

## An Interactive View of the Social Economy

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### **ABSTRACT**

In general, the emphasis of social economy theorists has been sectoral; that is, research has emphasized the uniqueness of the social economy, almost as if it is a world apart from the rest of society. This article, in contrast, focuses on the differing forms of interaction between the social economy and other parts of society. The authors use a Venn diagram to illustrate differing forms of interaction between the social economy and other parts of society, and also the fluidity of the social economy. The model presented assumes that the social economy is embedded within society, and some players within the social economy support social norms and others challenge these norms and present a transformative vision.

### **RÉSUMÉ**

Généralement, les théoriciens de l'économie sociale se concentrent sur l'approche sectorielle, c'est-à-dire que leurs recherches soulignent le caractère unique de l'économie sociale, presque comme s'il s'agissait d'un monde en marge du reste de la société. Par contraste, cet article envisage les diverses formes que peut prendre l'interaction entre l'économie sociale et les autres sphères de la société. Pour illustrer ces différentes formes d'interaction ainsi que la fluidité de l'économie sociale, les auteurs ont utilisé un diagramme de Venn. Le modèle présenté tient pour acquis que l'économie sociale est partie intégrante de la société. Alors que certains acteurs de l'économie sociale défendent l'existence de normes sociales, d'autres mettent ces normes en doute et proposent plutôt une vision transformatrice.

### **Keywords / Mots clés**

Social economy; Nonprofits; Co-operatives; Social enterprises; Civil society / Économie sociale; Organismes sans but lucratif; Coopératives; Entreprises sociales; Société civile

## INTRODUCTION

Much research on the social economy has focused on its distinct characteristics. A comprehensive review of the literature by Bouchard, Ferreton, & Michaud (2006) indicates that three general approaches are used: (1) a focus upon the types of organization (e.g., co-operatives, nonprofit mutual associations); (2) a focus on rules of operation (e.g., one member/one vote); and (3) a variation of the second category that addresses values (democratic decision-making).

Research on these characteristics of the social economy, or what we label as a sectoral approach, is complemented by related work on the characteristics of nonprofits, charitable organizations, civil society,<sup>1</sup> and co-operatives.<sup>2</sup> Some of this writing is utopian and envisages the social economy becoming the dominant influence in society (Shragge & Fontan, 2000) or speaks of the “co-operative commonwealth” (Webb & Webb, 1920, 1921) that would become the prevailing mode of socio-economic structure.

We are not attempting to diminish the importance of this form of research. Distinct organizational forms exist within the social economy, and understanding their characteristics is important. However, our concern about this sectoral line of discourse is that it tends to view the social economy and its related organizations as isolated from the rest of society. This article aims to present an inclusive and relational approach to interpreting the social economy—not one that tries to understand its distinctive features (i.e., a sectoral approach), but rather one that attempts to portray how the social economy interacts with and relates to the private and public sectors. Very little of this form of conceptualization has been developed in Canada, where sectoral approaches appear to prevail, though there are international examples of interactive approaches, which we will briefly discuss.

With respect to nonprofits, one subset of the social economy, two interactive approaches are market-failure theory and interdependence theory. Market-failure theory suggests that nonprofits emerge where the private market does not serve communities of interest adequately (Ben-Ner, 1986; Hansmann, 1980; Weisbrod, 1974, 1977). Salamon (1987, 1995) argues that market-failure is an inadequate conceptualization and theorizes that nonprofits emerge through a partnership or interdependent relationship between government and community organizations, each bringing its distinct strengths to the relationship. Recent research by Quarter, Mook, & Hann (in press) suggests that interdependence theory, rather than market-failure theory, may explain why co-operatives in Canada have emerged in urban settings where partnerships with government prevail.

One of the strongest international interactive theorists is Evers (1995), who refers to the third sector as a mixed welfare system consisting of the market, state, and informal private households. Evers further questions whether there is a distinct third sector, and refers to it as an “intermediate” or “hybrid” space. In this respect, his view is not dissimilar to Salamon’s notion of partnership, though Salamon does emphasize that there is a distinct sector.

