ECONOMY AND SOLIDARITY: EXPLORING THE ISSUES

by

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Everybody knows that the market plays a central role in modern democracies. Over time, however, this cornerstone of industrial society has been circumscribed by commonly accepted rules which, in the era of expansion that followed World War II, made possible a compromise that kept the social fabric intact while at the same time allowing employment to grow. It is this capacity to couple efficiency with security that is threatened by the transformations now underway. The thesis put forward in this paper is that these transformations cannot be controlled through the kind of economic/social trade-offs that have prevailed for over a century. Today's upheavals make it imperative to recast the relationships between the economy and solidarity.

In support of this argument, Part 1 retraces how an increasingly autonomous market and the emerging welfare state shaped a process of economic and social development entailing extraordinary synergism between the State and the market. Part 2 then shows that this synergism has reached its limits and is unable to cope with the new economic reality. Lastly, to transcend the seeming contradictions inherent in the world as it is today, Part 3 makes the case for a broader vision of the economy, one that can lay the foundations for a new mode of joint action – the so-called economy of solidarity – involving co-operation between civil society and entirely revamped public policies.

THE MARKET AND THE CARING STATE AS THE TWIN PILLARS OF MODERN SOCIETY

Modern society was born when the community embraced the principle that all men are free and equal. While modern society was able to institute relationships based on freedom and equality, determining how those relationships should be regulated was quite another matter. It relied primarily on market mechanisms to regulate them: the market's appeal stemmed from the belief that harmonious social relationships, consistent with the principles of freedom and equality, would be brought out by allowing each individual to pursue his self-interest. For a community that lacked any protection from without, the principle of the *market* was a reassuring one.

And yet, the market economy failed to fulfil its promise of social harmony. Quite the contrary, the early nineteenth century saw a rising tide of poverty and resultant unrest. In the industrialising countries, social concerns led to the development of protective measures which paved the way for general acceptance of the labour market, without which the self-regulating market and a capitalistic society would have been impossible. Eventually, pressure from the labour movement succeeded in abolishing child labour, limiting working hours and winning the right to unionise. In the workplace, it was acknowledged that employees had rights. Those rights were proclaimed by the State, which organised a whole new sphere of activity – social welfare – that made it feasible to extend the market economy while reconciling it with workers' civil rights.

Given the role accorded to the *market economy*, the resultant disruption had to be counteracted by the benevolent intervention of the State, giving rise to a "social contract" made up of labour laws and welfare benefits to ensure against life's primary risks. Societal concerns led to a demarcation between economic matters, in the sense of market economics, and the social domain, involving legal protection in the form of labour laws and welfare entitlement.

Little by little, the market economy became subject to levies – levies that initially were voluntary (motivated by philanthropy or a desire for mutual assistance) but later became compulsory, which were used to alleviate insecurity and contribute to the public good, via retirement pensions, unemployment benefits, health insurance, etc. An economic principle other than the market – that of *redistribution* – was invoked to endow citizens with individual rights that provided social security benefits and assistance of last resort for the neediest. Thus emerged a *non-market economy*, built up around public services and delivering goods and services with a redistributive dimension (from rich to poor, from workers to the out-of-work, etc.) governed by democratically controlled public authorities.[1] Through public services, the State – an emanation of the will of the people – came to embody a community interest that transcended the interests of individuals.

Complementarity between the market and non-market economies intensified in the twentieth century, shaping a monetary economy in which money could change hands through the market and redistribution alike. Alongside, and financed by, private businesses, public services provided benefits to those so entitled and paid wages to civil servants. This complementarity of private and public action fuelled the wide-ranging compromises the wage-earning society would achieve.

After World War II, the advent of this wage-earning society crowned the complementarity between State and market by providing the best of both worlds, *i.e.* dynamic businesses that kept creating jobs over a long period, and steadily rising purchasing power along with new welfare entitlements. The State undertook new forms of economic intervention, in a context of far greater interface between government and market than had existed before the war. Rooted in the expansion of State influence in the wartime economy, reconstruction-related redeployment confirmed – in some countries more than in others – the State's role in "steering" domestic economies. Public investment in land-use planning and in the most highly sensitive industrial sectors, along with active labour-market and wage policies, provided a stable framework reconciling the interests of business with those of society at large. Pay was no longer set freely by employers, but through State-controlled periodic collective bargaining between labour and management. Labour negotiations were geared towards increasing nominal wages in line with expected productivity gains and inflation. But the chief innovation was the growing scale of transfer payments, as the caring State was transformed into what would ultimately become known as the welfare state.

