

Sociology 929. The Social Economy
Reading Interrogations, Session 5, 9/29/2010
SOCIAL ENTERPRISE

1. Matthew Kearney

Kerlin speaks in quite general terms about the non-profit sector in the United States, leaving her with questionable material for further generalization in the book's concluding chapter. For instance, she leaves out governance entirely from both the United States chapter and her concluding global comparison, though governance is an important component in several other chapters.

Ignoring governance is one of many ways she obscures the diversity of the American non-profit sector. For instance, she excludes hospitals and higher education institutions from her data for some reason (it can't be because these are mostly fee-charging institutions – the same is true of outpatient health centers and theaters, but they are included). This still leaves her with quite a diverse group: organizations that mostly serve rich people (art galleries, museums, ballets), organizations that mostly serve poor people (homeless shelters, food pantries), and organizations that try to be class neutral (ecological groups, religious congregations). How can we say anything about all of these at once without first dealing with them in their particularity? In analytical potential, what do we gain and lose from talking about the non-profit sector as a whole? What do we gain and lose from talking about it as a series of unrelated sectors? Even though I do not think very highly of Kerlin's approach, I do think there are some strengths to both of these possibilities. I would like to know what the group has to say.

2. Emanuel Ubert

Though varying in its different contexts, the general theme underlying the rise and spread of social enterprises in all discussed regions and countries, according to Kerlin, “is the absence of state social programs or funding, due to either the retreat or poor functioning of the state”. In Western Europe, for example, the spread of social enterprises since the 1990's is broadly seen as reaction to problems of persistent long-term unemployment, in Argentina the recuperation of companies seems to be an exclusively defensive strategy by the workers in response to the closing of their factories, in Zimbabwe social enterprises seem to be largely focused on social protection initiatives, and in Eastern Europe the majority of social enterprises strengthen local development in economically depressed locations spawned by the structural transition to capitalism.

In the light of this cross-regional data, is it reasonable to conceptualize the emergence of social enterprises to be primarily a reaction to structural change? In other words, do social enterprises predominantly occupy and act within the “gaps and contradictions” of capitalist reproduction?

If this is the case, is it realistic to view social enterprises as transformative agents that are capable of shaping their structural environment and thereby alter the terms of their reproduction?

It seems very doubtful to me that social enterprises could rival capitalist firms in their capacity to transform existing social, economic and political structures to their own (and ideally also society's) benefit. The confrontational stance of NGO's towards the government in the late 1990s in Zimbabwe, and the subsequent increased state control over and reigning in of NGOs, for example, seems to throw doubt on the (short run) effectiveness of social enterprises in mobilizing and deploying social power in the economic sphere outside the existing confines of the gaps and contradictions of a given dominant economic and political system.

Further, social enterprises' tendency to rely on capitalist market forms of exchange to fund their social activities seems to anchor them to the very mechanism that confines them to interstitial spaces/ the margins of the dominant economic (capitalist) system in the first place...capitalist forms of economic exchange and distribution.

Does social enterprises' reliance on markets therefore further the reproduction of capitalist forms of economic organization?

3. Nina Baron

Kerlin argues in her book that the reason that social enterprises do not develop in the same ways in different regions of the world, is the regions' different socioeconomic environments.

I see two different problems in her conclusion I think it could be interesting to discuss.

Kerlin argues that if we want to build sustainable social enterprises, we have to take the lands' or regions' socioeconomic context in to consideration. I think that is an important point, but I think it is a problem when she think of international aid as a socioeconomic factor. I see social enterprises as category there can make it possibly for a land or region to make sustainably solutions for social problems without have to dependent on international aid.

So my question is; is international aid a factor we need or want to take into consideration when we are discussion the possibilities of starting social enterprises in different countries around the world?

The second problem I find in Kerlin's conclusion is more about her methods. I find that the way she puts countries in to regions is problematic. Can you put Singapore and Cambodia in the same category, when you make conclusions about socioeconomic factors? Or Denmark and Italy for that sake.

