



Defining the Social Economy - The BC Context

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Background

Over the course of the last two centuries, there has been an ongoing struggle to interpret and relate the practice of economics and the development of economic institutions to the question of social benefit. This struggle continues unabated today, and one of its features is the debate surrounding the meaning and ultimate role of the social economy.

The broader context for the re examination of the social economy is ultimately the failure of contemporary political and economic policies to provide minimum acceptable levels of economic and social well being to growing numbers of people. At a global level the disparity between rich and poor continues to escalate. In Canada, despite a growing GDP and record federal surpluses, the issues of poverty, homelessness, and hunger show no signs of abating. Last year, 800,000 people per month used a food bank - an increase of 118 per cent since 1989. In BC, the number of food bank users per month exceeds 75,000 with fully a third being children. Rates of child poverty, a powerful indicator of broader social and economic conditions, have remained unaffected for the past fifteen years¹.

The failure of mainstream economic theory and practice to address these problems is a key reason for the heightened interest in new strategies and paradigms that are more just, equitable, and responsive to the broader needs of society and not just a privileged minority. Many people see the social economy as a means of redressing these failures by placing social and human concerns at the centre of economics.

But despite this current interest, there is little theoretical understanding of the meaning of this term outside of academic circles. Many definitions currently in use reflect a partial or biased meaning or a listing of highly selective activities or constituencies that are then bundled under the umbrella “social economy”.²

What is needed is a clearer definition of the underlying *economic principles* as well as social attributes that distinguish social economy organizations from other types of organization. The absence of such a definition means “social economy” still has a very subjective and inexact meaning and one prone to misleading interpretations that are either too inclusive on the one hand, or too restrictive on the other. For instance, while some would restrict social economy organizations only to non-profits others would include conventional private companies who contribute a portion of their profits to social ends.

This paper is part of a wider initiative that has been sponsored by the BC Social Economy Roundtable and funded jointly by the federal government and the Vancity Credit Union. The Roundtable is an informal body with representatives from key social economy organizations and stakeholders that have come together to promote the growth and development of the social economy in British Columbia (see Appendix).

Other projects that form a part of the Roundtable’s initial work are a Mapping Project that identified and documented the assets and capacity of the social economy in BC, a Stories Project that conveyed a sense of the character and diversity of BC’s social economy through a presentation of representative

¹ *Time for Action: HungerCount 2005*, Canadian Association of Food Banks, 2005

¹ It is of interest to note that the International Society for Third Sector Research (Dublin Congress, 2000) unified the expressions “non profit organizations”, “third sector”, “non governmental organizations”, “foundations”, and other similar organizations under the common definition “civil society organizations”.

experiences through published stories, and a series of regional dialogues on the nature, opportunities, and needs of the social economy in this province.

The paper draws on the contributions of these projects, and in particular the lively discussions that accompanied the community dialogues, especially with regard to the central question of definition. These discussions were revealing, and posed some central questions not only about the particular ways in which the social economy is viewed in this province, but also about the ongoing ambivalence of some individuals in attempting a definition of the social economy at all.

Most of these questions will be highlighted, and to the extent possible in an evolving field of study and practice, addressed in this paper.

The BC Context

Like the other regions of Canada, British Columbia presents a unique environment that is a product of the specific cultural, political, economic and geographic elements that together have conferred on this province a character that is both distinct yet clearly reflective of the broad changes that are reshaping the social and economic landscape of the country.

The social economy of the province is naturally a product of this unique development. And, for a population of 4 million situated in an extremely diverse geographic and social landscape, the social economy of the region is extensive.

An overview of the main organizational forms within the social economy as it has conventionally been understood will give some sense of its scale and potential. This includes co-operatives and credit unions, mutuals, non-profits, volunteer and charitable organizations, social service organizations, foundations, social enterprises, and trade unions.

There are to begin with, some 23,487 non-profit organizations that are incorporated under the BC Societies Act. An additional 593 operate in BC although incorporated in another province³.

There are 9,918 charitable organizations, 566 private foundations, and 485 public foundations⁴.

In the co-op sector there are 594 registered co-operatives of which 274 are housing co-ops. This is in addition to 54 credit unions with hundreds of branches serving communities throughout BC.

The aggregate economic value of these organizations is enormous.

The co-op sector alone accounts for over \$28B in assets of which \$26B is attributable to credit unions⁵. One in every three residents is a member of a credit union making BC's credit union system the second most powerful after the Désjardins movement in Quebec.

