

'THE SOCIAL ECONOMY' AND SOCIALIST STRATEGY

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## ABSTRACT

Many socialists support the growth of the social economy to develop radical economic democracy and workers' empowerment, and to begin to overcome many of the characteristic splits and dualisms of capitalist society. Yet the social economy is deeply ambiguous in its politics: it is often sponsored by the Right and Centre as a route to workers' self-exploitation, social reproduction on the cheap, privatisation and private enterprise, and thus as a means of class stabilization. We locate this political ambiguity in the contradictions of capitalist accumulation, particularly the contradictions of socialisation of production and reproduction with value relations and class discipline, and show how the social economy has responded to these. This analysis of the mainstream actually-existing social economy throws doubt on its potential for socialists and on some optimistic perspectives among left commentators. We then discuss some elements of an approach to the social economy which could cut against its role in class stabilisation and begin to realise its radical promise, especially by making strong links to popular collective organisations and struggles in the mainstream economy and society. This approach provides an alternative to some recent left perspectives on the social economy which we regard as too modest and pessimistic.

Key words: social economy, community economic development, socialisation, class relations, socialist strategy, workers' empowerment

Neoliberalism has seen the growth in many developed countries of the 'social economy', not-for-profit enterprises frequently producing socially useful and environmentally responsible goods and services. The expansion of this sector has been particularly noticeable in the US and Britain, in contrast to other European countries with stronger traditions of cooperative organisation (Amin *et al.* 2002: 9-11). In the former countries, new social enterprises have particularly been in evidence in poor neighbourhoods (Oatley 1999). Forms of enterprise include cooperatives owned by their labour force and community businesses owned by trusts. Other social enterprises are non-production: community development banks, micro-credit ventures and credit unions; housing cooperatives; Community Development Trusts for redeveloping neighbourhoods; while Local Exchange and Trading Schemes organise mutual production through an alternative currency. These developments are part of what we have called the 'bootstraps' strategy, that attempts to counter the powerlessness of disadvantaged localities in a global economy through bottom-up strategies (Eisenschitz and Gough 1993). The social economy has been particularly popular during the recessions that have punctuated the relative stagnation since the 1970s, including the present one: for the Right and Centre, community enterprise promises stabilisation of class relations, while for the Left it promises jobs and services in the face of capitalist abandonment.

The defining characteristics of the social economy include having a 'social purpose', being run democratically, not distributing profits to individuals, and holding assets in trust for a defined community to whom they are accountable (Pearce 2003:31ff). But the social economy is diverse. Pearce lists nine criteria with which to describe the sector, each of which involves a spectrum rather than a simple duality. In size they span the micro-level to the very large enterprise; they may be located anywhere in the formal or informal economy; and they may or may not make profits. They may be staffed by any combination of volunteers and paid labour,

and they may be anywhere from wholly independent to wholly dependent on state subsidy (Hudson 2009).

The social economy is also a *political* chameleon, posing difficult dilemmas for socialists (Gough and Eisenschitz 2006: 157-61; Hudson 2009: 506-9). Many of these initiatives have been sponsored and supported by the right (Reisman 1991) and bear its imprint - fragmentation of labour, an extension of the informal economy, under-funded self-help; some social enterprises originate as privatisations of state services, using un-unionised low paid or unpaid labour. The social economy gives moral legitimacy to enterprise and hence neoliberalism, because it directly addresses the latter's obvious deficiencies (Dart 2004). The new British Prime Minister is an enthusiast of this strategy, which he dubs the 'Big Society' in counterposition to the 'Big State'. The social economy was also strongly supported by the former Labour government as part of its programmes for poor neighbourhoods and for social inclusion. It can appear to fit perfectly the tenets of the 'Third Way', charting a course that avoids the hazards of both state- and market-led development (Caterall *et al* 1996; Imrie and Raco 2003; HMSO 2007). For socialists, on the other hand, the social economy promises to meet immediate needs for jobs and services for the poor, does so in ways which embody considerable direct democracy and participation, and on this basis is genuinely popular (Moulaert and Ailenei 2005); it may even pre-figure alternatives to capitalism. This draws on a two-hundred year history of cooperative and community enterprise (Yeo 1988), including utopian socialist communities (Harvey 2000). With the conversion of the major post-capitalist societies to capitalism and defeats of the trade union movement, the social economy appears as a site for a new left politics.

In this article we analyse these contradictory roots of the social economy. Our aim is not primarily to consider the tensions between social enterprises' 'social aims' and their economic survival within capitalism, a subject well-aired in the last few years (e.g. Amin *et al.* 2002;

Amin 2009b; Hudson 2009); rather, it is to consider how the social economy might fit within a wider strategy for socialism *beyond* capitalism.