My second question is therefore: can we learn something from her conclusion or are her arguments too weak? Does this type of generalizing helps us understand the connection between social enterprises and their environment or does it overlook too many differences to be useful?

4. João Alexandre Peschanski

Janelle A. Kerlin (chapter 9) highlights features according to which social enterprises around the world vary. Those features range from outcome emphasis to strategic development base; she identifies those features with four areas -- market, state, civil society and international aid. For instance, the United States has an outcome emphasis that is market-oriented, whereas Western Europe is civil-society oriented. My comments relate mostly to when Kerlin goes from the highlighting to the explaining of variations among countries.

She claims that the absence of state social programs affects the emergence of social enterprises and that the socioeconomic environment impacts the social-enterprise model a country adopts. The Table 9.4 (p. 196), that summarizes her findings, does not provide good evidence to explain: (1) variations between the United States and Western Europe, that have the same level of socioeconomic factors and different social-enterprise models; (2) why Japan has developed to be a mixed model, when you still have differences in socioeconomic factors; (3) why market-orientation appears to be important in Zimbabwe/Zambia, when it is considered to be a weak socioeconomic factor; and (4) why the state factor, a weak factor, is not relevant to Southeast Asia when all the other weak factors are in the social-enterprise model of that region. Based on the features that Kerlin herself takes into consideration, the explanatory model does not appear to make a good job to account for regional variations. On my sense, her measurement of the civil-society factor -- based on a rating of civil liberties -- is especially misleading, to the extent that it does not take into consideration capacity of mobilization and organization.

5. Ayca Zayim

I find the social origins approach quite useful for understanding how social, economic and political contexts shape variations in social economy enterprises across different countries in scale, composition and financial base. Yet, because the same term is employed for many different organizations in the "Social Enterprise" book, some of which, for example, do not have democratic decision making or nonprofit motive (e.g. religious organizations, joint-stock companies), I would like to clarify what we mean by a social enterprise. Especially, I am curious whether there is any use to the concept when it is extended to organizations, which one might argue, do not even belong to the 'social economy'.

It is interesting that despite the differences among various types of 'social enterprises', in almost every context, the crisis of the state, its loss of legitimacy for providing services to its constituency and the problems of unemployment come to the fore as one of the important reasons behind the expansion of social enterprises. While many authors applaud this development as a solution to unemployment, 'inefficiency' and absence of the state in providing goods and services, it seems to me that this stance also obscures certain trends in the 'nonprofit sector'. For example, the increasing number of temporary jobs in this sector in the Eastern Europe (p.47) along with the decreasing independence of

social organizations because of their reliance on donations and international aid could be seen as alarming? Furthermore, the sustainability of these enterprises in the aftermath of an economic/unemployment crisis or in a rapidly expanding economy does not seem to be considered. These enterprises are posited to fill a gap but often no discussion exists with regard to their prospects; for example, when there is no gap anymore to be filled? Is the state out of the picture with respect to satisfying the needs of its constituency?

Of all the case studies presented in the “Social Enterprise”, the discourses surrounding social enterprises in Southeast Asia, Zimbabwe and Zambia come closest to the neoliberal rhetoric: ‘helping the poor to help themselves’. This discourse is frequently accompanied by social enterprises being “the best response to the poverty, economic problem and government neglect” (p.78) since state is seen as corrupt and dysfunctional. In this context, I would especially like to discuss the micro credit organizations and their projects. What and to whom do they serve?

Any role they have beyond primarily integrating the poor into the capitalist markets? Their role as ‘social’ enterprises becomes even more suspicious in the face of the extremely high interest rates they charge.

