

# **SOCIAL ECONOMY? SOLIDARITY ECONOMY? Exploring the Implications of Conceptual Nuance for Acting in a Volatile World**

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## ***Abstract***

*The solidarity economy as a conceptual framework in progress may have significant theoretical and strategic implications for actors in the social economy. The distinct boundaries most social economy actors draw to set themselves apart from the private and public sectors shapes their perception of the terrain upon which action is viewed as either desirable or possible; the "third" sector is the primary locus of strategy and action. In contrast, the solidarity economy thrusts social economy actors into **the spaces** among and between the three economic sectors, inserting reciprocity as the dominant animating driver, creating **a space** for expanding solidarity. Case studies from Montreal and Chicago serve as lenses through which the strategic and practical implications of both conceptual frameworks are explored. The cases **accentuate** the importance of re-thinking how social economy actors conceptualize their work, increasingly so, given such cross-cutting challenges as climate change and peak oil.*

*L'économie solidaire en tant que cadre conceptuel en cours d'élaboration peut avoir une incidence importante sur le plan théorique et stratégique pour les acteurs œuvrant dans le domaine du développement économique. Les cloisons étanches que la plupart des acteurs du développement économique se sont tracées pour se définir par rapport aux secteurs public et privé contribuent à créer leur perception du terrain sur lequel l'intervention est perçue comme étant désirable ou possible; le « troisième » secteur constitue le principal lieu de stratégie et d'action. Par contre, l'économie solidaire exige des acteurs de l'économie sociale qu'ils répartissent l'espace que partagent et qui séparent les trois secteurs économiques dans le but d'engendrer la réciprocité comme force incitative principale; pour créer ainsi un espace d'incubation pour la croissance de la solidarité. Les études de cas de Montréal et de Chicago servent de perspective sous laquelle les répercussions stratégiques et pratiques des deux cadres conceptuels sont étudiées. Les études de cas soulignent l'importance de repenser la façon dont les acteurs de l'économie sociale conceptualisent leur travail, notamment en raison des défis transectoriels actuels, tels que les changements climatiques et le point culminant pétrolier.*

*La Economía Solidaria es un marco conceptual que, a pesar de estar todavía por desarrollar completamente, pueda tener implicaciones teóricas o estratégicas para agentes que promuevan la economía social. La mayoría de estos agentes distinguen entre el sector en que llevan a cabo su trabajo y los sectores privados y públicos, lo cual condiciona los posibles y deseables ámbitos de su actividad; es únicamente este tercer sector que sirve como el enfoque de sus actividades. Por otro lado, en el marco de la Economía Solidaria, agentes de la economía social crean un espacio que engloba los tres sectores económicos, con la “reciprocidad” como el hilo conductor que a su vez propone la solidaridad. A través de casos de estudios de experiencias en Montreal y Chicago se investigarán las implicaciones estratégicas y prácticas de La Economía Social y La Economía Solidaria. Estos casos enfatizan la importancia de reexaminar como agentes de la Economía Social conceptualizan su trabajo, sobretodo en el contexto de los retos importantes de cambio climático y el Cenit de Petróleo.*

## **INTRODUCTION**

There is a tremendous body of practice and talent associated with a range of movements current in North America: community economic development, economic democracy, social economy, worker ownership, co-operative economy, fair trade, and sustainable community development. All are characterised by a range of concepts, accumulated experience and, to a lesser extent, related research.<sup>i</sup> To varying degrees, all seek to reinsert social goals into the heart of our economic life, an agenda contrary to the economic model of the last four decades.<sup>ii</sup> While many have roots in the 19<sup>th</sup> century struggles of people relegated to the margins by the industrial revolution, others have grown out of the modern “margins,” where failures of “free market” orthodoxy have created expanding enclaves in which people had few options other than to try to invent economic alternatives. The concepts of social economy and, more recently, solidarity economy, are being proffered as frameworks for advancing the “on-the-ground” construction of economic alternatives that have been springing up across the globe.

However, outside of the Canadian province of Quebec, neither the solidarity economy nor the social economy are yet in the common vocabulary.<sup>iii</sup> Even among practitioners and activists in the various movements cited, one seldom hears either the social or the solidarity economy invoked. In contrast, in parts of western Europe and Latin America, and to a somewhat lesser extent in parts of Africa, both terms are actively applied to a range of socio-economic-cultural development strategies, activities, and structures ranging from the very small and local to the equally large and global.<sup>iv</sup>

This paper starts with two basic conceptual formulations: one developed in the European context that depicts the social economy, and a second that depicts the basic notion of the solidarity economy. Two cases are then briefly summarised, one from Montreal and another from Chicago. The two concepts presented are then applied to each of the cases as a base from which to reflect on possible implications for strategy and practice.

