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## **Toward an Epistemological Foundation for Social and Solidarity Economy**

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### **Occasional Paper 3 Potential and Limits of Social and Solidarity Economy**

March 2014



This United Nations Research Institute for Social Development (UNRISD) Occasional Paper was prepared for the project on Potential and Limits of Social and Solidarity Economy.

The project received support from the International Labour Organization (ILO), Hivos International, the Rosa Luxemburg Foundation and UNRISD institutional funds. See [www.unrisd.org/funding](http://www.unrisd.org/funding) for details.

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ISSN 2312-2226



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## **Acronyms**

<b>LETS</b>	Local exchange trading schemes
<b>SHG</b>	Self-help groups
<b>SSE</b>	Social and solidarity economy

## **Acknowledgements**

I am grateful to György Széll and Emily Kawano for their helpful comments and suggestions on the earlier draft of this paper.

## Summary

In the absence of conceptual advances with strong ontological foundations, the author argues, social and solidarity economy (SSE), a science-in-the-making, cannot go very far in framing discourses and in engaging with the bigger picture, as an alternative to the crises-ridden “dominant economic paradigm”. The orthodox economics, with its ontological construct of the “*homo economicus*” and logical positivist epistemology, severely constrains our ability to imagine economic alternatives, through which local communities can rebuild their fractured lives, regenerate their local economies, restore their social and ethical values, and carve out their own democratic space and a more sustainable and better future; in short, put a “moral brake on capitalism”. Thus, the context today holds great promise for an epistemological revolution to construct a coherent theoretical framework for SSE with a strong explanatory power, which would enable us to gain the confidence to think of SSE more boldly and to develop SSE as a new scientific theory for explaining, organizing and developing well-governed sustainable institutional practices with a fundamental change in the intent and content of our economic life.

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## **Twentieth Century Capitalism is Failing the Twenty-First Century Society**

“Twentieth century capitalism is failing the twenty-first century society”, wrote Miliband (2012) in the *New York Times*, summing up concern over the future of global capitalism. The evolving context of the crises-ridden global capitalism, as well as the five mega challenges of the twenty-first century—namely, (i) the green challenge, (ii) the inclusion challenge, (iii) the well-being challenge, (iv) the moral challenge and (v) the governance challenge, which together constitute “the great sustainability challenge”—created by the “flawed” model of the economy, has increasingly given rise to a questioning of the ability of this paradigm to create “the future we want”. Therefore, to meet the mega challenges of the twenty-first century society, we must search for answers beyond the capitalist-socialist divide and the state-market dichotomy.

As the great lessons of the twentieth century teach us, financial capitalism, which is by nature “parasitic”, can no longer be the driving force in a democratic society. The collapse of financial capitalism, Polychroniou argues, will “encourage the development of alternative financial systems...for redesigning the financial universe...where the public good, not profit taking, is the principal driver...whose focus is the longer term, and who might also care about the planet and the communities they live in” (Polychroniou 2012:5). Thus, the failure of the hegemonic global capitalist economic system also breeds opportunities to think and work on alternative visions of a good society and build pathways for that—opportunities to work on a “paradigm of reversals”. As David Korten (2009) asserts, this financial crisis (of 2008) is “our best chance to build a new economy”... a new economy “that puts money and business in the service of people and the planet and not the other way round” (Korten 2009:1); to build what Eisler (2007) calls “the real wealth of nations” by creating a “caring economics” beyond capitalism and socialism. As she rightly emphasizes, rather than trying to just patch up a system that is not working, let us use our economic crisis to work for a system that really meets human needs (2009). Similarly Bruce Jennings argues, “incremental reforms and tinkering with the plumbing of our political economy will not suffice” (Jennings 2011:4). As Alexis de Tocqueville, the nineteenth century philosopher, argued, a *new science* of economics is needed for a new world (Swedberg 2009:5).

## **The Deeper Issues are Epistemological**

The current proposals, which are advanced as solutions to the crisis, fall far too short, leaving the deep conflicts of values and interests at the core of the current system untouched. Therefore, we need to deepen these debates, question the very foundation of the present paradigm and the economic logic that drives it. The crisis is not just economic; it is systemic—ideological, institutional and epistemological—with its deeper roots in the failures of orthodox neoclassical economics. For a long time in the past, but more substantially in the twentieth century, we were engaged in an ideological war between *laissez faire* and *dirigisme*. With the fall of the Berlin Wall in 1989, market fundamentalists celebrated the “ultimate” victory of the Wall Street model of the economy. As a graffiti on the erstwhile Berlin Wall, that captured this *Zeitgeist*, put it: *Kapitalismus siegt* (“capitalism wins”). The debate between etatists and corporatists, it was believed, was over and we started to prepare for the new century with the “new enlightenment” (profit as the road to “prosperity”), with the promise of globalization

looming large. But, barely 20 years on, in 2008, Wall Street had become bankrupt and collapsed. The financial crisis, which led to the most severe global recession since the Great Depression, damaged the global economy and brought it under terrible stress with “cracks in the system”. The Wall Street model failed yet once again. Voices of “We, the 99 per cent” gradually become louder, echoing the claim made by Naomi Klein (2008), the author of *The Shock Doctrine*, that the 2008 crash on Wall Street should be for neoliberalism what the fall of the Berlin Wall was for communism.

Therefore, alternative visions for another economy, in the spirit of the slogan from the World Social Forum—*um outro mundo é possível* (another world is possible)—will have to be developed from the wreckage of the orthodox economics. What is imperative today is an epistemological revolution, as part of a larger cultural revolution—a restructuring of our fundamental values—to stimulate, support, strengthen, scale-up and sustain innovations in alternative forms of economic life. Already we can see the contours of another economy in the shape of new communitarian movements through which local communities resist and respond to the multiple crises of global capitalism and innovate alternatives to meet economic needs within their local solidarity-based associational space. At the heart of these diverse forms of economic expression, lumped together under the rubric of social and solidarity economy (SSE), is the attempt to create an alternative communitarian response to the growing problems and gaps in meeting citizen needs, created especially by recent developments in the market economy (globalization of the market) and in the political economy (decline of the welfare state). More importantly, this rich mosaic of SSE landscape reflects how communities create these alternative pathways by walking them.