With respect to the social economy, other researchers also juxtapose it in relation to the private and public sectors and the family economy (Bouchard et al., 2006; Pestoff, 1998). However, their focus is on spatially situating the social economy, not in emphasizing the various modes of interaction and relations. An international review by Amin (2010) highlights the tension between sectoral logic of the distinctiveness of the social economy and its superior values (the social emphasis) and the ongoing interactions that affect the functioning of social-economy organizations with the rest of society. Amin (2010) emphasizes

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the importance of the overall context in which the social economy functions—whether the context is of a strong successful market economy or one that is failing. The Amin collection presents either a sectoral or interactive approach without a detailed mapping of the various forms of interaction and their complexities, as we present in this article.

Within a Canadian context the dominant discourse has been sectoral and arguably utopian. Québec's approach to the social economy, as articulated through the apex organization le Chantier de l'économie sociale, is an attempt to create a movement based upon economic democracy (Mendell, 2010; Mendell & Neamtan, 2010), but is also one that relies heavily upon governments for its sustainability (Favreau, 2006). Without a movement built upon a base of community networks, government support would be less likely; however, without government support, the movement would wither.

In other parts of Canada, this specific social economy discourse is not common; instead discourse tends to focus on nonprofits and co-operatives as distinct sectors that together comprise a broader social economy. Nevertheless, this view is also sectoral.

This article breaks from the current sectoral emphasis in Canada and presents an approach to the social economy that is interactive and relational. It builds upon earlier work by Quarter, Mook, & Armstrong (2009) and discusses how the social economy serves society as a whole. The implication in this analysis is that the social economy should not be viewed as a distinct alternative for society but rather as part of, or embedded within, a broader society (Granovetter, 1985). Some of these interactions can be sustaining and conservative in their orientation; others challenge conventional institutions to change and may even project an alternative vision of society.

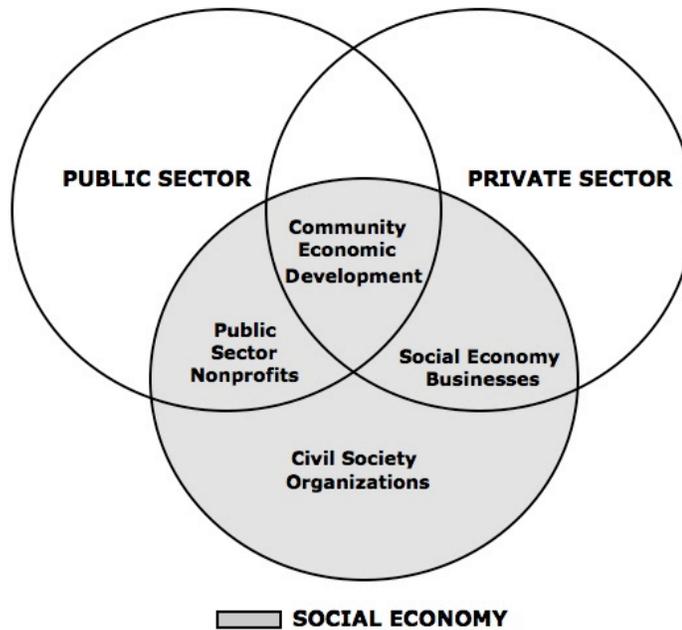
Although the interactive approach differs from the research that focuses on the characteristics of the social economy, the interactive approach builds upon this sectoral research because to discuss how organizations in the social economy interact with other institutions in society, one must first have a sense of the social economy. We bear in mind Evers' (1995) emphasis on the hybrid nature of the social economy ("third sector," in his words) but depart from his logic in that we feel that there are sectoral characteristics; however, making these characteristics the dominant form of discourse misses something very important.

We acknowledge that there is no consensus on what constitutes the social economy (Bouchard et al., 2006). We also accept that the boundaries of the social economy are both contested and fluid, because organizations that are part of the social economy overlap with the private and public sectors. Farm-marketing co-operatives, for example, function in the market along with private-sector businesses, but they are classified as part of the social economy because of distinguishing organizational characteristics.

Universities, to give another example, provide public services, much like organizations in the public sector, but their distinct characteristics of being nonprofits and having many democratic features, such as elected unit heads and unionized staff, are consistent with organizations in the social economy. For this reason, we refer to universities as "public sector nonprofits," that is, a hybrid arrangement involving social economy organizations that overlap with the public sector (Mook, Quarter, & Richmond, 2007; Quarter et al., 2009). In other words, the boundaries between the social economy and other parts of society overlap and are not always agreed upon.

