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The Social and Solidarity Economy

A Theoretical and Plural Framework

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The social and solidarity economy: a theoretical and plural framework

Abstract

Economy is not one "natural" thing; it is always plural and socially constructed. Polanyi taught us that it was a mistake to see the economy as independent from society, as a self-regulating market. He insisted on the presence of different economic principles (market, redistribution, reciprocity) in concrete human economies. As for Mauss, he taught us that progress does not lie in seeking to replace one economic system brutally with another. Rather, economic organisation always consists of a number of contradictory institutional forms, irreducible to each other and combined with different emphasis. Starting from their approaches, the idea of a "plural economy" is intended as a framework for considering relations between these complementary forms and for resolving potential conflicts among them.

The return of the utopian experiment of a self-regulating market under neo-liberal capitalism requires us to elaborate a project of democratic transformation. Thinking about it, we must remember the self-regulating market in the 1930s led to authoritarian regimes : it generated so much uncertainty that it created the ground for nazism and stalinism. We cannot repeat this terror and we have to be conscious that market ideologists have recently produced a counter-movement of religious fundamentalisms and we cannot afford the polarity of "Macworld" and "Jihad". To avoid these dangers, the chapter argues for mobilizing economic principles other than the market (reciprocity, redistribution) and institutionally embedding the market once more in a perspective of solidarity, economy as well as establishing non-

capitalist enterprises, i.e. recognising diverse forms of property by using social economy and social enterprises statutes

In order to go in such a direction, democratic solidarity is essential. It starts, as Mauss insisted in *The Gift*, with recognizing that modernity rests on a particular relationship between reciprocity and redistribution, between the voluntary collective actions of equal citizens and the state's attempts to redress inequalities. Together these make up what - in Europe, South America and elsewhere - is known as the "solidarity economy" (*économie solidaire*). Its institutional base includes self-organisation in civil society (unions, cooperatives, mutual insurance and non-profit organisations) and social protection by public rules. It is not a question of replacing reciprocal solidarity with redistributive solidarity but of combining one with the other. By combining this solidarity economy perspective with the social economy tradition, it becomes possible to renew the conception of social change.

The twentieth century left us with two extreme cases that we should avoid in the future: a market society whose inequality was justified by an appeal for individual freedom, on the one hand, and the subordination of economy to a political will whose egalitarianism was a mask for coercion, on the other hand. Our task is to find new ways of guaranteeing a plural economy within a framework of democracy. Mauss and Polanyi agreed on the need for practical syntheses of old and new realities rather than radical reversals based on a false realism. Instead of making an abstract appeal for an alternative economy, we should be devising fresh combinations within the field of economic possibilities open to us.

Introduction

The classical distinction, in Marxist writings, between base and superstructure is deeply questionable today. The fact that economic development now depends on harnessing cultural production through information and communication technologies has blurred the boundary between materiality and social interaction, thereby favouring their permeability. Given the unprecedented risks entailed in the contemporary expansion of the capitalist system, the search for an "alternative economy" has resulted in strong initiatives, of which the new social

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movements are but one expression. But perhaps we should first take stock of how some of the social changes they propose reflect the theoretical assumptions of the orthodox economics they oppose.

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

Such a vision of another economy, of another world can hardly contemplate the democratic conditions of its own realisation. The debate over the different meanings of the economy has to be reopened in this light. Without it, any discussion on the levers of change or on the conditions of transition would be impoverished. Our task is to understand and explain the dimensions of economic life that have been obscured by the naturalisation of the economy's current dominant form, if we are to harness our efforts at making those dimensions compatible with an idea of socio-political transformation sustainable in public debate. Following in the footsteps of Mauss and Polanyi, and taking their contributions separately and together, opens the way to an emancipatory project that is explicitly mindful of a politics that was paradoxically banished by revolutionary rhetoric in the name of effectiveness. The plural reality of the economy, including democratic solidarity, allows paving the way for a democratisation process in contemporary societies.

