



Bernard THIRY  
Philippe BANCE (eds)

THE ECONOMY OF THE COLLECTIVE INTEREST:  
75 YEARS OF SCIENTIFIC RESEARCH



CIRIEC INTERNATIONAL  
ANNIVERSARY  
1947-2022



# **The Economy of the Collective Interest: 75 years of scientific research**

**Bernard THIRY and Philippe BANCE (eds)**

**CIRIEC Studies Series – No. 5**

**CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy) is a non-governmental international scientific organization.**

Its objectives are to undertake and promote the collection of information, scientific research, and the publication of works on economic sectors and activities oriented towards the service of the general and collective interest: action by the State and the local and regional public authorities in economic fields (economic policy, regulation); public utilities; public and mixed enterprises at the national, regional and local levels; the so-called “social economy” (not-for-profit economy, cooperatives, mutuals, and non-profit organizations); etc.

In these fields CIRIEC seeks to offer information and opportunities for mutual enrichment to practitioners and academics and to promote international reflection and action.

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Préface

- I. L’Economie d’intérêt collectif : 75 ans de recherches scientifiques, B. Thiry
  - II. Les enseignements de l’histoire du CIRIEC. Ancrage sociétal, mode opératoire et perspectives pluralistes de la recherche scientifique, P. Bance
- Article 1. Milhaud, E. (1908). Notre programme. *Annales de la régie directe*, 1(1), pp. 1–6.

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## Contents

<i>Scientific Editors of the publication</i> .....	<i>xi</i>
<i>Foreword</i> .....	<i>xiii</i>
<i>Acknowledgements</i> .....	<i>xv</i>
<b>I. The Economy of the Collective Interest: 75 years of scientific research</b> .....	<b>1</b>
<i>Bernard Thiry</i>	
<b>II. What CIRIEC's history teaches us. Societal anchoring, operating mode and pluralist perspectives of scientific research</b> .....	<b>35</b>
<i>Philippe Bance</i>	
<b>III. Selection of articles in chronological order:</b>	
1. Translation of: Milhaud, E. (1908). Notre programme. <i>Annales de la régie directe</i> , 1(1), pp. 1–6.....	53
2. Milhaud, E. (1925). The Annals of Collective Economy. <i>Annals of Collective Economy</i> , 1(1–4), pp. 1–5. <a href="https://doi.org/10.1111/j.1467-8292.1925.tb02067.x">https://doi.org/10.1111/j.1467-8292.1925.tb02067.x</a> .....	59
3. Weisser, G. (1960). The Role of the Collective Economy in Economic Development. <i>Annals of Collective Economy</i> , 31(2–3), pp. 275–290. <a href="https://doi.org/10.1111/j.1467-8292.1960.tb01660.x">https://doi.org/10.1111/j.1467-8292.1960.tb01660.x</a> .....	63
4. Lambert, P. (1962). Planning and Co-operative Action. <i>Annals of Collective Economy</i> , 33(3), pp. 220-233. <a href="https://doi.org/10.1111/j.1467-8292.1962.tb00028.x">https://doi.org/10.1111/j.1467-8292.1962.tb00028.x</a> .....	81
5. Lambert, P. (1963). Introduction. In: Lambert, P., <i>Studies in the social philosophy of co-operation</i> . Manchester: Co-operative union Ltd, pp. 27-36. ....	95
6. Quaden, G. (1982). Planning: crisis and renewal: foreword. <i>Annals of Public and Cooperative Economy</i> , 53(2), pp. 139–144. <a href="https://doi.org/10.1111/j.1467-8292.1982.tb01327.x">https://doi.org/10.1111/j.1467-8292.1982.tb01327.x</a> .....	107