BC is also home to some of the largest co-ops and credit unions in Canada including Vancity, Coast Capital Savings and Envision Credit Union. The largest consumer co-op in the country – Mountain Equipment Co-op – was founded in BC and now has more than 2 million members nationwide. Membership among non-financial co-operatives is now approaching 2 million people in this province.⁶

³ BC Registrar of Companies, 2005

⁴ *ibid*

⁵ Co-operatives Secretariat, Annual Report, December 2004

⁶ *ibid*

Canada's non-profit and voluntary sector is among the most advanced in the world. As a percentage of total economic force, Canada's non-profit workforce is the world's second largest.⁷ With an estimated economic turnover of \$75.8 B, Canadian non-profits account for 8.5% of the country's GDP (including the economic value of volunteer effort). Canadian non-profits account for 2,073 M full time equivalent employees, nearly matching the total of 2,294 M employees reported in Canada's manufacturing sector.

The economic impact of the non-profit and volunteer sector in BC is equally formidable. BC non-profits generate \$11 B in revenue and employ 147,000 people.⁸ This compares to \$16 B reported by BC's manufacturing sector, which employs 167,000.

BC's non-profits also reported the use of 1.5 M volunteers who in turn contribute an estimated 114.3 M hours of work to these organizations. Of these, 60% help small and medium sized organizations, a figure substantially higher than the national average of 48% for the rest of Canada. Furthermore, 60% of BC's non-profits operate entirely through the contributed effort of volunteers.

This high level of activity and involvement of social economy organizations in BC's social fabric is also reflected in the province's labour movement. BC's trade unions represent more than 32 per cent of the working population giving BC the second highest unionized population in the country after Quebec⁹.

Other elements have also combined to give the social economy in BC a uniquely west coast flavour.

The first of these is the strong presence of environmental groups which have had a substantial impact on how social economy organizations conceive of the sector as a whole. Greenpeace was founded in this province and the activities of numerous other environmental groups like EcoTrust Canada and the Environmental Youth Alliance, have lent a distinct environmental dimension to the social economy in the province. This is clearly reflected in the fact that while only 4% of the province's non-profits are directly active in the environment sector, they account for 19% of the volunteers.¹⁰

In addition, the rise of CED in the province, bolstered by formal courses of study in both CED and sustainable development at SFU, Langara College, and Royal Roads University have had the effect of orienting many leaders within the social economy toward an economic and community development focus for the sector. Other university programs include courses in co-operative studies at UVic and CED courses offered by The Nicola Valley Institute for Technology, which serves the aboriginal community.

The Evolution of an Idea

One of the realities of the social economy discussion today is that it often seems to take place in a kind of historical vacuum. In fact, the debates concerning the meaning and relevance of the social economy as both a field of enquiry and as an objective social reality have been with us for at least two centuries. Some awareness of this background will be helpful not only in tracking the evolution of an idea but even more importantly, in situating our own experience within the broader flow of social and political realities.

The term "social economy" came into usage at the end of the 18th century as part of the great political, economic, and social debates that so characterized that extraordinary period in Europe. Historically, the

⁷ The statistics on Canada's and BC's non-profit and voluntary sector are drawn from Statistics Canada survey findings in 1997, 2000, and 2003.

⁸ Statistics Canada, 2003 data

⁹ BC Federation of Labour, 2005

¹⁰ Volunteer activity by sub sectors include environment: 19%; religion: 17%; and sports & recreation: 11%, Statistics Canada

social economy refers to a theoretical approach that was first developed by the utopian socialists – especially the early founders of the co-operative tradition – Owen, Fourier, Saint Simon and Proudhon¹¹.

It was the work of these thinkers and social reformers that laid down the intellectual foundations of the earliest co-operatives which then became the organizational forms to which the term “social economy” was first applied by such economists as Charles Gide (1847-1932) and Léon Walrus (1834-1910), and sociologists like Frédéric Le Play (1806-1882) who saw in the social economy the values of a conservative social Catholicism which he sought to promote¹².

But its antecedents go back even further, to the concept of the *civil economy* that was part of an Italian intellectual tradition that began in the 15th and 16th centuries as Civic Humanism and continued until the golden period of the Italian Enlightenment in the schools of Milan and Naples. (The first Chair in Economics ever established in Europe for example, was the Chair of Civil Economy at the University of Naples in 1753, held by Antonio Genovesi the first great interpreter and theorist of the civil economy as a distinct field)¹³.

From the start, the social economy and its cousin term “civil economy” were inextricably associated with a broad reaction to the narrow reading of economics as it was then (and now) understood and practiced. The classical view of economics as developed within the rationalist tradition of the 18th century was based on the idea of man as a wholly atomized being whose economic behaviour is solely the product of rational choice, which was defined as maximizing benefit to one’s self. Economic behaviour was conceived as somehow separate from the broader social and psychological conditions that help explain human behaviour in other areas.

In response to this disconnected and even anti social view, the social economy came to mean an *enlargement* of classical economics to take into account the actual social conditions that accompany and indeed underlie the creation and distribution of wealth, and to situate economic behaviour within the wider compass of social relations.¹⁴ This social perspective had a direct bearing on the perception of capital, its proper function within society, and the perpetual conflict between private and social interests over its control.