These limitations notwithstanding, our focus is to understand the forms of interaction and relationships between the social economy and other parts of society, and to try to understand the functions of the social economy in relation to society as a whole. We pursue this task through an anecdotal analysis, using examples of social economy organizations and discussing their forms of interaction. The examples are situated in the Venn diagram in Figure 1 (below).

**Figure 1 - Social economy: An interactive approach**



Following discussion of the examples, we return to the theory building exercise that we set out in the introduction. Figure 1 reflects the school of thought that cast a broad net in characterizing the social economy. This view is reflected in the definition presented by Quarter, Mook, & Armstrong (2009): “*Social economy* is a bridging concept for organizations that have social objectives central to their mission and their practice, and either have explicit economic objectives or generate some economic value through the services they provide and purchases that they undertake” (p. 4, emphasis in original). This definition includes organizations that do not engage in monetary exchange, and therefore the informal and household economy technically should be included within the Venn diagram (see Figure 1). However, researching the informal economy, referred to as the “dark matter” by Smith (1997), is challenging, and therefore we applied Occam’s razor to the Venn and have opted for simplicity.

## **SOCIAL ECONOMY BUSINESSES**

As noted, a substantial portion of the social economy functions in the marketplace, including many forms of co-operatives and nonprofit organizations. As shown in Figure 1, we refer to these organizations as social economy businesses, signifying that they transact their services in the marketplace but have different characteristics than businesses in general. Some social economy businesses compete directly with private-sector firms, and others are in niche markets that are less attractive to the private sector. Credit unions and farm-marketing co-operatives are examples of organizations in direct competition with

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the private sector. What happens to social economy businesses that interact in the marketplace? Do they influence private-sector firms to become like them or does the opposite occur?

There is no universal answer to these questions, but there are numerous examples that show how social economy businesses take on the characteristics of private-sector firms and also examples that show the opposite. Let us start with the former. At the extreme, social economy businesses demutualize and become private-sector firms. In 2009, the website of the International Co-operative Alliance had a section called “Demutualization Watch,” in recognition of this trend. In Canada, all of the major grain marketing co-operatives have demutualized, as have other large farm-marketing co-operatives, such as Lillydale. The same is true of some large worker co-operatives, such as CRS, an organic foods wholesaler in Vancouver, as well as some insurance companies.

A less extreme version of social economy businesses taking on the characteristics of private-sector firms is the trend by credit unions and farm-marketing co-operatives to merge into large units, thereby weakening their connections to local communities. Credit unions have been caught up in risky investments in asset-based commercial paper, as it was called. The apex organization for credit unions in the United States (U.S. Central Federal Credit Union, located in Lenexa, Kansas) was placed in “conservatorship” on March 20, 2009, a reflection of concerns about its financial viability (U.S. Central Federal Credit Union, 2009). Desjardins, the largest credit union confederation in Canada, had write-downs of more than \$2 billion due to such investments. In other words, these financial institutions followed the investment patterns of banks and other private-sector financial institutions, and they experienced similar forms of vulnerability during the financial downturn.

Farm-marketing and food-retailing co-operatives have also followed the conventional business practice of merging into larger units (Co-operatives Secretariat, 2007). Mergers into larger units are less pronounced for worker co-operatives, another form of social economy business. However, the Mondragon Co-operative Corporation is an excellent example of this phenomenon, having become an international conglomerate with subsidiaries throughout the world. In these subsidiaries, the workforce has a conventional employment relationship, as distinct from a worker co-operative (MacLeod, 1997; Monasterio, Telleria, & Etxebarria, 2007; Mondragon Co-operative Corporation, 2007). Even in the Basque country, where Mondragon’s co-operative structure is relatively well preserved, one of the five founders of the first Mondragon co-operative, Jesus Larranaga, stated 20 years ago that the structure could best be described as “neo-co-operative” because individual workers have much less control (Larranaga, 1990). Mondragon’s move to become an international conglomerate appears to have accelerated the trend referred to by Larranaga and to have been heavily influenced by the structure of mega corporations in general.