The Beveridge Report, in 1942, was the first attempt to give new impetus to State action. It formulated the fundamental principles of social policy by which the welfare state would shield its citizens once and for all from the risks arising from illness, accidents, childbirth, old age and redundancy. Addressing a population marked by the Great Depression of the 1930s and seeking to justify their wartime sacrifices, the report proposed a system whereby widespread social protection would enhance the security of all. The principles involved were nothing new, but the scope of application was, since the proposed coverage was to be universal.

THE DILEMMAS ARISING FROM ECONOMIC TRANSFORMATION

The synergism between State and market had derived from the possibility of job-rich economic expansion. But when growth could no longer ensure full employment, the welfare state was to undergo a deep crisis. As unemployment mounted, the State was not only deprived of part of its revenue but was called upon to commit funds to support the productive system, reduce joblessness, offer incentives for certain categories of the population to leave the labour market, and support vocational training. The dilemma in which the welfare state found itself magnified criticism of the principles that underpinned it.

Two strategies were put forward in response to the crisis of the welfare state.

The first involved a return to a free-market philosophy which attributed unemployment to the various safeguards (minimum wage, legislative protection, etc.) put in place during the growth years and that had become synonymous with rigidity in a context of international competition in which flexibility was paramount. Reinstating free-market policies meant restoring the market's pre-eminent role in setting wages in a supply-oriented economy; it meant reducing State intervention, in particular by scaling back the level of social protection. It proved to be a radical solution: in short, it has meant sacrificing social welfare to stimulate the economy. While the countries opting to follow this path can boast of their success in creating jobs, the downside has been a steep increase in poverty. With patterns of income distribution that reflect widened disparities, the American and British examples testify to the regressive consequences of these policies: social divisions have deepened, and the presence of an "underclass"[2] symbolises the return of the "dangerous classes" against which the privileged segment of society protects itself, haunted by insecurity. The mirror image of that fear is the impotence of the outcast, condemned to fruitless protest and unable to spark a conflict that could become institutionalised through collective bargaining.

In contrast, the second strategy followed social-democratic lines. It consisted in amending the welfare state's typical social policies to account for the universal importance of employment in personal identity and to put in place measures to reintegrate the individual as a stepping stone to full participation in society.[3] This economy of integration gradually expanded, with the multiplication and extension of measures involving "social management" of unemployment, to offer a growing number of fixed-term jobs; this was deemed the surest guarantee of social integration, which requires entry into employment.

Programmes designed with this in mind are supposed to afford a transition to the market economy, to open the doors to mainstream employment by providing opportunities for occasional or temporary work as a springboard to a steady job. This "halfway house" approach to integration dodges the questions raised by the transformations now underway because it is based on the implicit assumption that the market economy is capable of absorbing the vast majority of those excluded from the labour market if only they could be better prepared for work.[4]

But it is just this assumption that raises questions. Because the economy of integration remains dependent on the market economy, its action hinges on the volume of recruiting by businesses, which at the same time are under mounting competitive pressure and frequently compelled to cut costs by trimming payrolls.[5] Corporate executives therefore face an impossible dilemma; they are simultaneously aware of the undeniable ravages of unemployment and exclusion and obliged to comply with the imperative of competitiveness. In this context, an economy of integration seen as a transition towards mainstream employment may actually create a "sector of integration"[6] in which individuals are categorised by their degree of employability; in such an "autonomous" sphere of integration, the possibility of employment would appear to be more a matter of theoretical entitlement than reality. The model of a halfway house that leads to the market economy cab, if it is made the only path to employment, cut the individual off from the mainstream – a paradoxical consequence for a model that was supposed to make employment more accessible. Because no consideration had been given to the transformations affecting the market economy, the model of integration that was finally adopted was one that dated back to the early 1980s, when hope still prevailed that a recovery could eliminate unemployment through a resumption of corporate hiring.

Well aware of the limitations of that approach, the most lucid observers fully realised that the problem was no longer cyclical but rather structural, prompting them to advocate transforming the sector of integration into a social service sector that offers permanent jobs. But this would require the State to organise the production of socially beneficial activity via "workfare" or "right of entry" schemes, which would run counter to the principles of market economics.[7] The idea of making the State responsible for providing employment can only bring to mind nineteenth century attempts which proved to be social disasters, such as the "workhouses" in England or "national workshops" in France.

