THE SOCIAL ECONOMY:
THE WORLDWIDE MAKING
OF A THIRD SECTOR

Jacques Defourny & Patrick Develtere
Centre d’Economie Sociale HIVA
University of Liège Catholic University of Leuven

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INDEX

Introduction 3

I. Sources of the social economy 4

The association, a phenomenon as old as society itself 4
The ideological pluralism of the social economy in the XIX century 5
The range of religious influences 7
The forces of nationalism and the quest for a third way 8
The cultural entrenchment of the social economy 9
The complexion of a society is constantly changing 10

II. A contemporary definition of the social economy 11

The legal and institutional approach 11
The normative approach 15
Social economy or non-profit sector? 17

III. Conditions for developing the social economy 23

The social economy, child of necessity 23
The condition of necessity in the South 23
The condition of necessity in the North 24

Collective identity and shared destiny 25
Community forces in the South 26
What are the mobilising forces in the North? 28

Conclusion 30

Bibliography 31
INTRODUCTION

The term "social economy" first appeared in France during the first third of the XIX century. For a long time, its meaning was much broader and amorphous than it is today. Anyone can develop their own a priori conception of the social economy, simply by placing more or less emphasis on either its economic or its social dimensions, both of which are wide-ranging. In the final analysis, any economic phenomenon that has a social dimension, and any social phenomenon that has an economic dimension, could be considered part of the social economy.¹

On the global level, a much more precise conception of the social economy emerged over twenty years ago. Today, people are discovering or rediscovering a third sector that exists alongside the private, for-profit sector and the public sector, although its designation and definition may vary from one country to another. This is happening throughout Europe, North America, the transitional economies of Central and Eastern Europe, and in the nations of the Southern Hemisphere. There is no sharp, well-defined dividing line between this so-called third sector and the other two sectors, but its characteristics still set it apart.

The initial objective of this first chapter is to clarify the concept of the social economy by putting it back in its historical context. The various forms of cooperative, mutualistic and associative organisations that today form the third sector are buried in the history of human society. Thus, to gain an in-depth understanding of the social economy, it is essential to reconstruct them as they evolved, and to understand the intellectual currents that had an important influence on them, in both the North and the South.

Second, in order to explain contemporary conditions in the third sector, we will examine the definition and origin of the social economy. We will also attempt to characterise the benefits and limitations of the social economy approach, especially compared to its Anglo-American counterpart, which is rooted in the concept of the non-profit sector.

In the final section, with a view of highlighting the main conditions allowing the social economy to emerge and grow, we will compare the contemporary revival of the social economy with older currents. Our objective is to identify the most powerful forces underlying the social economy.

¹ According to A. GUESLIN (1987), in the XIX Century, the social economy was "nothing other than a different approach to the problem of political economy" (p.3).
I. SOURCES OF THE SOCIAL ECONOMY

The association, a phenomenon as old as society itself

While the main forms of the modern social economy took shape during the IX-X century, its history dates back to the oldest forms of human association. Indeed, it is fair to say that the genesis of the social economy parallels to a large extent the gradual emergence over the centuries of freedom of association.

Corporations and collective relief funds already existed in the Egypt of the Pharaohs. The Greeks had their "religious brotherhoods" to ensure that they got a burial and to organise the funeral ritual, while the Romans formed craft guilds and sodalitia, which were relatively politicised fellowships or brotherhoods. With the fall of the Roman Empire, monastic associations would become the refuge of primitive associationism throughout Europe, and of the arts, sciences and other customs. The associations included convents, monasteries, abbeys, priories, commanderies (small military monasteries), charterhouses and retreats.

The first guilds appeared in Germanic and Anglo-Saxon countries in the IX century, while brotherhoods first arose in the XI century. The latter were groups of lay persons who worked outside the confines of the monastery in meeting people's everyday needs, providing mutual aid, charity and various other types of assistance. Guilds and corporate associations developed from the XIV century onward and, in the most highly skilled trades, gradually assumed a measure of control over their labour markets.

Associations flourished during the medieval period. They took various forms and had many names: brotherhoods, guilds, charities, fraternities, merchant associations, trade associations, communities, master associations, guild masterships and others. Moreover, it seems that associative forms and practices existed everywhere. For example, during the Tang dynasty (VII and VIII centuries) Chinese agriculture had its mutual aid societies, and in medieval Constantinople there were trade associations in the food sector. In addition, there were the post-medieval guilds of the Muslim world, the professional castes of India, and the craft brotherhoods and worker groups of precolonial Africa and pre-Columbian America.

Yet we should not be misled by this profusion of associations. For example, in Europe, a voluntary group could not exist outside the jurisdiction of the Church, the State or some other institutional power, unless it had a specific form with

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2 The first two parts of this section recapitulate and extend some of our previous work (Defourny, 1992 a and b; Develtere, 1994).
3 The historian, P. Nourisson (1920) even goes as far as to assert that "all the major achievements of political and economic life in the Middle Ages are based on forms of association".
strictly codified rules of admission and operation. Although they were subject to
tight control, these associations were in reality State corporations – institutions of the
feudal order – and enjoyed certain privileges. However, many forms of association
survived or came into being on the fringes of this corporate monopoly with its rigid
and hierarchical structures. Such associations worried the authorities, which
continually tried to repress, subdue or ban them.

Beginning in the XVIII century, England's Friendly Societies grew in
number. Their goal was to provide their members with allowances in case of sickness
or death. In return, members paid dues on a regular basis. These societies subse-
quently spread to the United States, Australia and New Zealand. It was the Age of
Enlightenment, and civil society was gaining new life: learned societies, literary and
music circles, recreation organisations and kinship clubs sprung up alongside the
charitable institutions inherited from the past. Throughout Europe, freemasonry
proved to be very active, and numerous secret societies helped spread the new ideas
that would find expression in the French Revolution of 1789. However, the spirit of
the Revolution was, above all, one of individualism, and the sovereignty of the State
soon clashed with freedom of association: forming an association meant either
creating special-interest bodies representing long-standing privileges or creating
centres for anti-establishment and subversive activity that needed to be repressed for
the sake of a supposedly greater national interest.

Nevertheless, freedom of association started to make breakthroughs in
several European countries (England, Germany and the Netherlands), and above all
in the United States. In France, the Revolution of 1848 and the insurrection of the
Commune of 1871 gave rise to brief periods of freedom of association, although a law
passed in 1810 would forbid the creation of any association of more than twenty
persons unless it obtained prior authorisation from the State. Not until the end of XIX
century and the beginning of the XX Century would laws provide a legal framework
for the organisational forms (co-operatives, mutual societies and non-profit
organisations) that make up the modern social economy.