6. Lindsey Twin

The GP tour was incredible. It was not the imposing “we know what’s best for you and we don’t care what you think” scenario that I feared. I had projected a lot of past experience (and frustration) onto GP and arrived at a very unfair perception. I had in mind a tendency sometimes within non-profits and in academia to treat socially-distant people as problems and not people. These kinds of frameworks can qualitatively shape the character of interaction between organizations and their base. For this reason, I do not think that we look at an organization’s engagement with a base only at the level of its stated goals and policies. We must also look at where the organization and the community are coming from socially and how they interact with each other at micro-level. How do you look at this?

Before, I thought about this question mainly in terms of overall organizational structure. However, looking back at GP’s organizational structure, it seemed fairly top-down and it seemed like Will Allen was calling all the shots. All else being equal, GP may look a lot different and have a different relationship with Milwaukee if Will Allen was a different person. What determines the relative importance of the structure of the organization versus the individuals in the organization in shaping the character of relationship that the organization has with its base? The origin of the organization is a major factor. What about the level of formality? Modes of decision-making? Ideology?

I was unclear about Nyssens’ distinction between the EMES criteria for social enterprise and the US/UK criteria. On page 16, Nyssens argues that under EMES criteria, an SEO’s economic activity is tied to its social mission while in US/UK criteria, that is not necessarily the case. What does Nyssens have in mind here as social enterprise activity that meets US/UK criteria but not EMES criteria? Corporate philanthropy?

7. Michael Billeaux

In the section on Eastern Europe, there was noted a sharp decline in cooperatives in Poland, and also in operative cooperatives in Siberia; this is very interesting and bears explanation. The chapter on Southeast Asia lists a number of social economy organizations, but leaves out enough details about just about all of them that we are left unsure about what it is we're discussing. For example, the microcredit bank Mitra Usaha Mandiri, explicitly designed as a Grameen Bank copy, should be held suspect insofar as the criticisms of Grameen are applicable to it as well. In general, there is little information about how the enterprises are supported, at what cost services come to consumers, who works within these enterprises, and how they are employed. Now this is a less important point, since it is less about the actual content, but the brief mention of the Philippines being taught democracy by US colonialism seems incredibly problematic.

The chapter on the US did not focus at all on governance, alternative forms of ownership, and the like, and seemed to make no distinction between charity and empowerment. Despite this, it did have some useful critical statements about the dangers of increased orientation toward the market for non-profits. I thought that the examples in this section were good ones, but the quote related to the Georgia Justice Project especially deserves critical reflection: "New Horizon Landscaping...provides an opportunity for clients to acquire the skills necessary to progress from their current situations and assimilate into the workforce. With a management team of landscape professionals, we are able to model the mechanics of operating a business for our employee-clients..." There should be no controversy that, based on the description given by the authors, GJP does very useful and important work. Yet the quote shows that, instead of creating an alternative and more equitable economic environment for marginalized people, the organization instead specifically socializes them to be effective workers under a capitalist labor process.

The chapter on Africa is interesting. This is because, in the end, they are quite explicit about the necessity of social enterprises to look as much as possible like their strictly capitalist counterparts. Microfinance institutions should continue their high interest rates (since the poor will accept them) and be more diligent about enforcing amortization; prices for goods and services should not "distort" markets by undercutting them, but be offered at market prices from the outset (since, we are told, the poor will accept these as well); and profit-making should be a "top priority." This all suggests, perhaps, that at least in a development/crisis context, the prospects for a socially responsible capitalism are dim. As a side note, a rather unpopular group called USAID are reported to be one of the most important supporters of social enterprises in the region. I think this is how Erik feels when he sees the Bradley Foundation on a list of donors.

