



Beyond the theory of failures.

Fostering the potentials of social and  
solidarity economy

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# What did we learn in the last decades? (1)

The research carried out in the last two/three decades has shown that the SSE organizations:

- have experienced a steady growth in numbers of organizations, added value and jobs, also in the years before the 2008 crisis
- have responded to the crisis better than IOFs, without specific public supports, especially in activities:
  - with a high social component
  - characterized by a growing importance of the quality of both goods and services (agricultural and social coops)
  - responding to community needs of various types
- have entered new - non traditional - sectors and often innovated the products, the composition of the membership and the forms of governance (social coops, social enterprises, community coops), often having to overcome strict legal regulations
- have developed
  - new contractual relations with public authorities in the provision of general interest services, establishing a mutual dependency with the same authorities
  - new organizational forms aimed at stabilizing precarious or short time jobs (Smart, CoopCycle, Doc, Servizi)
  - new entrepreneurial solutions for work integration of disadvantaged people (Wise)

becoming in some countries the major or one of the major providers of social and health services and one of the major employer of disadvantaged people;

giving an original contribution to safeguard/improve the welfare systems

- have given a direct contribution to countering the growing inequality in income distribution, distributing to labour a percentage of the value added much higher than conventional firms operating in the same sectors,

# What did we learn in the last decades? (2)

- Moreover the research has allowed to question a number of stereotypes:
  - cooperatives are not less capitalized than conventional enterprises of the same sector – sometimes they are more capitalized
  - cooperatives pay taxes: given the composition of the distribution of the value added between production factors, they tend to have a total tax burden (including social security costs and income taxes) similar or higher than conventional enterprises
  - cooperatives and other SSE organizations are not necessarily small: they can grow in size as conventional enterprises
  - SSE organizations create stable jobs as other enterprises and often better jobs (with a higher level of satisfaction)
  - SSE organizations are more than in the past the result of bottom-up processes also when providing public interest services
- All these findings allow to conclude that the prevailing interpretation of the existence of the SSE up to the end of the last century are increasingly unsatisfactory: they do not properly explain the evolution of these organizations and the emergence of innovative forms
- This is true for the more traditional interpretations based on hypotheses derived from mainstream economics but inconsistent with the nature of SSE, but also for the market/government failures theory;
- They are no longer able to explain the evolution of the SSE and to understand its potential.
- I think that to better understand SSE, to redefine the boundaries of the sector and to rethink many aspects of its regulation we **need a new theory**

# Fostering the potential of SSE (1)

## A new theoretical approach

In looking for a way to move from unsatisfactory explanations and to develop an innovative interpretation,

my suggestion is to focus more than in the past **on the search for the common principle or common mechanism** on which all the various SSE organizational forms are based: the principle or mechanism of **“cooperation”**

defined (in line with E. Ostrom) as the way in which a collective of economic **actors voluntarily decides to join efforts and resources to solve a common problem** when this solution increases members' welfare and establishes by a common agreement – often based on the principle of reciprocity - **how the activity must be organized, as well as the respective rights and duties;**

a coordination mechanism that is **alternative** to the market mechanism based on “gain from trade” principle, and from the mechanism of authority

that allow to interpret SSE organizations **as original governance solution for organizing economic activities** that can guarantee the same or higher level of economic efficiency and social effectiveness as conventional companies or the public authorities in any - at least in theory - sector or activity

# Fostering the potential fo SSE (2)

## Some Consequences (1)

The suggested interpretation of cooperation as an autonomous coordination mechanism helps, among others:

- to more easily find out both the advantages and disadvantages of SSE organizations vis à vis the organizations based on the two other mechanisms
- to better explain several of the results of the recent researches,
- to unify the sector: are part of the SSE all the organizations based on the principle of cooperation (voluntarily established and managed by a group of people with the aim not to derive a personal gain but to solve a common problem) regardless the rules of voting, the type of activity, the composition of the membership, the degree of solidarity or of entrepreneurship, etc.
- to more clearly define the sector avoiding at the same time definiti0on that are:
  - too generic like this: “organizations having the specific features of producing goods, services and knowledge while pursuing both economic and social aims, and fostering solidarity” that do not grasp its specificity and – deliberately? - confuse them with the for- profit companies, or
  - too specific, related to a single national legal framework

# Fostering the potential of SSE (3)

## Some Consequences (2)

the suggested interpretation of cooperation as an autonomous coordination mechanism could also help:

- to up to date the debate on the forms of governance, moving from the typical forms defined by the rules of voting to forms based on the ability **to include the interest of all parties** (from democratic to inclusive governance): a trend that increasingly characterize foundations and other “nondemocratic” institutions but not always traditional cooperatives
- to clarify the meaning of non-profit, no-profit, not-for-profit and the related - often confusing - uses and to understand some recent evolution of the regulation, in particular:
  - the tendency of a growing number of laws to treat current profits and assets differently, allowing to distribute part (often to a cap) of the current profit to members or investors, while maintaining the full constraint on asset (asset lock)
  - a tendency that seem much more consistent than the traditional (US) regulation for entrepreneurial ESS since it (at the same time) allows for a better remuneration of the factors of production and for the creation and maintenance of trust among the stakeholders (the recognised role of the non profit distribution constraint)
  - a regulation that strongly links the SSE organizations to the community instead of the pro-tempore members
  - and could be a common good rule for all SSE organizations

Thanks for your attention