In recent years there has been considerable discussion of the social economy by left geographers and urbanists. A number of authors have embraced the social economy enthusiastically as both practical measures against poverty and as an empowering alternative to, or radical variant of, capitalism (Gunn and Gunn 1991; Gibson-Graham 1996, 2006; Lee 1999; Haughton 1998; Gittell and Vidal 1998; Amin 2009b). In this viewpoint, the *formal* difference of the social economy from both private firms and the state underlies the assertion that it is 'radical'. Other authors have been more pessimistic. Fuller and Jonas (2003), for example, detect and deplore a tendency for credit unions in Britain to move away from their small-scale, voluntary, neighbourhood-based origins towards larger scale, professionally-run businesses, partly under pressure from the state, thus losing their foundation in trust and their potential to empower. Pearson (2009) sees a similar trend across the whole British social economy. Amin, Cameron and Hudson (2002; 2003), on the basis of their survey of the social economy in four British localities, diagnose a systematic tension between seeking profitability and financial autonomy, on the one hand, and the meeting of social needs and involvement of ordinary people on the other. Indeed, they argue that the social economy is often an 'iniquitous' (2003: 28) practice, trapping the poor into economically unsustainable enterprises. They conclude (2002: 122-5) that the social economy cannot feasibly provide jobs and welfare on a substantial scale, but that it can, and should, offer modest, small-scale *symbols* of a better society (see also Hudson 2009).

In this paper we argue that the actually-existing social economy is indeed riven with tensions which academic enthusiasts and Third Way policy makers tend to ignore. But we also argue that a socialist strategy for the social economy, one centred on empowerment, the building of cooperative social relations, and links to the organised labour movement, can be more ambitious

than ‘the pessimists’ imply: it can aim to go beyond exemplary, isolated, small-scale, enterprises of the poor.

The most elaborate, and best-known, theorisation of the social economy by geographers has been that of Gibson-Graham (1996; 2006) and collaborators. Adopting an institutionalist approach cast in post-structuralist language, they argue that many different forms of enterprise are possible within capitalism, a continuum of many hybrid forms. Social enterprises can thus potentially flourish within a capitalist ‘environment’, and in this way the sector can aim to grow indefinitely. They see this as a more realistic strategy for empowerment than trade union struggles with a perspective of a socialist economy. In our view, this treats capitalism as merely ‘markets’ and ignore its specific dynamics – the indefinite accumulation of capital by exploitation of wage labour, hence its endless expansion into new fields of production and consumption. Amin (2009b) follows this approach, systemically conflating capital with ‘markets’. Correspondingly, Gibson-Graham ignores the specific dynamics of social enterprises – their paucity of capital and their inhibitions in accumulating it. She accordingly downplays the systematic undermining of the social economy by capitalism. We therefore regard the gradual conversion of capitalism to the social economy as utopian; the ‘old’ ‘fundamentalist’ struggle for workers’ and citizens’ control of the mainstream economy is still necessary. Our discussion in this paper considers how the social economy can fit with the latter aim, rather than being a complete strategy in itself.

We first consider the socialist promise of the social economy. We argue that it is one manifestation of the need for socialisation of production and reproduction within capitalist society, contradicting capitalism's foundations in private property and decision making. The social economy has arisen in particular historical circumstances. The strong, institutionalised types of socialisation created during the Keynesian era have been undermined by neoliberalism in order to allow greater freedoms and power for capital. But the need to address socialisation

has remained, and indeed has in some ways intensified: the effects of neoliberalism have pushed both capital and labour into developing new forms of socialisation, including the social economy. These, however, have generally been developed in modes compatible with, and even supporting, neo-liberalism. Nevertheless, the contradictory origins of the social economy mean that it can potentially be developed in a variety of political directions. In particular, with leadership and strategy from the left it can show the potential for increasingly radical and far-reaching forms of socialisation and worker and citizen involvement, and can thus provide an important site for furthering the struggle for socialism.

#### THE PROMISE: OVERCOMING THE SPLITS IN CAPITALIST SOCIETY

The promise of the social economy for socialists is that it can embody ideas of self-determination and radical democracy in both the economic and social spheres. It does so by promising to overcome the particular fragmentation and dualisms that characterise capitalist society. The hierarchies found in both social and economic life are underpinned by a set of dualities: the splits between work and leisure, manual and mental labour, employment and unemployment, work and home, and public and private. Through them we internalise class relations and the separation of exchange and use value. All anti-systemic political movements have had to oppose these dualisms in order to make progress in any sphere: for example, radical changes in the home require measures in waged work and vice versa. Anti-capitalist politics thus tends to strengthen the unity of daily life (Gough and Eisenschitz 2010).

