, many of these social economy elder home service providers are having serious economic difficulties. According the person at the Chantier who manages the home services dossier, this is a sector that is not yet firmly stabilized and which continues to struggle in a more hostile political environment.

Roughly half of the eldercare home services providers are organized as cooperatives and half as non-profit organizations. Nancy Neamtan reports that the ideal model for this sector is what has come to be known as a “solidarity cooperative.” This is a kind of hybrid model between a pure producer-owned cooperative, in which the ownership and control of the firm is entirely in the hands of the service providers, and a non-profit organization, in which the ownership and control of the firm is in the hands of a community non-profit association. In a solidarity cooperative the board of directors includes representatives of all of the key stakeholders in the

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9 In a producer cooperative the service providers are the owners of the firm; in a non-profit firm, the firm is owned by a non-profit organization of some sort. In the non-profit model the providers may still have some kind of democratic rights within the firm, but the ownership and control of the firm lies with the board of the non-profit association.
10 Personal interview.
activities of the cooperative: the workers, the users of the service, and the broader community. The community involvement helps root the cooperative territorially; the user involvement enhances its responsiveness to the needs of the elderly; and the worker involvement ensures that the direct providers of the service have significant control over their conditions of work. The solidarity cooperative model more fully embodies the principle of social empowerment than the simpler cooperative model or community non-profit model of social economy provision.

A third social economy sector in Quebec is referred to as social housing. This term encompasses a variety of forms of collectively owned and run housing targeted especially, but not exclusively, towards low income households. Some are basically nonprofit apartment buildings governed by a board of directors of residents, social housing activists and community members. In others, the land for the building is owned by some form of land trust while the units are owned by residents, and the building governed by residents and the land trust. These and other types of social housing have largely replaced state owned and run public housing in Quebec as a way to provide affordable, good quality housing for low income people. In conjunction with the social housing sector, various kinds of technical services cooperatives – of architects, planners, engineers, accountants, builders and others – have emerged to provide technical assistance to social housing developments. All of these social economy enterprises receive various kinds of direct or indirect payments from the provincial government.

The development and vitality of these examples of social economy – childcare services, homecare services for the elderly, social housing, and others not discussed here – depend significantly on the existence of the Chantier de l’économie social, the organization responsible for coordinating and promoting the social economy in Quebec. The Chantier characterizes itself as a “network of networks,” a forum in which all of the elements of the social economy can meet, discuss problems, formulate new initiatives, and generate synergies. It includes a wide range of categories of members: networks of social economy enterprises including such things as daycare and housing cooperatives; regional associations in the social economy; community development centers; technical resource centers that support social economy activities; social movements including labor unions, the environmental movement, the women’s movement, and various kinds of community movements. Recently a network of First Nations has been added to the Chantier. The associations representing each of these categories of membership elect people for specific sets on the board of directors of the Chantier. Various categories of non-voting members also have seats on the board. The board is responsible for strategic decisions and new initiatives, especially those involving financial instruments created by and under the control of the Chantier. The Chantier constitutes the pivotal associational mechanism through which the diverse activities in the Quebec social economy contribute to a collective process of social empowerment.

II. ALTERNATIVE WAYS OF THEORETICALLY SPECIFYING THE SOCIAL ECONOMY

In what follows I will lay out two different ways I have been thinking about the theoretical status of the social economy. The first is embedded in the framework of “pathways to social empowerment” that I used in Envisioning Real Utopias. The second takes as its point of departure four general forms of economy – state economy, capitalist economy, family economy, and social economy – and tries to formulate the analytically most useful multidimensional

11 This description of the Chantier comes from personal discussions with Nancy Neamtan.
typology that would generate these four types. There is no necessary inconsistency between these two strategies; they are simply the two ways I have been working through these conceptual issues.

1. Pathways to Social Empowerment

After my discussion of the social economy in the lecture I gave in Quebec, it became clear to me that I was approaching the problem of developing a concept of the social economy in a quite different way from the activists engaged in building the social economy and their academic supporters. The practitioners were all engaged in economic initiatives designed to meet human needs and solve certain kinds of social problems. These initiatives shared the feature of being organized outside of state institutions, although some of them worked collaboratively with state agencies and others had their origins as initiatives by people working within socially-oriented state institutions. The eldercare home services, for example, grew out of a service that was directly provided by state funded community health clinics in an earlier period. In order to strengthen the support for these kinds of initiatives both within social movements and within more official circles, a term was needed that would cover the full gambit of their activities. The “social economy” became the word they used. One strategy for theorizing the concept, therefore, would be to begin by examining how practitioners actually used the term in the world and then ask the question: what do all the things covered by the practical use of the term have in common?