The ideological pluralism of the social economy in the XIX century

Numerous co-operative and mutualistic initiatives arose in the West, even
before they had received legal recognition. Nineteenth-century worker and peasant
associations were in fact inspired by several ideological currents that would have an

4 In 1835, A. DE TOCQUEVILLE wrote with reference to the United States: "the most democratic nation
on earth happens to be the one where men have, in these times, most perfected the art of
commonly pursuing the object of their common desires, and have applied this new science to the
greatest number of objects. The moral standards and intelligence of a democratic people, no less
than its industry, would be endangered if the government took the place of associations
everywhere ... In democratic nations, the science of association is the mother of all sciences: its
progress has an impact on the progress of all the others".
impact on the entire evolution of the social economy. These currents emphasised the political and ideological pluralism that would characterise the social economy from its origins to its modern incarnations.

Associationist socialism played a fundamental role in the utopian ideas of Owen, King, Fourier, Saint-Simon and Proudhon. Until 1870, the theorists of associationist socialism, who were, above all, promoters of producer co-operatives, even dominated the international workers’ movement to the point where the social economy would often be identified with socialism. At first, even Karl Marx sympathised with the co-operative concept. But it was Marx’s collectivist theories that would eventually win the day and a growing proportion of the workers’ movement would deny the social economy a central role in the process of societal transformation. At best, it would remain, as it did for Jean Jaurès, a way to improve the lot of the poorest and educate them. It would also serve as a powerful tool for pooling resources and organising propaganda for the purposes of political combat.

Social Christianity, too, contributed to the development of the social economy. Many initiatives originated with lower ranks of clergy and Christian communities. As for the contribution of the Church establishment, it was primarily the *Rerum Novarum* encyclical of 1891 that lent support to the social economy. Generally, social Christians of the XIX century looked to “special-interest bodies” in the hope that these might fight liberalism’s weakness – the isolation of the individual, and the trap of Jacobinism – the attempt by the State to make an abstraction of the individual. Social Christians’ support of these small bodies, together with their affirmation of individual autonomy, led to the concept of subsidiarity, according to which a higher authority should not take over any functions that a lower authority – that is, one closer to the user – was able to assume. F. G. Raiffeisen founded the first rural credit and savings unions in Germany on the basis of this philosophy.

A receptive attitude toward the social economy could also be found among certain liberal thinkers. Placing economic liberty above everything else and challenging possible meddling by the State, they insisted above all on the principle of self-help. They encouraged the formation by workers of mutual aid societies. Two leading figures in the history of economic thought may be linked to this school of liberal thought, even though their positions are far from identical: L. Walras, for the importance that he attached to grassroots associations, and J. S. Mill for his suggestion that the pure wage system be replaced by workers’ associations.

It is possible to cite yet other currents of thought, such as the "solidarism" of Charles Gide. But the main lesson to be learned here is that in Europe the modern social economy was forged, not by any single XIX century current of thought but, rather, by the interplay of its leading ideologies.
The range of religious influences

We could demonstrate that this philosophical pluralism exists worldwide. However, we will simply highlight the great variety of religious, cultural and political influences that can be found in different parts of the world and on which the social economy has drawn.

Within the Christian tradition, both Protestantism and Catholicism have sustained various co-operative and mutualist movements in North America. For example, Protestant Hutterite communities in the United States and Canada have for more than a century created numerous co-operative-type structures through which they have sought to promote modes of production and organisation consistent with their faith and community life. The influence of Catholicism has been especially important in the history of the Quebec co-operative movement. Again in Canada, this time in Nova Scotia, the Antigonish movement was formed by Catholic fishing communities to set up adult education co-operatives and thereby ensure their cultural and social emancipation.\(^5\)

Since 1970, grassroots ecclesiastical communities in Latin America have formed the basis for a very dynamic trend within the Catholic Church, one that has resolutely stood by the people and the impoverished masses. The *basista* movement has been highly influenced by liberation theologians such as G. Guttierrez, and by the political pedagogy of P. Freire. Its economic and political options find particular expression in the establishment of co-operatives and associations seeking to improve the daily lives of the disadvantaged.

Turning to Judaism, it is also apparent that the Zionist pioneers who, at the turn of the century, set the foundations of the modern-day Kibbutz movement, were inspired by the prophecies of major biblical figures. Although now highly institutionalised and integrated into the social, political and economic landscape of Israel, the Kibbutz movement still serves as a laboratory for the application of Jewish religious principles.

Islam, too, is a leading source of numerous initiatives. For example, so-called Islamic banks seek to develop non-capitalist practices and refuse to charge interest on capital.\(^6\) This sometimes translates into achievements closely related to the social economy.

\(^5\) For communities of a Christian inspiration, and their economic organisation, see especially G. Melnyk (1985). We can also view the entire history of Monasticism from an economic standpoint and observe specific forms of social economy in the majority of today’s monasteries.

\(^6\) On this last point, we note a certain convergence of doctrines among several religions. Islamic tradition prohibits paying interest on loans (*riba*) and Judaism points to the Old Testament in forbidding interest. Christianity has always maintained a critical position on the question of rents and usury.
The Grameen Bank, in Bangladesh, is a good example of a project influenced by Islamic culture. This bank illustrates a liberating approach to Islam, emphasising the central role women should play in development, particularly economically disadvantaged women. Of course, in so doing, it conflicts with certain oppressive practices legitimised by other currents in Islamic thought. The Grameen Bank places particular emphasis on sixteen principles that every member must respect, including rejection of the practice of giving dowries.\[7

As is true of the religions already mentioned, Buddhism has many variants. Although it is difficult to identify a dominant socio-economic trend, there is a definite Buddhist influence in certain economic non-profit initiatives and in some types of voluntary participation and philanthropical customs very frequently observed in Asia. Volunteering and the quest for "just" action (Karma) are especially influenced by monastic initiatives that generate income for the poor. Such community-based initiatives are based not on profit but on the reciprocity inherent in gift-giving. According to Lohmann (1995), these practices may be viewed as forming the basis of a third sector in Asiatic culture.

The forces of nationalism and the quest for a third way

The influence of religion on the social economy has not been free of ambiguity, and this is even more true of the relationship between the social economy and certain collectivist or nationalist ideologies. A variety of experiments, primarily of the co-operative type, have often been part of, or have been fuelled by, vast politically inspired undertakings.

This was particularly the case for a group of countries whose leaders sought to combine affirmation of national identity with experiments involving a "third path" to development – a middle way between capitalism and centralised socialism. An example is provided by the self-management schemes in the ex-Yugoslavia, which were supposed to concretely convey Communist Party principles with regard to social responsibility and worker participation.\[8

In this regard, see, for example, the autobiography of the founder of the Grameen Bank, M. Yunus (1997).

At first, it was a similar type of reasoning that legitimated the kolkhozes as emancipatory instruments of the small or landless peasants in the former USSR, or even in the people's communes of Mao's China. The debates within the International Cooperative Alliance on the possibility of accepting such organisations testifies to the difficulty of evaluating the degree of independence granted to them by the State (Birchall, 1997).
several principles were promoted as part of his national political agenda: collective
ownership of the means of production, grouping people together in villages and
working together.