How could the social economy achieve these kinds of aim? Forms of enterprise such as the cooperative can overcome divisions between management and labour through job rotation and training. Being worker-owned they offer the potential to overcome the alienation of workers from the labour process and the means of production and to some extent from the product and consumers. Community economic initiatives can produce much-needed goods and services, so

that workers produce directly for themselves and their neighbours, in control of their product and how it is produced; thus use value considerations predominate over exchange value.

Democratic control over the enterprise can ensure that surpluses are retained within the area, creating more local jobs. If the enterprises can reproduce their fixed and working capital, or receive a state subsidy, labour can avoid the pressures resulting from enterprises paying dividends. Instead of regeneration imposed by state and private sector professionals and shareholders, the locality's development is able to grow out of its population's needs and capabilities. This makes it possible for workers, consumers and citizens to combine a degree of autonomy with reduced alienation (Bowring 1998), particularly if projects are able to create a social and political infrastructure for community control over the social enterprises (Wiewel and Gills 1995).

In this way, the social economy could begin to unify the fragmented world of capitalism. Mental work is integrated with manual work; skills are opened to all rather than used by employers to set groups of workers against each other. The 'unskilled' unemployed can use and develop their capacities without stigma. Welfare can be directly produced by local people instead of being organised by a state in ways which reproduce class and patriarchal discipline (Bowles and Gintis 1976; Wilson 1977). To the extent that the social economy replaces production for exchange with production for use, relations of appropriation no longer need to dominate production. Community agriculture, for example, can develop alternative social relations whereby food is locally produced with community ownership; the irrationality of capitalist social relations is exposed since this farming is less ecologically damaging, produces more nutritious food, is more productive and cheaper than the commercial sector, and can reach the most deprived since they are able to work for their share (Williamson *et al.* 2002: 254ff). Enterprises are therefore free to experiment with non-hierarchical social relations, while new relations can be forged between production and consumption. LETS, for example, not only



bypass the market but can be a means of redefining needs and developing a culture of reciprocity (Lee 1996; Williams *et al.* 2003). Where production is community controlled, it can *incorporate* social aims from the beginning instead of the state attempting to mop up the problems caused by private ownership. In this vision, as we construct the social economy we also transform ourselves, overcoming the fragmentation and dualisms we have internalised. The movement thus potentially develops democracy as self-determination, returning economic, social and political power to exploited and oppressed groups, not only the most disadvantaged. This corresponds to the central meaning of democracy (Arblaster 1989: 8; Fotopoulos 1997: Ch 5); it is a socialist vision with roots stretching back to the Enlightenment.

#### CAPITALISM AND SOCIALISATION: SOME CONTRADICTIONS

But can the social economy actually be realised in this socialist mode, with such a liberatory dynamic? To begin to explore this question we need to consider the impulses within capitalist society which have been realised by the social economy.

There is a paradox at the core of capitalist society: its class relations threaten the viability of capitalism itself by disrupting the conditions for continued accumulation (Meszaros 1995: Ch 2). If private capitals are allowed free rein, class relations tend to take an overtly authoritarian form in order to extract the maximum surplus value. Each capital pursues its individual interests irrespective of their impact on the social conditions of profitable production. Collective action is then required to create (minimum) coherence of the system as a whole (Gough and Eisenschtz 1996).

Class relations damage accumulation in a number of ways. Private ownership and unrestricted individualism cannot adequately reproduce the bases of production in such areas as the social and physical infrastructure, the environment, food safety, or the capacities and attitudes of labour. Labour relations which are simply repressive may seriously inhibit production:

marginalisation of oppressed groups may deprive firms of skills, while demarcation between white and blue collar labour may inhibit the initiative and cooperation of workers (de Brunhoff 1978). Moreover, the social realm - home, family, environment, community, city - has major (and increasing) impacts on labour power and production (Gough 2001; Castree *et al.* 2004: 36-50). The accumulation of capital itself therefore produces pressure for greater cooperation and coordination in many aspects of society (Cox 1998).

Failure to address socialisation can result not only in large direct costs to capital but also in political conflict which imposes further costs on it. If, for instance, environmental issues are not addressed, not only can production and profits be directly affected, but popular political pressure can force capital into costly solutions. Similarly, if healthcare is not addressed collectively, the profits for medical capital are likely to be outweighed by adverse impacts upon productivity, industrial conflict and upward pressure upon wages. In Britain, the price of the weakening of the unions achieved in the last two decades has been growing exclusion of sections of the working class and increasing social disorder (Young 1999; Gough and Eisenschitz 2006: Part II). The creation of disordered inner cities in which the unemployed fail to constitute an effective reserve army is hardly in capital's interests. Trying to get by without addressing socialisation therefore tends to lead to social and political conflict, and these to economic penalties for capital.

