Laville, Jean-Louis

Article
The solidarity economy: A plural theoretical framework

economic sociology_the european electronic newsletter

Provided in Cooperation with:
Max Planck Institute for the Study of Societies (MPIfG), Cologne

Suggested Citation: Laville, Jean-Louis (2010) : The solidarity economy: A plural theoretical framework, economic sociology_the european electronic newsletter, ISSN 1871-3351, Max Planck Institute for the Study of Societies (MPIfG), Cologne, Vol. 11, Iss. 3, pp. 25-32

This Version is available at:
http://hdl.handle.net/10419/155949

Terms of use:
Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.
The Solidarity Economy: a Plural Theoretical Framework

By Jean-Louis Laville

Introduction

The distinction between infrastructure and superstructure that underlies the project of securing the economy’s independence is deeply questionable today. The fact that economic development now depends on harnessing cultural production through information and communication technologies has blurred the boundary between materiality and social interaction, thereby promoting their permeability. Given the unprecedented risks entailed in the contemporary expansion of the capitalist system, the search for an ‘alternative economy’ has resulted in strong initiatives of which the new social movements are but one expression. But perhaps we should first take stock of how some of the social changes they propose reflect the theoretical assumptions of the orthodox economics they oppose.

There is a great temptation, in the name of radicalism and following the example of neo-classical theory, to disclaim or remove the political dimensions from economy. For sure, as we know from bad experience with community projects, to conceive of social transformation solely in terms of economic practice makes political mediation impossible and encourages faith tinged with religious or moral fervour to fill the gap. The lessons of the past allow us to recognize the dangers with ease: the dominance of avant-gardes and lone prophets with a mission to liberate the truth from present realities and to illuminate the future; a proneness to squash initiatives on the grounds that by themselves they will not overthrow the logic of the system.

Such a vision of another economy, of another world can hardly contemplate the democratic conditions of its own realisation. Here, I want to show that the debate over different meanings of the economy should be reopened in this light. Without it, any discussion of the levers of change or of the conditions of transition would be impoverished. Our task is to understand and explain those dimensions of economic life that have been obscured by the naturalisation of the economy’s current dominant form, if we are to harness our efforts at making them intelligible to an idea of socio-political transformation sustainable in public debate. To follow in the footsteps of Mauss and Polanyi, taking their contributions separately and together, opens the way to an emancipatory project that is explicitly mindful of a politics that, paradoxically, revolutionary rhetoric banishes in the name of effectiveness.

1. The plural reality of the economy: an analytical framework

The striking convergence between Polanyi and Mauss comes from the fact that both based their economic analysis on a critique of the reductionist assumption that explains economic action solely as the expression of material self-interest. Both held that economic behaviour could be an expression of a sense of belonging or of interest and disinterest combined, such interest being wider in scope than the merely material. They both inferred that economic reality is inevitably plural and that this is masked by utilitarian analysis.

Polanyi2, in particular, underlined the heuristic value of returning reflexively to the definition of economy. The meaning of the word ‘economy’, as we currently use it to designate a certain kind of human activity, swings between two poles. The first, ‘formal’ sense stems from the logical character of means-end relations: the definition of economy in terms of scarcity comes from this. The second, ‘substantive’ sense emphasises the relations of interdependence between people and the natural surroundings from which they derive their material being. In this definition, such substantive conditions are basic to the economy. This distinction between an economy of scarcity and one linking people to their environment was revived from the posthumous publication of Menger’s Principles, a foundational work of neo-classical economics. There Menger suggested two complementary directions that economics might take: one based on the necessity of economising in response to insufficient means; the other, which he called ‘techno-economic’, flowing from the exigencies of physical production without reference to the abundance or inadequacy of the means available. These two approaches to the possible development of the human economy proceed from “essentially different assumptions…. (but) both are primary and fundamental” [Menger, 1923: 77]. This argument was
forgotten by his successors in neo-classical economics who chose to privilege Menger’s price theory and reduce his approach to a formal one alone, protected by the absence of an English translation of the posthumous edition of his work. Polanyi held that this reduction of the field of economic thought led to a complete rupture between the economy and life, a comment expanded upon by those economists who have taken the trouble to reflect on the epistemology of their science [Bartoli, 1977; Maréchal, 2001; Passet, 1996; Perroux, 1970].