The chapter on the Argentine situation begs interesting theoretical questions about the nature of the capitalist firm. It is not clear exactly what the reclaimed factories maximize; the argument is that they are not profit-maximizing, like a typical capitalist firm, but that they maximize the well-being of workers. This is related to the question I sent out in an email last week about the difference between labor-managed firms (LMFs) and traditional capital-managed firms (KMFs) actually maximize. It is unclear how "well-

being” should be interpreted. There is no theoretical (and little empirical) reason to assume that LMFs maximize income per worker, say. According to the neoclassical view, LMFs and KMFs should behave in much the same ways, ie in ways that are profit-maximizing. According to Gregory Dow, the author I cite in the email, the neoclassical view makes a crucial flaw in treating capital and labor as symmetrical inputs since labor is fundamentally inalienable, which results in different behavior at the firm level. Erik argues that there are crucial differences between the LMF and the KMF, including one-member one-vote, internalization of certain negative externalities, and the break with the subordinate relationship to capitalist owners. I wonder if externalities can't be internalized in capitalist firms, such as through legal changes which make certain negative externalities unprofitable; this would make the externalities issue one of degree rather than kind. Marxist theory may also find reproduction of the social relations of capitalism if subordination to capital, rather than specifically *capitalists*, is the essential quality of a capitalist labor process. In the end, I ultimately agree with Erik that they are hybrid organizations with contradictory qualities; I think these are very important problems from the perspective of theorizing and strategizing about post-capitalist society.

8. Taylan Acar

Kerlin's introduction, and especially conclusion provides an insightful understanding of the notion of social of enterprise, despite some of the poorly written, and analytically weak articles of the book. What I think interesting to discuss is taking her six variables into account, to what extent, under which contextual situations the social enterprises are part of the social economy. Does the push from international donors on the microloan recipients toward market interaction in Africa actually contribute to the social injustice, unemployment and poverty? In some examples throughout the book, I could not really understand any difference between the social enterprises described from small business owners (Turkish prime-minister offered the struggling small grocery store owners to come together and open supermarkets together in order to survive against the supermarket chains. Would they be social enterprises?).

On this I found Kerlin's concluding remarks analytically useful in order to conceptualize social enterprises in terms of political and ethical issues and goals. Actually, I tend to consider, the examples which are part of the 'market economy' rather than 'social economy' (Table 9.1) not part of social economy, with the exception of United States, since the variety of social enterprises are much more wide than other countries. I also buy into the relativism of her argument outlined in Table 9.3; with the reservation of the need that social enterprises themselves have to be located within social economy themselves.

Where should we draw a line to commercial activities in conceptualizing the role of enterprises in social economy? Lending microloans are extremely doubtful in terms of creating collective goods through a democratic, participatory decision making processes. The second-hand clothing issue is also very problematic, since according to my anecdotal information most of the second-hand clothing in Southern African countries are actually sold by thrift stores in the global north to the ones in the south. In addition to that, regarding the fact that second-hand clothing is a spreading phenomenon in Africa, the

creation of new African subjects clothed by the used northern clothing is another issue requires further inquiry.

Regarding Western European countries, I would like to know how the work integration programs deal with the notion of immigrant worker, who are in theory 'ready to do whatever job they are offered'. In the past decade, extreme right wing parties in Europe were able to strike attention with their horrible discourse of pitting immigrant and home-nation workers together (FN in France, ÖFP in Austria).

Eastern European countries are receiving huge amounts of EU money, which is highly competitive for each single social organization, and forces them to comply with the application requirements. They are also part of a market promotion policy of EU within the region in the aftermath of the collapse of Sovietic regimes. It is dubious they focus to promote social economy, however, undoubtedly they contribute to the development to civic associationism. However, same EU also forces these countries to privatize/marketize their universal and publicly funded health care systems in line with fiscal norms of EU directives.

I think social movement character of the social enterprises and to what extent they are developed as grassroots organizations is an important point to determine the social and communal aspects of these enterprises (Argentine example, Japanese solidarity associations), and their ideological standpoints.