While the state can act in the collective interests of capital to overcome some of these tensions, such attempts at socialisation always have to deal with the rights of private firms against each other and their rights over workers. Thus although neglect of socialisation leads to political conflicts, so too do collective solutions. Coordination requires an authoritative institution able to articulate capitalist rationality through collective action for the survival of the logic of accumulation (Roweis 1981); able, for instance, to exert power over those fractions of capital which disrupt the conditions for investment, syphon profits from productive uses, or obstruct new lines of investment.

These problems tend to be particularly acute in countries such as the US and Britain with liberal political traditions emphasising the priority of private interests. In these countries policies for collective capital tend to be opposed by interests directly affected, and are thus weak, or are hijacked by sectional interests, or deflected by disciplinary class relations. Intervention into housing in Britain, for example, has seldom been geared to improving productivity, but rather has attempted to reproduce disciplinary relations by instilling morality into the working class and separating off the 'respectable' layers physically and culturally (Jones 1971: 193ff); this has contributed to the difficulties for capital of obtaining good quality labour power. Thus although socialisation is of central importance to accumulation, capital is unwilling to allow the state much freedom in organising it for fear of political conflicts.

Another instance in Britain of these contradictions has been the failure to develop industrial democracy. Pressure for formal worker involvement in enterprises has come not only from workers but also from some employers who have recognised that cooperation could boost innovation and productivity improvement. But successive moves to introduce workers' representation in large enterprises - in state-owned industries, after the 1977 Bullock Report recommendations, or under pressure from the EC/EU - have come to nothing because of the excessive demands they might encourage, given the organisational strength of the unions in Britain and their 'distance' from management born out of their exclusion from decision making. Symptomatic was the treatment of the workers' plan in the 1970s at Lucas Aerospace, an ailing British armaments manufacturer (Wainwright and Elliott 1982). The plan demonstrated how the firm's surplus labour and plant could be used both to develop socially-useful products and to compensate for its declining profitability. But this was turned down because of the influence it promised to workers, and the suggestion that the state take a more socially responsible role in its procurement decisions. For exactly the same reasons, the Labour government in 2008 refused the demand of occupying workers that it buy (for almost nothing) a modern plant making wind

turbines shut by its owners, despite the paucity of such manufacturing capacity in Britain and the government's green commitments. These stories point to the fine line between a role for workers which helps capital and one which develops into opposition.

The deepening of economic internationalisation has sharpened these contradictions. The increasing intensity of competition and widening geographical scale of capital mobility paradoxically require stronger production bases and hence more effective and comprehensive planning (Swyngedouw 1989). Reproduction of both productive capital and of labour power involves longer time horizons. Yet the turnover time of many sections of capital is decreasing, and apparent global opportunities make business restless and unwilling to commit itself to territorially-based socialisation.

As we shall see shortly, the social economy promises a way of handling the simultaneous conflicts *and interdependencies* between private interests and public coordination, between cooperation and conflict of capital and labour, and between mobile capital and effective socialisation.

## THE DEATH AND THE GHOST OF KEYNESIANISM

The depth of these contradictions can be seen in the demise of post-war Keynesianism. Keynesian regulation of the macro economy, state industrial policy and the welfare state tried to create a class settlement to safeguard key aspects of society from the anarchy of accumulation. But in the 1960s and 1970s this resulted in ever-increasing demands being made on capital by the working class, and on the state itself by both classes; state policies which responded to these pressures tended to create further antagonisms; the organisation of socialisation became increasingly politicised (Offe 1984; Bowles *et al.* 1990). Capital concluded that such intervention can snowball once the working class see the achievements of collective action; in

the crisis of the late 1960s and early 1970s in Western Europe and the US, capital saw a dangerous dynamic towards self-determination.

Neo-liberalism responded to these dangers by retreating from socialisation and reimposing the disciplines of the market onto both firms and workers. Capital was freed from linkages and obligations to particular workforces, sectors and territories. The new freedoms were expressed in a new prominence of banking and property capital, of speculation, and of one-off sources of profit like asset-stripping. But this freedom for capital has come at a price. The working class has been increasingly exposed to economic and social instability, and institutions which legitimated the social order have been eroded. Neo-liberalism has endangered both political stability and economic efficiency. These problems have been addressed through increasing repression of workers and trade unionists by employers, of blacks and youth by the police, of the poor by the welfare agencies. But this repression can be fragile, as Thatcher found to her cost.