While the examples of social economy businesses embracing private-sector characteristics are stronger than the opposite, there are nevertheless examples worth noting. Some of these are historical examples, others are more current, but there is a smattering of private-sector businesses that have taken on the characteristics of a nonprofit by placing their shares in a permanent trust (Quarter, 2000). As such, the shares are not tradable in stock markets or in other forms of exchange. Carl Zeiss Stiftung, the huge German-based multinational in the optical parts business, is one of the oldest examples, having operated with all of its shares in a permanent trust since 1898. The company’s website is explicit about this point: “The shares cannot be enlisted for exchange at a stock market” (Carl Zeiss Stiftung, n.d.).

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Although such firms are not common, Zeiss is not one-of-a-kind. Other examples are the John Lewis Partnership, the largest department store chain in the U.K., whose innovator, John Spedan Lewis, believed that he was creating “perhaps the only alternative to communism,” as he stated on the cover of his 1954 book, *Fairer Shares*, when he undertook the conversion (Lewis, 1954). Bosch, the huge German multinational, is similar, with 92 percent of its shares in a permanent trust.

Another example, albeit anecdotal, of the social economy influencing the private sector would be Newman’s Own, a business started in 1982 by the actor Paul Newman and his friend A. E. Hotchner. Newman’s Own takes a different approach and donates all of the firm’s after-tax profits, an impressive \$200 million in 25 years, to education and charitable causes both in the United States and internationally, thus negating one of the primary prerogatives of capitalist ownership, the right to profit. Newman & Hotchner’s (2003) memoir of their work is aptly titled *Shameless Exploitation in Pursuit of the Common Good*.

Bullfrog Power, a privately owned Canadian company whose power comes from clean, emission-free sources like wind power and low-impact water power, also donates 10 percent of “the founding equity to organizations that support sustainability” (Bullfrog Power, n.d.). Bullfrog is a business designed to earn profits for its owners, but it also has very tangible social and environmental objectives, much like a social economy business. Businesses like Bullfrog are known as green technology businesses. Other examples of social economy businesses embracing private-sector characteristics are the partnerships that the firms Danone and Adidas are forming with Grameen to bring products at low cost to the poor of Bangladesh. These examples go beyond the norms for corporate social responsibility, insofar as these businesses are providing their products at cost.

From these anecdotes, it is a challenge to make the case that the private sector is exerting influence over the social economy or vice versa. However, these examples reveal how organizations in the social economy and in the private sector may modify themselves to a point that they no longer solely belong to the sector of their origin.

## **COMMUNITY ECONOMIC DEVELOPMENT (CED)**

Besides social economy businesses, community economic development (CED) also illustrates how organizations in the social economy interact with other sectors of society. CED is situated in the overlap between the private and public sectors (see Figure 1) because, unlike social economy businesses, CED initiatives tend not to be self-sufficient and instead rely upon support from government, foundations, and private-sector funders in their start-up phase and to sustain themselves. Therefore, CED initiatives earn a portion of their revenues from their market but do not achieve the financial self-sufficiency of social economy businesses.

The root problem that spawns community economic development is social and economic inequality, a historic problem in capitalist economies and arguably a predominant characteristic of human societies in general. Canada has had an uneven mosaic of development; economic inequalities have been correlated with regions, race, ethnicity, and other factors. This dynamic is associated with the marketplace, which while stimulating productivity has also led to a highly unequal distribution of wealth and related benefits. Organizations engaged in CED have the distinct features associated with the social economy. Typically, the lead organizations are nonprofit community development corporations engaged in activities that assist the development of communities and groups on the social margins. In Canada,

these activities rely heavily upon government-funded regional development programs and government agencies (e.g., Atlantic Canada Opportunities Agency), which administer these programs.

Increasingly, CED has emphasized the creation of social enterprises: market-based enterprises that either are started by a nonprofit or are embedded within a nonprofit. A social enterprise is a form of community economic development in which an organization exchanges services and goods in the market as a means to realizing its social objectives or mission. In this sense a social enterprise is similar to a conventional business, but it also requires external support in order to be sustainable and is established primarily to meet a social purpose. According to *The Canadian Social Enterprise Guide*, social enterprises are “business ventures operated by non-profits, whether they are societies, charities, or co-operatives” (Enterprising Non-Profits, 2006, p. 25). As the guide states, social enterprises are not a new idea—the Girl Guides baked and sold cookies in Regina in 1927. However, they are an idea that has attracted great interest since the 1990s.