Not only do these innovative practices in alternative economic space ensure social protection, build trust and group cohesion, they also develop an approach to the economy with the factor “C” at its centre—cooperation, community spirit and collective initiative—which presents a powerful epistemological challenge to the “imperial” orthodox economics at its core (Dash 2005). Luis Razeto (2014) emphasizes these very communitarian and cooperative qualities as the distinct identity of these alternative associative and participatory economic forms, which converge toward a central purpose, endowed with a unique economic rationality that places human beings and communities above material things, work and capital. However, these ideas that help to reshape our economic experience have been pushed aside as inefficient and lacking conceptual and analytical instruments to support the decision-making process. Therefore Razeto (2014) asserts that the essential limitations and deficiencies often seen in these alternative pursuits cannot be overcome without the support of a scientific theory that respects and strengthens their alternative economic identity, expressing in a coherent manner their unique economic rationale and providing them with rigorous criteria to guide the decision making process, management and operations.

The orthodox economics has a very strong and well-designed structure of “epistemological recycling” anchored in academic curricula, and the business and economics textbooks. Thus for example, as Schugurensky and McCollum (2009) of the Southern Ontario Social Economy Research Alliance report on the basis of their survey, while social economy has grown significantly in the last decades in terms of contribution to the Canadian economy, this “other” economy is missing from the curriculum and textbooks of business and economics. This omission reflects the total monopoly of the paradigm of the “single bottom line of profit”, through control of the process of reproduction of our



knowledge system, which cannot explain models that use different goals, incentives, processes and structures. Széll (2012) therefore emphasizes the importance of education for social economy, not as an institution to repair the damage caused elsewhere, but to be innovative as the means to transfer the experiences from history, other cultures and regions, to integrate, federate and facilitate the transition toward socially useful activities. In this sense, he argues that the role of universities is extremely important as an institution for future leaders and citizens to train how to be responsible (Széll 2012).

What is needed, therefore, is an epistemological revolution and theoretical innovations, accompanied by institutional innovations in educational systems, to provide nurturing support to these scattered fragile practices in the SSE landscape for their vitality, growth and expansion, integration and sustainability. Such an epistemological revolution, as Braidotti (1999) says, involves ontological and methodological creativity in transforming the “social imaginary” toward a new understanding of the human subject as embedded with multiple sources of motivation and within a specific locally grounded social reality and relationship-based re-frame. In the context of feminist economics, Diane Elson emphasizes “transforming conceptual tools” as the engine of a “democratic transformation of public debate and policy process” (Elson 1998:156).

## **The Queen has Turned Dismal**

We realize today, more than ever, that some of the “truths” on which neoliberal economists base their arguments are naïve and “fatally flawed”. When theories are wrong, practice will be destructive. Therefore Moisés Naim (2006), editor of the influential *Foreign Policy* magazine, says: “When economists err in theory, people suffer in practice”, unfortunately, given the monopoly they have in policy regimes. There has been an enhanced debate in recent years, more particularly since the 2008 financial crisis, not only over the moral quality of the capitalist economy (Crouch 2012), but also the tyranny of the orthodoxy in the profession of economics (Colander et al. 2009; Freeman 2009). “Systemic failure”, as Freeman argues, “is no more an accident in a profession than it was in the banking system” (Freeman 2009:6). Therefore, the blame for the crisis should not only fall on the market participants, since this crisis also involves an ethical breakdown and a “moral hazard” in the economics profession. Thus, the crisis has also brought the orthodox neoclassical economics—the intellectual and ideological home of the capitalist economic system—under intense criticism, for the crisis is symptomatic of a “systemic failure of the economics profession” (Colander et al. 2009). About 30 years ago George Stigler (1984), the Economics Nobel Laureate, called economics an “imperial science” and predicted that it was on its way to becoming the “queen” of the social sciences. But, today many would call it a “dismal” science, and even a “failed” science. The queen has turned dismal (Mäki 1999). Economic theory is broken. Colander et al. lament that “in our hour of greatest need, societies around the world are left to grope in the dark without a theory” (Colander et al. 2009:2).

But, the intellectual crisis of the discipline did not start with the recent crisis in the economy. As Tony Lawson argues, the crisis just made more people aware of the intellectual failings of the discipline: “One positive consequence of the on-going economic crisis is that the intellectual malaise of the modern academic discipline of economics is becoming ever more widely recognized” (Lawson 2012:3). Standard

economics has been passing through a period of “unrest”, as many of its dogmas do not hold in reality and are thus increasingly being challenged. There is something fundamentally wrong in economic orthodoxy. As a result, a sense of unease has been recently growing among economists. The emergence of the post-autistic economics movement, starting with the student revolt in France in 2000 against the lack of pluralism in economics and the uncontrolled use of mathematics as an “end in itself” in economic theory reflects the crisis in economics (Fullbrook 2003).