7. Thiemeyer, T. (1986). Privatization. On the many senses in which this word is used in an international discussion on economic theory. *Annals of Public and Cooperative Economy*, 57(2), pp. 141–152.  
<https://doi.org/10.1111/j.1467-8292.1986.tb01732.x> ..... 113
8. Quaden, G. (1988). Synthesis of the congress. In: CIRIEC (Ed.), *Mixed economy systems in modern economies*. Liège: CIRIEC, pp. 181-186.....125
9. Monnier, L. (1992). Introduction. Dans : Monnier, L. (Ed.), *Entreprises publiques et marché unique : les entreprises publiques indispensables à l'économie de marché*. Bruxelles : Labor, pp. 9–19. ....131
10. Monnier, L., & Thiry, B. (1997). Introduction: The general interest: its architecture and dynamics. *Annals of Public and Cooperative Economics*, 68(3), pp. 313–333. <https://doi.org/10.1111/1467-8292.00049>..... 143
11. Monzón Campos, J. L. (1997). Contributions of the social economy to the general interest. *Annals of Public and Cooperative Economics*, 68(3), pp. 397–408. <https://doi.org/10.1111/1467-8292.00054> ..... 167
12. Cox, H. (1999). The provision of public services by regulation in the general interest or by public ownership? A consideration of recent developments in the public economy under aspects of institutional competition. *Annals of Public and Cooperative Economics*, 70(2), pp. 161–177. Special issue: Cox, H. (Ed.). Regulation versus Public Property: a Comparative Analysis.  
<https://doi.org/10.1111/1467-8292.00106>..... 181
13. Lévesque, B. (2003). Fonction de base et nouveau rôle des pouvoirs publics : Vers un nouveau paradigme de l'état. *Annals of Public and Cooperative Economics*, 74(4), pp. 489–514.  
<https://doi.org/10.1111/j.1467-8292.2003.00232.x> ..... 197
14. Fecher, F., & Lévesque, B. (2008). The Public Sector and the Social Economy in the Annals (1975–2007): Towards a New Paradigm. *Annals of Public and Cooperative Economics*, 79(3–4), pp. 679–727. Special issue: Fecher, F., & Lévesque, B. (Eds.), *Les Annales ont 100 ans/The Annals are 100 years old!*  
[https://doi.org/10.1111/j.1467-8292.2008.00374\\_2.x](https://doi.org/10.1111/j.1467-8292.2008.00374_2.x) ..... 221
15. Bouchard, M. J. (2009). Methods and Indicators for Evaluating the Social Economy. In: CIRIEC, & Bouchard, M. J. (Eds.), *The Worth of the Social Economy. An International Perspective*. Brussels: Peter Lang, pp. 19-34.....265
16. Bernier, L. (2011). The 2008 Economic Crisis and the Rebirth of Public Enterprises. In: CIRIEC, Bernier, L., & Bance, P. (Eds.), *Crise contemporaine et renouveau de l'action publique. Vers l'émergence d'un nouveau mode de régulation ? - Contemporary Crisis and Renewal of Public Action: Towards the Emergence of a New Form of Regulation?* Brussels: Peter Lang, pp. 89–107.....281

## Contents

17. Bognetti, G., & Obermann, G. (2012). Local Public Services in European Countries: Main Results of a Research Project by Ciriec International. *Annals of Public and Cooperative Economics*, 83(4), pp. 485–503. <https://doi.org/10.1111/j.1467-8292.2012.00474.x> .....299
18. Chaves, R. (2013). Social Economy and Public Policies: Elements for Analysis. In: CIRIEC, Chaves, R., & Demoustier, D. (Eds.), *L'émergence de l'Économie sociale dans les politiques publiques : une analyse internationale - The Emergence of the Social Economy in Public Policy: An International Analysis*. Brussels: Peter Lang, pp. 57–72. ....323
19. Bernier, L., & Florio, M. (2015). The future of the public enterprise: another look at an old idea. In: CIRIEC, Bernier, L. (Eds.), *Les entreprises publiques aujourd'hui : missions, performance, gouvernance - Public Enterprises Today: Missions, Performance and Governance*. Brussels: Peter Lang, pp. 15–24. ....339
20. Monzón Campos, J. L., & Chaves Ávila, R. (2017). Chapter 2: The social economy concept and the main theoretical approaches related to it. In: Monzón Campos, J. L., Chaves Ávila, R., & CIRIEC (Eds.), *Recent Evolutions of the Social Economy in the European Union*. Brussels: EESC, pp. 9–21.....351
21. Bance, P. (2018). Conclusion: Public – Social and Solidarity Economy Partnerships (PSSEPs) and collective action paradigm. In: Bance, P. (Ed.), *Providing public goods and commons. Towards coproduction and new forms of governance for a revival of public action*. Liège: CIRIEC, pp. 301–312. CIRIEC Studies Series n°1. <https://doi.org/10.25518/ciriec.css1ccl>.....369
22. Bouchard, M. J., Le Guernic, M., & Rousselière, D. (2020). Conceptual framework for statistics on cooperatives. In: ILO, COPAC, CIRIEC, & Bouchard, M. J. (Eds.), *Statistics on Cooperatives: Concepts, Classification, Work and Economic Contribution Measurement*. Geneva: ILO, pp. 5-12. <https://www.ciriec.uliege.be/en/publications/etudesrapports/statistics-on-cooperatives-concepts-classification-work-and-economic-contribution-measurement-2020/> - <http://www.copac.coop/category/stats/> .....383
23. Bance, P., & Schoenmaeckers, J. (2021). The increasing role and the diversity forms of Commons for production and preservation of essential goods and services. *Annals of Public and Cooperative Economics*, 92(1), pp. 5–12. <https://doi.org/10.1111/apce.12318>.....397