As governments seek to reduce their spending on social programs, they find the idea appealing that these reductions can be compensated for, and perhaps even eliminated, through the market. Although advocates of social enterprises do not view themselves as being motivated by the neoliberal agenda of small government, neoliberal policies are clearly a stimulus for the development of this form of organization. Interestingly, as part of the neoliberal philosophy, it is common to differentiate “earned” from “unearned” revenues, the former having a higher status. Again, this value is prevalent in the private sector, and since the 1990s, it has been embraced in government and CED circles, and arguably in the social economy more widely. For example, le Chantier de l'économie sociale in Québec has encouraged the development of organizations that earn their revenues from the marketplace (Mendell & Neamtan, 2010).

Much social enterprise development in Canada has been oriented toward directly assisting persons with special challenges to become more self-sufficient. These may include persons with a psychiatric or intellectual disability, youth having difficulty in school, and groups that face discrimination both historically and currently (e.g., Aboriginal peoples and recent immigrants, particularly members of visible minorities). These can be overlapping categories. Such initiatives have been supported by government programs, foundations, and private investment funds. Most funding sources are for specific projects, but in Québec there is a central fund, Fiducie du Chantier de l'économie sociale, or the Chantier Trust, with \$52.8 million, which makes “patient capital” available to organizations in the social economy. The Chantier Trust received its initial financing of \$22.8 million over five years from the federal department Economic Development Canada. This amount was supplemented by investments of \$12 million and \$8 million, respectively, from Québec's two labour investment funds, Fonds de solidarité FTQ (Québec Federation of Labour) and Fondation (Confédération des syndicats nationaux). In addition, the Quebec government invested \$10 million in the fund (Mendell & Rouzier, 2006). This is a pooled social economy investment fund created by government and the private sector.

Another example is the Réseau d'investissement social du Québec (RISQ), a nonprofit capital venture fund that offers loans and loan guarantees of up to \$50,000 exclusively to social economy organizations. It also offers technical assistance funding of up to \$5,000 for pre-start-up support, such as developing a business plan or undertaking a market and feasibility study. Since its inception in 1997 to June 30, 2005, RISQ provided \$7.4 million for 180 capitalization projects and just over \$930,000 for 188 technical assistance projects. The investors are a conglomeration of banks, private-sector corporations, caisses

populaires, and the Québec government—providing another example of the interaction between the social economy and the private and public sectors.

Unlike social economy businesses, which appear to engage in a somewhat reciprocal interaction with the private and public sectors, organizations engaged in CED are highly dependent upon these other sectors for investment capital and for technical support. Government is a major player, through its network of Community Futures Development Corporations across Canada and related policies and funding programs. Without government support, it is likely that little CED would occur in Canada.

## **PUBLIC-SECTOR NONPROFITS**

Although public-sector nonprofits have a separate incorporation and their own board of directors, by our definition, they rely on government agencies for a substantial portion of financing and are influenced in varying degree by government policies. In other words, they have one foot in the public sector and another in the social economy. Salamon (1987, 1995) labels this relationship with government as a “partnership” because nonprofit organizations provide services to the public (or to specific parts of the public) that are financed substantially by government, and they operate within a policy framework created by government. For government it is advantageous to have nonprofit agencies provide the services, because these agencies are located in the communities of the recipients, are more in touch with their needs, and therefore can deliver the services better than government administrators.

Although the concept of a *partnership* that Salamon presents does capture the interdependence of government and public-sector nonprofits, partnerships can range from situations of relative equality among partners to gross imbalances of power, with one dominant partner. Most often for public-sector nonprofits, government is the dominant partner, because it is the source of the funding. Without public financial support, the delivery of these services is unlikely, and the agencies providing them would either fold or be fundamentally transformed. Although this relationship with government plays out in different ways, financial dependency, and to some degree policy dependency, are the norm.

Governments do not formulate their policies in isolation but are influenced to a degree by community groups who deliver services in fields to which governments contribute substantial funding. This influence might be viewed as an imperfect “feedback loop,” with governments not obliged to accept the feedback but foolish if they ignore it completely. Arguably the influence of community groups is less than ideal, but government’s reliance on them to deliver services suggests that a degree of interdependence, not simply dependence, perhaps best characterizes the relationship.