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

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

Polanyi (1977), in particular, underlined the heuristic value of returning reflexively to the definition of economy. The meaning of the word "economy" as we currently use it to designate a certain kind of human activity swings between two poles. The first, "formal" sense stems from the logical character of means-end relations: the definition of economy in terms of scarcity comes from this. The second, "substantive" sense emphasises the relations of interdependence between people and the natural surroundings from which they derive their material being. In this definition, such substantive conditions are basic to the economy. This distinction between an economy of scarcity and one linking people to their environment was revived by the posthumous publication of Menger's *Principles*, a seminal work of neo-classical economics. There Menger suggested two complementary directions that economics might take: one based on the necessity of economising in response to insufficient means; the other, which he called "techno-economic", resulting from the exigencies of physical production, without reference to the quantity or adequacy of the means available. These two approaches to the possible development of the human economy proceed from "essentially different assumptions.... (but) both are primary and fundamental" (Menger 1923: 77). This argument was forgotten by his successors in neo-classical economics who chose to privilege Menger's price theory and reduce his approach to a formal one alone. Polanyi held that this reduction of the field of economic thought led to a complete rupture between the economy and life, a comment expanded upon by those economists who have taken the trouble to reflect on the epistemology of their science. In polanyian terms, the "economist sophism", assimilating real economy and its formal definition, has become the orthodoxy of the twentieth century economics. Menger's two approaches were forgotten with the help from Hayek considering that Menger's contribution about "techno-economic" dimension was "fragmented and desorganized" and was not worth translating in English.

Consequently two characteristic features of the modern economics have to be underlined.

- *First, the growing independence of an economic sphere that becomes identified with the market.* Passet has traced the stages, from the Physiocrats to neo-classical theory, of a long process of withdrawal in which sidelining the substantive meaning of economy led to confusion between the economy and the market (Passet 1996: 31-37). The Physiocrats worked out the concept of economy by referring to the market as a mechanism linking supply and demand through prices; but, for Quesnay as much as for the founder of the classical school, Smith, although the economy was granted the

characteristics of a market, the economic sphere was not separated from the rest of society. For Smith, the value of a good is based on the costs of its production; Ricardo extended this idea to a labour theory of value that Marx used for an unprecedented attack on the liberalism advocated by the classical school when he defined capitalism as a system of labour exploitation. In reaction to this radical challenge, the neo-classical school rejected Smith and Ricardo's assumptions and based value instead on the principle of utility/scarcity; a pure economics could then be defined as a theory of price determination under hypothetical condition of absolutely free competition. All phenomena outside the market were excluded here from - except when neo-institutional economics tries to explain market failure or when the economics of organisations recognises other solutions (which only happens in a "second stage", the market being treated as the principle of first resort).

- *Secondly, identification of the market with the self-regulating market.* Rationalist and atomistic assumptions of human behaviour allow orthodox economists to aggregate individual behaviours by means of a deductive market model, without taking into account the diversity of institutional forms in the market. Envisaging the market as self-regulating, i.e. as a mechanism linking supply and demand through prices, overlooks the institutional changes necessary for it to happen at all and indeed the structures without which it could not function. Rosanvallon (1989: 221-2) has described this economic ideology as "the reduction of trade to the market, seen as the only natural form of economic relations...Exchange, which must be equal, is taken as the archetype of all other social relations...A natural harmony of interests is enough to sort out the world market; political mediation between people is considered to be useless or even harmful". With the arrival of the neo-classical paradigm, economics was able to study rational interested behaviour with formal mathematical rigour. The market could be understood solely in terms of the pursuit of self-interest.

Consequently, to these two points underlined by Polanyi, we may add a third one, much emphasised by many authors, including Marx: the *identification of modern enterprise with its capitalist form*. In a capitalist economy, based on the private property of the means of production, the creation of goods is tied up with the possible profit for the holders of capital. According to Weber, the firm is a profit-making unit whose organisation is geared to the hazards of market transactions, always with the aim of taking advantage of the exchange;

Weber adds that capital accounting thus underpins the rational form of an economy of gain since it allows calculation of the surplus produced in relation to the money value of the means employed by the firm (Weber 1991: 14-5). The establishment of the joint-stock company in law provides the means for an unparalleled concentration of capital, since property rights may be exchanged without their owners having to be aware of it, with the stock exchange offering a parallel guarantee of the possibility to convert their assets into cash at any time. To the extent that capital accounting has become universal and with it the opportunities for market transactions, from now on it shapes perspectives on commodity exchange as much as those on production (Weber 1991: 14-5).