The preference for mathematical technique and modeling over real-world substance; the belief in the universality of rational choice theory; the efficient market hypothesis; the instrumentally rational, utility maximizing, “separative self” (England 1993) underlying the concept of the “*homo economicus*”; the assumption of a “separate sphere” of the economic activity, and that markets and hierarchies are alternative modes of coordination etc., all add up to a very weak micro foundation of this “hard” and “imperial science”—in fact, a colossus with feet of clay—with dubious methodological status, a preference for *doxa* over *episteme* and “abstract” models detached from the substance of how the real world works. Economic theory is in disarray, because it is plagued by theory-practice inconsistencies. As Coyle sums up the critics, economics is crude and “too narrow in its focus, caring only about money; too dry and robotic in its view of the human nature; too reductionist in its methodology” (Coyle 2007:2). Economics, therefore, is now a much contested discipline, as many “are worried about the increasing adoption of its suspiciously narrow and distorting worldviews as part of the questionable cultural trend of economization, marketization, monetization and commodification of our social lives at large” (Mäki2005:212). In the garb of a “hard” science, economics is not only empirically empty and intellectually bankrupt, but is also a dangerous cultural failure.

## **The Immoral Basis of “Eco-no-mics”**

In recent decades, as Kreps (1997) argues, there was a slippage in economics from the assumption of utility maximization to wealth maximization, and self-interest degenerated into explicit “greed” as the operational microeconomic assumption with claims to universality. Thus, morality is another significant element to help us understand the evolving neoclassical ontology. Originally, Adam Smith situated economics within his grand scheme of moral philosophy. Although some commentators raise the *Das Adam Smith Problem* to highlight the incompatibility between his *Theory of Moral Sentiments* (published in 1759, which claims that humans are motivated by altruism) and *The Wealth of Nations* (published in 1776, founded on the claim that humans are motivated by self-interest), a deeper analysis of Smith’s works reveals the connection between economics and ethics and that they support each other. The first book sets out a moral system that provides a general framework for the economic realm, showing that Smith did retain a great concern for morality within his economics.<sup>1</sup> Some of the strongest moral criticisms of the existing society ever made are to be found in *The Wealth of Nations* (Alvey 1998).

Even John Stuart Mill (2004), the advocate of a separate *science* of political economy who did see some use of mathematics and formal methodology in social science, presents us with a moral science of economics, though his moral science is not as deep as Smith’s.

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<sup>1</sup> Weinstein 2008; Young 1997; Fitzgibbons 1997.

For him, the use of mathematics had to be within strict bounds, and he did not hold that political economy is value-free or that science and values are radically different (Alvey 1999). But, during the twentieth century, and more so with the emergence of econometrics, Alvey argues, economics drifted away from ethics, and from the moral legacy of Adam Smith. In the hands of the Chicago “imperialists”, championing an ideology of greed, a mathematical science of economics came to be seen as the logical *alternative* to a moral science of economics. Mathematics arrogantly won the battle over morality in economics (Alvey 1999:25). The Nobel Economist Amartya Sen laments that the nature of economics “has been substantially impoverished by the distance that has grown between economics and ethics” (Sen 1987:7).

The worst excess of neoclassical economics is the loss of “the moral minimum” from our social life. Economics has changed from being a theory of our material subsistence to becoming a theory of human nature, with scarcity no longer rooted in material life, but rather in the human mind as function of infinite human desires driven by greed. This has brought us to the point of the ecological and social limits of expansionism. We are no longer living off the earth’s revenue account; we are eating into its capital. Moral hazard, free riding, rent seeking, and creation of negative externalities—logical consequences of the “Rational Economic Man” model—have led to the breakdown of our social and moral health, while ecological overshoot poses a serious threat to the health of the planet and our well-being. A better economy requires a better economics.

### ***Homo Economicus*—The Anthropological Monster**

Both neoclassical economic thinking and practice are locked up, to use Weber’s language, in an “iron cage”, which is the creation of its own epistemological and ontological constructions. At the root of the present economic system is to be found the *homo economicus*—the building block of this huge monolithic economic edifice, its micro foundation. The starting point for economic analysis in neoclassical economics is the individual, the *homo economicus*—anthropocentric, instrumentally (hyper)rational, atomistic and self-interested, utility maximizing, autonomous, economic actors. Emphasis on self-interest and maximization as prime movers of human action governed by the principle of competition strip the *homo economicus*—the ontologically cold and rational, calculative, instrumentally driven, atomistic man with a “separative self”—off any morality and substantive rationality, and create a thin theory of human action (Taylor 1988). This all adds up to create conditions of dangerous social irresponsibility and fails as a means to provide for higher human needs for enriching, meaningful, supportive and caring relationships as essential elements of greater social well-being. The model of *homo economicus* has changed not just how individuals think of themselves and their preferences, but how they relate to each other in creating an “economics of thin ties”. Proponents of the “theory of performativity” in economics have recently shown how economics as a discipline has shaped the world of corporate capitalism (that is, the ontological assumptions in the construct of the *homo economicus* has created the economic system based on greed and instrumentalism driven by the laws of profit maximization, competition and capitalist accumulation).

The *homo economicus* as a neoclassical construct of the human agency, excluding non-utilitarian motives, non-market relations, and non-monetary transactions, is “purpose-built”

for a special kind of economy (the market economy), therefore the concept may appear to be a correct logical construction for only the anonymous market setting, and thus falsifies the neoclassical economists' claims to universal truths. It is an abstract construction, and does not exist in real life situations. Social life is hardly ever fully utilitarian, and people do not actually optimize utility through consistent and precise cost-benefit calculations (Homans 1990:77). The "Rational Economic Man" model has been decisively disconfirmed by experimental economics. For example, based on laboratory experiments, Gintis (2000) claims that in many circumstances economic actors "are *strong reciprocators* who come to strategic interactions with a propensity to cooperate, respond to cooperative behaviour by maintaining or increasing cooperation, and respond to non-cooperative free-riders by retaliating against the 'offenders', even at a personal cost"(Gintis 2000:313). Thus, as Bourdieu argues, the homo economicus, as ontologically constructed, is a "kind of anthropological monster" (Bourdieu 1997:61) and "the most extreme personification of the scholastic fallacy...by which the scholar puts into the heads of the agents he is studying...the theoretical considerations and constructions he has had to develop to account for their practices" (Bourdieu 2005:83). Even, John Stuart Mill, the originator of the idea of the homo economicus, himself admitted that it is "an arbitrary definition of man" and partial, a "very thin slice of human nature" separated out for analysis by political economy, which, as an abstract and mental science (akin to geometry), "reasons, and... must necessarily reason...from assumptions, not from facts" (Mill 2004:110).