This has been the larger frame in which the social economy has its original meaning. But the particulars of its operations, its organizing principles and its ultimate relevance, have been hotly debated among liberal, Christian, Socialist, Marxist, and Co-operative traditions.

Today, as the debate on the defining elements of the social economy continues to widen our understanding of its operations, there seem to have emerged two broad currents of thought.

The first can be traced to the French sociologist Le Play who saw the social economy as functioning apart from the market, which he interpreted to mean that economic sector that was populated by capitalist firms and the state. For him the social economy is a niche, a *parallel* market that is also dependent on the state for its survival.

¹¹ The Social Economy in Quebec, Marguerite Mendell

¹² *ibid*

¹³ L Bruni, S. Zamagni (2004), *Economia Civile*, Il Mulino, Bologna

¹⁴ Social Economy as Social Science and Practice: Historical Perspectives on France, Daniél Demoustier & Damien Rousseliere

The second current reaches back to the idea of the civil economy, which is conceptualized as a *dimension* of the market. In this view, the market is not identified exclusively with private enterprise, but rather as an open domain in which the state, the commercial sector, and the social economy all play a role.¹⁵

In many ways, the divergence of opinions on what the social economy is, or is not, can be traced to these two perspectives. Narrower or broader definitions of the social economy often reflect these fundamental viewpoints.

Fig. 1 Le Play Conception

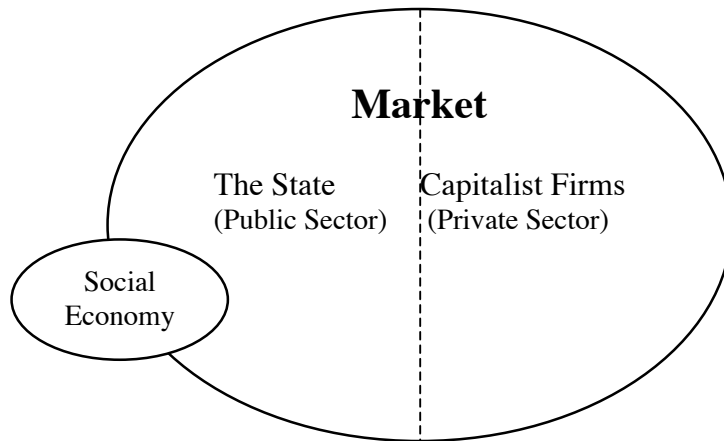
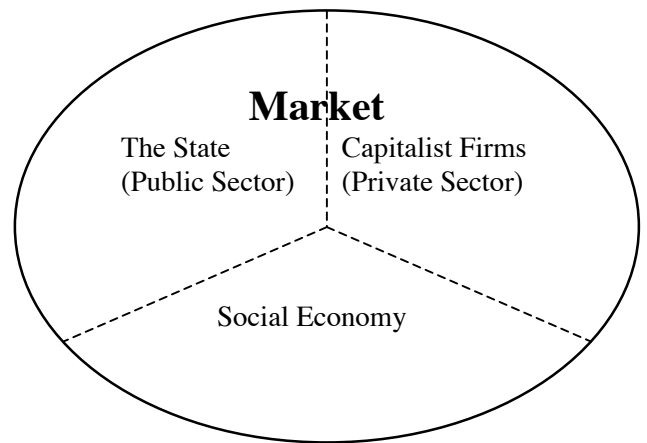


Fig. 2 Civil Economy Conception



Today, leaders within civil society, social activists, Community Economic Development (CED) practitioners, community developers, environmentalists, and progressive economists alongside more traditional actors within academia and the co-operative movement have taken up the debate once again. Their views on what the social economy is, or should be, frequently reflect the particular issues or activities with which they are concerned.

But despite the differences, some common ground is emerging aided by recent developments in the field of economics¹⁶ and community development and further propelled by the changing role of the state with respect to public policy and the provision of public goods. These advances, aided by growing expertise, new research, and more effective theoretical tools allow us to develop a working definition of the social economy that is more current, accurate, historically grounded, and reflective of the reality it describes.

Defining the Social Economy – To what end?

Over the course of researching and writing this paper, including participation in a variety of public forums, this writer has on occasion encountered a puzzling resistance to defining the social economy.

¹⁵ Another variant of this difference was played out in the contesting positions of Marxism on the one hand and co-operativism on the other. While Marxism came to identify the market with capitalism and therefore as something to be replaced through a social revolution in which private enterprise is ultimately eliminated, co-operativism sought social transformation through the extension of democratic control *within* the market.

¹⁶ Theoretical research by such economists as Stefano Zamagni in the field of civil and co-operative economics and Serge Latouche on issues of economic growth and sustainability have greatly enlarged current understanding of these fields. Theorists like Anthony Giddens have contributed to understanding the emerging role of the social economy as a “third way” in the provision of public goods and services. Also important is new research on the economics of happiness by economists like John Helliwell, and research on the personal identity dimensions of post scarcity economies by Pier Luigi Sacco.