My use of the term has a different origin. I began with an analytical scheme for distinguishing different configurations of social empowerment over economic activity. In my particular model, I eventually ended up with seven different categories, which I referred to as seven pathways of social empowerment (I will explain what this means below). These pathways were based on purely theoretical arguments about the nature of economic organization and the variations in the way different forms of power could be linked and deployed in controlling economic activity. I then needed labels for the pathways. I could have called them 1, 2, 3, 4, 5, 6 and 7, but that was obviously an unattractive solution. As it turned out, naming some of the pathways was simple and straightforward since some of them closely corresponded to terms that had a clear pedigree in both social theory and politics. What I call “statist socialism” is a good example: in this pathway, state power directly controls economic activity – for example, in state enterprises – and state power itself is subordinated to social power (i.e. the state is democratically controlled). Other pathways really had no conventional term that corresponded to the relations I was mapping, so I invented a term. The pathway I call “social capitalism” is like that. The term “social economy” was a term already current in discussions of noncapitalist economic activity and I decided that this term was a good label for one of the pathways – the direct pathway from social power to the economy.

To explain more fully the issues in play here I need to very briefly review the way I approach the problem of “taking the ‘social’ in socialism seriously.” The model involves three different forms of power – economic power, state power, and what I call social power. The first two of these are familiar. The third refers to power based on the capacity for voluntary association and collective action. As slogans, you can get people to do things by bribing them, forcing them, or persuading them. The third of these is at the heart of social power. Social power, in turn, is central to the definition of a social socialism as an economic structure within which social power
is the “dominant” form of power shaping economic activity. I then use these three forms of power to specify the different configurations through which social power could be thought to influence economic activity, either directly (the solid arrow in Figure 1) or indirectly (the combinations of dashed arrows in Figure 1). The basic elements of this model are portrayed in the diagram in Figure 1.

Figure 1. Basic elements of the pathways to social empowerment model

The arrows in this figure indicate directions of influence of one form of power over the use of another. Thus, for example, the arrow from social power to state power means that the use of state power is itself shaped by the exercise of social power. This is broadly what is meant in the ordinary use of the term “democracy”: In a democratic state, considerable power is exercised by the state, but the purposes to which it is used are, supposedly, dictated by “the people”, which in

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12 At the meeting of the Analytical Marxism group in 2004 there was an intense discussion of what precisely was meant by “dominant” in this context. I do not have a completely adequate solution to this problem, but ultimately I don’t think it is crucial to specify dominance. One can say that an economy becomes more socialist as the weight of social power in the overall configurations increases without having a clear criterion for when this has increased sufficiently that the entire configuration can be described as socialist. The same, of course, applies for describing an economy as capitalist or statist when all three forms of power are present.
practice means through the various ways in which people become organized associationally to influence the exercise of state power, especially through political parties, social movements, and labor unions. One of the pivotal mechanisms for this translation of social power into effective subordination of state power is elections. This is equivalent to saying state power is subordinated to social power. In an authoritarian state, on the other hand, social power is subordinated to state power.

Figure 1 does not constitute a full representation of all possible configurations of power relevant to actual economies; the figure only presents the pathways through which social power affects economic activity. This is why it is called a map of pathways to social empowerment rather than capitalist empowerment or statist empowerment. The overall argument of the framework elaborated in Envisioning Real Utopias is that the transformation of capitalism in a socialist direction can be thought of as the process through which social power over the economy increases along both direct and indirect pathways. The purpose of the diagrams, then, is to clarify the different pathways through which this can occur.