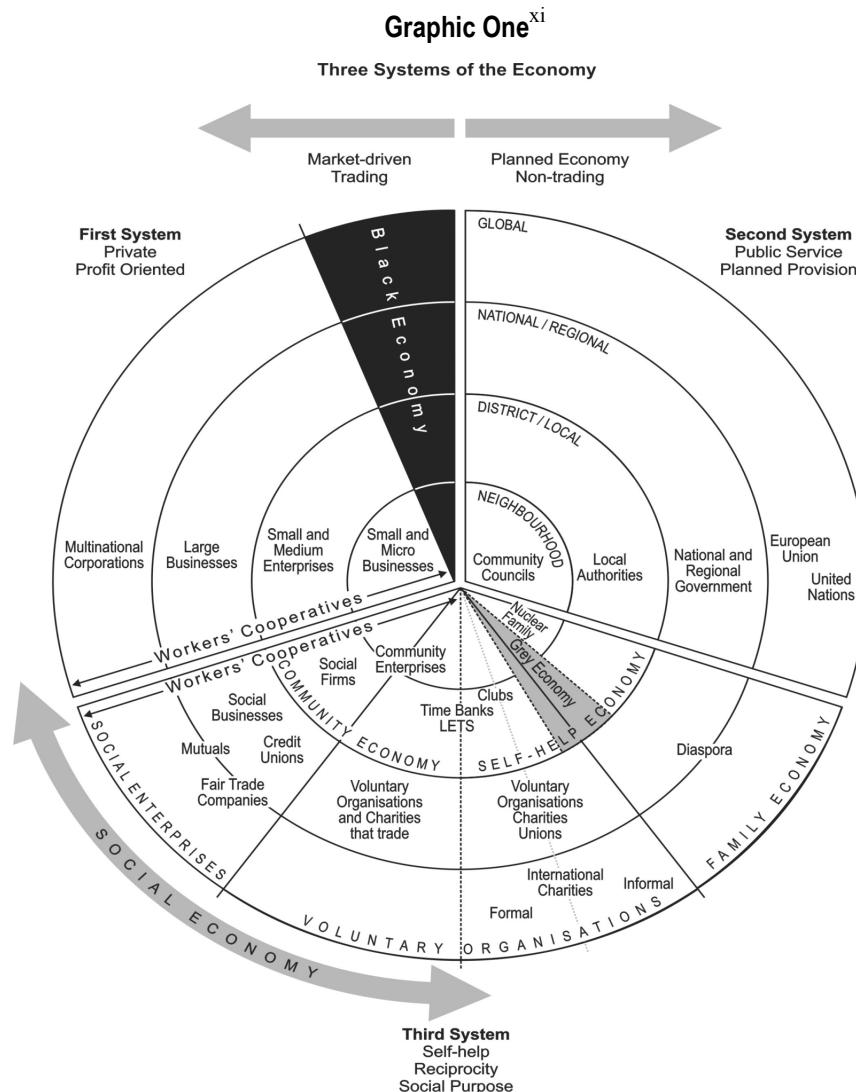
## **EXPLORING THE CONCEPTUAL TERRAIN<sup>v</sup>**

The term solidarity economy is finding expression in a new network that is just emerging: the North American Network for the Solidarity Economy (NANSE). It brings together Canadian and Quebec networks involved in community economic development (CED) with some regional and

national networks in the USA. Even though its first 20 members represent several thousands of organisations and individuals, the work of building the network is at a very early stage, as is the discussion of the solidarity economy introduced in this paper.<sup>vi</sup>

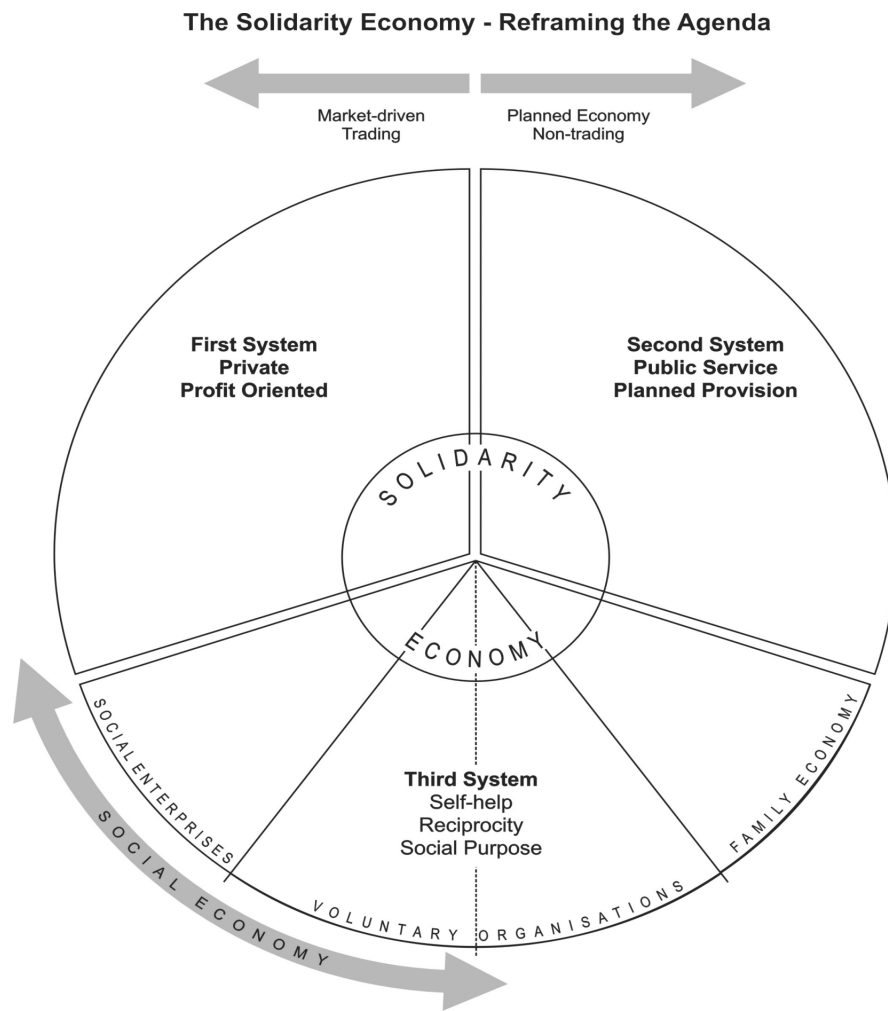
The solidarity economy is conceptually located at the intersection of the private, public, and social economy sectors. It explicitly assumes engagement of all three sectors. In contrast, the social economy is often referred to as the third sector, occupying the societal space between the public and private sectors. The difference between the two concepts can be expressed graphically.