Besides the traditional operating model of public-sector nonprofits, there are also some emerging cases of co-construction of government policy and services. Such co-construction is evident in social housing in Québec and the Government Non-Profit Initiative in British Columbia. It is also starting to emerge in the Atlantic provinces with the establishment of the Volunteer and Non-profit Secretariat in Newfoundland, the Community Non-Profit Organizations Secretariat in New Brunswick, and a ministerial portfolio for volunteerism in Nova Scotia.

Some question whether public-sector nonprofits should be included within the social economy, because of their dependence on government. This viewpoint seems naïve, because in the modern world the public sector is no longer a distant monolith but a vast network of government agencies with varying degrees of autonomy that participate in their local communities. These government agencies, operating within

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government policy frameworks and often with funding packages that they administer, relate to public-sector nonprofits that provide services and apply for ongoing financial support. The term *quasi autonomous non-government organizations* (QANGO) is often applied to public-sector nonprofits to underline their partnership or interdependency with government. Nevertheless, all have their own boards of directors and therefore maintain a substantial degree of autonomy in how their services are delivered.

Public-sector nonprofits could be referred to as *intermediary organizations* in that they bridge a relationship between government and local communities in which service recipients are situated (Quarter, Mook, & Armstrong, 2009). We prefer the term intermediary organizations to partnership because it characterizes the bridging role between government and local communities. Partnership, by comparison, focuses on the interaction between government and public-sector nonprofits only, and says less about the relationship to the communities that these organizations serve.

Although public-sector nonprofits that deliver quasi-public services generally serve as a bridge between the government and the social economy, they differ in their degree of independence from government. Some are simply spinoffs from government (e.g., Community Futures Development Corporations) and scarcely different than a government agency. Others are organizations created by government legislation (e.g., universities) but have assumed greater autonomy. Another group, and perhaps the largest, comprises organizations that evolved independently of government but provide services to a clientele who are unable to cover the full cost, either because the clientele is lacking in income or the service is very expensive. These organizations operate in areas such as social housing, health care, and child care.

### **CIVIL SOCIETY ORGANIZATIONS**

As shown in Figure 1, civil society organizations are more distinct from the private and public sectors than the other groupings discussed above. They include a broad range of organizations, and the discussion that follows illustrates only some of the distinct functions these organizations perform in their interactions with the rest of society. By necessity, the discussion of examples is brief and simply illustrative.

Civil society organizations can be divided into nonprofit mutual associations that serve a membership and organizations that serve the public. Within nonprofit mutual associations, two broad groupings can be created: those that serve the economy and those that are primarily social in their orientation. Nonprofit mutual associations with an economic orientation include business associations, unions, professional associations, and consumer societies. In general, all of these relate to other parts of the economy, but in different ways. Business associations are primarily extensions of the private sector and do the bidding of a type of business to government and the public more generally. Some are specific to a particular product (e.g., the Canadian Sugar Beet Producers' Association); others serve a more general form of business (e.g., the Canadian Federation of Agriculture); and some are for all forms of business (e.g., chambers of commerce). However, all represent the interests of their members in various ways.

While the members are predominantly from the private sector, they may also include social economy businesses—for example, members of the Canadian Federation of Agriculture and more specific agricultural associations include farm-marketing co-operatives. Within the social economy, second-tier organizations (such as credit union centrals) may be viewed as forms of business associations in that they represent the interests of the credit unions that are members of the central. With respect to government, business associations represent their members on taxation issues and legislation. They are

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nonprofit organizations operating within civil society that speak on behalf of the businesses they represent.

Unions, and certified bargaining units more generally, may have very different views than business associations, but they too relate to the other sectors of the economy, if their members are employed there. In specific workplace contexts, union locals represent their members in attempting to obtain better settlements from their employers. Unions, particularly the apex organization (e.g., the Canadian Labour Congress), take positions on important social issues and participate in social movement organizations that attempt to address issues and influence government policy (e.g., on pensions, child care, minimum wages). Unions and business associations may have differing viewpoints, but both are civil society organizations representing a membership's interests. Unions not only relate to the private sector but even more so to the public sector, where the preponderance of their membership works, and to organizations in the social economy that also have unionized employees in substantial numbers (Akingbola, 2005).