Polanyi draws on this distinction to underline the two characteristic features of the modern economy.

First, the growing independence of an economic sphere that becomes identified with the market. Passet has traced the stages, from the Physiocrats to neo-classical theory, of a long process of withdrawal in which sidestepping the substantive meaning of economy led to confusion between the economy and the market [Passet, op. cit.: 31-37]. The Physiocrats worked out the concept of economy by referring to the market as a mechanism linking supply and demand through prices; but, for Quesnay as much as for the founder of the classical school, Smith, if the economy was granted the characteristics of a market, the economic sphere was not separated from the rest of society. Thus for Smith the value of a good is based on the costs of its production; Ricardo extended this idea to a labour theory of value that Marx used for an unprecedented attack on the liberalism advocated by the classical school when he defined capitalism as a system of labour exploitation. In reaction to this radical challenge, the neo-classical school threw out these assumptions and based value instead on the principle of utility/scarcity. Now a pure economics could be defined as a “theory of price determination under hypothetical condition of absolutely free competition” [Walras, 1874, cited by Passet, op. cit.: 36] from which all phenomena outside the market were excluded, except when neo-institutional economics tries to explain market failure or when the economics of organizations only recognizes other solutions after treating the market as the principle of first resort.

Second, identification of the market with the self-regulating market. Rationalist and atomistic assumptions of human behaviour allow economists to aggregate individual behaviours by means of a deductive market model without taking into account the institutional framework of its form. To conceive of the market as self-regulating, that is, as a mechanism linking supply and demand through prices, overlooks the institutional changes necessary for it to happen at all and indeed the structures without which it could not function. Rosanvallon [1989: 221-222] has described this economic ideology as “the reduction of trade to the market conceived of as the only natural form of economic relations…Exchange, which must be equal, is taken as the archetype of all other social relations…A natural harmony of interests is enough to sort out the world market; political mediation between people is considered to be useless or even harmful”. With the arrival of the neo-classical paradigm, economics was able to study rational interested behaviour with formal mathematical rigour. The market could be understood solely in terms of the pursuit of maximum profit.

Consequently, to these two points of Polanyi’s we may add a third much emphasised by many authors including Marx: identification of modern enterprise with its capitalist form. In a capitalist economy based on private property in the means of production, the creation of goods is tied up with the possible profit for holders of capital. The firm is a “profit-making unit whose organization is geared to the hazards of market transactions, always with the aim of taking advantage of the exchange”, according to Weber who adds that “capital accounting thus underpins the rational form of an economy of gain” since it allows calculation of the surplus produced” in relation to the money value of the means employed by the firm” [Weber, 1991: 14-15]. The establishment of the joint-stock company in law provides the means for an unparalleled concentration of capital, since property rights may be exchanged without their owners having to be aware of it, with the stock exchange offering a parallel guarantee of converting their assets into cash at any time. “To the extent that capital accounting has become universal and with it the opportunities for market transactions, from now on it shapes perspectives on commodity exchange as much as those on production” [ibid.].

If Polanyi revealed a plurality of economic principles, Mauss acknowledged a plurality of property forms and insisted that economic organization is always a complex combination of economic types that are often opposed [Mauss, 1923] and that these are shaped by evolving social institutions. “Property, law, the organization of work – these are all social facts, real things corresponding to the real structure of society. But they are not material objects; they do not exist outside individuals or the societies that make them and keep them alive. They only exist in the minds of men brought together in a society. They are psychic facts.
Economic facts, such as property rights for example, are themselves social (value, money etc...) and therefore constitute psychic facts like all the other social facts to which they are connected, conditioning and being conditioned by them” [ibid.: 76]. If individual property cannot be called into question without restricting freedom, we could still add “national and collective property and other economic forms above, alongside and below that level” [ibid.: 265].