Human beings are "less than perfectly rational" and have different behavioural dispositions for their long-term, as against short-term, interests and rationality. The long-term rationality, with strongly ingrained norms about fairness, reciprocity, and cooperation, often overrides the short-term cold and calculated "rationality". Humans have culturally evolved an elaborate system of ethics and morality, and a code of individual and collective conduct, which enable them to take decisions, not simply for short-term gains, but for long-range benefits as well. Horton (2011) rightly argues that "the evolution of ethics, morals, fairness, and justice in human relationships, including economic relationships, has buttressed our long-term survival and evolutionary success. ...To monitor reciprocity and fairness, humans have developed acute abilities to detect cheating, freeriding, and unfairness" (Horton 2011:474). Francis Fukuyama very convincingly argues that the substantive conclusions of new evolutionary biology are more supportive of *homo sociologus* than homo economicus (quoted in Horton 2011). Humans are by nature not selfish and isolated individuals, and as Durkheim (1897:448) so convincingly claimed, society is not "a disorganized dust of individuals". Man is by nature, what Aristotle described, ζῷον πολιτικόν (*zoon politikon*), who can achieve perfection only as a member of the *polis*.

Orthodox economics, with its assumption of the homo economicus, and the rational choice theory grossly neglect both the logical possibility and empirical evidence of economic practices based on "different rationalities", "relational capital", as well as "cooperative logic" for the creation of "psychic income", "social profit" and "ecological well-being". Thus, orthodox economics severely constrains our cognitive abilities to imagine economic alternatives, through which local communities rebuild their fractured lives, reassert their identities, regenerate the environment, restore their social and ethical values, and carve out their own space and a more sustainable and better future, in short, put a moral brake on capitalism.

## SSE—The Current Wave of Practice in Need of its Theory

The SSE today refers to an umbrella for a loose federation of diverse concepts and practices (alternative money, community currencies, social finance, microfinance, fair trade, self-help groups (SHGs), cooperatives, associations, *mutuelles*, collectively owned and managed social enterprises, time banks, *services de proximité*, local exchange trading schemes (LETS) and so on), but fundamentally, they are important social innovations in pluralistic forms of democratically structured new social designs in “associational economics”, as alternatives to profit and competition for meeting economic needs through non-economic incentives, with social capital as the infrastructure and the engine of economic activities for human-centred local development. It is a collection of practices and institutions, some of which are new, while others are old and have existed for a long time, but have suffered considerable erosion in their appeal over time (for example, cooperatives and mutuals). What is new in the emerging framework of the growing wave of the SSE movement is a renaissance of these old practices—the way in which they are envisioned and articulated as part of a different system, and part of a growing movement for a post-materialist value change. Historically, we could trace one important stream of this search for another economy through the great debates in the context of the socio-political and economic problems facing Europe during the industrial revolution in the eighteenth century, under different names: cooperativism, self-management, mutualism, social economy etc. The concept was developed as an influential philosophical formulation by the utopian socialists and the early champions of the cooperative philosophy, notably Robert Owen, Henri de Saint Simon, Charles Fourier, and Pierre-Joseph Proudhon. Building on these early debates, the concept of SSE advances an alternative to the hegemonic capitalist rationality and seeks to overcome the rationality gap that has caused our civilizational crisis, replacing it with the concept of the economy as a social institution, whose ultimate purpose is to reclaim the market for social ends, and to bring capital under the democratic control of society, based on solidarity, fairness and sustainability.

**Table 1: Idea-type construction of the three sectors of the economy**

	Public	Private	SSE
<b>Dominant actors</b>	State	Market	Community
<b>Rationality</b>	Distributive	Competitive	Cooperative
<b>Relationship based on</b>	Authority	Exchange	Solidarity/Reciprocity
<b>Governance principle</b>	Control	Freedom	Participation
<b>Value creation</b>	Public goods	Wealth creation	Blended values (social, ecological, moral, and economic)

A universally valid and accepted definition of SSE—one that unites all its different forms and practices and captures the range of diversities—is difficult at this stage, given the fact that the field is still evolving and its boundaries are porous with some degree of fluidity. Therefore, it is a work still in progress. But there exists a considerable clarity on its essence and basic characteristics.

Social innovation is the basis of SSE (Széll 2012, 2011), expressed through alternative ways of engaging with the economy to realize greater well-being. Today, the SSE landscape is replete with such innovations oriented to “correct the flaws” in the capitalist system,

seeking to bring “social content and purpose”, “environmental focus” and a “democratic character” to capital. Organizationally, SSE blends values (economic with social and environmental), may even be hybrid in form, but it is not structured around the owner-worker hierarchy. With a democratic governance structure, these organizations are collectively owned and managed, and are rooted in the local social fabric, based on solidarity, trust, cooperation and community spirit that drive bottom-up practices of sustainable development, moving beyond a narrow economism, and essentially looking for a multidimensional rationality beyond the greed-driven market. SSE seeks to subordinate profit to people and the planet, but as Volkmann explains, “includes aspects of solidarity and fairness in opposition to pure profit-maximizing” (Volkmann 2012:102).