What emerges from analysis of strategies based on either free-market or social democratic principles is that the debate is still obsessed with the respective roles of State and market. Trapped within these confines, it cannot lead to socially acceptable solutions. When the wage-earning society falters, proposals that rely on market mechanisms end up deepening social inequalities, while those that involve new roles for the State evoke fears of a latter-day managed economy under the guise of social service. New models can be found only by exploring the economy's hidden face, which is neglected by all the approaches that centre on the State or the market.

A BROADER, TRIPARTITE ECONOMY

It is our belief that to transcend the dilemmas arising from today's socio-economic transformations it is necessary to break loose from the conceptual framework in which the economy is identified exclusively with the principles of market forces and institutionalised redistribution as it was conceived in the nineteenth century. Indeed, this restrictive view masks the persistence in the modern economy of a third mode of exchange, reciprocity. This third economic principle, different from the market and from redistribution, refers to the relationships established between groups or individuals via services that are meaningful only insofar as they reflect a determination to assert a social tie between the parties involved.

Reciprocity, in contrast to what a superficial perception of the economic reality of modern societies would lead one to believe, is not limited to ancient civilisations. While the economy's reciprocative component is clearly of no concern to either economists or national accountants, it plays an essential role in securing vital resources for many groups in society, in particular through the persistence of the *traditional economy* and the proposed *economy of solidarity*.

Until the mid-twentieth century, the extraordinary expansion of the market economy had gone hand in hand with the persistence of a traditional economy in which the principle that underlay services was more one of satisfying the needs of local consumers than of making a profit; entry into work was organised in a way that was inseparable from hereditary communities, families and ethnic groups. This "subsistence economy, in which there was no clear separation between household and enterprise",[8] encompassed family farms, craft workshops, very small traders, transport and service businesses as well as the household economy. In developed countries such as Germany and France, in the first half of the twentieth century roughly half the working-age population was involved in this economy – a proportion that remained stable since, in France, in 1949 it was 49 per cent, as compared to 55 per cent in 1906. Another way of working-class life can be glimpsed through these figures: that of city neighbourhoods or streets in which informal groupings took shape on the basis of family ties or common geographical origins; that of "localities" in which trade – intensive trade, circumscribed by distances that could be travelled easily in one day – consisted largely of "bartering products and services within a very short radius".[9] This traditional economy undeniably diminished in importance in the wage-earning society, but it has been reinvigorated as a means of securing the survival of those who are excluded, or potentially excluded, from the labour market.

The traditional economy can therefore be seen as one in which reciprocity offers an escape from the ravages of "disaffiliation",[10] *i.e.* of being without both work and social relations, but at the same time it subordinates the people involved to traditional forms of domination, such as those exerted by family or ethnic hierarchies. There is, however, another way to harness reciprocity, one that is more democratic in that it is rooted in modern community values and the schemes for an economy of solidarity put forward by nineteenth century worker and peasant movements. Blending pragmatism and utopianism, resistance and adaptation to the market economy, many groups engaged in experimental forms of economic activity in order to preserve their common identity, relying on voluntary commitment and mutual assistance. This diversified movement prompted recognition of a "social economy", or a non-profit "third sector".[11]

While the traditional economy can no longer perform as essential a function as it did in the first half of the twentieth century (in particular because of changing family structures, women's liberation and greater individualism), the transformations now underway have triggered an updating of this economy-of-solidarity approach which had been somewhat forgotten in the growth years, when, as a result of institutional isomorphism,[12] the social economy and the third sector became increasingly intertwined with the market and non-market economies.

If it is possible today to say that the idea of an economy of solidarity has returned, it is because a large number of local development and employment initiatives have shifted the conventional boundaries between the economic and social spheres by limiting their scope to neither market economics nor State-sponsored solidarity. Despite their extreme diversity, all these initiatives share common features with respect both to the parties involved and to their activities.