There is not just one mode of economic organization expressive of a natural order, but rather a set of forms of production and distribution exist together. “There is no such thing as an exclusively capitalist society...There are only societies with a dominant regime or rather, to complicate matters further, with institutional systems more or less arbitrarily defined by the dominance of one or other of their elements” [ibid.]. For Mauss, social action and practice are the result of individual representations made standard by political institutions; these define a framework within which practices unfold, influencing their representation in turn. Institutions change because they are social conventions which at once express and limit the field of possibilities. Studying them allows us to gain “sharp awareness of the facts and a grasp, if not certain knowledge of their laws” and helps us also to emancipate ourselves from the ‘metaphysics’ in which ‘ism words’ like capitalism are soaked [ibid.: 535]. To assert the existence of a capitalist society implies perfect coordination of individual representations, the idea that capitalist dominance exists in reality, whereas “an economic system is made up of contradictory institutional mechanisms which cannot be reduced one to the other”.

So the contribution of Polanyi and Mauss may be understood as an analytical lens that allows us to grasp the plural character of economic reality by demonstrating the existence of a number of principles of distribution and production, while drawing our attention to the institutional forms in which the market is embedded. The idea of a plural economy does not presuppose any consensus; it offers an analytical lens through which we can marshal the facts and throw light on the complementarities as well as the tensions and conflicts between economic opposites.

2. Democratic solidarity: a central concept in resistance to market society

With this framework in mind, we can now decipher the mechanisms through which resistance to market society has been manifested. From this point of view, there is a relationship between reciprocity and redistribution that is particularly modern, as Mauss showed us in the conclusions to *The Gift*.

Even so, we should not idealise solidarity. The inclination to help others, developed as a constitutive element of responsible citizenship, carries the threat of a “gift without reciprocity” [Ranci, 1990], allowing limitless gratitude as the only return and creating a debt that can never be redeemed by beneficiaries. The relations of personal dependence promoted in this way risk trapping the recipients in a permanent position of inferiority. In other words, this philanthropic solidarity brings with it a mechanism of social hierarchy and support for the inequality that is built into the social fabric of the community.

In contrast to this ‘benevolent’ version of solidarity, however, there is another that would stress the democratization of society through collective action. This second version assumes the legal equality of the people involved. We find it in different continents over the two last centuries; it does shape social reality to some extent in South America [Ortiz, Munoz, 1997; Gaiger, 2001; Carvalho de França Filho, 2001] and in Continental Europe [Evers, Laville, 2003].

If we trace its origins, the depth of the democratic solidarity emphasized by advocates of the ‘solidarity economy’ (*l’économie solidaire*) is as much historical as theoretical. The concept of solidarity has been mobilised to limit the disruptive consequences of the market economy, of what might be called ‘utopian capitalism’ [Rosanvallon, 1979]. Besides, democratic solidarity has two faces – one of reciprocity designating voluntary social relations between free and equal citizens, the other redistribution, designating the standards of service drawn up by the state to reinforce social cohesion and to redress inequality. History shows that, from the eighteenth century, people generated proliferating means of public association which in the first half of the nineteenth century focused on the demand for new forms of work organization [Chani-al, 2001; Laville, 1999; Revue du Mauss, 2000]. In this case, democratic solidarity took the form of voluntary reciprocity bringing together citizens who were free and equal under the law, unlike the charity and philanthropy that thrived on unequal conditions. When the liberal prophecy failed and the removal of obstacles to the market did not lead to a balance between the supply and demand for labour, a large number of responses emerged to solve the social problems involved through the self-organization of the people themselves. Worker and peasant associations worked together, pro-
vided mutual aid and made collective demands. They initiated an economic project based on brotherhood and solidarity that refuted entirely the attempt to draw a line between the economy and public life [Laville, 1999].