At one time or another, various other post-colonial regimes have tried to
integrate co-operative projects into their national development plans. The best docu-
mented experiments involved India, Velasco's Peru, Allende's Chile, Jamaica and
Senegal. They all entailed government efforts to promote the co-operative sector. In
many nations of the Southern Hemisphere, co-operative development was also an
essential ingredient in the nationalist-populist discourse of the 1960s and 1970s.9 It
must nevertheless be stressed that in almost all cases, these State-directed socio-
economic programs reflected broad political plans rather than the concerns of
growthroots populations.

In other contexts, nationalist arguments served the cause of the social
economy better when they constituted, often at a more local or regional level, a
driving force behind the economic development that was led and controlled by local
communities. Mondragon, which is located in the Basque region of Spain, is the
prototype in this regard. Beginning in the 1950s, the local population started work on
a truly co-operative industrial complex in order to rebuild the regional economy,
which had been destroyed by the Civil War and the Second World War. Likewise, for
the inhabitants of the Canadian Prairies, wheat pools, credit union networks,
women's groups and various other social and cultural movements were the prime
means of ensuring regional development and maintaining social cohesion in difficult
circumstances.

The cultural entrenchment of the social economy

The influence of religion, and of regional and national identity, is
paralleled by that of cultural contexts as a whole. Since, by definition, the social
economy is the upshot of groups and communities working at the local level, it is
often highly affected by the specific culture of these groups and communities. Most
of the examples noted above testify to this influence, but it is even more apparent in
the developing countries, where, a multitude of initiatives in the informal economy
are shaped by the cultural and social backgrounds of the players involved, outside
any formal legal framework.

Razeto (1991), in his work on Latin America, and authors whose works
have been published under the aegis of the *Network Cultures and Development*, have
amply demonstrated the cultural entrenchment of the social economy in the South.10

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9 In the 1970s, Guyana (South America) was even renamed the Cooperative Republic.

10 For studies published by the Network on Africa, see, for example, the collective work edited by
Their analyses underline the importance of reciprocal relations and the sense of belonging that are found in traditional societies, and their impact on collective action. Relations of this type are far removed from those that prevail in organised capitalist environments. Some go as far as to maintain that the revival of an informal social economy in Africa reflects the fact that its peoples are fundamentally at odds with the capitalist standards conveyed by Western culture. In their view, this atypical economy could provide a vehicle for liberating traditional culture from the yoke imposed by external forces.

The complexion of a society is constantly changing

The reader will have gathered from the foregoing that since the social economy is the result of initiatives taken collectively by local communities, then, logically, it will often be affected by the social, cultural and religious values of these communities. Moreover, this complexion is constantly changing as new concerns surface and mobilise civil society. In the West, but also in the South, ecological movements and proponents of sustainable development are today generating new types of co-operatives and mutual aid organisations which aim to implement ecological principles through recycling, balanced development of natural resources, and even socially and ecologically responsible tourism.

A number of other variations on this theme could be identified, particularly in the South. Noteworthy are the indigenous communities and various protest movements that express their aspirations through projects closely associated with the social economy.

To conclude this exploration of the sources of the social economy, it should come as no surprise that, as we continue to probe this concept in the sections below, we will encounter ethical reference points or sets of values that are shared and articulated by groups of individuals through their economic activities. In this sense, the social economy differs radically from organisational modes whose sole reference point is the market, are supposed to depend on the pursuit of individual interest and function beyond the pale of every collective norm.

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11 In some countries, most co-operative and mutualist movements identify, sometimes explicitly, with a particular philosophical or ideological current. They occasionally develop more or less autonomous and competitive pillars.

12 In fact, as B. PERRET and G. ROUSTANG (1993) note, following authors such as L. Dumont, the market economy too is inextricably linked to values, particularly modern individualism but also democracy. Nonetheless, the cultural and even ethical assumptions of liberalism (see Adam Smith's *The Theory of Moral Sentiments*) are today increasingly ignored by his sycophants, who tend to be blinded by the self-regulatory and supposedly self-sufficient character of the market.
II. A CONTEMPORARY DEFINITION OF THE SOCIAL ECONOMY

Let us now examine how the social economy concept takes into account the multiple realities that we have just discussed and those that have followed in their path. There are currently two main approaches to understanding the social economy. Combining the two yields the most satisfactory definition of the third sector.

The legal and institutional approach

The first approach to delimiting the social economy consists in identifying the main legal and institutional forms through which most third sector initiatives flow. For about the last hundred years, three major types of organisations have accounted for the three main legal and institutional components of the social economy in industrial countries: co-operative enterprises, mutual aid societies and organisations whose legal status varies tremendously from one country to another but which all fall under the generic title "association".

This first approach has very specific historical roots. It allows us to examine organisations that gradually achieved legal recognition for activities based on the free association of their members and which, for a large part of the XIX century, remained unofficial and even secret.

Charles Gide was the first to give these organisations a central place in the social economy, whose meaning in 1900 was nonetheless still quite broad. During the 1970s, when the French co-operative, mutualist and associative movements rediscovered their common traits, they would appropriate his vision and thus reaffirm their kinship. They gave a collective title, "social economy" to the family of movements they had thereby formed, and in so doing set an entire process in motion, one that has led to increasing institutional recognition for the third sector.

While this first approach was forged in France, its relevance reaches far beyond the borders of this country, since we find the three principal elements of the social economy practically everywhere:

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13 At the 1900 Paris World Fair the social economy had its own pavilion, which Charles Gide described as a "cathedral". He wrote: "In the large aisle, I would put all forms of free association that help the working class free itself through its own means ... " (quoted by A. GUESLIN, 1987, p. 5).

14 For example, in 1981 the French government established an interministerial delegation on the social economy (Délégation Interministérielle à l’Economie Sociale), which was at times headed up by a secretariat on the social economy (Secrétariat d’État à l’économie sociale).
1. **Co-operative Enterprises.** The project started by the Rochdale Society of Equitable Pioneers\(^{15}\) spread rapidly and is now found all over the world, with the International Co-operative Alliance (ICA) bringing together more than 750 million co-operators on the five continents.\(^{16}\) Moreover, cooperativism has become extremely diversified, and includes agricultural, savings, credit, consumer, insurance, marketing, worker, housing, social and other types of co-operatives. It is nevertheless important to avoid any "fundamentalist" vision of cooperativism. Indeed, apart from certain co-operative organisations and movements not affiliated to the ICA, this first component of the social economy is also composed of various types of initiatives, primarily in the South, that do not have an explicitly co-operative status or label, but have rules and practises that resemble those of co-operatives. This is particularly true of many producer unions and associations, groups of peasants, craftsmen and fishermen, and numerous credit unions, not to mention organisations that are culturally or linguistically based. Also, in industrialised countries, there are enterprises that have a co-operative or social function, but are not co-operative in form. These too may be included as part of the first principal component.