The configuration in Figure 1 can be disaggregated into a number of distinct pathways. In Envisioning Real Utopias, I identified seven of these:

**Figure 2. Menu of Pathways to Social Empowerment**

<table>
<thead>
<tr>
<th>Pathway of social empowerment specified in Envisioning Real Utopias</th>
<th>Configuration of power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statist socialism</td>
<td>social power → state power → the economy</td>
</tr>
<tr>
<td>Social democratic statist regulation</td>
<td>social power → state power → economic power → the economy</td>
</tr>
<tr>
<td>Associational democracy</td>
<td>[social power + state power + economic power] → the economy</td>
</tr>
<tr>
<td>Social capitalism</td>
<td>social power → economic power → the economy</td>
</tr>
<tr>
<td>Cooperative market economy</td>
<td>[social power → economic power → the economy] + [social power → the economy]</td>
</tr>
<tr>
<td>Social economy</td>
<td>social power → the economy</td>
</tr>
<tr>
<td>Participatory socialism</td>
<td>[social power → state power → the economy] + [social power → the economy]</td>
</tr>
</tbody>
</table>

The debate over the social economy at the lecture in Montreal was triggered by my identification of the social economy only with the direct path from social power to the economy (see Figure 3A). The people actively involved in the social economy at the lecture, especially Marguerite Mendell, an economist at Concordia University, felt that at least two other pathways contained economic initiatives deeply connected to the initiatives of the Chantier de l’économie sociale: social capitalism (Figure 3B) and cooperative market economy (Figure 3C). She and others felt that all of these should be included under the general term “social economy.” This concern, of course, was driven by political considerations rooted in positive symbolic meanings that had become attached to the words, but it lead me to think about whether or not the
seven pathways that I had outlined in fact could be grouped into clusters which shared some general properties. When I looked at the three pathways in Figure 3 it was clear that they did, indeed, all share a common characteristic: in all of them state power is on the sideline, not directly involved in the organization and control over economic activities. This suggested to me that it would be appropriate to group them into a broader umbrella concept of social economy and then label what I had previously called the social economy as the “core social economy.”

In this broader cluster, two of the pathways – social capitalism and the cooperative market economy -- involve what I refer to as hybrid economic organizations combining in different ways capitalist and socialist elements. “Social Capitalism” includes a wide variety of ways in

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13 I discussed with Marguerite Mendel other possible terminological conventions. For example, I suggested that the term “solidarity economy” could possibly cover all three types, but at least in the Quebec context this was unsatisfactory since the term “solidarity economy” was identified with particular currents in debates over these issues. It is clear to me that the terminological conventions in this area are both contested and confused in ways that will make it impossible to simply appropriate terms from the existing discourse. For the moment using the term “core social economy” seems to be a good provisional solution.
which social power is directly implicated in the control over the exercise of economic power. A good example from Quebec is a kind of investment fund controlled by unions called “solidarity funds”. These funds are generated by contributions mainly from union members and are used for private equity investment in small and medium enterprises. The idea is to invest in firms which are relatively immobile geographically and rooted in the Quebec economy and which, in exchange for these long-term investments, agree to sign on to a charter of labor rights and principles of environmental sustainability. These firms remain capitalist insofar as they are profit-making firms in a capitalist market, but part of their capital comes from unions and a specific form of social power shapes the governance of the firms’ activities. “Cooperative market economy” refers to economic structures in which worker-owned firms operate in an economic environment with a dense network of cooperative institutions. Mondragón is the iconic example: 270 separate worker-owned firms constitute the federation called the Mondragon Cooperative Corporation (MCC) – basically a Meta-cooperative of cooperatives. The MCC provides a wide range of services for its constituent units, including forms of cross-subsidization, risk reduction, work sharing and other mechanisms which help mute some of the pressures from the ordinary functioning of capitalist markets.

The remaining four pathways from the original schema can also be clustered into larger groupings. The first, illustrated in Figure 4, combines the two pathways in which economic power is on the sidelines. These are associated with traditional ways of thinking about socialism: statist socialism and participatory socialism. The second, illustrated in Figure 5, includes two pathways in which social power is combined with both state power and economic power. These are associated with social democracy: social democratic statist regulation and associational democracy. Taking all of these together gives the combined picture in Figure 6.

Figure 4. Two pathways associated with state-mediated socialism
Figure 5. Two social democratic pathways

Figure 6. Clusters of Pathways

- **Socialist pathways**
- **Social Democratic pathways**
- **Social economy pathways**
This way of locating the concept of the social economy has proven useful in my discussions with people studying the social economy and working in various practical initiatives that are self-identified as part of the “social economy”. It does not, however, fully capture the theoretical ideas and ideological purposes that animate people who advocate the social economy. This is hardly surprising given the specific purposes of the power-configuration schema. In the power-configuration model, after all, capitalism is located as an economic structure in which economic power is the central form of power over economic activity. Even apart from the problem of specifying what “dominant” means in such a formulation, this is not a complete specification of the concept of capitalism – there is no mention of profit-seeking or markets, for example, in this way of locating the concept. To better capture the specificity of the social economy, therefore, we need to locate it within a multi-dimensional conceptual space.

