the high road

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Building a Solidarity Economy in the 21st Century (I)

Probing our Roots, Finding our Ground

By Mike Lewis, with assistance from Pat Conaty

At 17 years of age, I engaged in my first stint of community work. Alert Bay, a village of a thousand people perched on a 2-square-mile-island between Vancouver Island and the spectacular mountains of British Columbia's Coast Range, has two distinct populations: the Kwagiulth people on the north end of town and the mainly white immigrant population on the south end. Two worlds on one tiny island: one relatively marginalized, the other relatively prosperous. Each with its own gradations of status and wealth, deprivation, and poverty.

My youthful initiation fed questions already embedded in my psyche: The Biafran crisis, in the late '60s had brought about the deaths of over one million people, a gruesome episode that triggered within me a searing concern for social justice, especially when I realized that oil and arms interests of the so-called "developed" countries (England, France, and Russia) were part of the problem. Alert Bay brought the questions closer to home. Why did such disparity exist? Why did it persist? How might it be changed?

This last question – how to change conditions of inequity – was always my first priority. From the homeless to the Prime Minister's Office, from corporate Canada to the labour movement, from the houses of finance to the storefronts of anti-poverty organizations, I worked as many angles as I could to find ways of closing the gap. Over time, helping build community-based organizations and networks committed to and capable of managing economic resources to advance social goals emerged as a key feature of my attempt to contribute to social change.

Between 1975 and 1990, several community revitalization and poverty reduction efforts across Canada generated inspiring results. The promise motivated many to expand their efforts, all of which fed the growth of the contemporary community economic development and social economy movement in Canada.

However, during the same period, while I had my head down in the trenches of practice trying to understand how to scale up promising innovations, economic disparity grew, fissures between classes and races deepened. Globally, the chasm between the so-called First and Third Worlds widened.

Why? Why are 100 countries poorer today than 25 years ago? Why are declining rates of life expectancy so pervasive?

I have concluded that among the most critical factors are the kinds of simplistic solutions being forced on the weak by the powerful; solutions born out of the ascendant ideology of the last three decades. Its features are familiar: unregulated markets, unrestricted movement of capital, a minimalist role for government – all of which are craftily camouflaged by wrapping them up in the powerful language of "freedom" and the "rights of the individual."

Resistance is growing. The damage wreaked by the International Monetary Fund, the World Bank, and a host of other players whose decisions and strategies have been shaped by these ideological blinders, is slowly being unmasked. Thousands have been on the streets. Thousands are gathering in venues, such as the World Social Forum, to debate and advocate strategies for change.

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And there is another stream emerging: networks that are innovating at the local, regional, and country levels, working to construct strategies, institutions, and models that are, out of dire necessity, building alternatives that place social goals at the heart of economic life. They affirm the importance of resistance, but they also vigorously assert that if we are to have any potential of reversing the dangerous trends that confront us all, we must concretely and pragmatically demonstrate alternatives.

I agree! A body of practice and institutions that re-integrate economic and social goals is crucial to getting us on a sustainable path. *But is the blossoming of local and regional innovations across the globe sufficient to sustain a transformative process of change?*

Pat Conaty, of the New Economics Foundation in England, recently challenged me to consider a dimension beyond my applied approach to fostering change when he commented:

> "If we don't set out a stronger theoretical base for our work, if the movements we build are simply pragmatic and without a sound intellectual base, we will not ultimately succeed in changing hearts or minds."

It got me thinking; thus this article, the first in what could be a series that we all can contribute to writing, as a way of probing each other to clarify the meaning (and agenda) we want to define within the North American Network for the Solidarity Economy.

Getting at the Roots of the Social-Economic Divide

For years, I have been integrating into speeches an explanation of the how the meaning of the word "economics" is derived. Two Greek words, *oikos* and *nomos*, are at its root. Together, they refer to *the management of household resources for the benefit of the household as a whole*. Aristotle cast it more broadly when he coined the word *oikonomia*, meaning "the wise management of resources for the good of society." Oikonomia requires focussing first and foremost on satisfying the basic needs of the "household" in a self-reliant way. This could include trade of surplus goods, which Aristotle viewed as being legitimate as a marginal social activity; but he foresaw that unless strictly controlled, the production, hoarding, or manipulation of goods to make money would be socially destructive.

Having explained the root of the word, my discourse would turn to the contemporary meaning of "economics" – *a branch of knowledge dealing with the production, distribution, and consumption of goods and services* – and then to the word "social" – *having to do with the relationship between different segments or classes of human beings in society*.

My point is quite simple. By bringing social goals into the economic equation – a central tenet of community economic development and the social economy – we would transform the ways in which economic and business decisions are made.

Introducing the social context places demands on markets that contemporary economic ideology is loathe to consider. Insisting that the social goals of the community (or more broadly the society) be inserted into the economic equation, means that people will need to make deliberate choices about the kind of society they want.

Why do we want to do this? Because introducing the social context places demands on markets that contemporary economic ideology is loathe to consider. Insisting that the social goals of the community (or more broadly, the *society*) be inserted into the economic equation, means that people will need to make deliberate choices about the kind of society they want.

