

# Towards an Epistemological Foundation for Social and Solidarity Economy

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# The Context

The Five Mega Challenges of the 21<sup>st</sup> Century :

- The Green Challenge
- The Inclusion Challenge
- The Wellbeing Challenge
- The Moral Challenge
- The Governance Challenge

## Eco-no-mics of Greed: Wall Street in Crisis

- Poverty, unemployment/loss of livelihoods, insecurity, exclusion, loss of social protection, safety-nets, Disintegration, Displacement/Involuntary Migration . . .
- War, disease, terror, violence, crime, drugs, suicide . . .
- Global warming, nuclear waste, resource depletion
- Plunder of the earth (land, water, forests, minerals, bio-piracy) . . . Resources valued as and converted into money, not valued as life-supporting
- Global Footprint and Ecological Overshoot
- Finance Capitalism, Phantom Wealth, and Speculative Economy – divorced from the real economy
- The Economics of Greed – Market vs. Morality
- Economics of “Bad Neighbors”: World of Objects vs. world of Relationships. Loss of trust, collective action, social capital
- The deeper issues are epistemological – rooted in neoclassical economics

# Economic Expansion = Social Recession

- Collapsing : the Three “Es”  
(Environment, Ethics, Economy)  
*AND*
- Challenges for The Three “Ds”  
(Democracy, Diversity, Development)  
State and Market “Failures”
- Answer : The Three “Cs” :  
Community, Cooperation, Collective /Civic Action
- The Contemporary *Zeitgeist* :  
Rio+20, World Social Forum, Occupy Wall Street . . .  
Alternative Globalization – Globalization of  
*Localism*

# The Deeper Roots are in the orthodox Economics

- Orthodox Neoclassical Economics as the home of the crises-ridden paradigm
- Economics itself in Crisis : A “failed “ Science with “performative” power
- The Students revolt in France (2000) against the tyranny of orthodoxy, and the rise of Post-Autistic Economics (PAE) against the lack of pluralism and Mathematical modeling as an end in itself.
- The financial crisis (2008) brought the ‘systemic failure’ of economics into sharper focus
- Epistemological recycling through curriculums and textbooks – lack of pluralism and tyranny of orthodoxy
- Intellectual failings of Economics: The triad of the colossal default : *positivism, methodological individualism, and the ontological assumption of homo economicus*
- Need for an Epistemological Revolution in Economic Science

# SSE- Practice in need of its Theory

## Social Economy :

- Bring Capital under the democratic control of Society (Inclusion, Participation, Ownership, and Self-Management)
- Subordinate profit to human and environmental wellbeing
- Reclaim the market for social ends & Bring Social Purpose to Capital
- Through Market Innovations (e.g., Social Investment, Impact Investment, Social Stock Market, Social Enterprise, Social Banking, Community Reinvestment Fund, Microfinance etc.)
- Blends Values, Hybrid in form, BUT NOT rooted in local social fabric, solidarity and community spirit of cooperation

# SSE – Practice in need of its Theory 2

## Solidarity Economy:

- Rooted in Local Social fabric, Solidarity, Community Spirit of Cooperation and Trust – Economics of Associative Life
- Bottom-up practices/struggles of local people against conditions of official economic system
- People locally create the pathway by walking
- Based on different logic, values, principles and motivation – multidimensionality (Not only economic/profit maximization, but also Social-Relational, Psychic-Emotional, Moral-Ecological Wellbeing)
- Offers democratic *alternative* to capitalism beyond the greed-driven market – Communitarian response to global capital – a Moral Brake on Capitalism
- Diversity of local innovations in *New Social Designs* (Cooperatives, SHGs, Microfinance, Fair trade, LETS, Community Currency systems, Time Banks ..... ) – in the embryo of a “third” sector

# SSE - A Science-in-the-Making

- SSE changes the *intent* and the *content* of economic life – a Fragile Sector, Beginning to take baby steps
- Orthodox Economics constrains our cognitive abilities to understand these alternatives, let alone provide philosophical nourishment for it to grow
- Needs to develop its own scientific (*Grounded*) theory with strong ontological foundations for us to think SSE more boldly and support it to be fully developed
- From the wreckages of orthodox Economics : SSE gets it Sociology right, Alternative epistemological foundation, superior ontology, different from logical positivism (monism) and individualism (atomism), *homo sociologus* and *homo reciprocans*

# SSE : A Contrasting Ontology

## Orthodox Economics: Hard Science

- Atomistic Ontology
- Rational Man (amoral)
- Instrumental rationality
- Autonomous Actors
- Economics of Thin Ties
- Competitive Logic
- Zero-sum
- Methodological Individualism
- Formalism
- Economy as “separate” sphere
- Hierarchy/linearity of Needs
- *How* people economize