Graphic One<sup>vii</sup> (see below) places the social economy within what John Pearce calls the “third system.” This is a useful depiction; it includes the voluntary sector; a range of associations, including trade unions; and the family economy. In broad terms, they share certain features: an orientation to self-help, reciprocity,<sup>viii</sup> and realising social purpose through various types of organisations and associations. Within this broad canvas, the social economy is situated as a subset of the third system; it features market-based trading activities being used to meet social goals. The Quebec definition of social economy enterprise corresponds closely with this concept.<sup>ix</sup> The boundaries between the private (1<sup>st</sup> system), public (2<sup>nd</sup> system), and “third system,” while permeable, remain conceptually distinct, their differing interests expressed as private/profit-oriented; public service/planned provision; and self-help, reciprocity,<sup>x</sup> and social purpose.



The social economy as depicted by Pearce represents a broad social consciousness within civil society where the interests of the poor, immigrant, worker, and women’s groups are explicitly recognised and integrated into production settings through various types of social enterprise, including co-ops. Within these boundaries, there are different perspectives on the role of the social economy in social change. The reformists generally focus attention on seeking greater allocation of resources to better support the marginalised constituencies their work seeks to empower. Part of making this happen leads to a secondary goal: attaining equal standing as the third sector, alongside the state and the market.<sup>xii</sup> A more radical perspective views the social economy as a transformative strategy—a construction site for building practical strategies, tools, and institutions capable of challenging neo-liberal hegemony in the market and the state.

In the diagram below<sup>xiii</sup>, the solidarity economy is depicted as a small circle cutting across the boundaries of all three systems. However, the aim is large—to compete against the dominant *low road* development paradigm, expanding the reach and scale of *high road* strategies across all of society.<sup>xiv</sup> The scope of this agenda parallels the radical view of the social economy as a transformative strategy.



The conceptual cloth is cut quite differently, however. While inclusive of the three systems of the economy, solidarity economy advances the idea that the boundaries need to be reconceived, not from the perspective of the three economic systems themselves, but rather from the perspective of informing strategy and action. From the vantage point of strategy, what becomes important is not so much which part of the three systems one occupies, but whether commitments and actions within any one of the three reflect the “life-damaging, growth-addicted features of *low road* capitalism” or if they reflect *high road* strategies where “the values of justice, inclusion, balance, diversity, ecological sustainability, and financial viability are of central importance.”

This conceptualisation renders the social economy and the solidarity economy as complementary. Both share common values. As well, if one views the solidarity economy as an approach that is explicitly seeking to contend for *high road* values and practices in all three “economic systems,” the complementary relationship is accented. Indeed, it has already been argued within early NANSE discussions that the social economy should be seen as the kingpin in forging an economy where solidarity is the central attribute; after all, social economy organisations are the only market-based organisations currently placing social goals at the centre of the development equation.<sup>xv</sup>

As a strategic approach to transformation, the solidarity economy significantly expands for many in the social economy what is considered to be the legitimate terrain of engagement. The depiction of the social economy as the third sector, or as a part of the “third system,” may be fine with respect to conceptually representing the economy as is, but this paper suggests that the conceptual boundaries need to be loosened and expanded to adequately inform strategy and action, particularly in light of unprecedented cross-cutting trends such as, for example, peak oil and climate change, the implications of which cut across all segments of human society.

This re-cutting of the conceptual cloth has potentially profound implications for the scope, targets, and criteria that guide alliance-building for those committed to transformative change. One central implication is that actors within any one of Pearce’s *three systems* can follow either a *high road* or a *low road* strategy. Values, priorities, policy, and performance are the distinguishing features. Strategy based on this premise thus promotes solidarity and common action across community, labour, business, government, finance, and educators, and is directed towards goals rooted in *high road* values.

## CASE SUMMARIES

Two case summaries are presented as a base from which to begin exploring the implications of these ideas.

### **Revitalising Place: The Case of RESO in Southwest Montreal<sup>xvi</sup>**

RESO (Regroupement pour la Relance Économique et Sociale du Sud-Ouest de Montréal) began with a mandate for the economic and social renewal of southwest Montreal, an area that suffered continuous industrial decline from the 1960s through the early 1990s. By the mid 1980s, 40 to 50 percent of the people in what were once solid working-class neighbourhoods lived below the poverty line.

In 1984, organisations in the Point St. Charles neighbourhood began organising against the ongoing loss of manufacturing jobs and pressures to gentrify. In 1989, these efforts culminated in

the formation of RESO, a unique partnership focused on renewal of the five poorest neighbourhoods in the city's southwest.

RESO evolved into a membership-based organisation. Four major organisational member categories elect their own representatives to the board—four from the community movement, two from trade unions, one from big business, and one from small business. Today, there are 300 organisational members and 1500 individual members of RESO, this latter group also elects a member to the board. These are impressive numbers when one considers that the total population of the five neighbourhoods is only 80,000.

For several years, the primary services housed in RESO were focused on human resource development and training, and a range of technical assistance aimed at business retention and development. However, owing to the comprehensive nature of its mandate, the organisation mobilised its membership around issues related to land use, development of infrastructure, promotion of the area, and more broadly, representation, consultation, and promotion related to community economic development and the development of the Montreal region. From the outset, they have maintained a clear commitment to forging innovative approaches to reaching those hardest to reach, for example, chronically unemployed youth.