2. Typologies of the social economy

The second general strategy I have been using to locate the social economy within a conceptual space attempts to uncover the abstract theoretical dimensions that, when combined, effectively differentiate a set of descriptively distinguished categories. This is the kind of exercise I have done repeatedly in my work, for example when I have tried to create coherent typologies of alternative theories of class or typologies of locations within class structures. Sociologists seem fond of this sort of procedure for clarifying concepts, often using the simple device of the 2x2 table to generate a typology of differentiated concepts. The intuition underlying the four-fold table approach to concept formation is that whenever you have a descriptive list with four types, there is probably a two-dimensional space which differentiates them. While there is obviously no logical necessity that underlying any arbitrary list of four things there will be a theoretically interesting two-dimensional space, when the descriptive social categories in question have practical meaning to people and have been differentiated in loose ways in the discourses of social actors, it is likely that they tap more abstract dimensions of social variation. The 2x2 strategy, therefore, is a kind of methodology for experiments in conceptualization that can be helpful in figuring out what these dimensions are.14

Many people get very impatient with these kinds of exercises in building menus of concepts and trying to nail down the dimensions of the conceptual space in which they are located. Someone once described my work along these lines as packing my bags for a trip I never take. For better or worse, I have felt that having a coherent inventory of these kinds of concepts was important both for building good social theory using the concepts and for organizing empirical investigation. In any event, at this point in my work on the social economy I would like to figure out the best way of giving more precision to the concept.

In the rest of this section I am going to present two different strategies for building a conceptual typology for differentiating four types of economy: state economy, capitalist economy, family economy, and social economy.15 Descriptively, these four forms of economy

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14 I often have another (weaker) intuition connected to the four-fold table approach to the problem of concept formation: when you have a list of three things, there may be a fourth lurking in the weeds. A 2x2 table can help reveal the missing category.

15 It should be noted this list contains the category “capitalist economy”, but not “market economy”. The state economy and the social economy can both involve producing goods and services for a market or for direct consumption. For some people writing on these themes, such as Michael Albert, the distinction between market and
are distinguished as follows:

- The State economy: goods and services are produced directly by organizations that are part of the state.
- The capitalist economy: goods and services are produced by privately owned profit-making firms on a market.
- The family economy: goods and services are produced within families for direct consumption.
- The social economy: goods and services are produced by voluntary associations.

The first strategy, using a variety of two-by-two tables, asks: what two dimensional typology differentiates these four types in the theoretically most compelling way? The second strategy uses a nested-tree structure for specifying concepts.

**Three 2x2 typologies for the social economy**

Below are three proposals for locating the social economy within a two-dimensional conceptual space. In all three typologies the vertical axis distinguishes the central interests involved in economic activity: public interests versus private interests. The three typologies differ in the horizontal dimension of the typology.

The horizontal axis in the first typology (Figure 7) differentiates forms of economy on the basis of the central mechanism for economic coordination: markets or plans. This typology captures some of the distinctive features of the social economy, but there are two things which nonmarket economic practices is decisive, whereas I generally treat markets as a variable property of a number of different ways of organizing economic relations.

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16 I am not sure that “interests” is the best way of differentiating the public vs. private dimensions. The public/private distinction means different things in different contexts, and that is part of the problem here. In particular the word “public” means something different when it refers to legal standing than when it is used to designate spheres of social activity, as in the expression “public sphere.” In the case of the social economy, many of the economic initiatives will be legally defined as “private” in the sense that they are not under direct state control, and yet they are in important ways part of the “public sphere” in the sense of being organized by associations within communities.
do not seem quite right. First, while the subsistence activities of the family economy (production for direct consumption within the family) are the result of planning within families rather than markets, I am not sure that this is properly described as “economic coordination” in the same sense as it is being used in the other cells of the table. After all, within capitalist firms it is also true that internal economic coordination occurs through plans. The term “coordination” in the capitalist context refers to the macro-coordination that takes place among firms rather than internal economic coordination. Second, while some social economy activity involves production for the market, much of it really does not, so the market/plan contrast does not seem quite right.