9. Nate Ela

Understanding social enterprise as part of the globalization of law and legal thought

The book this week focused on the spread and reception of social enterprise in different parts of the world, and on the legal frameworks that do (or don't) support social enterprise in each jurisdiction. The chapters got me to thinking of the spread of social enterprise (and social economic thinking generally) in terms of a broader theory concerning the globalization of law and legal thought, laid out by Duncan Kennedy in "Three Globalizations of Law and Legal Thought: 1850-2000."* Obviously, it's a bit unfair to pull in an extra reading, but I find it helpful in thinking about what's going on as actors seek to establish the concepts, practices and institutions of social enterprise in various states around the world. So, if you choose to read on, please bear with me.

Kennedy understands the globalization of law and legal thought as akin to a structural linguistic phenomenon (which he adapts from Ferdinand de Saussure) operating in a world system (which he borrows from Immanuel Wallerstein). Certain modes of legal consciousness have become dominant during different points in history; they are akin to languages in which a potentially infinite variety of different systems can be constructed in conformity with the grammar of the language, but in which some formulations might seem grammatically "incorrect". Once a legal consciousness has become dominant, economic and political realities cause it to globalize from core to periphery through reforms to and reformulations of legal systems in various jurisdictions -- each reform being akin to a speech act within the broader legal language. The various reforms and

systems may appear quite dissimilar in different parts of the world system, but they conform to the same structural logic.

Kennedy theorizes three periods of legal consciousness and globalization since 1850.

The first, globalizing from Germany from the mid-1800s until roughly 1914, was the “will theory” of law -- that individuals have rights that they are free to exercise so long as they don’t impinge on others’ rights. This language of legal reasoning formed the basis for laissez-faire economic regulation (as well as for various legal conceptions of the household, the international system, etc.). The next period, from 1900 to 1968, was characterized by “social law”, a reaction to and a critique of the will theory.

Understanding society as an organism built on interrelation rather than a collection of rights-bearing individuals, policymakers used social law in the economic sphere to justify and build institutions that restrained and created alternatives to the market (think social insurance schemes). The contemporary period, responding to critiques of the excesses of social-law institutions (now think bloated welfare bureaucracies) and globalizing from the U.S. since roughly 1945, is characterized by an unsynthesized amalgam of the legal thought and techniques of the will theory and social law -- the state’s role is not to create alternatives to the market but rather pragmatically regulate the actions of the market so as to benefit civil society and safeguard human rights.

In the context of this (perhaps overly) grand theory of legal globalization -- presented in a nutshell -- the appearance of social enterprise in jurisdiction after jurisdiction strikes me as emblematic of the currently-globalizing mode of legal thought, which blends will-theory and social-law techniques. State actors have lost their capacity and desire to create large market-restraining institutions, and instead are called on to facilitate the pragmatic ordering of the market by civil society actors, the balancing of free market functioning with modest social welfare policies. Though many of the authors in this volume call for special legal frameworks to support social enterprise, it’s unclear to me whether a convergence towards such facilitating legal frameworks is likely, or whether actors in various states will continue to make do, bricolage-style, by arranging creative combinations of existing legal forms (such as the association, the non-profit, the coop, the private firm and the foundation), with the occasional law that seeks to blend two or more traditional forms (such as the social coop, or the L3C). Thinking about the spread of social enterprise in terms of a broader legal globalization also begs the question of the role social enterprise plays in the power relationships between what might be considered “core” (the U.S.? Western Europe? Maybe both?) and “peripheral” (Zimbabwe, the Philippines, Japan, Eastern Europe, Argentina) states. What role does the project of advancing social enterprise in peripheral states play in restructuring the political economies of those states? Do state actors in states such as Zimbabwe have the capacity to resist the spread of social enterprise?

* A chapter in *The New Law and Economic Development. A Critical Appraisal*, David Trubek and Alvaro Santos, eds., (Cambridge, 2006). Available at <http://duncankennedy.net/bibliography/chrono.html>

10. Joo-hee Park

What are the important aspects to look at when making an assessment of social enterprise in terms of social empowerment?