Consumer associations also are highly varied, some being organized by consumers (e.g., the Consumers' Association of Canada) and others being created by businesses and professions in an effort to assume responsibility for the quality of their service (e.g., better business bureaus). Increasingly, consumer associations are international in their orientation (e.g., the International Organization for Standardization, or ISO).

Members of professional associations share a profession or orientation within a profession in common, but not a workplace. Some professional associations have a quasi-labour function, such as provincial medical associations that represent their members' interests in negotiating fee schedules and methods of payment with government.

Most civil society organizations representing a membership have a social rather than a purely economic purpose. Religious congregations are the largest grouping, with more than 30,000 such associations in Canada in 2003 (Hall et al., 2005). Although their primary orientation is to their members' spiritual needs, 69 percent of religious organizations stated that they serve not only their members but also the public (Hall et al., 2005). An exemplar here is the Salvation Army, whose orientation is to people living on the social margins. Other religious organizations serve the public in ways such as taking on community projects like Habitat for Humanity builds or addressing government policies (e.g., KAIROS: Canadian Ecumenical Justice Initiatives). Habitat for Humanity and many other civil society organizations rely heavily upon volunteers; some, however, are operated by paid staff.

The web of ethnocultural associations in Canada interrelates with religious congregations and is of equal importance in providing services to a broad swath of the Canadian public whose roots are in other countries and who want to sustain their heritage. Like religious congregations, the apex organizations for ethnocultural associations (e.g., the Canadian Ethnocultural Council, the National Council of Barbadian Associations in Canada) represent their members' needs to government in an effort to influence their policies. In the Venn diagram (see Figure 1) they are civil society organizations serving a membership, but their orientation in part is to government.

Social clubs also interrelate to this web, some being spinoffs from religious and ethnocultural associations as well as business and government agencies. A recreational hockey team may have many different forms of sponsorship, including the private sector. Some clubs promote a commercial product (e.g., the BMW Club of Canada); others may be viewed as a training ground for sports professionals (e.g., the

Greater Toronto Hockey League). Some contribute to society through mobilizing their members—for example, the Royal Canadian Legion clubs for war veterans or, more specifically, the Canadian Railroad Historical Association. One form of club that contributes outside of its membership is the fraternal and service club whose members engage in community service. Most fraternal organizations are international, with Canadian chapters or clubs (e.g., Lions, Shriners), although some are specifically Canadian (e.g., Kin Canada, formerly the Kinsmen and Kinette Clubs of Canada). Often these organizations mobilize members from the private and public sectors to attempt to address the needs of people on the social margins.

One form of club is the self-help group, a tradition that involves people suffering from an addiction, health, or social challenge coming together to share their common concerns and supporting each other in seeking improvement in their lives. In a self-help group, the members identify with and find common cause with peers who are living with similar challenges (Borkman, 1999). Alcoholics Anonymous (AA) is the best known, but the AA or 12-step approach also has been applied to other addictions (e.g., Gamblers Anonymous). Increasingly, self-help groups are going online and thereby making it possible for people in differing geographic locales to come together (Ryan, 2010). Self-help groups and social clubs help members of society to function better and thereby remain employed, often in the private and public sectors. They also help to reduce health care costs paid for publicly, by taxpayers, and privately.

In addition to serving a membership, civil society organizations are oriented primarily to the public in many ways. Sociopolitical associations, some very specific (e.g., ratepayers associations) and others more general (e.g., political parties) mobilize the public around particular issues. These organizations have a membership but their primary orientation is to mobilize public opinion either to influence government or to elect a government. Some sociopolitical organizations are formed around particular social issues attempting to shift social norms on issues such as the environment, the role of women in society, gay and lesbian rights, disability issues, smoking, various human rights issues, or Canada's military mission in Afghanistan. Civil society is the space for associations that mobilize around these issues, not necessarily in agreement with each other. It is quite common to find civil society organizations, in opposition to each other, vying for public support. Their role cannot be segregated from society as a whole.