Some feel that the social economy is just another term for non-profits. Others are skeptical of the term because they associate it with the shifting priorities of government.

But resistance can be also be met among some who strongly identify themselves and their work within the social economy as it has been generally understood, and who feel that more precise definition implies a limitation or constraint not only on the activities and scope of social economy organizations, but even represents a seemingly arbitrary imposition of views or values. In this vein, the view has also been advanced that subjective definitions that make sense to a particular individual or a particular group or context are equally valid.

But it is precisely this subjectivism concerning the term that has given rise to such widespread confusion, with significant ramifications both in practice and in public policy. The fact that we are still debating what the social economy is signifies the continuing underdevelopment of the sector particularly with respect to theory. In fact, a definition makes sense only if it becomes the common property of an established field of knowledge. The idea of a subjective definition is without meaning.¹⁷

Given these realities, there are compelling arguments for more clearly defining the term.

First, a clear and accurate definition, even if it is bound to undergo refinement as conditions evolve, is the first principle in establishing the authentic reality and significance of what we are examining.

Those who question the authenticity or relevance of the social economy might be excused if there is no clear delineation of what is being discussed. Without definition, there is no frame of reference for making any claims on its behalf or for proposing any policies that might advance it. Without definition there is no measuring, no collection of reliable empirical data, no basis for testing theory, and ultimately no means of understanding the true scope and significance of the subject.

Most importantly, with no definition there is no way to determine whether we are dealing with fantasy or fact, let alone what the nature and significance of this fact may be for our economic and social life.

Finally, for those of us who are practitioners in this field the intellectual work required for interpreting and situating the term within our own time and context is essential for the development of our own understanding of what we are doing and why it matters. We cannot expect to be taken seriously otherwise.

What becomes apparent as we delve into the meaning of the social economy is that we are only the most recent in a long line of enquirers who have grappled with the subject. The social economy is a complex reality at once compelling, stimulating, somewhat mysterious, and endlessly evolving.

Definitions

Attempting a definition of the social economy immediately presents us with a number of basic issues.

The first is historical. How has the term been understood since its first use, and how does this historical usage shed light on our current perceptions and experiences? Second, what are the elements that uniquely set apart this referent from others? Third, how does the definition take account of the shifting realities and conditions that characterize a particular time and place? Fourth, what is the primary theoretical focus of the definition? Is it political, structural, juridical, ethical, or something else?

¹⁷ The Ethical Anchoring of Corporate Social Responsibility and the Critique of CSR, S. Zamagni, 2005

As mentioned above, the historical roots of the social economy lie within the thought and work of the utopian socialists and the early attempts to create alternative communitarian responses to the mainstream capitalist economy through the use of the co-operative model. This early history framed later definitions that retained the emphasis on an alternative paradigm that challenged the classical understanding of capitalist economics, including the control of capital.

Very quickly the concept came to be used to refer to collective enterprises and associations guided by ethical and moral considerations, not just material gain¹⁸.

The elements of mutuality, collective effort, and social control over capital have remained as the most constant traits of the term as it has evolved ever since. Nevertheless, largely due to the influence of Le Play, the term also came to have associations with the state, associating social economy organizations with a dependence upon state policy.

More recently, references to the social economy have been influenced by neo liberal attitudes that direct and restrict the social economy to utilitarian and economic purposes thus bringing the term into closer association with the operations of the conventional market. One outcome has been the equation of the social economy with “social enterprises” understood as revenue generating, non-profit activities that are meant to serve social or community purposes.

This latter approach to the social economy is predominant in the United States where it is associated almost exclusively with the volunteer and non-profit sector. This meaning has also influenced the interpretation adopted by the Government of Canada which has defined the social economy as

“...an entrepreneurial, not for profit sector that seeks to enhance the social, economic and environmental conditions of communities”.

The Government of Canada goes on to describe social economy enterprises as follows:

“... a component of the social economy that are run like businesses, producing goods and services for the market economy, but manage their operations and redirect their surpluses in pursuit of social and environmental goals. Common objectives for social economy organizations include alleviating poverty, providing affordable housing, improving employment and economic opportunities, addressing environmental concerns and providing access to services and programs that can assist individuals and groups to improve their personal circumstances.¹⁹

As will be shown later, such a definition is not only inaccurate. It is highly arbitrary and confuses the social ends of organizations with their operative principles.