On the employment side, RESO directly provides and brokers training and job development services for up to 1500 people each year. It also has provided technical assistance to hundreds of businesses over the years, uniquely positioning them to customise their training investments to the needs of local business. Competency-based curricula directly derived from profiling of business labour market needs are now among their capabilities. Through this integrated approach, RESO is building effective bridges between the needs of the poor and the needs of the business community.

One interesting example of the outreach to business is what they call an early warning system designed to alert RESO of the potential loss of a business. Trade unions that see potential problems in their employers—for example, a business owner retiring with no buyer, financial difficulties, or market problems—and issue a warning to RESO. Staff then sit down with management and union to problem solve (e.g., a succession problem could lead to a worker buy-out).

The synergy created by RESO's integrated approach is further illustrated by the actions of the largest manufacturer in southwest Montreal. Through involvement on the RESO board, the CEO of this company, Fausto Levy, became convinced his company had a responsibility to re-orient its business to maximise its impact on neighbourhood revitalisation. One method was to maximise the local purchases from the company's \$70 million annual procurement budget. One of the more dramatic impacts was a Spanish supplier opening a business in Montreal in order to keep the \$5-6 million annual supply contract it had enjoyed for several years. "Move or lose" was the message. The result was 65 new jobs, all of which were required to give priority to neighbourhood people referred by RESO.

The results of these and other actions were significant. By the mid-1990s, Statistics Canada reported that the decline in manufacturing was stopped for the first time in over 20 years.

In the mid-'90s, RESO added another major function to its community renewal arsenal: a community venture capital fund. Along with the Quebec Solidarity Fund, and with support from the federal and provincial governments, RESO established a neighbourhood investment fund of

\$5 million, enabling it to vest itself as a business owner where appropriate, creating jobs and diversifying its financial base.

Many believe the success of RESO is founded on the wide coalition of interests it organised around, as well as its common goals and concrete strategies. “The ability of RESO to bring all these diverse people together has been remarkable,” asserts Fausto Levy, the CEO convert from big business and former board member. “It provides a forum for everyone to discuss issues that are important to them and allows for understanding to begin. As a result, we've been able to solve many problems with everyone being very satisfied.”

This is echoed by Gaston Lemieux, president of the local Aluminum, Brick, and Glass Workers Union, who thinks of RESO as a key ally. “RESO is assisting people who have been out of work for a number of years. They are there to consolidate employment and help find new markets. This has been an important service for our members.” That a wide range of interests is included is a major plus for Lemieux: “RESO is a tool that's very useful to the private, public, and commercial sectors as well as to the unions and the community. It gathers all the forces of all the sectors to conserve jobs. All sectors are interconnected. RESO is the forum where everyone can get together and make things work again.”

Although RESO was incubating social enterprises from its beginning, the evolution of the Chantier l'économie sociale in Quebec in 1997 expanded resources for social enterprise in the province. Between 1998 and 2003, RESO helped some 40 social enterprises come into being, creating close to 500 neighbourhood jobs.

After almost 20 years, RESO's mandate for social and economic renewal in what were once Montreal's most impoverished neighbourhoods has been transformed: it is now focused on managing growth. Long term sustainability and enhanced quality of life are now key priorities shaping the ongoing work of RESO to empower people to support themselves, their families, and their community through individual and collective action.

## **Revitalising the Manufacturing Sector in Chicago through a “Social” Partnership**

The Chicago Manufacturing Renaissance Council (CMRC) was created in July 2005. Born of a history of 25 years of de-industrialisation and 200,000 associated job losses, the CMRC is a unique public/private/community partnership that aims to place Chicago manufacturing back into the top ranks of global innovation. To make this happen, three principles are seen as crucial:

1. Commitment to a genuine social partnership of labour, business, community, and government;
2. Each partner is essential to the design and implementation of each initiative undertaken;
3. Commitment to development that is economically, socially, and environmentally sustainable.

By bringing together all the stakeholders, the Council is explicitly setting out to develop long-term, “high road” solutions that will help manufacturing companies:

1. become more innovative in production;
2. reinvest in equipment and in their workforce;

3. improve the educational institutions that produce the next generation of workers;
4. ensure that government and labour support the sustainability and growth of manufacturing companies; and
5. the revitalisation and renewal of some of Chicago's most devastated neighbourhoods.

The major issue that gave rise to the CMRC was the inability of small, privately held and locally owned manufacturing companies to find a workforce with the education and skill levels needed to compete in the high value-added segment of manufacturing—the sector where developed countries still have a competitive advantage.

In 2001, the Centre for Labor and Community Research (CLCR) and the Chicago Federation of Labor (CFL) conducted an analysis (called *Creating a Manufacturing Career Path System in Cook County*) of the manufacturing workforce development system in Cook County, Illinois. Their research uncovered a non-performing system in public education that failed to meet the skills needs of the manufacturing companies and residents. The report outlined a 20-year strategic plan, including the creation of small high schools linked to the manufacturing sector.

The Illinois Manufacturer's Association (IMA), representing some 4,000 manufacturing companies in Illinois, immediately took interest in the CLCR approach. Some of the IMA member companies are larger firms that have the ability to move around the world in order to solve their workforce challenges. However, more than 85 percent of IMA members are small, privately held companies with limited resources. This sector of companies is facing a loss of 40 percent of their workforce over the next 10 years.

The IMA commissioned the CLCR to conduct a study on Illinois manufacturing. The report, *The State of Illinois Manufacturing*, encouraged the IMA to form a “high road” partnership with labour, government, and community groups around a common vision. The focus today should be on competing in the high value-added sector of manufacturing and making complex products. This report conceived of a basic strategy: strive to create a competitive advantage by producing the products that companies can charge the most to produce allowing employers to pay higher wages and provide good benefits while still making a solid return. This type of production requires a world-class education system, as well as a world-class social, physical, and technological infrastructure. Mutual investment and mutual responsibility by both the public and private sectors coupled with a strong role for civil society and community is viewed as fundamental to achieving this goal in a way that makes business and social sense.