2. **Mutual benefit societies.** As discussed above, organisations for mutual aid have existed for a very long time just about everywhere. They gradually institutionalised and came to play a major role in the social security systems of various industrialised countries. In Europe, many of them have been brought together under the aegis of the *Association Internationale de la Mutualité* (AIM). Together they have more than 66 million individual members and around 110 million beneficiaries.\(^{17}\) On a world scale, however, the AIM cannot claim to represent the entire mutualist element of the social economy, and in this respect is even less representative than the ACI. Besides the fact that it is found in far fewer countries, it limits its focus to health insurance and health and social services, with mutual insurance companies providing coverage for various other risks. But it has a more basic function in countries where social security systems are still embryonic and reach only a small part of the population. Here, the mutualist component includes a multitude of organisations with a wide variety of names\(^{18}\) that respond to the need of local communities to organise mutual aid on their own. They share diverse risks ranging from those that are linked to health (health care costs, medication purchases, hospital expenses), death (material support for the family of the deceased), funerals (returning the body to its home town, paying for funeral or religious rites), poor harvests, poor fish catches (compensation and support), etc.

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\(^{15}\) The Rochdale Society of Equitable Pioneers was founded in 1844 near Manchester, England, by a group of weavers whose statutes constituted the first expression of principles which, though they have since been revised, continue to inspire the world cooperative movement.

\(^{16}\) For an up-to-date history of ICA membership, see the recent summary by D. MIGNOT, J. DEFOURNY and A. LECLERC (1999).

\(^{17}\) In this sector, they are usually referred to as "entitled persons" or "rightful beneficiaries".

\(^{18}\) Very often, these names originate in the local culture and invoke values and practices associated with community solidarity.
3. **Associations.** Freedom of association is today formally recognised in most of the world, but it is expressed through extremely varied legal forms and in environments exhibiting varying degrees of acceptance of such undertakings. In practice, this component encompasses together all other forms of individual freedom of association that aim to produce goods or services but whose primary objective is not profit. It comes as no surprise that these forms too have a broad variety of names. Among the designations we find not-for-profit organisations and associations, voluntary organisations, and non-governmental organisations. Furthermore, country-specific foundations and organisations, such as the English charities, are frequently associated with this component.

There is a flagrant lack of precise statistical information available on the last component. In fact, there are even fewer statistics in this category than for the other two components. Nevertheless, considerable efforts have been made over the last ten years to increase our knowledge of associations, and particularly of the non-profit sector which, as suggested by a vast research program coordinated by Johns Hopkins University, accounts for most of the association component of the social economy and a part of the mutual aid component. The latest findings of this program reveal that among the 22 countries examined most closely by the study, the non-profit sector accounts for about 18.8 million jobs and involves 28 per cent of the population in various types of volunteer work.

It must be reiterated that the three components under consideration each have distinctive characteristics and operating mechanisms. While the following table does not take all these characteristics into account, it nevertheless compares and contrasts the basic general traits of the three main institutional types that make up the social economy.

We must be wary here of simplistic analyses that entrench the mechanisms described in the table: the lines of demarcation separating the three components are neither sharp nor immovable, especially in countries where such distinctions are not legally recognised. For example, projects combining the functions of a savings and credit co-operative with those of a mutual health insurance society are flourishing in the South.

While this first approach to the social economy is based on the identification of major institutional types, it does not involve any precise, formal legal framework. To be sure, wherever researchers gather statistical data, the legal

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19 It should be added that the first studies to identify the contours of the social economy from an international comparative perspective, and to quantify its three components, were carried out by a group of researchers from eleven European and North American countries. These studies came under the patronage of the International Center of Research and Information on the Public and Co-operative Economy (CIRIEC) (J. DEFOURNY and J. L. MONZÓN CAMPOS, 1992).

20 At least the entities that have a legal personality (see further on).

21 The contribution of the non-profit sector to employment varies greatly, but it can surpass 10 per cent in countries such as the Netherlands, Ireland and Belgium.


23 They are quite often referred to generically as mutual and cooperative banks.
character of organisations proves to be an essential reference point. But within the perspective that we have adopted, we may also associate the three components with projects that are informal as well as sustainable. This point is very important, since there are numerous *de facto* associations in the industrialised countries, and even a greater number of informal activities in the South, that are related to co-operatives (sometimes referred to as "pre-co-operatives"), mutual aid societies and associations.
Table 1  The main operating mechanisms of the social economy

<table>
<thead>
<tr>
<th></th>
<th>Association</th>
<th>Mutuelle</th>
<th>Coopérative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Role</strong></td>
<td>Provides services to its members and/or to the wider community</td>
<td>Provides services to its members and family dependants</td>
<td>Provides goods and services to its members and, in certain circumstances, to the community at large</td>
</tr>
<tr>
<td><strong>Product types and benefits</strong></td>
<td>Generally non-market goods and services, but also of the market-based type with increasing frequency. Depending on the implementation methods, which vary a great deal, both members and the community may take advantage of the goods and services.</td>
<td>Essentially non-market services. Members benefit from these services according to their needs.</td>
<td>Market goods and services. Each member benefits from these goods and services in proportion to the number of transactions he or she carries out with the co-operative (e.g. bonus for members using the services).</td>
</tr>
<tr>
<td><strong>Membership</strong></td>
<td>Private individuals or corporate entities</td>
<td>Private individuals only</td>
<td>Private individuals or corporate entities</td>
</tr>
<tr>
<td><strong>Division of power</strong></td>
<td>The principle of &quot;one person, one vote&quot; is applied at general assembly.</td>
<td>The principle of &quot;one person, one vote&quot; is applied at general meetings of the membership.</td>
<td>The principle of &quot;one person, one vote&quot; is applied at general meetings of the membership.</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>Dues and/or donations. When members resign, their dues are not reimbursed</td>
<td>Dues paid at regular intervals. When members resign, their dues are not reimbursed</td>
<td>Subscriptions to capital shares and/or contributions made at regular intervals. When members resign, they recover their financial contribution.</td>
</tr>
<tr>
<td><strong>Distribution of surplus</strong></td>
<td>Never distributed to members</td>
<td>Never distributed to members</td>
<td>Partially refunded to members</td>
</tr>
<tr>
<td></td>
<td>Must be reinvested in a socially useful way</td>
<td>May serve as a reserve fund and/or to lower dues and/or to increase benefits.</td>
<td>May serve as a reserve fund to improve services or further develop co-operative activity</td>
</tr>
</tbody>
</table>

The normative approach

The second approach to understanding the social economy consists in highlighting the common principles of its various elements. Stated differently, it consists in showing as precisely as possible why we can give the same designation to enterprises which, in the final analysis, are very diverse, and how as a group they differ from the traditional private and public sectors.
Today, there is wide consensus that in order to bring out the characteristics shared by enterprises we must examine their production objectives and internal organisational methods. There are, to be sure, numerous ways to formulate such characteristics. For this volume, we have selected an approach considered authoritative in contexts as varied as Belgium, Spain and Quebec. Given that in these countries and regions, the analysis of the social economy has been pushed the farthest, it stands to reason that any consensus on their part regarding the discussion at hand will further extend its influence. Moreover, the definition of the social economy by researchers in those countries is based on a blending of the legal-institutional approach noted above and the promotion of values and principles that govern the third sector (the normative or ethical approach). The upshot is that while an organisation may attain co-operative, mutualist or associative status – a significant step toward joining the social economy – this in itself does not guarantee that it will become part of the third sector.