Recent scholarship has begun to distinguish between the *old social economy* focused on co-operatives, mutuals, and non-profit organizations employing the democratic principle of “one member one vote” as an alternative model of business enterprise²⁰, and the *new social economy* which highlights relational and sociological factors. These factors relate individuals and the enterprise to a pattern of activities that are regulated by democratic governance, how members define the purpose of the enterprise, how profits are distributed, and how the enterprise reinvests surpluses to realize broader community goals.²¹

¹⁸ Marguerite Mendell, 2003

¹⁹ Western Economic Diversification web site

²⁰ Henry Desroches, 1984

²¹ Claude Vienney, 1994

This is the approach that has been adopted by the *Chantier de l'économie sociale – the Quebec Task Force on the Social Economy* which defines the social economy as association-based initiatives founded on the values of solidarity, autonomy, and citizenship embodied in the following principles:

- (a) a primary goal of service to members or the community rather than accumulating profit;
- (b) autonomous management (as distinguished from public programs);
- (c) democratic decision-making process; and
- (d) primacy of persons and work over capital and redistribution of profits.²²

Finally, there has arisen a hybrid approach that bridges both market and public redistribution forces in defining social economy organizations. The key to this view is the linking of reciprocity and redistribution to multiple forms of economic activity.

This view of the social economy recognizes the central role of reciprocal (non-commercial and non-monetary) transactions as economic activities in their own right.²³ From this viewpoint, social economy organizations are hybrid enterprises that perform a blend of commercial activities (the sale of goods and services), non-commercial but monetary activities (public funding, donations) and non-monetary activities (volunteer work of members and others) to achieve their goals.

What we have then, is a continuum of interpretations ranging from the more narrow to the more inclusive, and orienting either closer to or further away from the state on the one hand and the commercial economy on the other.

With all these differences in emphasis and interpretation the challenge is to fix on those essential factors that take account of the historical evolution of the social economy while accounting for the rapid changes that are enlarging the scope and significance of this sector.

The concept of *reciprocity* as an economic principle provides a powerful key to distinguish what is essential and constant about the social economy from what is secondary and transitory. The second is social control over capital.

For while some of the perspectives outlined above focus on the values, objectives, behaviours, and formal structures of social economy organizations, relatively few concentrate on the distinctive *economic* principles that distinguish the social economy either as a social and economic reality or as an organizing principle of individual enterprises. A closer attention to the distinctive economic underpinnings of social economy organizations helps to clarify what is definitive from what is not.

For example, such things as values are ambiguous and open to debate. Are *all* social values equally acceptable as guiding principles for social economy organizations? If yes, then the point of identifying *particular* values as distinguishing features is lost. If not, then who decides which values are to be accepted and which not?

There are also problems with a focus on organizational form. The formal structures employed by organizations may have little bearing on how those organizations actually operate in practice. This is notoriously true of democratic governance, which is often cited as a defining feature of social economy organizations.

²² W. Ninacs, *A Review of the Theory and Practice of Social Economy/Économie Sociale in Canada*, 2002

²³ *ibid*

And while social goals can define the purpose of an organization, they can also include a broad range of groups that would arguably include government institutions, which have an obvious social function, and commercial businesses whose social goals may be secondary and whose cancellation would have little effect on the essential purpose of the enterprise. This is the case for example, with the adoption by corporations of multiple bottom lines or codes of socially responsible conduct.

A large number of definitions relate the social economy specifically to the redress of such issues as unemployment, social exclusion, and assistance to those who are vulnerable. And while many social economy organizations do see themselves in this light, to claim that this is a defining characteristic is to assign a reformist social purpose that is not only arbitrary and limiting, but also at odds with the professed purposes of a large segment of this sector.²⁴

This is one problem with defining social economy organizations as those with environmental, sustainable, or even ethno cultural attributes (as for example aboriginal organizations) as is sometimes done in British Columbia.

Unless we are prepared to constantly change our assessment of authentic social economy organizations on the basis of shifting and often subjective variables we must seek a definition that reflects the essential principles that animate these organizations.

The Reciprocity Principle

The definition developed here is socio-economic in focus and is intended to distinguish the social economy from the other two areas of economic activity, which together with the social economy constitute the economy proper. In this view, the social economy is interpreted in the broader sense of *civil economy* as described above, and constitutes a key component of the broader economy and not a parallel or niche market or a dependent sector.

The key to this view is understanding *reciprocity* as an authentic economic principle with wholly distinct characteristics that embody *social* as opposed to merely *commercial* attributes. This understanding of reciprocity as a defining factor in the social economy has been one major contribution to the debate by such economists as Stefano Zamagni and others.

Reciprocity is essentially a social transaction that also has economic ramifications. A reciprocal exchange may have either a social or an economic intent as the primary motivation, and often embodies both. In either case, reciprocity means that one economic agent (be it individual or organization) provides a service to another in the expectation that the receiver will reciprocate in like manner if not to themselves, then to others.

Modern societies are characterized by three distinct yet interconnected sectors - the private sector, the public sector, and the social economy. And just as the other two sectors have clear and distinct economic principles that animate the organizations that constitute them, so does the social economy.

²⁴ How for example, would such a definition account for such groups as cultural organizations, or faith-based organizations?