These linkages are well illustrated by the first major investment being undertaken: the design and initiation of a manufacturing-centred high school in Chicago's Austin community, one of the most marginalised neighbourhoods in the entire urban region.

Austin Polytechnical Academy will be a small public school. The school opened with a freshman class of 140 students in September 2007, with the plan to add a class per year to reach a size of 550 students.

Residents of Austin have witnessed the dramatic loss of manufacturing companies and jobs over the last 25 years. Roughly 20,000 industrial jobs were lost in this community with devastating effect: 30 percent of individuals live below the poverty line and 30 percent of all households receive public assistance.



One Austin resident, Shonta Arrington, told the Chicago Board of Education at a presentation of the school's design plan: "Austin Polytech is the first thing in many years that has given me hope for Austin. Now our children can be leaders in the global economy, rather than its victims."

So far, 24 companies have partnered with the school to provide general support, work-exposure for freshman students, internships and summer jobs for students, and prospects for full-time employment upon graduation. Companies as well as teachers, community members, parents, and students are represented on the newly minted governing body of the school.

This school is a completely different concept than what has become the typical vocational educational experience, which often extends the discriminatory practices of the larger society in relation to black, poor neighbourhoods. Austin Polytech will promote career paths in skilled production positions, as well as in the management and ownership of companies. Students will be educated on the basis of *high road* values and priorities for companies and their communities.

More specifically, Austin Polytech is anchored in a specific development agenda for the local community that is consistent with that of the Council. The focus is on creating a mixed economy with a strong and vibrant high-performance manufacturing sector at its core.

## **EXPLORING THE TWO MODELS THROUGH THE CASE STUDIES**

The two case studies provide a rich basis from which to explore the applications of each model.

### **Animating Principles and System Boundaries**

As identified earlier, the Pearce conception draws quite rigid boundaries between the private, public, and civil/social economy systems. John Restakis, a Canadian working in the area of co-operatives, persuasively argues that the three systems are animated by distinct economic principles. While there may be some permeability across boundaries, there is no changing the logic that animates each sector.<sup>xvii</sup>

The focus within the private (or capitalist) sector is the exchange of goods and services for commercial gain. Ownership is determined by the private control of capital. The primary purpose is to maximise returns on investment to shareholders. Capital controls labour. The key aim of the commercial exchange is the economic principle of *efficiency*.<sup>xviii</sup>

The operations of the public sector are focused on the redistribution of wealth and the provision of public goods, the aim of which is to promote the economic principle of *equality*.

The economic principle that animates the social economy is *reciprocity*. The primary purpose of social economy organisations is the promotion of mutual collective benefit. The aim of reciprocity is human bonding or *solidarity*. In contrast to the private sector principle of capital control over labour, reciprocity places labour, citizens, or consumers in control over capital.

Under the Restakis definition, the "social economy" includes all co-operatives and credit unions, non-profit and volunteer organisations, charities and foundations, service associations, community enterprises, and social enterprises that use market mechanisms to pursue explicit social objectives. For-profit enterprises would only be included if surpluses are mutually shared by members in a collectively owned structure. No government or private businesses of any kind are included.

Let's now turn to the case summaries as a means of exploring these assertions. Each of the cases features convening/managing organisations (RESO and CLCR) that are social economy

organisations by the Restakis and Pearce definitions. However, their governance structures, their constituencies, their partners, their clients, and their funders include significant private and public sector engagement. RESO provides a wide range of services and supports that benefit locally based private business as well as a full range of social enterprises. Similarly, the Chicago Manufacturing Renaissance is a “three system” initiative with “mutual economic and social goals” embedded in its mandate. Moreover, key players from each “system” are involved financially, strategically, and operationally. Guided by a social economy organisation (CLCR), the various actors have jointly decided that their first major investment will, in effect, create another social economy organisation: the Austin Polytechnical Institute, a community/sector controlled social enterprise that functionally links rebuilding the manufacturing sector to high quality education, poverty reduction, and neighbourhood revitalisation.

Do not these cases clearly reflect a level of relationship, social purpose, mutual aid, and reciprocity, and thus challenge the boundaries depicted by Pearce and Restakis, even in their most permeable interpretation? Is it not arguable that if either RESO or CLCR had confined their strategic targets, partnerships, and alliances only to actors occupying the “third system” that the likelihood of generating the level of innovation and socio-economic impacts would have been radically reduced?

In contrast, the graphic depiction of the solidarity economy encourages an orientation to transformation that cuts across each of the systems. While not denying the notion that the animating economic principles in each sector continue to influence action or that each represent distinct parts of the “economy,” the solidarity economy presents a powerful conceptual clarification. It challenges “system” smugness on the part of actors in all sectors. It explicitly encourages collaboration that enlarges the space within which reciprocity can be re-woven into the fabric of the community. It commits actors in the “third system” to aggressively advance their key aims and principles in both the market and the public sectors. Thus, strategic thinking and engagement are opened up; bridges across old divides are built and reinforced.

However, while the two case studies demonstrate the importance of not being captured by exclusionary assumptions that narrow the domain of action, they also elevate the importance of leadership and organisations rooted in values, principles, and aims that “animate” the “third system.” The values, priorities, and capacities of “third system” social economy organisations have been central to animating, mobilising, and managing the wide range of actors and resources necessary to achieve concrete results—results that reveal the strategic importance of reinserting reciprocity and social goals into the heart of our economic life.