As I have delved more deeply to try and understand the intellectual roots of my work, I have discovered just how profoundly important this idea is. Indeed, it is much more than an idea. Karl Polanyi, perhaps the most eminent economic historian of the 20th century, insists that in the pre-capitalist world, economic interests were completely embedded in and governed by the social context. If this is truly the case, how did we arrive at a reverse point where people, communities, and entire societies must adjust to fit the economic imperatives of the market?

To answer this requires a brief review of the basic (and, I believe, flawed) assumptions upon which modern economic theory is built.

The most fundamental assumption is that *the propensity to buy and sell is inherent in human nature*. The second assumption is that *individuals are primarily oriented to further their own economic interests*. The third assumption ties the first two together and creates a powerful justification for much of economic theory. It's a kind of unholy, or redemptive, trinity, depending on your point of view, that *the natural pursuit of individual self-interest will ultimately lead to the greatest public good being achieved in society*.

Polanyi was a meticulous economic historian. His wide-ranging compilation of historical and anthropological records indicated that, prior to 16th century Europe, there was virtually no data to substantiate these alleged individualistic and self-seeking propensities. Rather, he details evidence that indicates quite the opposite.

In *The Great Transformation* (1944), Polanyi shows that Adam Smith's assertion of the inherent "human propensity to barter, truck, and exchange" was based upon a misreading of human history and a lack of understanding of the non-economic value system of earlier societies and civilizations. In truth, throughout most of human history, market behaviour "with a view to private gain" was either strictly regulated to limit anti-social effects or confined to the sphere of international trade. Moreover, commerce and market activity were of marginal cultural importance. In fact, the non-economic spheres of intellectual life, religion, politics, and literature were far more important measures of human progress. In economic terms, *reciprocity* (via gifting and barter) and *householding* (through the primary production for village subsistence needs and day-to-day use values) were the core of the economic system of pre-capitalist societies and civilizations.

Counter to the preconceptions of classical and neo-classical economists, Polanyi shows that the first markets were neither local nor competitive; rather, they were long-distance and complementary. Consistent with the guiding principle of reciprocity, the pattern of exchange of the earliest markets was balanced and symmetrical (i.e., use values produced in one region bartered or sold for unfamiliar use values from another region). From these meeting places, where long-distance merchants set up stalls and ports, towns and cities slowly developed. For hundreds of years, the commercial activity of these towns was strictly and socially controlled by medieval guilds to guarantee high quality, to achieve a "just price," and to ban usury. Polanyi refers to these locally and socially controlled markets in the diminutive sense of the word (i.e., with a small "m").

From the 16th century rise of the nation state in Europe, market regulation was increasingly centralized under the Crown. This process of "mercantilism" (money-grabbing in the vernacular) repressed and destroyed the power of the guilds and focussed on the creation of a national Market (i.e., the big "M") and national laws. Essentially, as Polanyi shows, the "Great Transformation" of the Industrial Revolution was the successful triumph of the big "M" market, and thereby marked the revolutionary ascendancy of the Economy over Society for the first time in human history. In practice, this was achieved by the legitimization of a system of commercial values that put a monetary value on all factors of production. Thus nature, sucked into the vortex of the Market, was transformed into land for rent, life was converted into wage-labour, and patrimony was transformed into capital for speculation.

It was a brutal transformation. Legal compulsion, serfdom, and repressive labour in Britain and much of Europe, coupled with the inhuman practices of indentured labour and slavery in the New World colonies, made up the foundation upon which the self-interested governments and elites of the time drove any modicum of social decency out of economic life. Polanyi insists that the threat of death by hunger was the ultimate weapon for "liquidating organic society," thus enabling the big "M" market to trample upon and eradicate the "moral economy" value system of the past, an economy that refused to permit the individual to starve.

This radical disconnect of the economic from the social was rendered more powerful through the justifications crafted by a clever industrialist of the 19th century named Herbert Spencer. He took the theories articulated by Charles Darwin in *On the Origin of Species* – competition, natural selection, and survival of the fittest – and parlayed them into a neat rationalization to explain away the spiral of despair that pervaded everyday life among the growing urban underclasses.

For example, the predatory exploitation of labour generally, and children in particular, was asserted to be the evolutionary norm. After all, those who had risen to the top were there as the result of natural selection, while those who suffered at the bottom represented those least fit. They were an inferior type of human who, however unfortunate, deserved their fate. The prowess, intelligence, and mastery of the industrialists were what rendered them deserving of their rapidly accumulating wealth!

It is unfortunate that Mr. Spencer had not seen fit to read Darwin's second volume, *The Descent of Man*, in which the value of competition as a source of evolutionary innovation and renewal was cast in a broader framework, a more profound condition upon which all survival was dependent: co-operation. Perhaps it would have tempered the predatory, self-justifying behaviour of capital during this ugly period of industrial history.

It is, however, arguable that this phase of capitalism triggered some positive impacts. A major one was the challenge of the emerging capitalist and merchant classes to the rigidities and excesses of the aristocracies. English democracy is rooted in their demand for representation, which in the end was unable to be resisted by the nobility; propertied males got their right to vote.