The economic principle that defines organizations within the private (or capitalist) sector is the exchange of goods and services on the basis of an agreed value - “**the exchange of equivalents**” - for commercial gain. Capitalist enterprises are typified by individual entrepreneurs, companies, or corporations whose ownership structure is determined by the private control of capital and whose primary purpose is to maximize returns on investment to shareholders. In capitalist firms, capital controls labour. The key aim of the exchange of equivalents as an economic principle is *efficiency*.²⁵

The economic principle that defines the operations of the public sector is the **redistribution of wealth** by the state. The primary purpose of the public sector is the provision of public goods, and the aim of redistribution as an economic principle is *equality*.

The economic principle that defines the operations of organizations within the social economy is **reciprocity**. Social economy organizations are those that pursue their goals, whether economic or social, on the basis that individuals’ contributions will be reciprocated and the benefits shared. The primary purpose of social economy organizations is the promotion of mutual collective benefit. The aim of reciprocity is human bonding or *solidarity*. And, as opposed to the capitalist principle of capital control over labour, reciprocity is the means by which labour, citizens, or consumers exercise control over capital.

Reciprocity can be fully understood only as an essentially *social* relation that contains within itself potent emotional and even spiritual dimensions. These elements account for an entirely different set of motivations for its operation within individuals than does economic behaviour in the classical sense of “maximizing one’s utility” as a consumer.

It is certainly true that reciprocity is the foundation for a vast range of economic uses. But those uses depend on the sharing and reinforcement of attitudes and values that are interpersonal and constitute essential bonds between the individual and the human community. What is truly exchanged in reciprocal transactions are not merely particular goods, services and favours, but more fundamentally the expression of good will and the assurance that one is prepared to help others. Consequently, the practice of reciprocity has profound social ramifications and always entails a certain moral element.

Reciprocity is expressed in social economy organizations in three key ways:

- a) In co-operatives, reciprocity is expressed in the form of mutuality, where the enterprise is collectively owned by members for their mutual benefit, and in the case of social co-ops, for the benefit of the broader community.
- b) In non-profits, the reciprocity principle is expressed through a constraint on the distribution of surplus, the chief purpose of which is to further the social aims of the enterprise.
- c) In charitable and voluntary organizations, reciprocity takes the form of gratuity, or the gift, where donors (whether of capital in the case of charities, or labour in the case of voluntary organizations) offer resources for distribution to recipients, with no expectation of personal return.²⁶

²⁵ Efficiency here is meant to denote not the manner in which an enterprise manages production in relation to output, but rather in the classical economic sense of maximizing the commercial utility of the individual as an economic agent.

²⁶ It is as well to deal here with the familiar claim that there is indeed, a return to the provider for the performance of a charitable service and that there is no such thing as pure altruism. First, when we are speaking of an expectation of return in this context, we are speaking of an economic return to the giver by a recipient. This is not the case in charity and if there were, it would not be charity but either a commercial transaction if what was returned was of an equivalent agreed value, or reciprocity in the sense described above.

These organizations are different *in kind* than either capitalist enterprises or state institutions. This difference is not just based on the *activities* undertaken by these enterprises but rather on the underlying social and economic *principles* that animate them.

The social economy in general then, is composed of a vast range of organizations, activities, and relationships that encompass a rich spectrum of goals, values, and structures. Co-operatives, credit unions, mutuals, trade unions, business associations, non-profits, charities, volunteer organizations, cultural organizations, religious organizations, and recreational groups of all types and orientations are part of the social economy. So is a wide range of *social enterprises* whose purpose is to address specific social goals through the conduct of commercial business.

What they all have in common is the promotion of mutual and collective benefit and the building of community that results from the operation of reciprocity either at the economic or social level. The *explicit* goals, organizational forms, and professed values are in fact secondary. What is primary is how *social* relations are mobilized for collective goals through the social control of capital. This is what makes the social economy such a complex, various and constantly evolving reality. It reflects the infinite purposes and means by which human beings in society act together to achieve common ends.

Social economy organizations are those organizations whose members are animated by the principle of reciprocity for the pursuit of mutual economic or social goals, often through the social control of capital.

This definition would include all co-operatives and credit unions, non-profits and volunteer organizations, charities and foundations, service associations, community enterprises, and social enterprises that use market mechanisms to pursue explicit social objectives.