If Polanyi revealed a plurality of economic principles, Mauss acknowledged a plurality of property forms and insisted on the fact that an economic organisation is always a complex combination of economic types that are often opposed (Mauss 1997) and that these are shaped by evolving social institutions. "Property, law, the organisation of work – these are all social facts, real things corresponding to the real structure of society. But they are not material objects; they do not exist outside individuals or the societies that make them and keep them alive. They only exist in the minds of men brought together in a society. They are psychic facts. Economic facts, such as property rights for example, are themselves social (value, money, etc.) and therefore constitute psychic facts like all the other social facts to which they are connected, conditioning and being conditioned by them" (Mauss 1997: 76). If individual property cannot be called into question without restricting freedom, it is possible to add "national and collective properties above, alongside and below market economy and private property" (Mauss 1997: 265).

For Mauss, we have been living in a society with capitalist dominance. However, there is not just one mode of economic organisation expressive of a natural order; rather, a set of forms of production and distribution exist together. "There is no such thing as an exclusively capitalist society...There are only societies with a dominant regime or rather, to complicate matters further, with institutional systems more or less arbitrarily defined by the dominance of one or another of their elements" (Mauss 1997: 265). For Mauss, social action and practice are framing and are framed by political institutions. In other words, these institutions define a framework within which practices unfold, influencing their representation in turn. But institutions also change because they are social conventions which at once express and limit the field of possibilities. Studying them allows us to gain "sharp awareness of the facts and a

grasp - if not a certain knowledge - of their laws and helps us also to emancipate ourselves from the 'metaphysics' in which '-ism words' like capitalism are soaked" (Mauss 1997: 535). An economic system is made up of contradictory institutional mechanisms which cannot be reduced one to the other; that is the reason why the idea of a capitalist dominance is more relevant than the one of a purely capitalist society.

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

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

With this framework in mind, we can now decipher the mechanisms through which resistance to market society has expressed itself and explain the role played by solidarity in such a matter.

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

In contrast to this "benevolent" version of solidarity, however, there is another one that would support the democratisation of society through collective action. This second version assumes the legal equality of the people involved. We find it in different continents over the two last centuries; it does shape social reality to some extent in South America (Ortiz and Munoz 1998; Gaiger 2001, Coraggio 2007), in Continental Europe (Evers and Laville 2003; Hulgård, 2011), but also in Africa (Copac, 2012). The origins of the democratic solidarity emphasised by advocates of the "solidarity economy" appear to be both historical and theoretical. Solidarity

has been mobilised to limit the disruptive consequences of the market economy, of what might be called "utopian capitalism" (Rosanvallon 1989). Besides, democratic solidarity has two faces. One is reciprocity; it designates voluntary social relations between free and equal citizens. The other is redistribution; it designates the standards of service drawn up by the state to reinforce social cohesion and to redress inequality.

History shows that, from the eighteenth century onwards, people generated proliferating means of public association, which, in the first half of the nineteenth century, focused on the demand for new forms of work organisation (Laville 2010). In this case, democratic solidarity took the form of voluntary reciprocity, bringing together citizens who were free and equal under the law; in this, it differed from charity, which thrived on unequal conditions. When the liberal prophecy failed and the removal of obstacles to the market did not lead to a balance between the supply and demand for labour, a large number of responses emerged to solve the social problems involved through the self-organisation of the people themselves. Beginning of the nineteenth century and onwards, worker and peasant associations worked together, provided mutual aid and made collective demands. They initiated an economic project based on brotherhood and solidarity that refuted entirely the attempt to draw a line between the economy and public life.

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

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

In summary, democratic solidarity introduced egalitarian reciprocity between citizens into the public sphere at the same time as it established the principle of redistribution through the state. From this point of view, there is a relationship between reciprocity and redistribution that is particularly modern, as Mauss showed us in the conclusions to *The Gift*.