We define the social economy as follows: “The social economy includes all economic activities conducted by enterprises, primarily co-operatives, associations and mutual benefit societies, whose ethics convey the following principles:

1. placing service to its members or to the community ahead of profit;
2. autonomous management;
3. a democratic decision-making process;
4. the primacy of people and work over capital in the distribution of revenues.

The fact that the objective of the social economy is to provide services to its members or to a wider community, and not serve as a tool in the service of capital investment, is particularly important. The generation of a surplus is therefore a means to providing a service, not the main driving force behind the economic activity.

Autonomy in management distinguishes the social economy from the production of goods and services by governments. Indeed, public sector activity does not generally enjoy the broad independence that informs the basic motivation behind every associative relationship.

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24 See, for example, the Libro Blanco de la Economía Social, a 1991 white paper written for the Spanish government, the Chantier de l'économie sociale introduced in 1996 by the Government of Quebec and the recent report of Belgium’s Conseil Supérieur de l’Emploi (1998).

25 In certain countries, enterprises are frequently co-operative in name only, either because legislators see cooperatives as virtually indistinguishable from other commercial entities, or because the State has placed them under tight supervision. Similarly, an associative or mutualist status sometimes provides a legal cover for para-public agencies and for-profit economic activities.

26 This opening to other and wider publics is more explicite in the co-operatives.
Democracy in the decision-making process refers theoretically to the rule of "one person, one vote" (and not "one share, one vote"), or at least to a strict limit on the number of votes per member in self-governing organisations. In addition to the fact that actual practices are quite diverse in nature, particularly in the South, this principle shows above all that membership and involvement in decision making are not primarily functions of the amount of capital owned, as they are in mainstream enterprises.

The fourth and last principle, the primacy of people and work in the distribution of revenues, covers a wide range of practices within enterprises of the social economy: limited return on capital; the distribution of surpluses, in the form of refunds, among workers or user-members; the setting aside of surpluses for the purpose of developing projects; immediate allocation of surpluses toward socially useful objectives, and so on.

As one might expect, these principles are closely related to the characteristics already highlighted in Table 1 above. They nonetheless form a more coherent expression of the characteristics that distinguish the social economy as a whole.

The preceding conceptual refinements demonstrate that the social economy is not circumscribed by specific branches of activity and that any type of production of goods and services can be organised *a priori* within the framework of the social economy. Moreover, the social economy (especially when it comes to cooperatives) is just as present in market activities, such as agriculture, crafts, industry, finance and distribution, as it is in non-market or partly non-market activities (particularly those involving associations and organisations based on the mutual aid principle), found in areas such as health, culture, education, recreation, social services and development co-operation.

**Social economy or non-profit sector?**

In the Anglo-Saxon world, it is primarily the *non-profit organisation* (NPO) and the *non-profit sector* which have revived interest in the third sector. Consequently, it is useful to point out their contribution to social economy analysis. While this contribution is limited, it facilitates an understanding of the concepts we have selected.

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27 Most studies published in journals such as the *Nonprofit and Voluntary Sector Quarterly* and *Voluntas* take this approach.
We begin with an explanation of the term non-profit sector. As defined by the Johns Hopkins study already cited, this sector includes organisations (NPOs) with the following features:

- they have a formal or official character, that is, they are institutionalised to some degree, which also implies that, generally speaking, they have a legal personality;
- they are private, that is, distinct from the State and from organisations directly linked to government;
- they are independent, in the sense that they must establish their own rules and decision-making authority;
- they are not allowed to distribute profits to their members or managers. This obligation to refrain from profit distribution is a constant refrain in the literature on NPOs;
- their activities must involve volunteers and donors, and membership must be voluntary.

Comparing the above definition with that of the social economy brings out striking similarities between the two: the formal framework criterion echoes that of the legal-institutional approach, even though the latter emphasises only three types of statutes; implicitly, the private character of NPOs is also found in the legal-institutional approach, since private legal status is generally involved; the criterion of NPO independence is very close to that of autonomy of management in the social economy; the final criterion that must be met by NPOs, one that has been influenced by the British tradition of voluntarism, is in practice met by most organisations in the social economy.

There are two main differences between the two approaches. (1) The "social economy" approach emphasises democratic processes in organisations, whereas we find nothing of the sort in the non-profit approach. (2) The non-profit approach, by prohibiting distribution of profits, excludes practically the entire cooperative component of the social economy, since co-operatives generally redistribute a share of their surplus to members. It also eliminates part of the mutual aid component, since some mutual insurance organisations refund surpluses to their members in the form of lower premiums.

The differences may be summarised as follows: the conceptual centre of gravity of the not-for-profit approach is found in the prohibition of distribution of profits.
profits, and this is key to an understanding of non-profit associations, whereas the concept of the social economy relies heavily on co-operative principles, based primarily on the search for economic democracy.\textsuperscript{32}

How are these differences relevant to our objective here? Do they favour one approach or the other? We can identify four main reasons justifying our preference for the social economy approach.

First, the stipulation that profits not be distributed seems much too restrictive for the trends in developing country of interest to us here. In fact, in industrialised countries, this stipulation, which constitutes the core of the non-profit approach, usually provides a way to obtain tax advantages. Since these advantages have in many cases been enacted in legislation, it is easy to spot organisations who comply with the non-profit criterion and benefit from the advantages. Thus, the operational force of the criterion makes it all the more compelling. By contrast, in countries of the Southern Hemisphere, tax legislation affects local community organisations much less, so the notion of non-distribution of earnings loses much of its meaning. Local organisations in the South that realise profits distribute them in a variety of ways since improvements in the living conditions of its members is often their major objective. Hence, the North's apparently clear line of demarcation between co-operatives and associations is somewhat blurred when applied to conditions in the South, and it becomes increasingly difficult to exclude co-operatives from our framework.