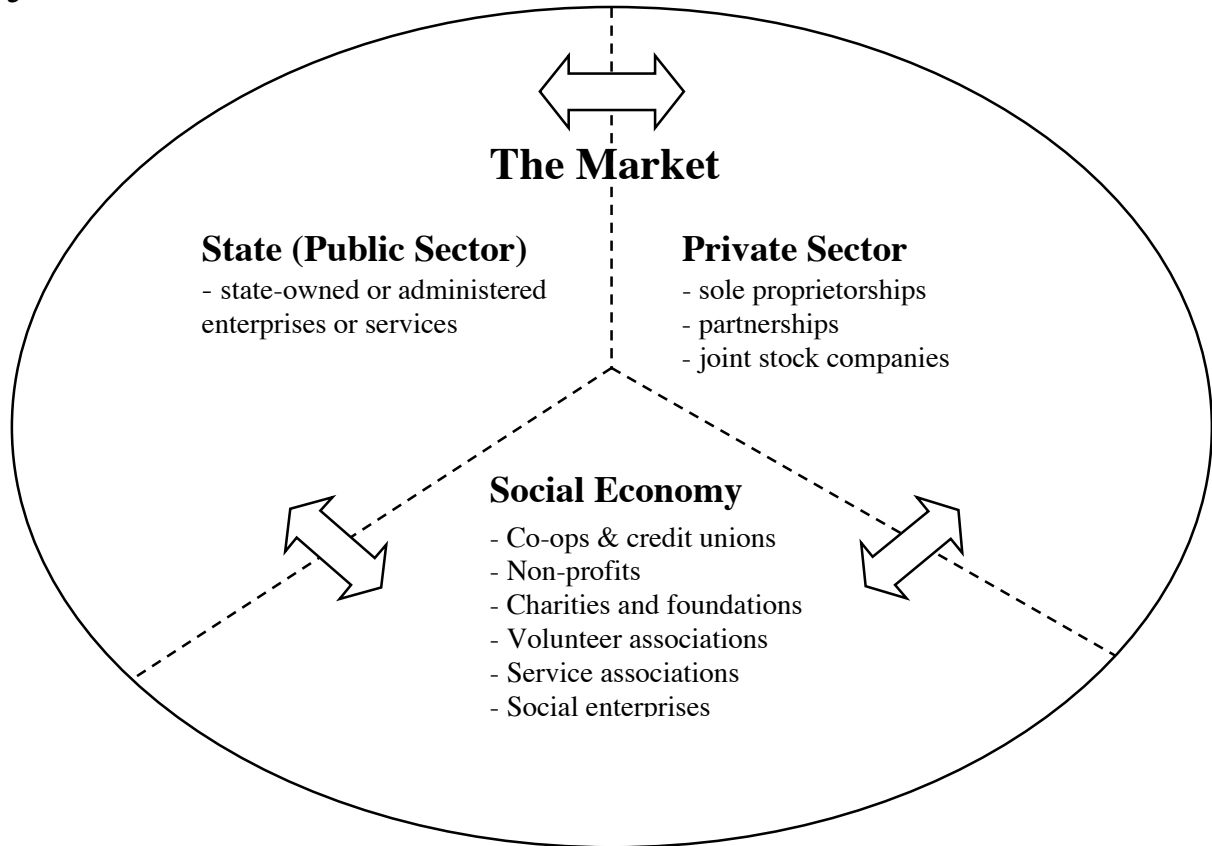
For-profit enterprises would be included if surpluses are mutually shared by members in a collectively owned structure as in co-operatives or collectives. What would not be included are state institutions or programs and conventional capitalist firms such as sole proprietorships, partnerships, and investor-owned or publicly traded companies.

It is important to note that while the three sectors of the market as described above are certainly distinct and the institutions within them operate on different economic principles they are not hermetically sealed off from each other. There are innumerable transfers and borrowings from one to the other and certain organizations operate at the boundaries of these distinctions. Universities might be placed at the borders of the public and private sectors. So might public/private partnerships. And some non-profit/private partnerships could be placed at the borders of the social economy and the private sector.

Second, the return that is conventionally associated with charitable acts is primarily emotional or psychological wherein the giver induces a sense of personal gratification through the performance of the charitable act. This is connected to the individual's ethical, moral, or social values. The return is not primarily economic.

Finally, it is true that many individuals may be motivated to make charitable donations on the basis of economic benefits received in the form of tax concessions and the like. Were this the *only* motivation, one could justly question whether in fact such donations were truly charitable regardless of the legal and institutional conventions surrounding the practice.

Fig. 3



Social Economy and Civil Society

The reciprocity principle as expressed in organizational form within the social economy is also essential to understanding the broader concept of *civil society* which itself is the foundation for the emergence and operations of the social economy.

In its broadest sense, civil society is the social impulse to free and open association, to the creation of community, and to the operations of social life, which includes politics. This is the sense of civil society that is used by writers such as Vaclav Havel.²⁷

To Havel and a long line of writers extending back to Aristotle, civil society is the elementary fact of human existence. It is what makes human life possible, and for Aristotle it was both the means and the end of human association as the pursuit of the good life, which is in essence a *social* life.

And in this fundamental sense, it is the institutions that arise from civil society (the schools, the voluntary associations, the trade unions, the courts, the political parties, etc.) that provide the individual with the

²⁷ A Speech by Vaclav Havel President of the Czech Republic on the Occasion of "Vaclav Havel's Civil Society Symposium", Vaclav Havel's ideas and his Civil Society conception Macalester College, Minneapolis/St.Paul, U.S.A., 26 April 1999

means both to realize their own humanity and to perfect the whole of society in the process. The state is an outgrowth of this impulse.²⁸

In brief, reciprocity is the social mechanism that makes associational life possible. When reciprocity finds economic expression for the provision of goods and services to people and communities it is the social economy that results.