## SSE: Soft Science

- Social Ontology
- Relational Man/Whole man
- Substantive Rationality/Multiple logic
- Socially “Situated” Actors
- Economics of Thick Ties
- Cooperative Logic
- Positive Sum
- Methodological Holism
- Substantivism
- Economy submerged in society
- System approach to Needs
- *Whether* people economize

# SSE- The Science of Social provisioning

- **A Science of Social Provisioning** – the *diverse ways* people organise themselves to get a living collectively – the way a society organises itself to (re)produce material life
- There is no one best way
- A set of social activities (both paid and unpaid) and processes rather than an aggregate of individual choices under conditions of scarcity
- Need not necessarily be done through the market, nor for selfish reasons with ‘profit’ motive (e.g., parenting)
- Economy is not a separate sphere, but is socially embedded
- Shifts our focus from images of pecuniary pursuits and competition to notions of sustenance, support and welfare
- Explains Quality of individual happiness/wellbeing as multidimensional, beyond narrow economism of the “Science of Choice” in scarcity
- unpaid services, non-market exchanges, non- instrumental motivations, economic provisioning embedded in local networks of solidarity and ontologically based on the *Relational Man* (valuing relationships)
- Ethical judgments are important in economic analysis

# A Social Ontology

**A Social Ontology** - the bedrock of SSE - is a considerably sophisticated ontology of the human *agency* - based on the ontological depth of *Realism*

The 'Self' is essentially social (Adequately socialized) ,  
Individual choices are not 'pure', but socially determined - and less than perfectly rational - driven by emotion, morality, culture, habits  
... Bounded Rationality

Challenges the assumptions of rationality and maximizing behaviour of isolated, selfish, sovereign and 'free' individuals

Ontological corrections to achieve the 'unity of social life' and the whole man (rational+emotional+normative) endowed with the skills of cooperation to achieve common good through intentional action

Moral reasoning and deontological ethics provide the glue for our collective survival and evolution as a species

# *homo sociologus, not homo economicus*

- *Homo economicus* – Atomistic, self-interested, utility-maximizing, cold, calculative, instrumentally hyper-rational, autonomous
- Purpose-built for a specific type of economy (market economy)
- An abstract construction – ‘Ontologically constructed’ – does not exist in real life situation – an “anthropological monster”
- ‘Rational economic Man’ model disconfirmed by social anthropologists and economists in the heterodox traditions (Behavioral, Post Keynesian, feminist economics)
- It is incomplete as it excludes : Non-utilitarian motives, Non-market relations, Non-monetary transactions
- Even J.S. Mill, the inventor of the concept, himself admitted that it is “an arbitrary definition of man”, partial and a very “thin slice of human behaviour”.
- Human beings are “less than perfectly rational”, have strong propensity for reciprocity and instinct for cooperation, endowed with altruism and “other rationalities”, and have culturally evolved with norms, morals and ethics as “code of conduct” against free-riding and cheating, that has buttressed our long-term survival and evolution as homo sapiens
- SSE seeks to socialize the *homo economicus* and builds on a realist ontology of the *homo sociologus* as its micro foundation

# Multi-dimensionality of Action

- SSE draws on a rich diversity of sociological and philosophical traditions
- Deontological Ethics
- Rational Choice Theory : Based an incomplete theory of rationality, cannot satisfactorily incorporate norms, values, emotions. . .
- Max Weber's Typology of Action:
  - Traditional, Affectual, Rational
  - zweckrational* : Instrumental rationality
  - wertrational* : Substantive rationality (Non-economically rational yet, Economically non-rational)
- Schumpeter : Social life, including economic, is often ontologically irrational

# Non-Dualism and Non-Essentialism

- SSE does not make a market/non-market dichotomy, treating market as a 'separate sphere', but as embedded
- SSE also rejects other similar dualisms implied in orthodox economics with hierarchical undertones : Reason/Emotion, self-interest/altruism, subject/object, positive/normative, individualism /holism – an influence of Cartesian epistemology
- SSE develops a non-essentialist epistemology (phenomena are multidimensional which could not be reduced to ant one essential attribute)
- Human behavior can be understood not through the rational/non-rational or reason/emotion binary, but through the conceptual tool of '*multiple logic*' – everyday economic action is the kaleidoscopic result of a practical *reason* and the application of *situational logic*, rather than a product of conscious rational calculus and deductive logic

# Epistemological paradigm for SSE

- Constructivist and Phenomenological inquiry (as against logical positivism using quantitative/experimental methods)
- Using qualitative and naturalistic approaches (studying real world situations as they unfold naturally, non-manipulative, non-controlling, unobtrusive, lack of predetermined constraints on outcomes)
- To inductively and holistically understand social phenomena (the whole phenomena understood as a complex system, more than the sum of its parts, and focus on complex interdependencies, rather than focusing on few discrete variables and linear cause-effect relationships from deductive hypotheses)
- In a context-specific situation (place findings in a socio-cultural and historical-temporal context, rather than establishing 'universal truths')
- *Sociologizing* Economics