A second explanation for our choice stems from the fact that even in the industrialised countries the new collective entrepreneurship in civil society operates within co-operative legal frameworks or emphasise their non-profit nature. Thus, initiatives that are increasingly being labelled "social enterprises", and that are springing up all over Europe,\textsuperscript{33} tend to choose co-operative status if they are located in Finland, Portugal, Spain or Italy. However, they usually become non-profit associations, or something similar, if they are located in most other countries of the European Union. Comparable distinctions are often evident in what many Anglo-Saxon countries call community development projects.\textsuperscript{34} In recent years, we have seen national legislation in several countries recognise new forms of "social co-operatives" (Italy, Portugal) and "enterprises with a social purpose" (Belgium). In both cases they deliberately blend commercial ventures that have a co-operative dimension with social objectives that more closely resemble those espoused by traditional NPOs. Stated differently, within the European Union, but also in other areas of the Western world (particularly Canada), the cleavage between co-operatives and NPOs once

\textsuperscript{32} P. Lambert (1964) has written a reference work on cooperative principles. For the link between the social economy and co-operative thinking, see, for example, M. Marée and M.-A. Saive (1983).

\textsuperscript{33} See the European Network EMES (1999) studies on the rise of social entreprises throughout the European Union.

\textsuperscript{34} See, for example, J.A. Christenson and J.W. Robinson (1989), French-speaking Canadians employ the expression "community economic development" (développement économique communautaire). See: L. Favreau and B. Levesque (1996).
again appears overstated, unless we take the situation in the United States as our principal point of reference.

Some will no doubt object that co-operatives in the industrialised countries have in many instances changed so much that they are practically indistinguishable from mainstream private enterprises, and that their ties with not-for-profit associations seem to have completely disappeared. We have already conceded this point but nonetheless find it impossible to ignore all the undertakings that have managed to maintain genuinely co-operative characteristics.

The second explanation may also apply to the situation in the South. Here, the increasing number of practices that draw on the principle of "not for profit but for service" take on a very wide variety of organisational forms. Some of them resemble co-operative models (credit unions, for example), while others are reminiscent of associations (NGOs and trusts, to name only two).

Third, the "social economy" approach more accurately reflects, in our view, the socio-political dimension of the organisations involved, and the closeness of the ties that they maintain with a wider movement or project. The definition of NPOs, which stresses the voluntary nature of members' involvement, also implies that members have bought into the organisation's plans. The point is, however, that such plans are usually considered in a relatively isolated fashion, one that is almost exclusively micro-economic or micro-social.

The issue here has nothing to do with making the reference data fit into some broad ideological view. For the social dynamics of each situation vary considerably according to the period, place and sector of activity. Yet we cannot deny that very often even the most "micro" of projects seem to end up as part of a framework for social change. This was evident in nineteenth-century Europe, when worker and peasant movements were the mainstay of co-operatives and mutual aid societies. It is still true for numerous economic activities driven by movements such as those concerned with the environment, development co-operation, fair trade practices, ethical investment, the struggle against social exclusion, and women's liberation. And how should we approach the developing countries, where most co-operative, mutual aid and associative projects are the expression of a civil society increasingly determined to shape its own destiny and political future?

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35 At first, this principle was promoted primarily by the World Council of Credit Unions (WOCCU), but its influence today extends well beyond the frontiers of this movement.

36 As P. Develtere (1998) emphasises, in both the North and the South, organisations of the social economy do not only provide a framework for voluntary participation (praxis), but generally also convey a normative vision of society (the ideological dimension) and provide an organisational instrument for carrying out a societal project.

37 It is revealing that the abbreviation "NPO" (non-profit organisation), and not "NPS" (non-profit sector) has established itself in this approach. It stands in contrast to the expression "social economy", which immediately suggests a more comprehensive outlook.
The fourth, and last, explanation relates to the soundness and pragmatism of the "social economy" perspective. On a strictly scientific level, the criteria underlying its normative or ethical approach do not appear to be any less rigorous than those that have enabled us to analyse the NPOs. In addition, by dividing the social economy into three large organisational categories, two of which – co-operatives and mutual societies – have international structures, the legal-institutional approach provides the social economy with greater historical depth and a global perspective. Moreover, the social economy is represented primarily by co-operatives, mutual societies and associations, and it is because of this triad that the social economy is gaining increasing recognition from national and supranational authorities such as the European Union and the International Labour Organisation.

Let us now compare the limitations of the social economy and the non-profit sector. First, since the former is wider in scope than the latter, organisations in the social economy will be more diverse. We have already mentioned the weakening of links among certain organisations of the social economy. Still, is there any less diversity within the "private sector", in which both the neighbourhood shop and the multinational corporation seem to find a home?

For our part, we are convinced that the main drawback of the social economy concept is terminological and linguistic. Owing to the international dominance of English, the term "non-profit" does not generally require an equivalent in other languages, whereas this is not the case when it comes to the term “social economy”. Either it proves difficult to translate the latter expression into certain languages or the literal translations denote different types of reality. There are two ways to resolve this problem. The first consists in referring instead to a "third sector", as researchers working in this area do on a regular basis. The second, less elegant but more explicit, consists in stringing together the components of the social economy, each of which is translated according to its context. Using this approach, the European Commission officially launched its Comité Consultatif des Coopératives, Mutualités, Associations et Fondations (Advisory Committee on Co-operatives, Mutual Societies, Associations and Foundations) in 1998.

So as to get the conceptual refinements and terminological questions out of the way, we will end this section by noting that even in French and Spanish, the expressions économie solidaire and economía solidaria occasionally compete with the designation économie sociale (economía social), sometimes even completely replacing it, as occurs in certain regions of Latin America. Even though they introduce a slightly different slant, these concepts do not really deviate from the meaning of social

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38 The associative element also comprises a number of international groups, but these are generally limited to specific sectors.
39 In German, for example, Soziale Marktwirtschaft (the market social economy) refers to the overall economic model of the Federal Republic of Germany.
40 For some, "third sector" is the exact equivalent of "social economy", while for others it is the same as "non-profit sector".
The économie solidaire refers primarily to the most innovative or recent developments in the social economy. In this sense, it is akin to "the new social economy" and can only deepen our understanding of the third sector. In Quebec, researchers sometimes refer to an économie sociale et solidaire (the social and solidarity-based economy) so as to avoid having to choose between the two expressions.
III. CONDITIONS FOR DEVELOPING THE SOCIAL ECONOMY

It will be understood from the preceding discussion that while this analysis seeks to give prominence to the “emerging” or “incipient” social economy, rather than to its older, more entrenched forms, we do not wish to create a cleavage between the two. Furthermore, by comparing different waves of initiatives over the last two centuries, we can learn several essential lessons about conditions that favour the emergence and development of the social economy. These conditions provide us with a framework for understanding the present situation.

The social economy, child of necessity

The first thing that history teaches us about co-operatives, mutual societies and associations is that they are born of pressures resulting from significant unsatisfied needs and that they address acute problems. Put succinctly, they respond to a "condition of necessity".

The fraternal funds that appeared throughout the West in the XIX century were initiated by industrial workers and peasants whose living conditions were precarious and who had little access to health care. Consumer co-operatives were the result of collective efforts by people of meagre means seeking to purchase their food at a discount. As for producers' co-operatives – today we refer to them as workers' co-operatives – they represented a reaction by skilled tradesmen. These artisans sought to preserve their trades and remain masters of their work, instead of becoming locked into wage-earning, which in no way provided the social benefits we know today and totally prevented them from controlling the tools of their trade. In addition, we should not overlook those who were simply thrown out of work by changes in capitalism and sometimes attempted to deal with their predicament by creating their own businesses.