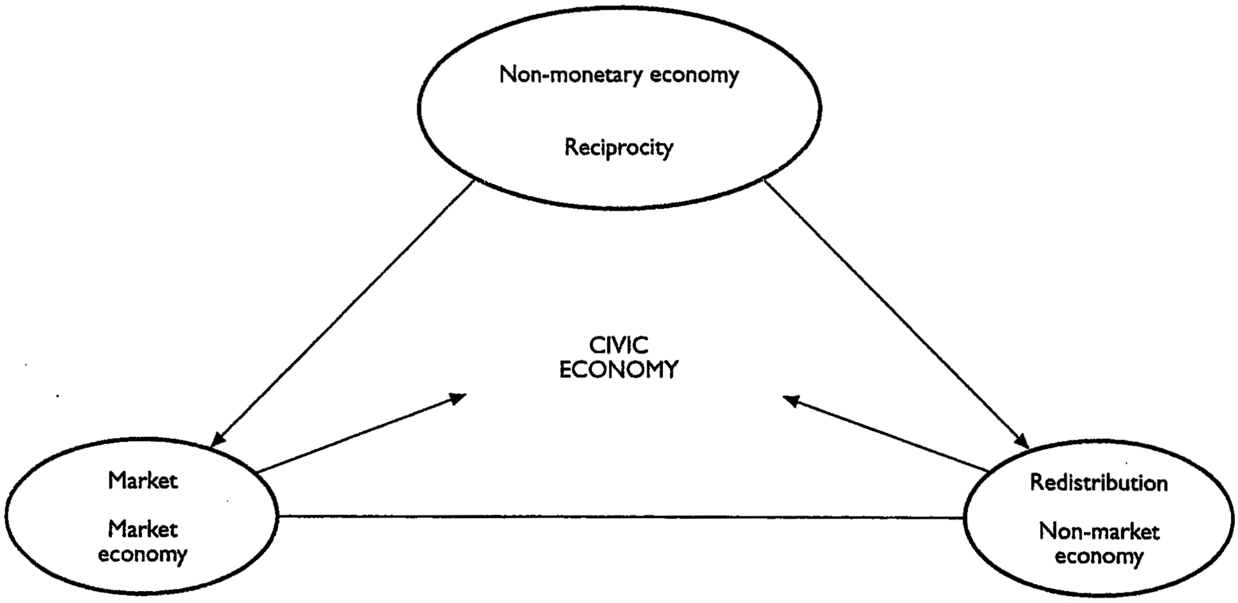
People are getting involved of their own free will to help carry out actions that contribute to the creation of economic activities and jobs while at the same time strengthening social cohesion. The entrepreneurial drive of the promoters of these schemes cannot be explained by expected returns on investment, but is based rather on a quest to forge new relationships of solidarity through the activities that are carried out.

Such new economic activities cannot succeed in a context of either *laissez-faire* or a "managed economy". In point of fact, those that have succeeded show that they can thrive and flourish when they are supported by a balanced combination of different types of resources (market resources obtained through sales revenue, non-market resources derived from redistribution, and non-monetary resources from voluntary contributions) and manage to institute complementarity between conventional employment and various forms of volunteer work.

The impact of such projects is therefore not confined to job creation; they also represent new interactions between the economic, social and political spheres.

- Socially, schemes like these make it possible to nurture various forms of neighbourhood solidarity via projects freely designed by their creators. Such solidarity gives impetus to networks whose growth is fostered by the increasing erosion of standards and values, withdrawal and loss of identity. And yet networks like these do not signal a return to a kind of localism born of a denial of the social gains of modern times. On the contrary, the economy of solidarity is made up of joint undertakings whereby people interact to formulate solutions other than those offered by either market or State. They are rooted in a feeling of belonging; they seek to extract certain matters from the private domain and handle them in a more community-oriented manner with a view to remedying the inadequacies of both the private and public sectors.
- Economically, they do not remain trapped by a "halfway house" conception whereby their sole function would be to facilitate re-entry into mainstream employment for groups of people who had been shut out of it; they seek to broaden the economic domain via a wider range of action. While they can provide temporary jobs as a springboard for getting people back into work, they do not neglect permanent jobs as a means of entry into ordinary sectors of activity, and, above all, they create employment by starting up new activities. Most importantly, however, employment is not treated as an end in

An ideal-type of civic economy



Source: OECD.

itself, but only as part of a more comprehensive process which enables economic activity to be put back into a more meaningful context in which the persons employed have a genuine sense of belonging to a group. Services are produced not by hiring people in intermediate capacities or as household workers, in what are considered as fill-in jobs, but by structuring activities in a collective framework which alone can guarantee not only the quality of services and jobs, but the continued involvement of volunteers and customers alike. Rather than to defend employment at any price, whatever the pay and benefits to the employed, the idea is to institute complementarity between voluntary commitments and genuine jobs.

– Lastly, on a political level, these schemes get people directly involved in public affairs and help make democracy more vigorous because they are the result of ordinary citizens speaking out on the real problems they encounter. In addition, participants commit themselves to long-term relationships based on the freedom and equality of each member of the group, since all are encouraged to share their views and to get involved, regardless of status (as wage-earner, volunteer, customer, etc.). Moreover, participants formulate projects that aim to effect institutional change and not merely to produce; such schemes, because they constitute a "dimension of the public space in civil societies",[13] emerge as new manifestations of democracy.