The second typology shifts from the problem of coordination to the problem of cooperation: what is the central mechanism that elicits direct interactive cooperation among people within different forms of economy -- the exercise of power of one sort or another or voluntary association. Power is probably uncontroversial for the state economy, but most people see cooperation within capitalism as not based on power but on voluntary exchange. However, since this voluntary exchange presupposes coercively enforced private ownership of the means of production, the effective power of people to deploy their property is central to capitalist forms of cooperation. This is a standard Marxist formulation in describing the “social relations of production” within capitalism as power relations. In both the family and the social economy, on the other hand, voluntary association is the central basis for cooperation.

**Figure 8. Social economy as voluntary association in the service of public interests**

<table>
<thead>
<tr>
<th>Central mechanism for cooperative activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>power</td>
</tr>
<tr>
<td>public</td>
</tr>
<tr>
<td>private</td>
</tr>
</tbody>
</table>

The horizontal axis in the third typology (Figure 9) differentiates economic activities on the basis of the central norms that regulate them: norms about needs in the case of the social economy and the family economy, and norms about rights in the case of the state economy (citizen rights) and the capitalist economy (property rights). The social economy, then, is the public form of economy governed by norms oriented to meeting human needs. While state organized provision is also public and may indeed serve needs, the provision is governed by notions of rights of people as citizens.
The needs/rights contrast may tap some important differences between the social economy and the state economy, but it seems a little contrived. Many people in the social economy use a language of human rights, and many actors in the state economy see their work as oriented to needs. So this typology also does not seem completely satisfactory.

None of these 2x2 typologies seem entirely satisfactory; in each of them, one cell or another does not seem adequately specified, and the meaning of the contrasts on some of the dimensions sometimes seems a bit stretched in order to create a correspondence between the descriptive categories and the cells. An alternative approach to concept-building – nested-tree structure – may therefore be more appropriate here.

**Locating the social economy in a three dimensional concept space**

A nested tree strategy for building concepts is especially useful when there are more than two dimensions underlying a set of categories and certain dimensions only become relevant for certain values on an already specified dimension. Figure 10 proposes one such conceptual structure for defining the social economy.

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The conceptual space in Figure 10, I think, provides the cleanest definitional specification of the social economy among the alternatives we have been considering. It is, however, also somewhat misleading because the hierarchy in which the criteria are presented may suggest a hierarchy of causal salience as well. Since the family/state/social distinctions are all subcategories of the profit vs needs criterion, this could be interpreted as implying that the distinctions among these three are less causally salient than the contrast between profits and needs. This is certainly not the case: the contrast in economic organization between the state economy and the family economy, for example, is just as important as the contrast of state economy and capitalist economy.
III. Conditions for an expansive and transformative social economy

Let us take as the framework for thinking about the social economy the three pathways specified in Figure 3. These include the *core social economy* – the direct pathway from social power to the economy – which corresponds also to the definition of the social economy in Figure 10, and the two hybrid pathways, *social capitalism* and *the cooperative market economy*. A wide variety of specific institutional arrangements can be located on these three pathways: community based nonprofit services addressing various needs; solidarity funds; worker cooperatives; fair trade and equal exchange organizations; social housing; community-based health clinics; nonprofit service providers; and many other things.

Expanding and deepening these kinds of social economy practices could potentially constitute a component of a process of transcending capitalism in two ways: *subordinating capitalism* and *undermining capitalism*. 

Figure 10 . Three dimensional conceptual space for the social economy
Subordinating capitalism refers to ways in which the domain of economic activities within which capitalist dynamics are dominant shrinks. In the middle of the twentieth century the vision of some currents of socialist thought was that this could occur through decommodification anchored in statist economic organizations of one sort or another. What was conventionally called the “mixed economy” was a combination of statism and capitalism, and the socialist project could be seen as expanding the scope and effectiveness of the former in ways that ultimately confined capitalism to a much smaller scope of economic activities than in earlier periods. In the middle of the 19th century there were some anti-capitalists, such as Proudhon, who felt that worker-owned cooperatives could accomplish this: the expansion of cooperatives and federations of cooperatives would, he thought, ultimately crowd out capitalism. In both the socialist statist mixed economy model and the more anarchist cooperativist model, capitalism would be subordinated by strengthening the noncapitalist aspects of the macro-economic hybrid.