The entire XIX century and the first half of the XX century are replete with similar examples: when people were jolted by economic or socio-economic conditions, they demonstrated solidarity and set up enterprises in the social economy. Today, this condition of necessity still prevails, in the South as well as the North.

The condition of necessity in the South

The prior experience of the North resonates very strongly in the South and the developments that have taken place there over the last two decades. There too, the condition of necessity generates a host of projects. For example, the withdrawal

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43 Actually, we are extending an analysis initially conducted on cooperatives alone to the entire social economy (J. DEFOURNY, 1995).
of the State from the health sector – a phenomenon very closely associated with structural adjustment programs – has driven this sector into the "arms of the market". Consequently, the sick themselves must frequently pay, in whole or in part, for the care and medication they receive. Moreover, the quality of care delivered to the vast majority of people has deteriorated. As a result, people everywhere have reacted by initiating social economy projects that will ensure community-based funding of health services. During the African harvest, for example, peasants are increasingly pooling their cash or in-kind resources in order to cover the costs related to sickness or death. Also, social movements already in place, such as churches, unions and NGOs, have set up mutual aid services as a complement to self-help initiatives. In Latin America too, health care has become fertile ground for developing the new social economy. Thanks to a mutual aid tradition that is already quite old, new projects have taken root, perhaps faster than elsewhere, and have become important social players. This is true not only of mutual aid and social insurance initiatives, but also of primary health care services, which have surfaced on a community or co-operative basis in working-class neighbourhoods.  

Many other sectors besides the health sector offer examples demonstrating the pervasiveness of the condition of necessity in the South and of the extent to which people are driven to take charge of their lives. For example, the merciless Sahelian environment was the main factor in the growth of Naam groups in West Africa. Through 3000 co-operatives and associations, this movement has led hundreds of villagers to seek "development without destruction" of natural resources. On every continent there is an increase in projects including co-operative irrigation, grain banks, community kitchens, credit unions and marketing co-operatives for agricultural and craft production. There are also numerous organisations that do not limit themselves to a single field, but formulate collective responses to the complete spectrum of people's most vital needs.

The condition of necessity in the North

In many respects, the drive to act based on necessity applies to similar situations in most Central and Eastern European countries, where profound changes to the economy leave many basic needs unsatisfied. No longer able to count on an omnipresent State, citizens are rediscovering the social economy. However, they often give their projects names other than terms like "co-operative", because they had been appropriated by communist regimes in order to legitimise their system.

Obviously, the "condition of necessity" also exists in the industrialised countries of the West, although it is much more acute now than it was twenty or

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44 Among the numerous examples, we could cite Columbia’s empresas solidarias de salud (community-based health organisations that bring together a variety of local partners, including local authorities and neighbourhood committees and projects) and Brazil’s Unimed, which is made up of over 300 cooperatives and 70 000 health workers.

45 This is the slogan of the movement.
twenty-five years ago. In particular, because of the decline of the welfare state and the unemployment crisis, many people who were previously protected now have new needs that have to be met. Generally speaking, new social demands are now being made, demands which the market and public intervention cannot meet, or can no longer meet adequately. These demands are opening up new fields in which the social economy seems to offer the only, or one of the few possible solutions.\textsuperscript{46} Demands include those for professional requalification and reintegration by people who have been marginalised on the labour market; economic rehabilitation of disadvantaged urban neighbourhoods, and even revitalisation of deserted rural areas. Many organisational forms have appeared during the last two decades as a response to growing and painfully obvious needs. Examples include France's companies specialising in labour market re-entry, special-interest associations and local neighbourhood councils; Italy's "social co-operatives"; Germany's employment and training corporations;\textsuperscript{47} Belgium's on-the-job training companies and community workshops,\textsuperscript{48} the United Kingdom's community businesses and Canada's community economic development corporations. These are some of the organisational forms that have arisen during the last two decades in response to increasingly crying needs.\textsuperscript{49}

The list of contemporary challenges that give rise to the new social economy could be extended even further: the growing number of "new poor" and homeless, juvenile delinquency, the isolation of the elderly, the inadequacy of early childhood facilities, the failure of the educational system, the destruction of the environment, and so forth.

\textbf{Collective identity and shared destiny}

While the social economy may have been born of necessity, it still has a long way to go. It could play a much stronger role among the most marginalised groups in countries of the North and the poorest populations in the South. Instead, individual survival strategies predominate in many of these environments, particularly in large cities. In fact, the history of the social economy teaches us that it is driven by a second force, one that is as powerful and as vital as the first: membership in a social group unified by a collective identity or shared destiny. For example, during the XIX century and the first half of the XX century, the dynamic social economy reflected a class culture that was, to be sure, dominated, but which showed considerable solidarity.

\textsuperscript{46} A large part of the literature on non-profit organizations places an emphasis on NPO responses to market failure or State failure.

\textsuperscript{47} Beschäftigungs und Qualifizierungsgesellschaft (BQG).

\textsuperscript{48} Sociale Werkplaatsen.

\textsuperscript{49} For an evaluation at the global level of the new social economy's concern with professional re-integration, see J. DEFOURNY, L. FAVREAU and J.-L. LAVILLE (1998).
In industrial areas, the bonds that united members of co-operatives, mutual aid societies and other worker associations were their living and working conditions, their folk cultures and the struggles that allowed them to experience what Touraine has called "the unifying power of conflict". This concept helps to explain why movements that saw themselves as levers of societal transformation supported the social economy.

A parallel analysis of the rural social economy (agricultural co-operatives and mutual aid societies, rural credit unions, peasant associations, etc.) produces similar results. In many instances, the tenacity of the more traditional social and cultural forces (driven by religion, family values and village identity) provided sufficient social cohesion for collective projects of the co-operative or mutualist type to emerge in the countryside. But certain extraordinary success stories reveal even more clearly the importance of collective identity as an underlying factor in the rise of the social economy. For example, about one hundred years ago, the Desjardins co-operative movement in Quebec created numerous rural credit unions that still form the principal banking network in the Belle Province. This may be attributable to the will of an entire people to defend its French-speaking and Catholic identity in the face of the Anglo-Saxon Protestant domination that prevailed throughout North America. In Belgium, the story of the Flemish agricultural co-operatives, which are still very powerful today, may be understood in a similar way: the small farmers, who spoke only Flemish, sought to improve their living conditions and simultaneously assert their identity in an environment dominated by a French-speaking bourgeoisie and nobility.