As an alternative system to capitalism, SSE includes forms of economy built on relationships and ethics of care, cooperation and solidarity, instead of competition and individualism that do not easily fit within the frameworks of conventional economics (Miller 2010). SSE is thus a different economy, founded on a different foundation, fuelled by different motivation, locally rooted, driven by different logic and principles, and offers a viable democratic alternative to capitalism. SSE is less interested in how the dominant economy works than how people live their lives as part of the economy—struggling with, or even against, the conditions created by the dominant economy. It is a different model of economic organization, based on an active participation and *process of collective visioning*. As creative processes of societal self-(re)organization at the bottom, sprouting up around the world in recent years in their rich diversities, the SSE is a growing movement. If the old philosophy of social economy was a utopia in search of its practice (Henri de Roche, quoted in Miller 2006:14), the current wave of SSE is a growing body of practices in need of its theory.

## **A “Science-in-the-Making”: From the Wreckages of Orthodox Economics**

With its “performative” power, the orthodox economics has so strongly institutionalized and so deeply ingrained economic rationality into our way of being and our subjectivity that it has become the genetic essence of the tribe of *homines economici*. What is needed, therefore, is “a change of skin” (Leff 2009:105), which should start with ecologizing and socializing the homo economicus. This involves a deconstruction of the orthodox neoclassical economics and a transition toward “a new model of rationality” that can support the evolution of another economy. The deconstruction of the economy entails a much more complex philosophical, political and social exercise. Deconstruction involves questioning the thought, the science, and the institutions that create this “iron cage” of instrumental rationality (Leff 2009), and putting economics to a credibility test. The epistemological and ontological constructs of neoclassical economics reflect the *Zeitgeist* of the eighteenth century, and as Julie Nelson (2006:1059) emphasizes, we need to question how much of this view of economics is informed by observation and experience of real-world economic life and how much of it is simply belief? How much of it is backed up by studies of actual markets and business, and how much is simply the *Zeitgeist* of the eighteenth century, still wafting through a twenty-first century world?

The context today thus holds great promise for SSE to be developed as an alternative philosophical system against the failing neoclassical orthodoxy. But, the challenge is to

construct a coherent theoretical framework for SSE with a strong explanatory power to capture the wide and rich diversity of the scattered experiments and innovations on the ground. In the absence of such theoretical-conceptual advances with strong ontological and epistemological foundations, SSE cannot go very far in framing discourses and in engaging with the bigger picture to make a difference in the crises-ridden monolithic and pathological economic system. SSE, which has a long history but only a recent past, still a “science-in-the-making”, helps us think against the grain of our impoverished social vision and our impaired lives, and the *Weltanschauung* (a comprehensive world view), which is especially locked up in the belief that “there is no alternative” to global capitalism.

At a theoretical level, there are important epistemological and normative divides between SSE and the mainstream economics, and in their ontological claims. SSE rejects the neoclassical construct of the homo economicus, and offers a theory of contrastive explanation of the *persona* or the “human agency”. It challenges the science and craft of neoclassical economics built around the “rational choice paradigm” based on instrumental rationality, and rejects the mathematical formal modeling and the assumptions of methodological individualism, the dualism of the market and non-market spheres, which are the central elements of the dominant orthodox economics. In constructing its ontological and epistemological framework around the failures of the neoclassical orthodoxy, SSE develops as a science which builds on the research-leads in economic sociology and anthropology, feminist economics, behavioural psychology and other heterodox traditions. Therefore, SSE is distinct in terms of its epistemological intersectionality.

## **A Social Ontology**

SSE attributes the failure of the formalistic modeling of mainstream economics to inadequate ontological assumptions. The economic man does not suddenly spring up out of the earth, like a mushroom, fully formed and matured, with preferences fully developed, without any kind of engagement with others (Benhabib 1987; England 1993). Thus SSE rejects the construct of the atomistic homo economicus, and conceptualizes the human agency with considerable ontological sophistication by “bringing the real people back in”, and by focusing on a more refined theory of the basic constitution of social life and human nature. It moves beyond the homo economicus, to the model of a multidimensionality and relatedness, in which both material and non-material motivations drive human behaviour. Economic agents are not autonomous, SSE asserts, but are “socially situated”. It advocates a superior ontological theory of the “embedded agency”. Societies are structurally connected systems rather than atomistic aggregates. It focuses on the interpersonal ties, social capital, trust and cooperation, collective action and so on which not only lubricate and sustain, but also give meaning, substance and purpose to economic actions. In contrast to the utilitarian economy, SSE stipulates a moral economy, with a richer theory of the self and self’s development beyond the narrow economism of utility maximization. Neoclassical economics focuses on how people economize; SSE is concerned with whether they economize.

A growing body of research on local currencies, such as the LETS, shows that the participants are not on average very similar to homo economicus.<sup>2</sup> Thus, as Schraven

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<sup>2</sup> Schraven 2000; Pacione 1998; North 1999.

(2000) argues, experiences in existing LETS do not provide a good basis for economic theorizing, because the actions and motivations of a large number of their members are based on ideology rather than self-interest. It would be not only inconsistent to base the standard economic analysis on research on action of these people, but would go against the ethos and spirit of the movement (creating a sense of community, bringing down capitalism, or environmental values). Free rider problems, leading to the “tragedy of commons” syndrome, is a theoretical concern, but a minimal one. As reported by Schraven (2000) from the case of the Austrian *talente-system*, there is no trend of people joining, running up huge debts and leaving. Thiel’s (2012) study of the German *regiogeld* (regional money) system shows that Chiemgauer<sup>3</sup> users are very different in their value orientations and outlooks, and the use of this currency is an expression of motives like holistic life, autonomy, self-expression, fairness and ecology. Users of such currencies do not behave like the typical homo economicus when they transform their (efficient and universally accepted) Euros into limited Chiemgauer—they make a moral affirmation, to their social, ecological and moral values. Thus it has a moral symbolism, it is “moral money” (Thiel 2012:94). Cato and Suárez (2012) argue that in the United Kingdom, when consumers buy Stroud Pounds they are consciously choosing to limit their choice of goods to those sold in the shops that accept the currency. They are also aware that this may mean that they sometimes pay higher prices as their ability to shop around to find lower prices is curtailed. Similarly Lizotte and Duhaime (2011), in concluding their study of L’Accorderie (a service exchange network) and Le Jardin d’Échange Universel (universal garden of exchange) in Quebec, observe: “Our results suggest that individuals who adhere to the values of solidarity and cooperation are more likely to become members of community currency systems and remain active” (Lizotte and Duhaime 2011:51).