### ***The Low Road and the High Road: The Idea of a Cross-Cutting Continuum***

Earlier, I implied that the aligning of interests within the solidarity economy framework was not primarily determined by which of the three systems one occupies, but rather the extent within which any one of the three reflects the “life-damaging, growth-addicted features of *low road* capitalism” or whether they reflect *high road* strategies where “the values of justice, inclusion, balance, diversity, ecological sustainability, and economic viability are of central importance.”

These “low road” and “high road” metaphors imply a continuum, as illustrated below.

1. In the private sector, Enron and World.com represent *low road*, predatory, life-damaging companies, while The Body Shop and IKEA are companies that explicitly pursue *high road* strategies.

2. A *low road* example in the civil society or social economy would be negotiating a “community benefits agreement” with Wal-Mart, a company that prides itself on providing “the lowest price anywhere”—achieved, some would say, by their low wages, poor benefits, negative impacts on local ownership, and exploitative relationships with many of its suppliers.<sup>xix</sup> In contrast, CLCR was part of a campaign to block Wal-Mart entering Chicago’s inner-city communities. Rather than a “community benefits agreement,” CLCR argued for competing with Wal-Mart in the market with the creation of a big-box co-operative retail store modelled on *Co-op Italia* in Emilia Romagna, and *Eroski* in Spain. The “market” has the space for competition between both business strategies.
3. A union that pursues negotiating an excessive wage and benefit agreement with no recognition of a company that clearly is working to achieve a *high road* strategy, is an example of *low road* behaviour; while a union that is prepared to consider all the factors in play in the environment in designing a fair proposal in an open and transparent way, represents the *high road* strategy.
4. A public agency that seeks resources and alliances to pro-actively attempt to scale-up innovations that are successfully solving real problems, is on the *high road*. In contrast, the *low road* is illustrated by agencies ruled by the rules, even if they block achievement of significant outcomes.

While lacking in conceptual precision, the power of the metaphor is in its cross-cutting application; within each of the “three systems” there are examples of high- and low-road behaviours. Indeed, a closer examination of a wide range of case studies in the CED and social economy fields would likely reveal many gradations and grey areas along the continuum. It thus seems prudent to raise a question of theoretical and practical importance: Is reciprocity only relevant as an animating principle to actors within the “third system?”

The two cases challenge the view that reciprocity is narrowly restricted . Is not a central feature of both cases the "promotion of mutual collective benefit"?<sup>xx</sup> Does not the mutuality extend across and among all three systems? Are not social goals embedded in the economic decision making and strategy? How could one argue that investing in a school in the middle of the most devastated in Chicago is not a poignant example of reinserting social goals into the midst of our economic life? Based on these cases, how could one demarcate the limits within which the animating power of reciprocity is at work just to the "third system"? Is there not evidence within the two cases that "human bonding and solidarity" are at work, thus fulfilling two of the key aims of reciprocity?<sup>xxi</sup>

Theoretically, these case studies seriously undermine the argument for confining reciprocity to the third system. Indeed, the successes generated by RESO and CLCR required the deliberate creation and expansion of a community/societal space within which reciprocity became a central economic principle. To have excluded the private and/or public sectors from the strategic domain would have been self-defeating, based on our reading of the evidence.

## **A CHANGING CONTEXT REQUIRES A DIFFERENT MINDSET**

It is fascinating to consider the contexts out of which innovations in the social economy, CED, economic democracy, co-operatives, and social enterprise have emerged. How many gated communities have established a social enterprise or a CED organisation as a vehicle for realising

social change? In contrast, consider where key social innovations have emerged—and still do: where markets have failed; among people, places and sectors marginalised from social and economic participation; among those who are unable to meet basic needs.

Many of the innovations that make up the “third system”—co-operatives, credit unions, CED organisations, trade unions, a wide range of non-profit organisations and associations, etc.—were given life as a response to what people viewed as the unacceptable human and community consequences of exclusion and oppression by the wealthy and powerful. Building the co-operative economy, mobilising citizens to reciprocally share resources, organising workers to defend their interests against unregulated capitalists—all were all part of addressing the concrete circumstances of the day. Some continue right into the present.

In Montreal and Chicago, contexts that experienced rapid industrial decline in the last 30 years that devastated hundreds of thousands blue-collar jobs and some neighbourhoods, stemming the tide of decline in particular places and sectors demanded a strategy that animated, advocated, and eventually facilitated the multi-stakeholder collaboration central to the results achieved to date.

Today, there are global trends more powerful and expansive than those that shaped the context out of which earlier innovations evolved. Communication is global, immediate, and cheap; animation, education, and organisation are possible in ways unimaginable even 25 years ago. Second, the human- and planet-threatening consequences of continuing down a consumption-led, self-justifying economic “free-for-all” driven by a “personal gain is good” philosophy is still only being challenged by a very small portion of the world’s population. The Global Values Network suggests that only 6 percent of the world’s people currently have values that support the kinds of integrated changes necessary to have significant impact.<sup>xxii</sup> Such integrated approaches to change are crucial. Climate change and peak oil, access to and security of food and water supplies, and the increasing numbers of fellow human beings suffering exclusion and poverty; are all issues we cannot effectively address in our “system” silos.