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

The second distinctive feature of modernity is a system of public redistribution whose rules are fixed within a framework of representative democracy. The transition to a democratic solidarity based on redistribution may indeed lead to the opposite of freedom if its source is a public authority whose aim is to subject everyday life to control by bureaucracy. But the risk of such an eventuality does not undermine the interdependence of reciprocity and redistribution. The difference between them should not make us forget their common roots, whose existence is confirmed by their shared reference to solidarity. The latter is an extension of the spirit of the gift as put forward by Mauss (1997: 263). For Jaurès, social security is a

right which "comprises the interplay of reciprocal duties and sacrifices, a sphere of mutual giving", what Castel called "social property"; with the proviso, Jaurès added, that it should not be a "wheel of state" but "a living product through which the workers will exercise their strength today and the apprentices their control of tomorrow" (Chaniel 2001: 216). In the hands of Mauss and Jaurès, therefore, the concept of democratic solidarity points to close relations between the gift, reciprocity and redistribution, rather than emphasizing their differences.

3. Towards a democratisation process

The economy under conditions of modern democracy is therefore caught in a double movement: the first expresses a tendency towards the economy becoming "disembedded"; the second is the opposite, democratic tendency to "re-embed" the economy.

The first movement underlines the dominance of the formal definition of economy. Economy is seen as a combination of the self-regulating market and capitalist society: the project is to make society indistinguishable from its own economic mechanism. A market economy without limits leads to a situation where the market is all-embracing and sufficient by itself to organise society; the public good is realised by the pursuit of private interest without any room for political debate. This invasive utopia of the self-regulating market differentiates modern democracies from those other human societies where aspects of the market might be found, but without the aim of putting them together into an autonomous system.

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

- *The principle of redistribution is mobilised against the reduction of the economy to the market.* There is another pole intrinsic to modern democracy, namely the non-market economy, in which goods and services are allocated by means of redistribution. The market economy could not fulfil the promise of social harmony it once made. On the contrary, as social problems mount, it becomes necessary to set up institutions that are sensitive to its destructive consequences and able to counteract them (Titmuss 1987).

And whereas the idea of basing the economy on reciprocity has become rather blurred, redistribution as an alternative economic principle to that of the market has emerged as the result of public action. The state confers on citizens individual rights, allowing them to benefit from social insurance against risk and, in the last resort, from public assistance for the underprivileged. Public administration thus pays for goods and services with a redistributive dimension (from the rich to the poor, the employed to the unemployed...), according to rules issued by a public authority that is subject to democratic control.

- *In response to the notion that the market must be self-regulating, limits are imposed on the markets through a process of institutional embedding.* If disembedding of the markets is a feature of modernity, society's repeated reactions aim at "socialising" the markets, i.e. subjecting them to a body of rules derived from a process of political deliberation. In other words, the modern market economy is defined by a tension between disembedding and embedding processes. In the history of the twentieth century, the drive to establish a self-regulating market in the place of various regulated markets itself gave rise to the development of regulatory frameworks. "The majority of markets today consist above all of rules, institutions and networks that frame and control the conditions under which supply and demand meet". But these are opposed in their turn by spates of deregulation calling for "various markets to be brought into line with the impersonal idea of perfect market competition, that is for the desocialisation of markets" (Gadrey 1999).
- *Attempts to found and establish non-capitalist enterprises* constitute the third development through which a substantive approach to the economy is reintroduced. The basic model of the firm in neo-classical theory is one in which property rights are held by investors. In such context, the aim of the firm comes down to profit maximisation, to the accumulation of financial capital. Labour is subordinated to this accumulative logic. In contrast to this dominant model of economic theory, the social economy has demonstrated the existence of a *variety of property forms*; in other words, different categories of persons hold property rights and are thus able to shape the aims of a firm. The purposes of a firm depend on the configuration of property rights and on those who hold them. Indeed, unlike capitalist firms, some enterprises are not owned by the investors, but by other types of stakeholders, whose aim is not to

accumulate capital. As Hansmann (1996) and Gui (1991) point out, there are potentially as many property forms as types of stakeholders (workers, consumers etc.). There have been many studies of organisations whose owners are not the investors. The literature on workers' self-management naturally leans toward firms organised by workers. Similarly, analyses of the world of cooperatives focus on enterprises controlled by consumers and suppliers. There is also today a wave of so-called social enterprises whose "social" character does not necessarily depend on their being collectively owned. When judging an economic activity, criteria other than financial profit come into play: access to supplies, quality of performance of a service... (Rose-Ackermann 1986). Economic entrepreneurship in these terms thus reflects a kind of reciprocity where true worth lies in social ties rather than in the maximisation of individual interest.