Urban planning illustrates these tensions and political oscillations. Capitalist ownership of land and buildings inhibits rational production, and hinders the reproduction of labour as rentier capital profits out of subsistence (Roweis 1981). Keynesian urban planning attempted to socialise land allocation by taking these costs and problems into account. But it was impossible to prevent the intrusion of private property (I.Gough 1979). Each issue demonstrated that spatial issues were at heart class issues, and that optimum solutions for production, such as the public ownership of development rights, constituted a potential threat to capital's power. Neo-liberalism consequently weakened state regulation of property development - but at the same time damaged those aspects of urban planning most important for capitalist reproduction (Thornley 1991; Bowie 2008).

COMMUNITY DEMOCRACY: SOCIALISATION WITHOUT POLITICAL CONFLICT

The neglect of socialisation by neo-liberalism has thus posed problems for capital, of which its more far-sighted representatives are aware (Hutton 1995). The contemporary promise of the social economy for capital is that it can organise socialisation in ways which avoid the political conflicts which earlier Keynesian programmes ran into (Noya and Clarence 2007). The dominant practice of community economic initiatives in Britain since the 1980s has been to assist in the reproduction of labour power and the ideological integration of the working class which neo-liberalism has undermined, and more generally to modify the class relations which damage reproduction and stifle growth (Gough and Eisenschitz 1996; Amin *et al.*, 1999; Gough 2002). These are potentially relevant not only in poor neighbourhoods but also in the mainstream economy. There are a number of aspects to this project of capital. (In this section we focus on the British case.)

First, the social economy is able to intervene in the organisation and provision of subsistence consumption and in particular tackle the problems that its commodification has given rise to. Initiatives span a wide range of reproduction goods from social housing, banking, environmental improvement, food and recycled furniture among others. However, this provision may be directly linked to capitalist order; the Community Development Corporations in the US, for example, tend to provide housing in a way which reinforces social discipline, recapitulating the housing initiatives of the Victorian ruling class (Stoecker 1997).

Second, there can be significant impacts on the attitudes of workers and on industrial relations. Economic democracy encourages self-improvement by giving self-confidence and helping individuals into the mainstream labour market. Alternative forms of enterprise encourage self-help, educate workers in 'market realities', and absorb economically and politically marginalised groups into the culture of work via intermediate labour markets. The socialisation of responsibility, control and profits through new forms of industrial democracy and co-ownership may reduce anomie and restore motivation (Lincoln 2003). By diffusing the

ownership of capital, cooperatives reduce opposition to profit both ideologically and materially, and increase capital's share in national income (Britten 1984). Thus cooperative values are fostered, in contrast to the authoritarian management of neoliberalism, enabling an economy in which labour actively contributes to production (Hodgson 1984; Cooke and Morgan 1998). These values are particularly important in planning the networks of private and social capital required for new waves of investment. The social economy could potentially provide a model for such relationships (Maddock 1991). It is this promise to renew the bases of accumulation in the capital-labour relation that makes the social economy attractive to sections of capital and labour and to groups across the political spectrum.

Third, the social economy is presented apolitically. It has distanced itself from its roots in the community activism of the 1960s (Mollenkopf 1983; Lees and Mayo 1985). The ethos of the contemporary social economy is that poor areas are weak markets that need reinvestment rather than political mobilisation. Community economic development aspires to replace the conflict that used to characterise the inner cities with pragmatism and consensus (Fuller and Jonas 2003).

Fourth, within the social economy welfare ceases to be a right. Welfare is to be based on enterprise; the social economy fails to challenge the notion that welfare derives ultimately from the private sector (Amin *et al.* 1999; HMSO 2007). On the one hand it has to be bargained for through the emerging institutional consensus - in the US and Britain particularly through the business-dominated local partnerships. On the other, welfare needs are to be met through self-help. The social economy promotes values of 'enterprise' to replace 'a culture of dependency', thus further eroding the legitimacy of local government. Through these arrangements, different disadvantaged groups and different neighbourhoods come to compete for funds, thereby fragmenting class solidarity. Universalist discourses of welfare are replaced with post-modern difference: decentralisation, fragmentation, and 'a continuum between market

and state' (for a critique see Taylor-Gooby 1994). In these ways, the popularity of the social economy reflects the temper of the times.

Fifth, within the social economy the locality is to be strengthened and individuals are to be empowered, but in ways which are consistent with improving competitiveness and capital accumulation, hence fitting with neo-liberal ideas. Neo-liberalism is represented not by the aggressive small firm but by cosy community-based enterprises which popularise capitalism with their softer values, their flatter hierarchies and their less disciplinary workplace environment.

Sixth, the social economy is decreasingly managed directly by its workers or participants. Institutional commentators increasingly see the key to competitiveness of social enterprises as being the same as for mainstream ones, that is, the professional manager, engineer or designer linked into geographically-wide networks (Florida 2002). Thus Amin *et al.* (2002: Ch 5) have argued that many of the most durable social enterprises owe their success to such leadership, and that, in consequence, the social economy is more dynamic in localities in which there is a large professional or entrepreneurial middle class, and weaker in old industrial areas (see also Hudson 2009). A new profession has been created for this purpose, the 'social entrepreneur'; the Labour government sought to bring business people 'with a conscience' into the Third Sector through, *inter alia*, the Ambassadors programme.