My own research on women’s SHGs in India (Dash 2012) shows that the success of microfinance programmes critically depend on the quality of the groups. The quality of the group and social intermediation determines the level of efficiency in financial intermediation (for example, lowering the transaction costs; peer screening and monitoring as a control against adverse selection, free riding and loan default). The SHG members view the group, not in the same way as a client looks upon a bank, but as an entity very central to their lives—offering them an institutional space as well as an environment that provides not only cohesion, support and security, but also gives them identity, confidence and hope. The group has very significant intrinsic value for the members, and is not limited only to an instrumental purpose. SHGs create an institutional structure that reinforces credit, trust and reciprocity within its perimeter. Therefore, members proactively and consciously make significant efforts to create, maintain and enter such group networks (Dash 2012).

### **Beyond Zweckrationalität: Multidimensionality of Action**

SSE draws on a rich diversity of sociological and philosophical traditions and deontological ethics, which offers us a more refined understanding of the complex reality of the multidimensionality of human action. Max Weber, for example, famously made the typology of rational, affective, and traditional action. More importantly, he made a

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<sup>3</sup> A local currency in Rosenheim and Traunstein districts of Bavaria, and a member of the regional currencies’ network called *Regiogeld e.V.*



distinction between two types of rational action, namely action based on economic and instrumental rationality (*zweckrationalität*), and action based on value or substantive rationality (*wertrationalität*). Weber's *wertrationalität* is non-economically rational yet economically non-rational. It is not reducible to *zweckrationalität*. Thus, rational behaviour can include not only just purely instrumental ends such as utility, profit or wealth, but also social and moral ends (Granovetter 1985), nor are non-rational actions necessarily ontologically less legitimate or empirically less sound than rational action. Schumpeter (1991:337) admits that our social, including economic life is often ontologically irrational. Therefore, the “non-rational” unified model of human behaviour can be ontologically more adequate and superior to the “rational action” model in terms of ontological legitimacy and empirical validity (Zafirovski 2003). Economic action, far from being utility maximizing behaviour, is “constrained and conditioned by social relations” (Aspers 2011:175). The issue is, as Sen puts it, “whether there is a plurality of motivations or, whether self-interest alone drives human beings” (Sen 1987:19).

SSE rejects the self-interest thesis of the economic orthodoxy and advocates a theory of ethically driven, deontological, other-directed and multidimensionality of motivation. Thus, for example, people who were still remaining within the LETS even though they felt that their economic needs were not being met (Caldwell 2000:13), the “Solists” who join the SOL<sup>4</sup> network in France with the objective of enhancing non-monetary activities and skills of each while developing social ties and conviviality (Fare 2011:58), or the users of complementary currencies who, despite all the inconveniences and the costs in their use—for example, the inconvenience of carrying two currencies, or the costs due to “demurrage” features like the payment of a 3 per cent fee to get a Stroud Pound note stamped every six months to maintain its value and a 5 per cent redemption fee—are still committed to the system (Ryan-Collins 2011:62–64), may not match the clarity and precision of the rational agent model and may represent chaos as seen through the lens of *a priori* reductionist epistemological criteria of the rational choice theory (or dogma?). But they do present us with concrete empirical evidence of behaviour powerfully driven by motivations other than the *zweckrational*.

## A Science of Social Provisioning

In contrast to the neoclassical economics, SSE is conceptually anchored on a “flourishing services” approach, or a social provisioning approach to economics. It is also referred to as the “means of livelihood” approach (Narotzky 1997), which emphasizes that economic activity basically involves the ways people organize themselves collectively to get a living, and on the ways a society organizes itself to (re)produce its material life and well-being. This organization is the arrangement of a set of social activities and services, rather than an aggregate of individual choices. Thus, instead of telling a narrow story about economies as the production, distribution, circulation and consumption of goods and services in varying combinations of market and state, the SSE approach suggests that we define economies much more broadly as all of the diverse ways that human communities meet their needs and create livelihoods together (Miller 2010). Following Karl Polanyi (1957), we can claim that within a given social system, special aspects of provisioning can be organized in a number of different ways (reciprocity, distribution, and exchange), and

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<sup>44</sup> SOL is an abbreviation of solidarity; a paperless complementary currency originating from the Sol project in France—a project that was supported by the European Social Fund “Equal” programme.

that there is no one best way. Access to the means of livelihood for individuals and families is “a polymorphous arrangement of social relations” of production and reproduction (Narotzky 1997:210). This approach opens up the possibility to capture the importance and the reality of the non-wage activities as a means to access a whole range of goods and services. “Provisioning” need not necessarily be done through the market, nor need it be motivated by selfish interests only. In contrast to the singular market theory of the neoclassical economics, SSE regards markets as empirically diverse and overlapping— all exchange in markets is trade, but not all trade takes place in markets (Aspers 2011:7).