Another positive impact was the rise of trade unions, which conscientized and organized the urban factory proletariat

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into an economic force capable of extracting benefits from the capitalist class, a struggle that also manifested itself into a political agenda to advance social justice to those marginalized by capital's excesses.

Over much of the next century, the mean short-sightedness of social Darwinism faded in importance. I don't know if Henry Ford read Darwin, but by the time the automobiles started rolling out of his factories, he was advancing a quite different perspective, pragmatically seeing to it that his employees got paid a wage that would allow them to be not just workers, but also customers. This ambiguous but generative approach to co-operation, commonly known as Fordism, was a kind of mutual accommodation of self-interest, one that from a worker standpoint was arguably a step forward at the time. And for the engine of capitalism, people without the money to purchase were not of much use.

And buy they did, in increasing numbers, until the massive depression of the 1930s brought an abrupt end to the extraordinary excesses of the '20s. Faced with a harrowing level of deprivation throughout the U.S., Roosevelt introduced the New Deal, rapidly elevating government into a new, much more interventionist role in the economy. The Second World War accelerated government intervention yet again. Societal resources had to be mobilized on a broad basis in what turned out to be an ironic Keynesian pump-priming that set the stage for a post-war spiral of growth and prosperity never seen in the history of the world.

By the '70s, however, the tide was beginning to turn – again. The Chicago School of Economics, headed up by Milton Friedman, advanced the "modern" theory of supply-side economics, a theory embraced by the likes of Pinochet in Chile, Reagan in the U.S., and Thatcher in England. Its basic tenets are little different than those of industrial capitalists in the 18th and 19th centuries: maximize the freedom of capital to move where it can get the highest return by unfettering those with resources to invest; remove government restraints; and the profits generated will in due time trickle down to the bottom, eventually increasing the wealth and prosperity of all. All we have to do is keep the faith – faith that an unregulated marketplace will mediate and then transform our complex, intricate web of self-interested decisions into the best possible public good.

On this basis, and greased by wheels of technological innovation, transnational capital consolidated and expanded its frontiers and its control of production and markets. Predation of cheap labour, bought governments, and weak environmental regulations – these are the parts of modern capitalism that are causing the race to the bottom. Thus, what is advanced as development is, in fact, accelerating the creation of disparity, poverty, and dangerous levels of environmental degradation. It is leading us down the "low road," as intimated by Dan Swinney in the first issue of "The High Road" last summer.

Concluding Reflection

So now that we have dug up and revealed some of the tangled roots of our current dilemma, what comprises an authentic and effective agenda for change? How do we weave the economic, social, and environmental strands of our individual and collective lives back together? This is the "Big Picture" question at the heart of our challenge to re-integrate social solidarity – reciprocity, interdependence, and co-operation – into the heart of our economic lives. We know that across Canada, the U.S., and most parts of the globe, people are working to realize this vision, as have others that have gone before us.

John Stuart Mill made his mark as the definitive philosopher of democratic liberalism in the 19th century. Clearly, he did not reject notions of market efficiency and improving technical productivity. However, he did conclude that, ultimately, the distribution of goods, services, and diverse forms of wealth is a social and political choice.

This conclusion, that ethical choices are at the heart of political economy, was dangerous to the prevailing ideology of the time. After all, it showed that both the production and distribution of wealth were subject to laws, customs, social debate, and public policy. Surely Herbert Spencer was no fan of John Stuart Mill.

The last 20 years of Mill's life revolved around trying to find ways of making capitalism more accountable, not by State nationalization, but by radical institutional reform and through the successful growth of both the worker and the consumer co-operative movement. He helped write and promote the first co-operative law in England.

In his autobiography, written less than 140 years ago, Mill identified the "social problem of the future to be how to unite the greatest individual liberty of action with a common ownership of the raw material of the globe, and an equal participation of all in the benefits of combined labour."

Sounds a lot like Aristotle to me. Moreover, I do not think it is far off the vision and the questions being put forward by the fledging North American Network for the Solidarity Economy outlined for discussion and debate in the first edition of "The High Road."

Hmm … maybe the foundations are already being built? ■

MIKE LEWIS is the Executive Director of the Centre for Community Enterprise and editor of **making waves** magazine. PAT CONATY is a Research Fellow at the New Economics Foundation, London, England. Contact him at pat@conaty75.freeserve.co.uk.

The High Road is the quarterly newsletter of the North American Network for the Solidarity Economy. To learn more about NANSE, contact:

- Mike Lewis, Executive Director, Centre for Community Enterprise, Port Alberni, BC (tel) 250-723-1139, (fax) 250-723-3730, ccelewis@island.net, www.cedworks.com.
- Nancy Neamtan, President, Chantier de l'économie sociale, Montréal, QC (tel) 514-931-5737, (fax) 514-931-4317, Nancy.Neamtan@chantier.qc.ca, www.chantier.qc.ca.
- Dan Swinney, Director, Center for Labor and Community Research, Chicago, IL (tel) 312-278-5418, (fax) 312-278-5918, dswinney@clcr.org, www.clcr.org.

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