In this unprecedented and bewildering context, the cross-cutting strategy embedded in the concept of the solidarity economy appears a better meta-framework from which to chart the terrain in the 21st century. This need not imply that “social economy” actors ignore their own domain. Quite the opposite, in fact. The solutions we so desperately need to invent in the 21st century will require us to practice the economic principle of reciprocity more rigorously, creatively, and broadly. Social economy organisations must become more effective as agents capable of creating the societal space within which solidarity can be extended. This requires keeping a broad view of the larger system, a continuous scan for opportunities to extend and expand life-supporting innovations. Vigorously building and scaling-up innovations where reciprocity is the central economic principle is vital.

The graphic below attempts to locate where we are at present within the over all schematic. The circle of solidarity is small, evident more in the “third system,” less so in the other two. The boundaries are open within the circle, still divided beyond it. Within, there is a conscious striving to journey on the high road. It is much more mixed beyond the circle and there is much less consciousness. The actions of those within the circle, their capacity to ruminate, agitate, animate, educate, communicate, advocate, and consummate innovations that reach beyond the “inner circle” is of fundamental importance to facilitating positive social and economic change. The healthier it is inside the circle, the stronger the bonds, and the greater will be its leavening capacity, its ability to promote and facilitate positive change.

In summary, the solidarity economy demands we explicitly contend for “third system” values (*justice, inclusion, balance, ecological sustainability, and economic viability*) and the economic principle of reciprocity in both the marketplace and in the state. As solidarity grows, space and relationships are created that can incubate ongoing innovation and scaling-up of success, thus expanding the circle, thus constructing and extending the high road as it is travelled.

Viewed thus, solidarity becomes more than a result, more than a strategy; it is a vital resource, a source of energy and perspective that helps us move beyond the pedantic and the pedestrian, and compels us to act out of a deeper, moral consciousness.

In his book, *An Inconvenient Truth*, Al Gore invokes the potential for this generation to be awakened to the compelling moral responsibilities that climate change challenges us with; to transform our individual and collective lives into a new pattern, one that ensures the survival of the planet and humans yet unborn. The context for making human history—or closing it—is upon us. Conceptual formulations that served us even 40 years ago are being outstripped by unprecedented demands of poorly understood trends. The solidarity economy has the potential to contribute to this transformation; to inject energy, creativity, and organising capacity into the most compelling and difficult transition human beings may ever have the opportunity to make. Whether its potential will be realised remains a challenge that is just beginning to be addressed.

## NOTES

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<sup>i</sup> Lewis, Mike. 2007. *Constructing a Sustainable Future: Exploring the Strategic Relevance of Social and Solidarity Economy Frameworks*, Centre for Community Enterprise and the BC-Alberta Research Alliance on the Social Economy. This paper, in addition to introducing the conceptual discussion from which this current paper has evolved, provides a synoptic overview of how these various threads have evolved. They are the base from which the thinking, experience, and leadership around the social economy and the solidarity economy is drawn. Available at the website: [www.socialeconomy-bcalberta.ca](http://www.socialeconomy-bcalberta.ca)

<sup>ii</sup> Confining this condition to just four decades is not entirely accurate. Economic historians, such as Karl Polanyi, suggest that the process of disembodiment of social relations as a key factor in economic life began several hundred years ago, egged on by the adaptation (and distortion) of Adam Smith's thinking, the steam revolution (technological innovation), and the industrial revolution.

<sup>iii</sup> In Quebec, the language has evolved from l'économie sociale to include both social and solidarity in the same phrase as economy: l'économie sociale et solidaire. A recently organised francophone network in Ontario is the first in Canada to restrict itself to the use of the word solidarity: Économie Solidaire d'Ontario. It is interesting to note that the first Canadian paper on the subject of the solidarity economy was written in 1993 by William Ninacs and Louis Favreau, both of whom continue to do extensive research related to the field. Their thinking and work has been heavily influenced by the French writer, Jean Louis Laville.

<sup>iv</sup> It is important to note that there is a much more extensive debate on the terms "social economy" and "solidarity economy" elsewhere. For example, in France, the social economy and the solidarity economy are not used in the same breath. The social economy encompasses the historical legacy of the co-operative, finance, and mutual innovations born in the 19<sup>th</sup> century and expanded in the 20<sup>th</sup>. The charge is that over time, many of these innovations evolved into inflexible businesses indistinguishable from many others operating under private ownership. Through the 1980s and especially in the early 1990s, unemployment became extremely high in France. The notion of the solidarity economy evolved in this context. Enterprises committed to working with the poor became a key feature of this approach. Buttressed by people in the Green Party and disgruntled Communists, the experimentation extended from training businesses to a new generation of co-ops and various approaches to democratising local development. The old co-op movement (social economy) was severely criticised. Similar development evolved in Spain. Across different continents, the cleavages are often less pronounced.

<sup>v</sup> This section is taken from an earlier paper. Lewis, Mike. 2007. *Constructing a Sustainable Future: Exploring the Strategic Relevance of Social and Solidarity Economy Frameworks*. Centre for Community Enterprise, Port Alberni, BC.

<sup>vi</sup> Despite the nascent nature of the discussion, leadership in NANSE and the networking involved in successfully launching the first US Social Forum held in June 2007, converged to give birth to the US Solidarity Economy Network.

<sup>vii</sup> Pearce, John. 2003. *Social Enterprise in Any Town*, published by the Calouste Gulbenkian Foundation, UK; [www.centralbooks.co.uk](http://www.centralbooks.co.uk)

<sup>viii</sup> In the original Pearce graphic, the word "reciprocity" was not used; "mutual aid" was the third term. The authors replaced "mutual aid" with "reciprocity," which is discussed within the paper as a key economic principle as outlined by John Restakis (see note 17 for reference).