**Table 2: SSE in contrast to mainstream neoclassical economics**

<b>Mainstream neoclassical economics</b>	<b>Social and solidarity economics (SSE)</b>
Atomistic ontology	Social ontology
Rational man	Relational man/ whole man (rational, emotional, normative)
Instrumental rationality	Substantive rationality
Autonomous agents	Socially situated agents (bounded rationality)
Competitive logic	Cooperative logic
Economics of thin ties	Economics of thick ties
Spreads wings	Deepens roots
Methodological individualism	Methodological holism
Formalism	Substantivism (real economy)
Economy is a separate segment (disembedded from the social matrix)	Economy is a sphere of social life (submerged in social relationships)

In fact, society derives much of its functioning from the unpaid work contribution to reproduction from its members (such as the everyday work that is done in households and communities to prepare food, to clean and repair, to care for children, the sick and the elderly and so on). Feminist economists have especially claimed that as a methodology, the social provisioning approach is a useful beginning for an economic analysis in which women’s unpaid and caring labour in the reproductive economy is central and which has at its core an emphasis on human well-being, with the empowerment of subordinated groups (Nelson 1993). However, SSE goes beyond feminist economics in framing the social provisioning approach to economics. Thus, for example, in the feminist economics framework, “social reproduction” generally refers to women’s unpaid work in a patriarchal system. But SSE develops a much broader framework in which unpaid work generally includes domestic work, voluntary work, subsistence farming, community service, reciprocal labour exchange, and a whole range of unpaid service production and exchange embedded in the economy, and such other non-monetary activities with economic effects, ontologically based on the value of a relationship and non-instrumental motivations.

This approach has deep historical roots in Aristotle’s concept of *oikonomikè* in contrast to *chrematistikè*: *chrematistikè* is the acquisition of wealth, which, Aristotle argued ought to be subordinated to *oikonomikè*. *Oikonomia*—from which the term “economics” is derived—means “the art of household management”, and *oikonomikè* is the action of using the things that are necessary for life, that is, to live at all (*zên*) and for the “good life”, that is, to live well (*eû zên*). When Aristotle speaks about “life at all” he is referring to what is achieved at home (*oikos*). When he talks about the “good life” he is referring to

what is attainable in the *polis*, and it is the end of the civil community. According to him, the last concept of life has a precise moral meaning; it is a life of virtues by which humans achieve happiness. *Chrematistikè* “produces” wealth and looks unlimitedly for money, but *oikonomikè* uses what is necessary to satisfy the agent’s requirements to live well. Similar distinctions can be found in the analysis of Marx who distinguishes between “use value” and “exchange value” (Marx 1976), and in the distinction made by Max Weber (1978) between *haushalten* (“house holding”) and *erwerben* (“profit making”).

Edgar Cahn (2001) argues that many key areas of life (such as caring for children and the old, sharing services, offering mutual support and so on) still function outside the money system and help to build a strong community based on reciprocity rather than profit. Strober (1994:145) argues very forcefully that more of our economic lives are concerned with sacrifice and cooperation rather than greed and competition. The epistemological bias in the mainstream economics leaves them out of the “economic” analysis and valuation because they are “non-market” unpaid labour. The UNDP, in its *Human Development Report 1995*, estimated the value of such non-market economic activities at about 70 per cent of the global output. “Social provisioning”, as Marilyn Power argues, “is a phrase that draws attention away from images of pecuniary pursuits and individual competition, and toward notions of sustenance, cooperation, and support” (Power 2004:6). It is based on a positive-sum approach and a cooperative logic in contrast to the zero-sum approach and the competitive logic of orthodox economy.

Ecofeminists like Veronika Bennholdt-Thomsen (2001) point out that human well-being depends largely on reciprocal subsistence-based activity, not money. But, even outside feminist economics, advocates of local currency and the LETS have convincingly argued that “dependence on money for economic provisioning is unnecessarily *restrictive*, and that people who do not have access to money can and do nonetheless make huge contributions to local economies” (Perkins 2007:232). Similarly, Mary-Beth Raddon (2002) argues that community currencies provide one way of acknowledging the value of unpaid work, and that the social relationships fostered in community currency groups are also an important component of community cohesion and social capital. The “flourishing services” or the social provisioning approach essentially involves “removing barriers so that unpaid and non-marketed activities can flourish” and thus goes “beyond markets and monetization as compensation mechanisms” (Perkins 2007:232).

Time Dollars are especially designed, as a medium of exchange, to rebuild a fundamentally different economy—the economy of home, family, neighborhood and community as part of the core economy. As an important part of SSE, Time Dollars supply the substratum on which the market economy survives, and in effect, subsidize the market economy with unpaid labour, much like the contribution of ecosystem services to our well-being. As Cahn (2001) argues, when social problems call for input from the core economy, Time Dollars provide a way to generate that critically important labour, while also creating purchasing power and psychic reward for those “excluded” from the money market. Similarly the LETS and the “activity-based” currencies, as medium of exchange embedded in local networks of solidarity, builds peoples’ control over their own economic destiny as well as resilient communities. The “flourishing services” or “social provisioning” approach, redefines “work” beyond the conventional notion of formal, income-earning activity, including being active for one’s own sake, for the community, and for the usefulness of others. Thus it allows us to perceive a wider range of income-

earning activities, to understand income in a non-monetary way. Thus SSE changes both the intent as well as the content of economic life.

## **Non-Dualism and Non-Essentialist Realism**

Closely related to the social provisioning approach of SSE is the problem of dualism prevalent in neoclassical economics and expressed in the concept of the “separate spheres” and the market/non-market dichotomy. Orthodox economics focuses on the productive sphere within the market system, and ignores the non-market transactions and the reproductive spheres. The feminist economists have been the most scathing critics of this contradiction inherent in the dualism, given the fact that women’s economic contribution is so largely concentrated in the reproductive economy and the care economy outside the market system, which the GDP-centric accounting system does not value. Therefore, feminist economists reject neoclassical economics as androcentric. This market/non-market dichotomy is, in turn, rooted in the “reason-emotion” dualism. This and the other similar dichotomies in Western “habits of thought” (such as objective/subjective; positive/normative; self-interest/altruism; man/nature and so on), which are not just simple dichotomies but are also hierarchically ordered, owe their origin to the Cartesian epistemological tradition of splitting the cosmos into *res cogitans* (a thinking mind which has no spatial extension) and *res extensa* (a body with spatial extension which has no thinking capacity). The Cartesian (Subject-Object/Body-Mind) dichotomy gave rise to anthropocentric and separative worldviews.