Undermining capitalism refers to ways which firms that remain formally capitalist become progressively less capitalistic in character. The idea here is that it is not only economic systems which have a hybrid character but also the specific organizational units within an economy. An individual firm can be more or less capitalist depending upon the extent to which the state has appropriated some of its property rights – for example, through environmental regulation, health and safety rules, minimum wage requirements, and so on – and the extent to which social power directly intrudes on the operation of the firm – for example through things like works councils, co-determination arrangements, solidarity investments, etc. While making profits remains a goal of a less capitalistic capitalist firm, that goal is constrained within much narrower parameters and balanced against other goals through the exercise of noncapitalist forms of power – state power and social power – in the governance of the firm.

The question, then, is whether the kinds of institutions located on the three social economy pathways have a potential to expand in ways that could contribute to subordinating and undermining capitalism. What we know for sure is that in a society in which capitalism is the dominant way of organizing economic activity, a considerable amount of social economy can exist along the different social economy pathways. In Quebec, aside from childcare, home care services and social housing, the social economy already plays a significant role in recycling activities, sheltered workshops for people with intellectual and physical disabilities, and a variety of other sectors. In many places in the world, much of the performing arts is organized in ways that have a significant social economy component. Healthcare services are another arena where social economy organizations play an important, if usually secondary, role in the form of healthcare cooperatives and community clinics of various sorts. In the United States, charter schools and some forms of school voucher programs can also be viewed as instances of a social economy: the state pays for these educational services, but they are actually produced by associations in civil society. Workers cooperatives exist in all capitalist economies and even though usually they are small enterprises in relatively marginal sectors, in some instances they play a prominent economic role. And finally, various forms of social capitalism have developed in recent years in all capitalist economies.

17 These examples from the US indicate, of course, that social economy initiatives may not always be progressive. School vouchers in particular are often a strategy for de-funding public education rather than advancing a general process of radical democratic egalitarian social empowerment, and charter schools are often a strategy for getting around teacher unions.
What is much less clear is whether new institutions and state policies could be created which would dramatically expand the social economy. Even in Quebec, where social economy practices have developed under a number of quite supportive macro-institutions, most notably the *Chantier de l’économie social*, the social economy still represents only a small part of total economic activity, and much of it is confined to relatively marginal zones of the economy. The key problem, then, is to figure out the kinds of institutional conditions which might help unleash social economy initiatives. [Note: I am not here referring to the problem of the political achievability of these institutional supports, but rather to the problem of their viability. Viability concerns the design of institutions which, if created, would have the desired effects; achievability refers to the political balance of forces and strategies which create opportunities for building the institutions in question.]

Extrapolating from the positive elements of the Quebec experience and the institutional barriers faced by social economy initiatives in Quebec, we can identify five kinds of policies or institutions that could facilitate the expansion and deepening of these kinds of initiatives in ways that would contribute to the broader agenda of social empowerment:

1. **State transfers targeted to the social economy.**

There are a number of difficult issues bound up with alternative mechanisms for providing financial resources for social economy activities and enterprises. One source of funding is private donations from individuals and private foundations. Many NGOs receive their funding from these sources, and sometimes this works well. Wikipedia was initially bankrolled by a combination of funds from private foundations and the personal wealth of Jimmy Wales, and has subsequently been substantially funded by contributions from participants. But for many social economy initiatives, such private funding will be inadequate for two reasons. First, for many projects, private donations and foundations are unlikely to provide adequate levels of funding. It is hard to imagine the Quebec social economy of childcare and eldercare services reaching the scale it has on the basis of private donations. Secondly, private foundations typically have their own agendas derived from the priorities of their founders and boards of directors. Sometimes these can be quite progressive, rooted in democratic egalitarian ideals, but more often wealthy foundations have close ties to elites and corporations and their priorities are firmly rooted in existing structures of power and inequality. For social economy initiatives to be dependent on such foundations for financial resources, therefore, almost inevitably constrains their radical potential.

Of course, it is also true that the dependence of the social economy on the state for financial resources imposes constraints. Capitalist states are also deeply connected to elites and corporations and their priorities are also firmly rooted in existing structures of power and inequality. But at least the state is a terrain for democratic struggle and contestation, and this can increase the prospects of acquiring stable funding which allow for relatively high levels of autonomy.