Eventually, however, with advances in the efficiency of capitalist production and some repression, this outburst of reciprocity ran out of steam. Then solidarity increasingly took on another meaning, that of a social debt between classes and generations whose management through the organization of redistributive flows was the state’s primary responsibility. At the same time, the movement to form public associations became established through spawning new institutional forms, such as unions, mutual insurance companies, cooperatives and non-profit organizations. So, it gave way to forms of socio-economic organizations but they have not escaped the consequences of becoming commonplace. The union movement distanced itself from this tendency in pressing for a redistributive welfare state and for recognition of workers’ rights in businesses. The state developed a specific form of social organization which facilitated the extension of the market economy while reconciling the workers to the citizen body at large. One cost of the ensuing security, however, was that political examination of the economy was dropped. The project of a plural economy faded away.

Nevertheless, the relative democratization of the economy, achieved with much struggle, was won in the name of solidarity. This concept was linked to the emergence of sociology in that it made a break with the contractarian vision of liberal individualism and, having been at first organized with an economic mission defined by reciprocity, it was then expanded into a system of public redistribution that included the voluntary associations under its supervision. Moreover, the way that associational activity and the public sphere co-evolved is one of the great lessons to be learned from such a historical retrospective. It is not a question of replacing the state with civil society but rather one of combining redistributive solidarity with a more reciprocal version in order to rebuild society’s capacity for self-organization.

In summary, democratic solidarity introduced egalitarian reciprocity between citizens into the public sphere at the same time as establishing the principle of redistribution through the state.

What is peculiar to modernity, therefore, is first reciprocity based on equality in the public sphere. Despite the constant risk of falling into a strategic or functional mode of expression made all the more violent by being masked in a discourse of free speech, reciprocity between equals is essential if we are to bring questions arising from everyday life to independent arenas for public debate with the potential to express society’s need for self-determination [Chanial, 2001]. As Ranci says [1990: 381], in order for the gift not to become frozen in asymmetrical dependency, it must be circumscribed by a system of relations which, by submitting it to collective rules designed to stabilize the conditions of its circulation, makes reciprocity between equals possible and allows for donor and recipient to switch places.

The second distinctive feature of modernity is a system of public redistribution whose rules are fixed within a framework of representative democracy. The transition to a democratic solidarity based on redistribution by all means may lead to the opposite of freedom if its source is a public authority whose aim is to subject everyday life to control by bureaucracy. But the risk of such an eventuality does not undermine the interdependence of reciprocity and redistribution. The difference between them should not make us forget their common birth, as their shared reference to solidarity confirms. Solidarity related to public redistribution unites freedom and responsibility, since mutual obligation underlies the freedom that comes from having the confidence to pool resources. It is an extension of the spirit of the gift as put forward by Mauss [2001: 263]. For Jaurès social insurance is a right which “comprises the interplay of reciprocal duties and sacrifices, a sphere of mutual giving”, what Castel called ’social property’; with the proviso, Jaurès added, that it should not be a “wheel of state” but “a living product through which the workers will exercise their strength today and the apprentices their control of tomorrow” [Chanial, 2001: 216]. In the hands of Mauss and Jaurès, therefore, the concept of democratic solidarity points to close relations between the gift, reciprocity and redistribution, rather than emphasizing their differences.

3. From the ‘double movement’ to a plan for transformation

The economy under conditions of modern democracy therefore is caught in a double movement: the first expresses a tendency towards becoming disembedded, the second is the opposite democratic tendency to re-embed the economy.
The first movement expresses the dominance of the formal definition of economy. Economy is conceived as a combination of the self-regulating market and capitalist society: the project is to make society indistinguishable from its own economic mechanism. A market economy without limits leads to a situation where the market is all-embracing and sufficient by itself to organize society; the public good is realised by the pursuit of private interest without any room for political debate. This invasive utopia of the self-regulating market differentiates modern democracy from those other human societies where aspects of the market might be found, but without the aim of putting them together into an autonomous system.

It proves impossible, however, for the market society to attain its goal, since society itself balks at the prospect, by having recourse to the idea of solidarity, in particular. The institutions that may be enrolled into controlling the market are many, embodying what Callon [1999] might call a centring/outflanking of the market. This is the core of a second movement reintroducing a substantive approach to the economy through three main developments.