To have a free hand in the positions they take, sociopolitical organizations operating in civil society attempt to raise their funds apart from government, for one of their objectives is to influence government policies. However, this is not always the case; example, the Canadian Environmental Network, the umbrella organization for about 700 environmental organizations that form a powerful social movement in Canada and have been able to shift social norms on this issue, is funded by the federal agency Environment Canada and sits at the table with government representatives in an effort to influence government policies (Quarter et al., 2009).

## **SYNTHESIS**

Societies are complex and organizations in one sector affect society as a whole. Although organizations function in differing ways and have differing characteristics, their interactions are not confined to one sector, or to use Granovetter's (1985) term, they are "embedded" in a broader society. This is true of organizations in the social economy as well as private-sector businesses and government agencies. In this article, we have illustrated how organizations in the social economy interact with the other sectors in many different ways. Even though the organizations in the social economy have distinct features, the

social economy should not be viewed as a Procrustean bed but part of a broader society. Moreover, there is a broad array of organizations within the social economy and they interact with the rest of society in many different ways.

For social economy organizations operating in the private market and competing with private-sector businesses, the predominant consequence of interaction is that they tend to take on the characteristics of the dominant form. Knowing why this happens and how is an important area for research. As discussed, there is reciprocal influence, but the influence is not equal or balanced. Credit unions are working hard at becoming like banks; the reverse is not true. Banks may try to engage in social marketing and improve their public image, but they do not appear to be overly influenced by the credit union approach of a member-based organization in which each member is entitled to one vote in its governance. Farm-marketing co-operatives embrace the business practices of the private sector, as these help with sales of their products. Increasingly, private-sector businesses are embracing the tenets of corporate social responsibility; this might be viewed as reflecting the influence of the social economy, but this is a speculative point.

Community development organizations are squeezed between the private and public sectors. They have created social enterprises that are of benefit to people on the social margins and in the hinterlands of the country but are heavily dependent upon government.

Public-sector nonprofits are intermediaries between the public sector and the social economy. They range from organizations that are simply extensions of government to those that operate independently but nevertheless rely upon government funding and are influenced by government policies. Universities are an example of organizations that have reduced their historical dependence upon government, but have become more dependent upon the private sector for financial support (corporatization, as some call it). Nevertheless, public-sector nonprofits are influenced by government policies in the same way as social economy businesses have been influenced by the private sector. The increased reliance of universities on student fees is an example of the influence of government policies and of the neoliberal agenda of smaller government.

In the Venn diagram (see Figure 1), civil society organizations appear as most distinct from the private and public sectors, but distinct should not be equated with unrelated. As discussed, civil society organizations relate to the other sectors in many ways and can range from those that are an extension of other sectors (e.g., business and professional associations) to those that challenge social norms and attempt to bring about social change. Even civil society organizations that seek to bring about profound forms of social change rely upon government support to a degree. This may seem paradoxical, but social movement organizations, like any others, exist in relationship, not in isolation, and must find ways to sustain themselves and to influence government policies.

For some, the social economy is viewed as a social movement that challenges the prevalent view of business (Mendell & Neamtan, 2010) and even envision an alternative economic paradigm for society as a whole (Quarter, 1992; Shragge & Fontan, 2000). Although there are organizations in the social economy that undertake that function, it seems overly simplistic to argue that *only* those organizations that challenge social norms are part of the social economy. As noted above, organizations that challenge social norms have a complex relationship to society and often rely upon government funding to pursue their goals. This is as true of social economy movement organizations such as le Chantier de l'économie sociale in Québec as it is for environmental and feminist organizations. This financial dependence may

weaken the organization's ability to present its message as it would like, but the alternative, it would be fair to say, is even less desirable.

We view this article as an introduction to an analysis of the social economy that shifts the ground from a focus on the social economy per se (who belongs) to a focus on how the social economy interacts with and relates to the private and public sectors. The analysis presented here is introductory and raises questions about the direction of influence and the circumstances under which it is likely to occur. It also recognizes the fluidity of these interactions, opening avenues for comparative country or region-based analyses to further understand the intricacies of these relationships.

## NOTES

1. For example, see the widely cited defining characteristics of Salamon, Anheier, List, Toepler, Sokolowski, et al. (1999).
2. For example, the seven guiding principles, as presented by the International Co-operative Alliance (2010).

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