In any case, for better or worse, private funding is unlikely to be sufficient for a vibrant, dynamic social economy and thus it is important for the state to underwrite social economy enterprises and activities through direct financial support in various ways. This is especially crucial for those non-market oriented social economy initiatives in the *core social economy*. These are social economy activities in which to a significant extent their positive social effects
come from the fact that they do not attempt to generate profits from the goods and services they produce. Care-giving services in the social economy are perhaps the best example since the profit-motive is in inherent tension with the values of nurturance and care.¹⁸ The capitalist logic of meeting needs is that it is only worth doing when you can make a profit from it: I help you because it’s good for me. The social economy logic of meeting needs is other-directed: I help you because it is good for you.¹⁹ The widespread existence of cooperative needs-oriented production of such services contributes positively to supporting a sociocultural context that affirms these values. If this is indeed a positive social and cultural externality of needs-oriented production, then in the absence of appropriate levels of state funding less of this public good will be produced. This provides a justification even within the economic logic of a capitalist market economy for state payments to cooperative needs-oriented production in the social economy.

2. Development of social economy investment funds.

While direct state payments are crucial for the social economy, in the long term it is also important for the social economy itself to develop internal mechanisms for raising funds and directing them to innovative social economy projects, particularly for the more market-based components of the social economy. To the extent the social economy manages to gain such funds, its capacity for autonomous growth would increase. In Quebec in a limited way, the Chantier has helped develop and coordinate venture capitalist funds and private equity funds for social economy enterprises, especially those I have characterized as located on the social capitalism and cooperative market economy pathways. If the social economy is to expand to become a major source of employment and economic activity, then new financial instruments for social economy savings and investment need to be devised.

The difficulty in developing social economy investment funds in a capitalist environment is for those funds to generate sufficient financial returns to make them attractive to investors who do not have strong ideological commitments to the social economy. Supporters of social economy enterprises like to say that they operate under a triple-bottom-line accounting system in which social returns, environmental returns, and financial returns (“people, planet and profit”) are all given equal weight. This is all well and good, but since most of the social returns and environmental returns take the form of positive externalities, this means that many desirable social economy enterprises will have lower financial returns than conventional capitalist alternatives. Of course, there will always be some social economy enterprises for which financial returns are comparable to capitalist firms who do not operate under the triple-bottom line criteria. Such enterprises may still face credit constraints in conventional capitalist markets because of information problems and transaction cost problems of various sorts. Social economy investment funds can relatively easily solve the constraints in these situations. The serious difficulty of financing social economy initiatives occurs in the more typical situation in which the social and environmental returns are high but the financial returns and low or nonexistent. Unless contributors to these funds are willing to accept these lower financial returns, such desirable


¹⁹ This formulation of the contrast comes from G. A. Cohen’s essay, “Back to Socialist Basics,” *New Left Review* 207, September–October 1994. See also the discussion in chapter 3 in *Envisioning Real Utopias* on the way commodification threatens certain important broadly held values.
social economy enterprises will not have access to adequate capital even if specialized social economy investment funds exist.

One solution is for the society – by way of the state – to recognize the real value of the social and environmental returns of social economy initiatives and then to provide various forms of public support for the investment funds directed at social enterprises. When the union solidarity funds in Quebec were initially established in the 1980s, the provincial government provided matching funds for workers’ contributions to these funds as a way of rapidly expanding the capital pool. This was motivated by a realization that the effectiveness of these funds depended in part on their scale, and once a sufficient scale was reached, the direct subsidy was discontinued (although indirect subsidies in the form of tax benefits to workers have continued). In principle, however, such matching funds from taxes could be permanently justified for solidarity funds directed at the social economy on the grounds that these transfers were a way of collectively paying for the positive externalities of the social and environmental components of the triple-bottom line. The idea, then, would be for solidarity funds, controlled by unions and other civil society associations, to be constituted by direct funding from the state and from contributions of individuals interested in investing in social enterprises. The firms receiving these funds would be required to satisfy appropriate triple-bottom line criteria. The individuals contributing to these funds would get a higher rate of return than they would in the absence of the state contributions.\(^{20}\)

4. Basic income.

Basic income is generally defended on grounds of social justice, either focusing on the ways in which it deals with poverty in particular or on the way it neutralizes certain unjust forms of inequality. In the present context, a universal basic income can also be viewed as a way of infusing funds into the social economy. One of the main problems that collective actors face in the social economy is generating a decent standard of living for the providers of social economy services. This is, of course, a chronic problem in the arts, but it also affects efforts by communities to organize effective social economy services for various kinds of care-giving activities – child care, elder care, home health care, respite care. It would be much easier for communities to mobilize various sources of funding for these activities if the basic standard of living was already taken care of through a basic income.