Seventh, the social economy transforms national pressure for greater democracy into the fragmented democracy of the local project. Neoliberalism has curtailed democracy in the economy and local government, but ostensibly re-introduced it at the community level (Duffy and Hutchinson 1997). As part of Labour's shift from government to 'governance', its reforms of local government emphasised community participation. By implementing 'democracy' within an unsupportive institutional framework, non-profit enterprises are pushed into behaving like small firms. The sector could resist these forces and assume some political power if it were



coordinated as a network, politically organised and motivated and well-supported by the local state. But support from the state and business is forthcoming precisely to the extent that the sector is organised as fragmented individual enterprises and projects. In consequence, democracy is equated with the right of access to markets and with equal rights within the market's atomistic social relations. It fosters self-help rather than mutuality, individualism rather than collectivity. Community development trades on these inherent ambiguities in the notions of 'democracy' and 'empowerment'. To workers these are attractive notions in the face of neo-liberal authoritarianism. But in practice they often amount to no more than formal decentralisation and token participation.

Finally, business has become very interested in the sector as a means of providing social reproduction outside the politicised sphere of the local state. This field is often difficult to commodify and is politically sensitive; business has always had difficulties in getting involved with welfare. It was excluded under social democracy while under neo-liberalism it has been thrown into the spotlight. While business has been able to commodify some functions, there are many areas of reproduction that require a degree of collective action. Distancing this function from the state through social enterprises gives business better leverage over its organisation. Thus Business in the Community, an organisation made up of the largest firms, has been involved in initiatives around all aspects of reproduction, where it acts as a broker between the private sector and the social economy. Indeed, the majority of social enterprises in the old industrial cities of Glasgow and Middlesbrough are services previously provided by local government but now contracted out (Amin *et al.* 2002, Ch 4). However, this process may be resisted by residents suspicious that the state is washing its hands of welfare, as when tenants in Tower Hamlets vetoed further transfers of housing stock to a social enterprise (*ibid.*: 110-1).

These attributes of the social economy movement have meant that, on the whole, the initiatives have been able to address socialisation without stimulating 'excessive' working class

demands. Indeed, they have fostered not only economic integration but a set of values which are compatible with capitalism even in its neo-liberal form: self-reliance, earning of welfare, competition between localities and between sections of the working class. Community and cooperation have been configured in reactionary senses, as modes of social integration and class stabilisation.

The social economy has developed in this conservative fashion partly through conscious actions of capital and the state. Where the growth of social enterprises brings them into competition with mainstream firms, the latter have sometimes taken measures to keep them within the ghetto of the disadvantaged; in the US the banks mounted a successful legal challenge to the credit unions (Gunn 1997). Moreover, the formal autonomy of alternative enterprises hides the arms-length control exerted by their suppliers of capital and by firms up and downstream from them. Non-profit enterprises can generate substantial profits through their higher intensity and quality of work, but these are often appropriated at other points in the production chain. Thus some social enterprises exist to provide cheap accommodation and services to conventional SMEs but without affecting the latter's social relations (Amin *et al.* 2002: 66-72, 78, 107-8). Where worker- or community-control is weak, social enterprise executives may appropriate profit as enormous salaries (£250,000 p.a. in a recent British case), or make themselves owners. Local partnerships between the state and business have politically moulded the social economy. The national government, too, has taken measures to prevent initiatives developing in the direction of self-determination. It has repeatedly forbidden alternative enterprises to engage in political debate if they are to receive funding. It has taken steps to distance social enterprises from their local roots, for example in the loosening of the 'community bond' for credit unions (Fuller and Jonas 2003). The Housing Corporation has squeezed the self-run housing cooperatives, preferring the professionalised Housing Associations. Social security regulations tend to restrict the social economy; LETS, for

example, have limited relevance to the unemployed because local-currency earnings may be treated as income-in-kind which prevents them claiming benefits. All these interventions have served to push the social economy in a conservative direction.