Placed in this context the social economy mirrors the broader civil society which gives rise to it. Social economy organizations necessarily reflect the diversity of values, goals, and relationships that particular groups of individuals bring to them. It therefore makes no sense to identify social economy organizations to any *particular* political or social perspective. Social economy organizations are reflective of both left and right wing politics, and of opposing views on environmental and social/economic issues.

A Changing Landscape

It is no accident that current interest in the social economy arises in the context of sweeping changes to the economic and social landscape, both regionally and globally. And while a proper treatment of the relation of the social economy to these broader societal changes is beyond the scope of this paper, some comments may be helpful if we are to place the issue of the changing role of the social economy in the current context.

Since the rise of neo liberal thought and policy in the late 1970s, the balance of economic power and social relations in all societies has undergone dramatic shifts as governments have redefined their roles and responsibilities vis-à-vis markets on the one hand and the broader society on the other.

Central to this change was the view that markets, defined in the narrow sense of capitalist exchange relations, were more effective in achieving the conditions of social and economic well being than were the traditional efforts of government. Individual choice within the market was preferable to the application of collective action as expressed through the state. During the formative years of this trend, discussions on the relative role of the social economy were almost non-existent.

The current debate surrounding the proper role of governments is inseparable from widespread resistance to the manner in which commercial interests are seen to be colonizing formerly public domains (health, education, etc.). This resistance is in many ways a continuation of the 18th century struggles to control the ascending power of capital and to preserve a conception of the economy as a social institution whose ultimate purpose is to serve social ends.

This is precisely the sense in which the social economy is today advanced as a force for humanizing the economy. This social *and relational* imperative is also at the heart of current efforts to promote the social

²⁸ It is fascinating to read Thomas Paine in this connection, particularly with reference to the raging debate surrounding the proper role of the state and the growing demands on the social economy to fulfill social and public services.

“The great part of that order which reigns among mankind is not the effect of government. It has its origins in the principles of society and the natural constitution of man. It existed prior to government, and would exist if the formality of government was abolished. The mutual dependence and reciprocal interest which man has upon man, and all the parts of civilized community upon each other, create that great chain of connection which holds it together. ...In fine, society performs for itself almost everything which is ascribed to government.”

- Thomas Paine, Rights of Man (1791-92)

economy as a more effective, and humane, means of addressing seemingly implacable social problems in ways that neither the private sector nor government can offer²⁹.

One consequence of the changed landscape is that in British Columbia, there has emerged an important divide *within* the social economy with respect to the ultimate role that social economy organizations should be prepared to play in such areas as employment generation, social welfare, social inclusion, and health care, to name but a few.

As the primary means by which society organizes itself to provide for its essential needs, the future of the social economy will always depend on its capacity to reinterpret and redeploy the uses of reciprocity for the common good. How social economy organizations formulate reciprocity-based solutions to individual and collective needs is the sector's key challenge in an increasingly privatized and commercialized society.

Reclaiming the market for collective ends is one place where this has already begun, and is at the basis of global efforts to make economies more humane. It is also the arena where the redress of economic and social disparity through the practice of reciprocity and the alignment of economic means to social ends has the most potential for lasting reform.

Social economy organizations like social enterprises and co-operatives provide a model of enterprise that explicitly blends social with economic aims. The success and growth of these models within the market is contagious and in the long run will have humanizing effects on the operations of the market as a whole. This at least is the hope. In fact, the adoption of corporate social responsibility practices by firms and the recent trend toward sustainable development are possible examples of this effect.³⁰

In this crucial sense, the social economy becomes even more relevant as a corrective to the social and economic forces that continue to isolate economics from its social context.

And, despite the myriad changes that daily seem to unmake the familiar patterns of our society, the social economy will remain at the centre of how people will use the deep structures of social relations to remake society with a human face.

²⁹ There are structural reasons for this, and they have to do with the nature of social care as a relational good. A more detailed treatment of this question can be read in "Social Co-ops and Social Care", Restakis, 2004

³⁰ Whether or not these trends represent meaningful humanizing reform is another hotly contested issue.

Appendix 1

BC Social Economy Roundtable – Participating Organizations

Aboriginal Business Service Network of BC

BC Co-operative Association

BC Cultural Sector Development Council

Building Opportunities for Business Inner City Society

Canadian Community Economic Development Network

Community Economic Development Technical Assistance Program BC

Community Futures Development Association of BC

EcoTrust Canada

Fraser Valley Centre for Social Enterprise

Institute for Media Policy and Civil Society

United Community Services Co-operative

United Way of the Lower Mainland

Vancity Capital Corporation

Vancity Community Foundation

Voluntary Sector Forum