The problem of providing an adequate standard of living to members is also a chronic problem for worker cooperatives, especially in the early stages in which a cooperative is being established and members are learning how to function, work out organizational details, and develop productive capacity. A basic income would make it much easier for a cooperative to survive this learning phase and reproduce itself as an on-going economic organization. Because a basic income makes cooperatives more viable, this would also help solve some of the credit market constraints faced by worker-owned firms. One of the reasons banks are hesitant to loan funds to worker cooperatives is skepticism that the first will survive and be able to pay back the loans. Since workers typically do not have significant collateral, risk-aversion by lenders means that worker-coops are typically undercapitalized, which in turn makes it less likely that they will succeed. A basic income changes this equation, since now banks know that the revenue stream

\(^{20}\) The details of how this would actually occur are not important here. This would depend on the nature of the financial instrument used by these funds: private equity investments, long-term loans, etc.
generated by the coops’ market activities does not have to provide basic income for the worker-owners. This reduces the risk that the cooperative will fail and thus makes credit more easily available.

Basic income can thus be viewed as a mechanism to transfer part of the social surplus from the capitalist market sector to the social economy, from capital accumulation to what might be termed social accumulation and cooperative accumulation – the accumulation of the capacity of society for self-organization of needs-oriented economic activity and cooperatively-based market activity.

4. Governance through associational democracy.

At the dynamic center of the development of the Quebec social economy is the Chantier de l’économie sociale – the kind of encompassing association that enables the heterogeneous set of projects and organizations in the social economy to coalesce into an enhanced form of social empowerment. This is a difficult task because of the conflicting interests and identities that mark civil society. Quebec, in many ways, was a highly favorable social environment for the development of this kind of associational solution, for prior to the creation of the Chantier there were already in place various networks of social movements, cooperatives, and civic associations. The status of Quebec as a French-speaking Province in an English-speaking country also contributed to a strong sense of solidarity that facilitated the elaboration of thick associational solutions to coordination problems. These factors help to explain why the social economy has developed the way it has in Quebec.

In places where civil society is less tightly knit and the social bases of solidarity are weaker, building such encompassing associations poses a greater challenge. The key task of institutional design is to foster associations that are deeply connected to social economy activities within civil society and to create a coordinating body that democratically represents key networks of these associations.

5. Participatory democratic forms of organization.

The goal of enlarging the social economy is not simply that in and of itself this is a good thing because it contributes to improving the lives of people. The social economy is also one of the important pathways in the broader project of social empowerment in which the ultimate goal is broad social control over the economy. For this to occur, the social economy needs to be a setting within which solidarity and social cohesion are enhanced and a broad notion of the collective good is practiced. This is one of the main reasons why cooperatives play such a central role in social economy activities: cooperatives affirm the emancipatory values of egalitarianism and democratic participation. More generally, a social economy organized along participatory democratic forms of governance at both the micro- and macro-levels of organization is likely to contribute more consistently to the wider agenda of social empowerment.

* In Capitalism as we know it today, the social economy occupies a niche. In some instances, social economy initiatives have clearly encroached on capitalist markets. Wikipedia, for example, has largely destroyed the market in encyclopedias. In some places, like Quebec, this niche is fairly broad and supported by robust, creative institutions. Still, everywhere, the social
economy is most heavily concentrated in economic arenas that are not attractive to capitalist investment, and rarely do social economy initiatives pose any kind of challenge to capitalist institutions.

The current status of the social economy, however, is certainly not anywhere near the limits of possibility. If the institutional supports suggested above were instituted, the space for the various forms of the social economy would certainly expand. What remains unclear is whether, even with these supports in place, the various forms of social economy initiatives could expand and deepen sufficiently to contribute to eroding the dominance of capitalism.