## HOW CAN THE SOCIAL ECONOMY BE DEVELOPED IN A SOCIALIST DIRECTION?

We argued at the beginning of this article that the social economy has potential for socialists; how can this be developed? Three actually-existing examples show both possibilities and some difficulties. A dynamic social economy with active involvement of the trade unions has been developed within Quebec; by 2002 this claimed to comprise 160,000-odd jobs (Mendell 2009). The long term regime of Quebec was important to this: social democratic and nationalist, strong corporatism of the provincial state, capital and unions, high union membership, and a long tradition of cooperatives. In 1983 a trade union federation set up a fund for the social economy based on its members' voluntary contributions. In 1996 a tripartite conference on economic strategy led to a Coordination (Chantier) of the Social Economy, which has now become a fourth pillar of Quebec corporatism; its board is independent of the state, and includes the two trade union federations as well as social economy bodies and local development centres. In 2001 a special office for the social economy was established within the provincial state. In 2007 the Chantier set up a long term investment bank funded by state and unions, which actively seeks out and helps to construct investments. This framework has been vital for the growth of the Quebec social economy. However, it has not guaranteed good working conditions within it. Nor does it appear to have linked into militant democratic politics in the private and state sectors, presumably because of the 'social partnership' under which it has developed.

The potential of the social economy to stimulate workers' self-organisation and struggle against capital is better demonstrated the Dudley Street Neighbourhood Initiative in Boston's South End. This has been based on mobilisation involving nearly the whole local population,

starting with simple issues like litter (Medoff and Sklar 1994). In developing welfare services it has hired experts strictly under community control rather than allowing domination by 'the suits'. It managed to obtain unique powers of eminent domain, originally devised to allow hotel development to take place on low-value land; this allowed the community, with finance from the Riley and Ford Foundations, to take into custodianship their local slum landlords, and then to develop new housing vested in the community in perpetuity. The radicalness of these new social relations of reproduction is indicated by the Initiative's Declaration of Community Rights, which include the right to good health, public transport, housing, education, environment and land. The Initiative has not, however, taken the next step of setting up alternative *production* enterprises. Similarly, Community Land Trusts in the US and Britain have developed alternative social relations to resist gentrification and promote house price stability, but this approach has not extended into production and other fields (Williamson *et al.* 2002: 250ff).

The city of Bologna in the 1970s shows what can be achieved where social economy initiatives are situated within *socialist* regional and local political traditions (Jaggi *et al.* 1977). Since the struggle against fascism, Bologna and its surrounding region of the Third Italy had had a strong Communist Party tradition, spanning trade unions, local government and even small and medium employers (Brusco 1982); they have a strong history of cooperatives. At a national level the serious defeats of the unions had yet to come. Many of the social economy initiatives were similar to those in contemporary Britain for collective self-help and empowerment: the difference lies in the support given by the local state and the unions. Those powerful and democratic institutions were able to support a degree of collective empowerment unthinkable in contemporary Britain and the US, against strenuous opposition. First, they created appropriate economic-legal spaces. They constructed a legal planning framework that, for example, allowed a cooperative to develop a covered shopping centre that would keep out the chains and favour local shops. They compelled the employers to contribute a percentage of their wage bill for

social infrastructure such as public transport and childcare – a social wage. Secondly, the unions and local authorities were aware of the class struggle across its many forms and the impact of all of these on working class residents, and so sought to create policy linkages between different aspects of life. Distributional policy was linked to production in order that the entire chain from producer to consumer stayed in the cooperative sector and provided improvements in both job quality and prices. This required a politicised planning policy which aimed to prevent land speculation and enable residents in the inner city to reclaim their neighbourhoods and for working class people to reclaim the city centre. Social policy became more holistic. Speech therapy, for instance, was provided in order to prevent social discrimination that could affect children's life chances. To ensure the elderly were socially included required action over housing markets and the politics and structure of the health profession. Thirdly, the impact of these initiatives led to widespread awareness of their benefits – enhanced quality of life, lower subsistence costs, greater job security, reduced stress and improved services. Cooperatively-built flats, for instance, were a third cheaper than those in the private sector, as was food from the cooperative sector. There was wide understanding that those benefits needed *continuing* strong participation in both unions and local government since this social economy would otherwise be under threat from central government and capital. Thus not only did the social economy benefit from the support of labour movement organisations, it reciprocally helped to maintain popular support for them. Fourthly, direct democracy was implemented through neighbourhood committees that involved large numbers of people and which scrutinised all decisions, again only possible because their decisions were supported by the local state and the unions. As a result, the social economy offered substantial power to ordinary people.

These examples suggest that, despite the pressures on it, there is potential to take the social economy in a socialist direction. We have seen that capital has deep dilemmas around socialisation - requiring it for productive efficiency yet unable to organise it due to its own

internal competition, its mobility and its political fears. These contradictions are reflected in profound ambivalences of capital and the state towards the social economy and lack of decisive strategies towards it; these hesitations create opportunities which socialists can exploit, pushing beyond liberal reforms towards fundamental social change. Moreover, the depredations of neo-liberalism have produced profound longings within the working class for more stable jobs, for work of less tyrannical intensity, for reproductive services which are not only affordable but sensitive to people's varied needs, and for better local environments; social enterprises which pursue these aims without concession to capital are therefore potentially very popular. Where such aggressive initiatives can be built, they can gradually and iteratively build people's confidence in their own collective organisation, and re-legitimate notions of working class control over economies and reproduction (Wiewel and Gills 1995) - notions which neoliberalism has all but erased from public discourse. The potential for this trajectory obviously depends on the state of class struggle more widely; but the social economy can be a significant site of that struggle.