In fact, these illustrations hark back to our earlier analysis on the sources of the social economy, an analysis which underscored the potential of movements based on shared belief systems (such as the Kibbutz movement, Protestant Hutterite communities and local communities in Latin America) or on threatened national identity. There can be no doubt that the affirmation of Basque identity in the face of Castilian hegemony constituted a fundamental force in the birth and growth of the Mondragón co-operative complex, even though the tremendous need for post-war reconstruction was also a contributing factor.

Community forces in the South

The importance of "collective identity" may be illustrated by providing examples where the opposite holds true. Co-operative projects in the South during the colonial and post-colonial periods, and in the communist regimes of the former Eastern bloc, provide such examples. Over several decades, governments in these regions tried in vain to build a paragovernmental co-operative sector. Governmental authorities, rather than members, invested capital in the co-operatives. The work itself was performed by civil servants, though it could not really replace the commitment of member-volunteers. In addition, the co-operatives and other "mass" organisations controlled from afar by the authorities had very little to do with one
another. In order to operationalise their national economic objectives, governments preferred to deal with a fragmented sector that was unlikely to evolve toward any real social or political movement, but which nevertheless offered a channel for reaching and "activating" certain target groups.

To be sure, in statistical terms these so-called co-operative projects occasionally achieved impressive results, and it is also true that the level of centralisation varied enormously, depending on the situation. Nonetheless, starting in the 1970s, certain agencies of the United Nations and other organisations increasingly criticised this "top-down" approach. Indeed, these projects had very serious economic and organisational limitations, so that when it came to mobilising local resources, the efforts of the authorities did not yield the expected results; on the contrary, they seemed to stifle all initiative, and the organisations failed to develop any real life of their own.

One should always be wary of making hasty generalisations, but a number of points lead us to conclude that for the last decade or two a completely different type of social economy – one that is genuinely community based – has been emerging and that it is now stronger than ever. More often than not, projects are following in the footsteps of social movements or arise from local village conditions. They are now developing almost entirely beyond the pale of government intervention, in the formal and informal sectors simultaneously. Compared with previous periods, they are working in a much wider variety of fields and, in cases where groups experience significant and rapid growth, their operations usually remain quite decentralised, with their local branches serving as focal points.

Such factors contribute significantly to the cohesiveness of these groups and strengthen group members' sense of collective identity. The identity already exists by virtue of members belonging to the same village community or through having experienced very similar socio-economic conditions. This sort of homogeneity is found, for example, in the interdependent groups of the Grameen Bank; these groups comprise very poor women with no other possible access to credit, apart from that offered by usurers. The resulting "community of shared destiny" is not static. On the contrary, it is the driving force behind a very dynamic process: not only is the entire group held accountable for repaying the loans granted to each member, but the women must also commit to making collective progress in literacy, health and hygiene and other areas.

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50 In 1959, Great Britain had more than 10,000 cooperatives on record in its colonies of the period, accounting for a membership of over one million. A decade later, Africa already had some 2 million cooperators. When Latin America embarked on its golden era of cooperative populism, which lasted from 1950 to 1970, the number of cooperatives had already risen from 7,500 to 25,700, and membership from 2 million to almost 10 million. Asia recorded even more spectacular results; by the end of the 1970s, it had more than 400,000 cooperatives totalling nearly 75 million members.

51 See, for example, the studies conducted from 1969 to 1974 by the United Nations Research Institute for Social Development (UNRISD).
What are the mobilising forces in the North?

Can the framework used for analysing the basic forces that drive the social economy be applied to the current revival of the concept in the industrialised countries? While the pressures arising from unsatisfied needs are, as we have seen, stronger now than they were before the crisis, a number of factors are increasingly undermining social cohesion and, a fortiori, the creation of collective identities. These include pervasive individualism and the weakening of the unifying power traditionally provided by religion, moral standards and trade unions. Of course, unemployment, especially when it is long-term, and the new poverty also play a role in destroying the social fabric.

Nevertheless, there is still fertile ground for truly dynamic communities, one in which most projects of the social economy are taking root at this time. Associations are growing apace here and taking on multiple forms in all Western societies. This recent growth is no longer an expression of strong collective identities but, rather, one of "partial" group awareness. The players are brought together by a common awareness of such requirements as protection of the environment, assuming responsibility for the handicapped or the socially excluded, and immigration and development co-operation. Through these issues, communities whose vision is strong but only partially shared by others are, through their individual projects, providing the basis for a social economy upon which they continue to build.

At the same time, if one examines current developments in certain older branches of the social economy, one cannot help but be struck by the weakening – even the disappearance – of our two conditions for developing the social economy. Obviously, the need for co-operatives and mutual societies in distribution, insurance, credit, and economic activities upstream and downstream of agriculture, has become far less pressing, to the extent that the same goods or services can be obtained on similar terms from traditional enterprises. Similarly, the collective identity of members has, on the whole, waned in consumer co-operatives, which today have tens if not hundreds of thousands of co-operators, while the clientele has diversified enormously and increasingly includes non-members.

In short, for certain traditional segments of the social economy the two historical conditions for the emergence and growth of the social economy are hardly ever present simultaneously. This helps explain developments in recent years. In sectors such as distribution, consumer co-operatives created in the XIX century or the early part of the XX century have experienced a very sharp decline, sometimes even disappearing completely. In other cases, the trend towards "coopitalism" has been the driving force. Globalisation and competition have brought so many pressures to bear that some large co-operatives have begun to adopt the dominant practices of their sector, such as increasing financial concentration, integrating groups that are not co-operatives and opening branches over which members lose complete control.
These trends obviously call into question the original identity of the enterprises concerned and the possibility of maintaining the specific character of the social economy once it has reached a particular size, especially when challenged by intense competition and the rapid concentration of capital. At the same time, however, they suggest that it is precisely due to the two conditions discussed above that the social economy will make an original and significant contribution to society. Social economy enterprises can achieve this, on one hand, by moving into fields where basic needs are not being met adequately or at all by the traditional private sector or government and, on the other hand, by exploiting opportunities for participative endeavours which, like democracy itself, must constantly be nourished.
CONCLUSION

We hope that our analysis of the two conditions has shed useful light on some of the most basic and traditional forces underlying the social economy, forces that mark its entire history. Obviously, many other factors affect the development and success of projects in the social economy. In particular, we should not underestimate the importance of effective leadership in successfully carrying projects forward. Nowadays, these leaders are often referred to as "social entrepreneurs", rare individuals who are indispensable because of their ability, alone or as a team, to maintain the dynamism and economic discipline of the enterprise and provide project participants with leadership and a common social purpose. In other words, leaders must assure a well-balanced combination of and cross-fertilisation between the associative and entrepreneurial aspects of the project.

In addition, we hope that we have demonstrated the exceptional utility of the social economy concept in gaining an understanding of economic issues of increasing importance to modern-day societies. It puts the economic imperatives of the third sector back into their social and cultural contexts, and explains their historical importance. In this respect, every analysis undertaken within a social economy perspective revives the oldest and noblest tradition in political economy: the belief that economic activity must benefit the entire community.
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