- **The principle of redistribution is mobilised against the reduction of the economy to the market.** There is another pole intrinsic to modern democracy, the non-market economy in which goods and services are allocated by means of redistribution. The market economy could not fulfill the promise of social harmony it once made. On the contrary, as social problems mount, it becomes necessary to put forward institutions that are sensitive to its destructive consequences and able to counteract them. If the idea of basing the economy on reciprocity has become rather blurred, redistribution as an alternative economic principle to that of the market has emerged as the result of public action. The state confers on citizens individual rights allowing them to benefit from social insurance against risk and in the last resort public assistance for the underprivileged. Public administration is thus defined by payment of goods and services with a redistributive dimension (from the rich to the poor, the employed to the unemployed…) according to rules issued by a public authority that is subject to democratic control [Strobel, 1995].

- **In response to the notion that the market must be self-regulating, it is confined by a process of institutional embedding.** If disembedding of the market is a feature of modernity, this has been frustrated by society’s repeated reactions aiming at « socialising » the market, that is subjecting it to a body of rules derived from a process of political deliberation. In other words, the modern market economy is defined by a tension between disembedding and embedding processes. In twentieth century history, the drive to establish a self-regulating market in the place of various regulated markets itself gave rise to the development of regulatory frameworks [Verley, 1999: 66-69]. “The majority of markets today consist above all of rules, institutions and networks that frame and control the conditions under which supply and demand meet”. But these are opposed in their turn by spates of deregulation calling for “various markets to be brought into line with the impersonal idea of perfect market competition, that is for the desocialisation of markets” [Gadrey, 1999].

- To which we should add attempts to found and get established non-capitalist enterprises. The basic model of the firm in neo-classical theory is one where property rights are held by investors. In this context, the aim of the firm comes down to profit maximisation, to the accumulation of finance capital. Labour is subordinated to this accumulative logic. In contrast to this dominant model of economic theory, some analysts have demonstrated a variety of property forms, that is, different kinds of persons holding property rights and thus able to shape the aims of a firm. The purposes of a firm depend on the configuration of property rights and on those who hold them. Unlike capitalist firms, some enterprises are not owned by the investors, but by other types of participant whose aim is not to accumulate capital. As Hansmann [1996] and Gui [1991] point out, there are potentially as many property forms as types of participants, including workers, consumers etc. There have been many studies of organizations whose owners are not the investors. The literature on workers control (autogestion) naturally leans to firms organized by workers. Analysis of the world of cooperatives equally focuses on enterprises controlled by consumers and suppliers. There is today a wave of so-called social enterprises whose ‘social’ character does not necessarily depend on their being collectively-owned. When judging an economic activity, other criteria come into play than financial profit: access to supplies, the quality of performance of a service etc. [Rose-Ackermann, 1986]. Economic action in these terms thus reflects a kind of reciprocity where “true worth lies in the tie” more than maximization of individual interest.

So we have a variety of responses to the utopian experiment of market society: the mobilization of different economic principles, the development of institutions restricting the market sphere and issuing rules for it, the adoption of non-capitalist property forms.
Neo-liberalism brought back the utopian idea of a market society. The content of the democratic reply then proves to be crucial. At worst, the desire for liberation risks turning into its opposite – the sort of identity tensions that can produce confrontation between ‘Mac World’ and ‘Djihad’, to draw on Barber’s [1996] imagery. The globalization of the market and its extension into areas never touched previously finds its corollary in the rise of religious fundamentalism. If the risk of such confrontation is real and confirmed by events, it has already shown its incompatibility with democracy in the course of the twentieth century. History tells us that, when an economic worldview becomes an end in itself, there is no room for an alternative human project to be decided through democratic process [Roustang, 2002: 12]. Market extension “meets a counter-movement checking this expansion in whatever ways are necessary for society’s protection” [Polanyi, 1983: 179, cited by Roustang, 1998: 182]. This is the route, according to him, to a “great transformation” to liberate society from the threats that economic liberalism brought on its head.