This “cognitive habit” influencing the epistemological foundation of the neoclassical tradition, privileges reason over emotion, objectivity over subjectivity, positive over normative, and market over the non-market. Thus a market sphere, inhabited by the atomistic individual governed by the pure logic of instrumental rationality is constructed as distinct and “separate” from the non-market sphere. In contrast to this formalist tradition, SSE draws from the theoretical insights of sociologists and anthropologists based more on the realist substantivist tradition, which argues that economic processes are embedded in social and cultural processes. The economy is not a “separate and isolated segment” of society, but submerged in the everyday social relations, and enmeshed in norms, values and institutions. The non-economic motives and forces very powerfully fuel economic systems (Polanyi 1957). Durkheim’s concept of “the non-contractual elements of the contract” and Weber’s notion of “the *spirit* of capitalism” convincingly show that the social ethos is the life-blood even of the capitalist economy.

While economics, etymologically from the Greek *οικονομία* (*oikonomia*), originally meant “household management”, in the orthodox economics the household has been reduced to the non-economic sphere—relations outside the household boundary are governed by formal rationality, while substantive rationality and affective relations govern behaviour within the household. But, as Mackintosh (2000:131) argues, the household is very much an economic institution defined by joint consumption of certain elements of domestic labour. Parenting is a socially productive work. Thus the household is constructed by the social relations of (decommodified) domestic labour based on social and non-monetary values. The women’s SHGs in India and their microenterprises strikingly exhibit a model of work sharing in the household within the context of non-commoditized relations between spouses and between parents and children. Children worked for their parents’

business on an ad hoc basis according to the variable need for labour in the enterprise. After optimally using their family labour, they draw on their extended families (often from distant villages) to work in the enterprise rather than hiring labour from the open market. Thus, the household boundary is permeable; blending both productive and reproductive economies, creating values in a very efficient manner, and this is the key to the success of their enterprises. Beyond the (household-based) microenterprise, the self-help group itself is a dense network of cooperation and affiliation, which works as the locus of “solidarity finance” for the poor women in the context of the credit market failures (Dash 2012).

SSE does not essentialize, and thus does not separate spheres of life, or distinguish between tangible and intangible boundaries. From a non-essentialist perspective (arguing that phenomena are multidimensional, and cannot be encapsulated by any one particular dimension), it rejects the “reason-emotion” dichotomy. Emotion is often integrally related to rationality—commonly treated as its “antithesis” in the Cartesian dichotomous approach. Nancy Ettliger (2003) argues that there is no binary of rational and non-rational, or a separation between reason and emotion, and suggests the term multiple logics as a conceptual tool to understand the empirical behaviour of people. People are concurrently members of multiple social networks across different spheres of life; carry their thoughts and feelings, mixing them as they traverse contexts over time; and “unconsciously interweave multiple logics, that is, modes of thought and feeling associated with different spheres of life and different social networks...rather than an end product of linear thinking that moves along a predefined axis of ‘rationality’, behaviour emerges as a kaleidoscope of emotions and calculations that span a variety of private and public spheres of life” (Ettliger 2004:32). Everyday economic action, as Bourdieu (1990) argues, not necessarily the product of conscious calculus and deductive logic, can be understood as inductively rational and straining toward efficiency—the result of a practical reason and the application of situational logic. Amartya Sen offers us a more useful definition of rationality as “the discipline of subjecting one’s choices...of actions, values and priorities...to a reasoned scrutiny” (Sen 2003:4).

## Conclusion

SSE challenges the realism of the core assumptions of the neoclassical orthodox economics. It develops a more realist, non-essentialist social ontology to understand better—through the *a posteriori* and constructivist lens—that economic systems are run by non-economic motives, that economy is embedded in society, that we do not live our social life and our economic life in two distinct “spheres”, that the self is not “separate” but “soluble”, and that cooperation and reciprocity, morality and common good are the warp and woof of the superior ontological status of human beings as *homo sapiens*. In making a forecast, Thaler says, “rationally, I realize that the forecast most likely to be right is to predict that economics will hardly change at all” (Thaler 2000:134), but clearly predicts that the homo economicus will evolve into *homo sapiens*. Building on the critique of neoclassical economics, Horton (2011:475) predicts that “homo economicus will become extinct”. Homo economicus is a sociopath—designed to cheat, lie, and exploit. *Homo reciprocans* presents a more realistic and biologically correct behavioural model than homo economicus. Moral reasoning is not a cultural artefact invented for convenience and opportunity. Morality and ethics provide the glue that binds our species, while the

social skill of cooperation creates and furthers the common good, and, over the long run, enables us to live in peace by cooperating with unrelated others, and protects mankind from destroying itself. In creating “the future we want”, we need to develop an ontology of sociality, of the homo reciprocans and the homo sociologicus.

SSE should study economics in every way that orthodox standard economics did not, to rediscover and build the alternative of the “economics of thick ties” that “deepens roots”. Bringing a social goal for the capital, building up an economy that restores the social fabric, “deepens roots” instead of “spreading wings”, avoids the “ecological overshoot”, democratizes the economy, emancipates rather than subjugating the people, creates “real wealth” driven by the logic of well-being and sustainability—in a word, realizing the promise of the SSE—calls for developing a robust paradigm, with an alternative epistemological foundation built around a superior social ontology of inter-relationality, as well as philosophical principles different from logical positivism (monism) and individualism (atomism), for us to gain the confidence and the capacity to think SSE more boldly, shape economic practices and policies more coherently, and develop well-governed and efficient institutions in SSE more creatively. This is the challenging scientific project for SSE to be more fully developed and grow in the twenty-first century.

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