In this week reading (Kerlin et al., 2009), the authors in different areas of the world explain the concept of social enterprise in the regions, and make assessments of the social enterprises in various aspects.

Kerlin explains the concept of social enterprise broadly as business with social mission, while the authors from different region connect the term to a certain set of organizations in their regional context. Kerlin's definition, which use two aspects (firstly (1) having social mission and secondly (2) providing goods and services by bearing some risk), seems much broader than what we have discussed so far regarding the social economy and the third sector. For example, in addition to the two aspects, other aspects can be added to define the concepts: (3) social ownership, (4) restriction on the surplus distribution based on investment, (5) collective (democratic) governance, etc.

In this week reading, the authors make assessments of social enterprises in various ways. I tried to read the international examples of social enterprise in terms of transformative potential/social empowerment. Wright (2010) explains that an economy can be describe as socialist when social power – power based on voluntary association or collective action – become main form of power shaping economic activity; and suggests pathway to the social empowerment using a model with three different powers governing an economy.

What are the important aspects to look at when making an assessment of social enterprise in terms of social empowerment or transformative potential? Aren't the collective governance and social ownership important aspects to look at?

11. Eunhee Han.

Social enterprises use market-based strategies to achieve social missions. However, some authors acknowledge “reciprocity” in resources provided by volunteering in social enterprises. “Reciprocity” as a form of economic relationship is distinguished from market value or altruism. Economic exchanges based on “reciprocity” means that you pay more than the market value of someone's work, or to ask for less than the market price for goods you are selling in order to promote the common good. Social economy may have transformative potential because it could shift the basis for economic exchanges from market-value to reciprocity. Is there any theoretical explanation or other practical example which shows that development of social enterprises promotes shifting from market value to reciprocity or expanding “reciprocity” economy?

Multiple stakeholder ownership: As Nyssens (chapter 2) pointed out; social enterprises in Europe (and most other countries) are governed by multiple stakeholders such as beneficiaries, employees, volunteers, public authorities, and donors. The multiple stakeholder structure can bring more resources to an organization and enhance social capital as well as empower participants through participative decision-making processes.

However, there are also down sides of the multiple stakeholder ownership. What are those? What are implications for democratic governance?

12. Trevor Young-Hyman

Does commercial revenue seeking make social enterprises more or less capable promoting social objectives?

The book does not seem to provide a clear answer, but instead offers reasons both for and against. On one hand, there seems to be an implication in this book that Western Europe presents the most developed model of social enterprise, and that these organizations rely least on commercial revenue for support, but instead rely on the state. On one hand, reliance on commercial enterprise would seem to take away from the provision of public or group goods, particularly if the constituents are the consumers. If those who need social goods and services lack resources, then such a group can not provide a social enterprise with the revenue it requires to sustain itself. At the same time, if the primary constituents of a social enterprise are the workers, then commercial revenue seeking may be compatible with their autonomy, as long as they do not compromise the democratic character of their work organization. In the US case, Kerlin and Gagnaire write that social enterprises supported by commercial activity may be more autonomous because they “have the flexibility to change a program that is not working, expand programs that are working, and experiment with new ideas.” (104) In the US context, like in the case of Growing Power, organizations can differentiate commercial activities from their social objectives. In the European context, social enterprises seem more exclusively grounded in their communities, partially due to the fact that they are closely tied to local government.

What is the role of international aid in promoting social enterprise?

In Central and Eastern Europe, while the authors do not make an explicit statement to this effect, but the impact of EU assistance seems to have been positive. Experts from the OECD and from the European Research Institute brought policy innovations and pilot projects to the regions, and initiated capacity building, which combined with local initiative to spur some social enterprise development. Alternatively, in the African cases, there is an emergent risk of donor dependence, in which local capacity does not develop. The CEE chapter is not extremely clear about the roles that outside actors play in the promotion of SE capacity, but is there a role for outside actors?