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Toward an Epistemological Foundation for Social and Solidarity Economy

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Occasional Paper 3 Potential and Limits of Social and Solidarity Economy

March 2014



This United Nations Research Institute for Social Development (UNRISD) Occasional Paper was prepared for the project on Potential and Limits of Social and Solidarity Economy.

The project received support from the International Labour Organization (ILO), Hivos International, the Rosa Luxemburg Foundation and UNRISD institutional funds. See www.unrisd.org/funding for details.

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ISSN 2312-2226

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Acronyms

LETS	Local exchange trading schemes
SHG	Self-help groups
SSE	Social and solidarity economy

Acknowledgements

I am grateful to György Széll and Emily Kawano for their helpful comments and suggestions on the earlier draft of this paper.

Summary

In the absence of conceptual advances with strong ontological foundations, the author argues, social and solidarity economy (SSE), a science-in-the-making, cannot go very far in framing discourses and in engaging with the bigger picture, as an alternative to the crises-ridden “dominant economic paradigm”. The orthodox economics, with its ontological construct of the “*homo economicus*” and logical positivist epistemology, severely constrains our ability to imagine economic alternatives, through which local communities can rebuild their fractured lives, regenerate their local economies, restore their social and ethical values, and carve out their own democratic space and a more sustainable and better future; in short, put a “moral brake on capitalism”. Thus, the context today holds great promise for an epistemological revolution to construct a coherent theoretical framework for SSE with a strong explanatory power, which would enable us to gain the confidence to think of SSE more boldly and to develop SSE as a new scientific theory for explaining, organizing and developing well-governed sustainable institutional practices with a fundamental change in the intent and content of our economic life.

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Twentieth Century Capitalism is Failing the Twenty-First Century Society

“Twentieth century capitalism is failing the twenty-first century society”, wrote Miliband (2012) in the *New York Times*, summing up concern over the future of global capitalism. The evolving context of the crises-ridden global capitalism, as well as the five mega challenges of the twenty-first century—namely, (i) the green challenge, (ii) the inclusion challenge, (iii) the well-being challenge, (iv) the moral challenge and (v) the governance challenge, which together constitute “the great sustainability challenge”—created by the “flawed” model of the economy, has increasingly given rise to a questioning of the ability of this paradigm to create “the future we want”. Therefore, to meet the mega challenges of the twenty-first century society, we must search for answers beyond the capitalist-socialist divide and the state-market dichotomy.

As the great lessons of the twentieth century teach us, financial capitalism, which is by nature “parasitic”, can no longer be the driving force in a democratic society. The collapse of financial capitalism, Polychroniou argues, will “encourage the development of alternative financial systems...for redesigning the financial universe...where the public good, not profit taking, is the principal driver...whose focus is the longer term, and who might also care about the planet and the communities they live in” (Polychroniou 2012:5). Thus, the failure of the hegemonic global capitalist economic system also breeds opportunities to think and work on alternative visions of a good society and build pathways for that—opportunities to work on a “paradigm of reversals”. As David Korten (2009) asserts, this financial crisis (of 2008) is “our best chance to build a new economy”... a new economy “that puts money and business in the service of people and the planet and not the other way round” (Korten 2009:1); to build what Eisler (2007) calls “the real wealth of nations” by creating a “caring economics” beyond capitalism and socialism. As she rightly emphasizes, rather than trying to just patch up a system that is not working, let us use our economic crisis to work for a system that really meets human needs (2009). Similarly Bruce Jennings argues, “incremental reforms and tinkering with the plumbing of our political economy will not suffice” (Jennings 2011:4). As Alexis de Tocqueville, the nineteenth century philosopher, argued, a *new science* of economics is needed for a new world (Swedberg 2009:5).

The Deeper Issues are Epistemological

The current proposals, which are advanced as solutions to the crisis, fall far too short, leaving the deep conflicts of values and interests at the core of the current system untouched. Therefore, we need to deepen these debates, question the very foundation of the present paradigm and the economic logic that drives it. The crisis is not just economic; it is systemic—ideological, institutional and epistemological—with its deeper roots in the failures of orthodox neoclassical economics. For a long time in the past, but more substantially in the twentieth century, we were engaged in an ideological war between *laissez faire* and *dirigisme*. With the fall of the Berlin Wall in 1989, market fundamentalists celebrated the “ultimate” victory of the Wall Street model of the economy. As a graffiti on the erstwhile Berlin Wall, that captured this *Zeitgeist*, put it: *Kapitalismus siegt* (“capitalism wins”). The debate between etatists and corporatists, it was believed, was over and we started to prepare for the new century with the “new enlightenment” (profit as the road to “prosperity”), with the promise of globalization

looming large. But, barely 20 years on, in 2008, Wall Street had become bankrupt and collapsed. The financial crisis, which led to the most severe global recession since the Great Depression, damaged the global economy and brought it under terrible stress with “cracks in the system”. The Wall Street model failed yet once again. Voices of “We, the 99 per cent” gradually become louder, echoing the claim made by Naomi Klein (2008), the author of *The Shock Doctrine*, that the 2008 crash on Wall Street should be for neoliberalism what the fall of the Berlin Wall was for communism.

Therefore, alternative visions for another economy, in the spirit of the slogan from the World Social Forum—*um outro mundo é possível* (another world is possible)—will have to be developed from the wreckage of the orthodox economics. What is imperative today is an epistemological revolution, as part of a larger cultural revolution—a restructuring of our fundamental values—to stimulate, support, strengthen, scale-up and sustain innovations in alternative forms of economic life. Already we can see the contours of another economy in the shape of new communitarian movements through which local communities resist and respond to the multiple crises of global capitalism and innovate alternatives to meet economic needs within their local solidarity-based associational space. At the heart of these diverse forms of economic expression, lumped together under the rubric of social and solidarity economy (SSE), is the attempt to create an alternative communitarian response to the growing problems and gaps in meeting citizen needs, created especially by recent developments in the market economy (globalization of the market) and in the political economy (decline of the welfare state). More importantly, this rich mosaic of SSE landscape reflects how communities create these alternative pathways by walking them.

Not only do these innovative practices in alternative economic space ensure social protection, build trust and group cohesion, they also develop an approach to the economy with the factor “C” at its centre—cooperation, community spirit and collective initiative—which presents a powerful epistemological challenge to the “imperial” orthodox economics at its core (Dash 2005). Luis Razeto (2014) emphasizes these very communitarian and cooperative qualities as the distinct identity of these alternative associative and participatory economic forms, which converge toward a central purpose, endowed with a unique economic rationality that places human beings and communities above material things, work and capital. However, these ideas that help to reshape our economic experience have been pushed aside as inefficient and lacking conceptual and analytical instruments to support the decision-making process. Therefore Razeto (2014) asserts that the essential limitations and deficiencies often seen in these alternative

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