Economy-of-solidarity practices have become widespread in recent years, in Europe as well as America.[14] Challenging the institutional architecture in which solidarity remains the prerogative of government, and in which prospects for entry into employment still hinge on the performance of the market economy, these practices reflect a quest for another relationship with the political sphere – one in which solidarity can be built through actions in which civil society and the State work hand in hand – and another relationship with the economic and social spheres – one in which economic initiative can pride itself on serving social aims as well.

The question that then arises is how to reshape government intervention in order to systematise support for economic activities that perform a social service, and how to do it in a manner that reconciles initiative and solidarity. This means moving away from policies that "target" people and shifting towards project financing.

But funding for this pressing task cannot be reserved for "under-employment", any more than it can be allocated to a local authority or a government agency, without multiplying unwanted side effects. Coherent implementation of a policy of support for the economy of solidarity requires local regulation that escapes control by any one of these institutions. This condition of credibility presupposes the creation of a *local social dialogue* to spur elected officials to action and bring together labour, management and representatives of associations. This would open up a new area of negotiation on problems of social cohesion and employment and would be apt to trigger a real mobilisation. It would require that some existing funding to social assistance, aid to local initiative, job creation and training be placed on the negotiating table. This is what is beginning to take place in Quebec through Community Economic Development Corporations, which are local consultative bodies bringing together representatives of management, trade unions and associations to explore these issues. In this regard, the Confédération des syndicats nationaux (CSN) expresses the reasons for its commitment in these terms, which aptly sum up the underlying social issues: "the development of the economy of solidarity must contribute further to satisfying the many socio-economic needs that cannot be filled by the private and public sectors. Because it is putting its faith, to attain its objectives, in the participation of all citizens, and because it creates social ties and creates employment, this sector is in the vanguard of the fight against social exclusion. It represents an essential element of the model of democratic and decentralised development that we support".[15]

NOTES

1. As expressed by STROBEL, P. (1995), "Service public, fin de siècle" in C. GREMION, dir., *Modernisation des services publics*, Commissariat général du plan, Ministère de la Recherche, La Documentation Française, Paris.
2. See, for example, in respect of the United States, WILSON, W.J. (1987), *The Truly Disadvantaged,* University of Chicago Press, Chicago, and, in respect of the United Kingdom, FIELD, F. (1989), *Losing Out. The Emergence of Britain's Underclass,* Basil Blackwell, London.
3. See ROSANVALLON, P. (1995), *La nouvelle question sociale : repenser l'État-providence*, Le Seuil, Paris, pp. 188-193.
4. This does not, however, prevent the author, who calls for "halfway house" entry into the market economy, from stating elsewhere that "the market economy cannot absorb hardship groups" (*ibid.*, p. 26).
5. As noted by BERRY, M. (1994) in "Puisque l'industrie ne peut éliminer le chômage", *La Jaune et la Rouge*, École Polytechnique, August-September.
6. See EME, B. (1994), "Insertion et économie solidaire" in EME, B. and J.L. LAVILLE, *Cohésion sociale et emploi*, Desclée de Brouwer, Paris, pp. 157-194.
7. See ENJOLRAS, B. (1995), *Crise de l'État-providence, crise du lien social et économie solidaire : éléments pour une socioéconomie critique*, mimeograph.
8. LUTZ, B. (1990), *Le mirage de la croissance marchande*, Éditions de la Maison des Sciences de l'Homme, Paris.
9. BRAUDEL, F. (1980), *Civilisation matérielle, économie et capitalisme*, Vol. I, Armand Colin, Paris, p. 8.
10. CASTEL, R. (1995), *Les métamorphoses de la question sociale. Une chronique du salariat*, Fayard, Paris.
11. The preferred labels vary from country to country, "social economy" having originated in a French-speaking context and "third sector" in an English-language environment.
12. POWELL, Walter J. and Paul J. DI MAGGIO (1991), *The New Institutionalism in Organizational Analysis*, University of Chicago Press, Chicago, pp. 63-82.
13. EVERS, A. (1993), "The Welfare Mix Approach – Understanding the Pluralism of Welfare Systems", report to the conference on WellBeing in Europe by Strengthening the Third Sector, Barcelona, May 27-29.

14. See LAVILLE, J.L. (1992), *Les services de proximité en Europe*, Syros, Paris, and LAVILLE, J.L. (1994), *L'économie solidaire : une perspective internationale*, Desclée de Brouwer, Paris.
15. CSN (1995), *Développer l'économie solidaire – Éléments d'orientation*, Quebec.