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SOCIAL ECONOMY

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The social economy refers to the economic activities carried out by cooperatives, associations (or non-profit organizations), mutuals and, more recently, foundations.

Often called the “third sector,” the social economy differs from the capitalist economy and public economy in that it combines private (autonomous and economic risk taking) yet collective (associative) entrepreneurship and management with goals that are not focused on profit (mutual or public interest). Social economy organizations and enterprises operate according to a common set of principles: the finality of providing services to members or the community, the democratic governance by members, and the primacy of individuals and the social objective over capital in the allocation of revenues.

The social economy also refers to activities aimed at experimenting with new operating models for the economy, such as local trade systems and community currencies, fair trade, community economic development, social integration through economic activity, microfinance and solidarity finance.

Older forms of associations have existed through the ages. But the modern social economy was born in the last third of the 18th century in Europe and during the 19th century in America in reaction to the expansion of the market economy and as a result of the recognition of freedom of association (Vienney, 1980; Desroche, 1983; Gueslin, 1987; Chanial, 2009). It emerged in the wake of rural and labour movements that mixed mutual aid with production in common and called for political regulation of the economy (Petitclerc, 2007). The institution of social rights and the success of the market economy were the main reasons the social economy primarily played the role of a «sector» from the second half of the 19th century to the middle of the 20th century (Fauquet, 1965). With the crisis of Fordism and of the welfare State, new social economy organizations emerged in the 1970s and 1980s in the wake of civil society and new social movements that challenged exclusion in the spheres of work and collective services (Bélanger and Lévesque, 1992) and called for new forms of engagement in the public sphere (Eme and Laville, 1994; Laville, 1994). These organizations emerged not only to respond to social aspirations, but also to meet new needs brought on by the employment and labour crisis, the reorganization of social services, and new forms of territorial regulation (Favreau and Lévesque, 1996; Klein, 1989).

Although social economy enterprises and organizations share a historical basis and common principles, they are also a heterogeneous group in a number of ways. First of all, they differ in their institutional forms, which often translate into different legal statuses. A *cooperative* is a group of persons that has freely gathered to meet common social, economic and cultural needs and aspirations through jointly owned and democratically controlled enterprises that they use as consumers, workers or producers. An *association* (known in Quebec as a non-profit organization) is formed by at least three persons united voluntarily to carry out joint activities. Associations are subject to the constraint that they may not distribute their benefits, which may only be used to develop their activities. «Social economy» associations are those that undertake economic activities that generate goods and services used by their members or third parties. A *mutual* is a group of persons pursuing a social, non-profit goal that consists in offering protection to members and their families from the impacts of various social risks (illness, fire, etc.). A *foundation* is a non-profit legal entity created by one or more donors, which may be natural persons or legal entities, to perform charity or public interest work. Public foundations that generate goods or services and adopt a democratic decision-making process are more and more often referred to as being part of the social economy.

Different societal models exist in which the social economy assumes contrasting roles (Lévesque and Vaillancourt, 1998; Demoustier, 2001). In a welfare-State model, the social economy subsists only residually, been conceived of as strictly complementing the public network and nothing more. In a liberal or neoliberal model, where State intervention is meant to remain minimal, the social economy is in charge of non-market and redistributive activities, supported by philanthropy, volunteer work and the informal economy instead of public funding (Chaves and Monzón Campos, 2005). In an enabling-State model, a plurality of social actors share responsibilities with the State, namely the social economy, which is engaged in both market and non-market activities, with the objective of democratizing work and services, and even co-driving development through its participation in building public policies (Vaillancourt and Leclerc, 2011). These contrasted visions influence what is expected from the social economy, and orient the measures that are applied to evaluate its contribution (see Bouchard, 2009).

The social economy is described according to three main theoretical approaches. In French-speaking and Latin Europe, the school of *social economy* combines an institutional with a normative approach that identifies legal statuses, operating rules (Vienney, 1980), values shared by organizations, democratic participation in particular, and enterprises that make up the sector (Draperi, 2007). The *solidarity economy* approach (Eme and Laville, 1994; Laville, 1994; Singer, 2005), which was created in France but also exists in Latin America, promotes the ties of reciprocity that characterize economic exchanges and the public space of political debates figuring in new social economy initiatives, such as local community-based service associations. Especially present in Anglo-Saxon countries, the *non-profit organization* (NPO) approach essentially involves associative, non-profit organizations and emphasizes the non-distribution constraint. The first major difference between these theories is that the social economy and solidarity economy approaches, with which the European social enterprise current can be associated (Borzaga and Defourny, 2001), emphasize democratic participation, an aspect ignored by the NPO approach. The other difference is that the NPO approach emphasizes the non-distribution constraint, which practically excludes most cooperatives and a large number of mutuals (Evers and Laville, 2004; Defourny and Develtere, 2009).

For approximately thirty years now, the dominantly non-market components of the social economy (non-profit organizations and cooperatives that do not distribute dividends) have played a large role in generating social services in the public interest, while the dominantly market components (cooperatives and mutuals), which are essentially rooted in local economies, have adapted their activities to globalized markets. In the context of globalization, the social economy may be a counter-proposal to market liberalization. At the same time, however, it is at risk of being instrumentalized by States engaged in privatization, or being trivialized in a competitive environment that prompts it to opt for demutualization. Social and public recognition of the social economy can counteract such obstacles. This requires that the sector be able to communicate its specific value (Bouchard, 2009), which, though different from the market economy, public economy and household economy, also complements them (Evers and Laville, 2004). This recognition also necessitates an innovative re-examination of synergetic connections between State, the market and civil society (Lévesque, Bourque and Forgues, 2001).

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