<sup>ix</sup> The Chantier l'économie sociale in Quebec is a network of networks that together promotes the expansion of the social economy in Quebec, Chantier in French means construction site, and that is exactly what it became, a construction site for expanding the social economy in Quebec. Promoting and creating the environment for the growth of social economy enterprises is the Chantier's central priority. They assert five key principles. They are the foundation for their definition. All fall well within the conceptual formulation of Pearce.

- *the objective of the social economy enterprise is to serve its members or the community, instead of simply striving for financial profit;*
- *the social economy enterprise is autonomous of the State;*

- *in its statute and code of conduct, it establishes a democratic decision-making process that implies the necessary participation of users and workers;*
- *it gives priority to people and work over capital in the distribution of revenue and surplus;*
- *its activities are based on principles of participation, empowerment, and individual and collective responsibility.*

<sup>x</sup> The term “mutual aid” was used in the original Pearce graphic. This has been replaced here by “reciprocity.” It should be noted that there are other minor changes in the graphic that were done to contextualise the language a bit more to the North American context.

<sup>xi</sup> This is an adapted graphic from the original presented by John Pearce in his book, *Social Enterprise in Any Town* (see 21 below). This book elaborates the various components of the graphic to some extent. Reviews of an early draft of this paper noted that there may be confusion about the grey economy. Where the black economy refers to criminal, illegal activity, the grey economy refers to the exchange of goods and services between individuals and groups where the value is not declared for tax purposes. This is, strictly speaking, illegal, but it is qualitatively different than criminal activities in the black economy. Indeed, for some people it is a matter of survival.

<sup>xii</sup> Minutes of conference call of the US organising committee of NANSE.

<sup>xiii</sup> This graphic is adapted from the Pearce graphic presented earlier. The original can be found in *Social Enterprise in Any Town* by John Pearce, 2003. Calouste Gulbenkian Foundation, United Kingdom.

<sup>xiv</sup> This explanatory note comes from the Centre for Community & Labour Research:

Defining the High Road and Low Road is not science but a judgment. Typically companies, organisations, and agencies have a mix of both High Road and Low Road practices. The intent is to understand and reward the High Road, as well as to understand and discourage the Low Road. In both the private and public sectors, the High Road seeks a strong return on investment by:

- Being smarter and investing in innovation in the more competitive environment;
- Making a commitment to the continual enhancement of employees’ skills;
- Being more efficient and cutting waste;
- Having a long-term vision and commitment;
- Providing strong material incentives for high performance, as well as providing decent wages, benefits, and security;
- Promoting useful partnerships with stakeholders both within the firm, in the sector, and in the community; and
- Being transparent, straightforward and fair.

At the very heart of a High Road strategy is a commitment to innovation, such as developing new niches and markets, adding value to existing products, investing in research and development, expanding market share, and improving the efficiency of the productive process and the productivity of employees. Some would see this as the way manufacturing was generally done in the past; it is not a particularly new concept.

In contrast, the Low Road in business seeks a strong return on investment by:

- Emphasising short-term gains, even if they mean postponing or sacrificing improvements in the productive capacity of the company or sector;
- Keeping wages and benefits at the lowest possible levels;
- Managing by intimidation, undermining employee initiative, and discouraging the exercise of employee rights; and
- Ignoring the needs and concerns of those beyond the most short-sighted and powerful shareholders, investors, and/or managers.

In the public sector, the Low Road also exists when particular organisations or agencies place their own rewards and benefit as such a high priority that they are willing to do damage to their partners or the broader economy. For example:

- In government—holding on to bureaucratic strength and privilege no matter what the consequence for the public;
- In labour—negotiations for an excessive contract with an employer that is really trying to find the High Road that places the company fundamentally at risk in the pursuit of short-term benefits for union members; or

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- In community—pursing a “community benefits agreement” for a specific constituency with a company such as Wal-Mart whose business plan will devastate the regional economy.

<sup>xv</sup> Private correspondence with Yvon Poirier, Quebec City. Yvon is a long-time worker in CED and the social economy in Quebec, Canada, and internationally through the Intercontinental Network on the Social Solidarity Economy.

<sup>xvi</sup> This summary was synthesised from several sources: (a) Perry, Stewart, and Mike Lewis. 1994. *Reinventing the Local Economy: What 10 Canadian Initiatives Can Teach Us About Building Creative, Inclusive, & Sustainable Communities*. (b) Richard, Pierre. “Transformed by Community Economic Development: Southwest Montreal now has a Future as well as a Past,” *Making Waves*, 2004; Centre for Community Enterprise. (c) Lewis, Mike. *Eight Canadian Stories of CED Success*; unpublished; later revised by the Canadian CED Network in 2003 for communicating to a wider public.

<sup>xvii</sup> Restakis, John. 2005. *Defining the Social Economy: The BC Context*; The BC Round Table on the Social Economy. The section on definition of economic principles and who is included in the social economy are taken from the Restakis paper.

<sup>xviii</sup> 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 maximising the commercial utility of the individual as an economic agent.

<sup>xix</sup> Stone, Kenneth. 1997. *The Impact of the Wal-Mart Phenomenon on Rural Communities*; Proceedings: Increasing Understanding of Public Problems and Policies, Farm Foundation, Chicago.

<sup>xx</sup> *Ibid.* 16; page 11. The questions that are posed here are derived directly from the Restakis assertions on the nature of reciprocity.

<sup>xxi</sup> *Ibid.* 16; page 11.

<sup>xxii</sup> Tonkin, Alan. 2003. “Climate Change and Value.” [GlobalValuesNetwork.com](http://GlobalValuesNetwork.com). See also Issue 2.4, August 14, 2007: [www.integralcity.com](http://www.integralcity.com)

<sup>xxiii</sup> The idea for this graphic came from Yvon Poirier, Quebec City.