To unleash these liberatory dynamics, conscious strategies are needed. As in Quebec and Bologna, initiatives for popular control need to extend to all spheres of life, so that people become aware of the workings of capitalism and how apparently discrete areas of society are connected (Gough and Eisenschitz 2010). Even as they use state support they need to subvert its capitalist and authoritarian logics. And as they seek support from unions and social movements, social enterprises can help to radicalise them. In other words, a radical social economy can have a *dynamic, two-way relation with mainstream labour and popular movements*.

We can suggest a number of strategies which could further these aims. First, we have seen that the fragmentation of alternative initiatives qualitatively weakens them. We should push for the strongest possible linkages between projects, so that initiatives in housing, the environment, transport, child care, training, job creation, credit and so on not only support each other but also

pose new demands on each other; this point has been particularly stressed by theorists of the ‘solidarity economy’ (e.g. Mance 2010). In this way they can not only meet some immediate employment and reproduction needs, but can open windows into radical forms of socialisation for labour (O’Gorman, 1995).

Second, following the Quebec example, the social economy should refuse to take over services provided by the state (Mendell, 2009). Rather, they can develop new types of service with cooperative relations between workers and ‘clients’, and demand that these be funded by the state. In Britain and the US this has been done on a small scale by the women’s, gay and black movements, for example in counselling services and women’s refuges, while green housing initiatives have suggested better methods for building social housing. Conversely, we should push for the more caring and cooperative social relations sometimes achieved within social enterprises to be adopted by state-run services. But this is only possible through - and can thus stimulate - radical democratisation of the state sector. To this end the social economy needs to link up with trade unions within the welfare state, and with community groups which put demands on it.

Third, a radical social economy movement should demand legislative and regulatory support from the state, for example through fiscal incentives, purchasing instead of from capitalist firms, and powers of compulsory purchase of land. Given their low capital base and the frequent absence of a community bank, social enterprises often need state investment, as in Bologna and Quebec. Here, the state should avoid creating excess capacity in particular types of social enterprise, and should check the democracy and probity of the community organisations involved. However, as social economy becomes stronger, it needs to combat conservative pressures which may come from dependence on the state.

Fourth, workers in social enterprises should be unionised, linking to campaigns for unions to accept the unemployed as members. Unions should protect the conditions of workers in social

enterprises, and combat the constant tendency to self-exploitation. Moreover, links to unions are relevant to the management and direction of social enterprises. We have noted that the most dynamic social enterprises are largely run by professionals, and that working class people (conventionally defined) play little role. Contrary to Amin *et al.* (2002: 117, 120-2) we interpret this as due not mainly to an absence of social cohesion or community organisation within poor areas (there is a lot: Forrest and Kearns 2001), but rather as demoralisation and disempowerment of the poor by neoliberalism, including by the state's 'community' and small-area initiatives themselves, so that they feel that participation in economic governance will make no headway (Gough and Eisenschitz 2006: 200-1, 205, 219-20). Links to the potentially-powerful unions can help to overcome this demoralisation, provide funding, and also broker union members and officers to provide technical expertise and advice in management to social enterprise cooperators. Social enterprises need, however, to ensure that the often-conservative politics of trade unions, particularly their ambivalence to cooperatives and worker directors, do not block their strategies. Reciprocally, the social economy can also have a beneficial impact on the union movement. The experience of cooperative forms of working could inspire workers in capitalist firms and the state to demand greater control over labour processes and products and erosion of managerial prerogatives. Unionists in social enterprises could play a particularly useful role in campaigns of 'community unionism' (Wills and Simms 2001): the latter tend to operate at the same neighbourhood scale as social enterprises, and aim at unionising mostly small workplaces for which social enterprises could be exemplary.

In these ways, struggle for the social economy does not remain in a ghetto. The social economy can become more than conservative communitarianism or a social democratic panacea for poverty. With a socialist strategy it can influence labour and community organisations in the mainstream society, and receive support from them. It can thus expand outwards into larger fields of social and economic life (O'Gorman 1995). The progressive role of the social economy



then goes beyond the purely ideological one which ‘the pessimists’ envisage, since it is *practical* links between a radical social economy and popular collective organisations in the mainstream that are crucial. With this orientation, the social economy could play a modest but significant role in renewing the struggle for socialism.

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