Historically, there was thus a variety of responses to the utopian horizon of market society: the mobilisation of different economic principles, the development of institutions restricting the market sphere and issuing rules for the functioning of the markets, and the adoption of non-capitalist property forms.

Neo-liberalism brought back the utopian idea of a market society. The content of the democratic reply then proves to be crucial. At worst, the desire for liberation from a market society entails a risk of leading to its opposite - the sort of identity tensions that can produce confrontation between "Mac World" and "Jihad", to draw on Barber's (1996) imagery. The globalisation of the market and its extension into areas never touched hitherto finds its corollary in the rise of religious fundamentalism. The risk of such confrontation is real and confirmed by events, but it has also already shown its incompatibility with democracy in the course of the twentieth century. History tells us that, when an economic worldview becomes an end in itself, there is no room for an alternative human project to be decided through democratic process. Market extension meets a counter-movement checking this expansion in whatever ways are necessary for society's protection. According to Polanyi (1944), this is the route to a "great transformation" that will liberate society from the threats brought upon it by economic liberalism.

As Dumont (1983) recalls, the fascist and communist regimes tried to go in this direction; this led to the destruction of freedom and the reign of oppression. Unfortunately no great

transformation has been able yet to reconcile freedom and equality. Of course, there was a compromise between market and state during the period of expansion after the Second World War. Fordist and welfarist industrial societies imposed social rules on market economy through legislation, collective bargaining and a vast apparatus of non-market redistributive economic forms. But this compromise had a reversible character, as proved by the neo-liberal offensive that exempted the market from certain social rules that were seen as rigidities and delegitimised a non-market economy weakened by bureaucratisation and the subjugation of users. That reversibility is all too obvious today. The fact that social progress is conditional on deductions being levied on the market economy opens up a contradiction: on the one hand, it would be desirable to restrict the market so that it does not extend into every sphere of human life and solidarity-based relations might be preserved; on the other, it is just as desirable for economic growth to be as high as possible in order to yield the maximum returns to finance the redistributive systems that testify to the solidarity between social groups.

In order to end this apparent deadlock, it becomes necessary to take into account all the steps that concretely reject the ceaseless commodification of social life. This is the full significance of initiatives undertaken in the solidarity economy. An international perspective puts in evidence how numerous are the components of this solidarity economy in community and complementary currencies, digital commons, alternative energy, fair trade, ... (for an extensive review : Hart, Laville, Cattani, 2010). Present in all the continents, in their many-sided ways, these help to challenge developments that neo-liberal ideology presents as inevitable. If such initiatives were in a position to extend enrolments beyond their immediate constituencies, to increase their commitment to and involvement in matters of public regulation and to ally themselves with social movements that share their goals, they could contribute more effectively to the democratisation of economy and society.

Conclusion

Two great lessons may be drawn from the history of the twentieth century. First, market society, sustained by a concern for individual freedom, generated huge inequalities; then submission of the economy to political will on the pretext of equality led to the suppression of freedom. These two solutions jeopardised democracy itself; this was obviously the case of totalitarian systems, but systems subordinating political power to that of money produced similar results. If we reject both of these options, it is then a question of developing

institutions capable of guaranteeing a plural economy within a democratic framework - exactly what is compromised when the rationale of material gain without limit has a monopoly. To face this challenge, we must seek out new institutional forms anchored in social practice; these will point the way towards the reinsertion of democratic norms in economic life. Any return to the old compromises is doomed to failure; and any reflection on how to reconcile freedom and equality, which remains the nodal point of democracy in a complex society, can only make progress by taking into account the reactions of people in society. This is one further point of agreement between Mauss and Polanyi; we must rely on practical experience for information and analysis - in other words, start from "real economic movement", not from a programme of social reform given a veneer of realism. This is a conception of social change as self-expression, of change which "is by no means committed to revolutionary or radical alternatives, to brutal choices between two contradictory forms of society" but which "is and will be made by a process of building new groups and institutions alongside and below the old ones" (Mauss 1997: 265).

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

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