As Dumont [1983] recalls, the fascist and communist regimes tried to go in this direction; it led to the destruction of freedom and the reign of oppression. Unfortunately no great transformation yet has been able to reconcile freedom and equality. Of course, there was a compromise between market and state during the period of expansion after the Second World War. Fordist and welfarist industrial societies imposed social rules on market economy through legislation and collective bargaining along with a vast apparatus of non-market redistributive economic forms. But this compromise had a reversible character, as proved by the neo-liberal offensive exempting the market from certain social rules that were conceived of as rigidities and by delegitimizing a non-market economy weakened by bureaucratization and the subjugation of users. That reversibility is all too obvious today. The fact that social progress is conditional on deductions being levied on the market economy opens up a contradiction: on the one hand, it would be desirable to restrict the market so that it does not extend into every sphere of human life and solidarity relations might be preserved; on the other, it is just as desirable for economic growth to be as high as possible in order to yield the maximum returns to finance redistributive systems which testify to the solidarity between social groups.

In order to escape from this apparent impasse, it becomes necessary to take into account all the steps that concretely reject the ceaseless commoditization of social life. This is the full significance of initiatives undertaken in the solidarity economy. In their many-sided ways, these help to challenge developments that neo-liberal ideology represents as inevitable. If such initiatives were in a position to extend enrolments beyond their immediate constituencies, to increase their commitment to and involvement in matters of public regulation and to ally themselves with social movements who share their goals, they could contribute more effectively to the democratization of economy and society.

**Conclusion**

Two great lessons may be drawn from the history of the twentieth century. First, market society sustained by a concern for individual freedom was generating huge inequalities; then submission of the economy to political will on the pretext of equality led to the suppression of freedom. These two solutions called democracy itself into question, whether in the form of totalitarian systems or, with a similar result, through the subordination of political power to that of money [Lazar, 2002]. If we reject both of these options, it is then a question of developing institutions capable of guaranteeing a plural economy within a democratic framework, exactly what is compromised when the rationale of material gain without limit has a monopolar. To answer this question, we must seek out new institutional forms anchored in social practice; these will point the way towards the legitimation of democratic norms in economic life. Any return to the old compromises is doomed to failure [Laville, 2000] and any reflection on how to reconcile freedom and equality, which remains the nodal point of democracy in a complex society, can only make progress by taking into account the reactions of people in society. This is one further point of agreement between Mauss and Polanyi; we must rely on practical experience for information and analysis, in other words, start from “real economic movement”, not from a programme of social reform given a veneer of realism. This is a conception of social change as self-expression, of change which “is by no means committed to revolutionary or radical alternatives, to brutal choices between two contradictory forms of society” but which “is and will be made by a process of building new groups and institutions alongside and on top of the old ones” [Mauss, 2001: 265].

Mauss and Polanyi, in outlining the theoretical foundations of a plural approach to the economy, have begun a reflection on social change that cannot be satisfied with ritual calls to turn the system upside down. In other words, rather than make an abstract appeal to an alternative econ-
omy, they have shown us a concrete road to ‘other economies’, based on the field of possibilities already open to us.

Jean Louis Laville (jean-louis.laville@cnam.fr) is professor of sociology at the Conservatoire National des Arts et Métiers. He has intensively published in the domain of social economy: La Politique de l’Association, Paris, Le Seuil, is his most recent book.

Endnotes

1 This article was first presented at a conference, “Rethinking economic anthropology: a human-centred approach” held in London, 7-8 January 2008. It was translated by Keith Hart as part of an ongoing collaboration which so far has yielded the publication of The Human Economy: A Citizen’s Guide (Polity, Autumn 2010), edited by Keith Hart, Jean-Louis Laville and Antonio David Cattani.

2 This section is based specifically on the foreword and first three chapters of Polanyi [1977].

3 As Polanyi pointed out, Hayek was instrumental in ensuring that a translated version remained unpublished by dismissing the work as “fragmented and disorganized”.

References