## Scientific Editors of the publication

**Philippe Bance** is Professor of Economics at the University of the French Antilles (UA) and CNRS laboratory LC2S - France. He was President (2014-2021) of the International Scientific Council of CIRIEC, Vice-President of the Université de Rouen Normandie, France (2007-2010), Science Adviser at AERES and then Hcéres (High Council for the Evaluation of Research and Higher Education, France) (2010-2018). His main papers since 2015 concern: Social solidarity economy and public policies (*Revue d'économie régionale et urbaine*, 2021), Commons (APCE special issue, 2021), multilevel governance and contingent valuation method (*Global Encyclopedia of Public Administration and Public Policy*, 2019, *International Journal of Public Administration*, 2018, *Politics & Policy*, 2017, *Revue française d'économie*, 2016), Public enterprises and the general interest (APCE special issue, 2015). He has also edited or coedited six books, four at the Presses Universitaires de Rouen et du Havre (PURH): *Numérique, action publique et démocratie* (2021), *Éducation et intérêt général* (2018), *Quel modèle d'État stratège en France ?* (2016) and *Internalisation des missions d'intérêt général par les organisations publiques* (2015); *The Routledge Handbook on State-Owned-Enterprises* (2020) and one with CIRIEC Studies Series, *Providing Public Goods and Commons* (2018).

**Bernard Thiry** is Director of CIRIEC since 1990. Holding a PhD in Economics from the University of Liège and a degree from Stanford University, Bernard Thiry is now Professor emeritus, after a long career at the University of Liège, teaching economics. He was Director of the Creg (Gas and Electricity Regulatory Commission), President of the Forem management committee (Walloon Office for professional training and employment), President of the National Union of Socialist Mutual Health Insurance Funds (UNMS). From 2008 to 2016, he was CEO of Ethias (mutual insurance company). He is Director of several regional and local public companies and he chairs since early 2022 Socofe, a Walloon public holding active in the energy sector. He is also the author of numerous articles and books in various fields, such as public and social economy.



## Foreword

For 75 years, the scientific network CIRIEC has dedicated all its work to those forms of economy that contribute to collective interest, whether they are public or in the social and cooperative economy. All along those years and thanks to the prolific output of its researchers, CIRIEC has remained faithful to the spirit of its founder, Professor Edgard Milhaud, ardent militant for cooperation between the various stakeholders in the economy that serve the general interest. In his view, coordinated objectives needed to be pursued after the war, in order to help "*a more conscious mankind in becoming master of its destiny in an ever-increasing degree while at the same time securing the emancipation of the masses from all forms of exploitation and servitude in the full respect of the liberties and rights of the human being as well as peace*"<sup>1</sup>. When reading the papers in this collection by Bernard Thiry and Philippe Bance, you will notice that the research published up to now is well in line with the will to promote economic models that create collective value and are factors of peace.

Today, in the light of the excesses of unbridled globalisation and the inequalities they generate, confronted with the challenges of the economic, social and ecological transition upsetting the world, but also with a view to the lasting structural effects of the digital revolution, the theses developed by CIRIEC take a particular importance and a very modern character. In its work, CIRIEC has never shied away from a debate on the means that States have to conduct their public policies, and among these means, public, national or local enterprises. The researchers think that after years of privatisation and deregulation, these enterprises need to play a new role in economic development, in innovation, in future-oriented and strategic sectors, and with modes of governance adapted to the objectives pursued and to the current context. The same applies to the social and solidarity economy, turned towards humanity and the environment, which has shown its resilience in times of crisis and takes a fair share in the general interest approach. Public economy, social economy in all its different components - cooperative, mutual, associative - definitely constitute a major opportunity to transform the economy, for less inequality, more democracy, to finally become actors of an economic system taking into account the needs of the people.

Therefore, many thanks to all the researchers of the scientific network for enabling CIRIEC to materialise its commitment to pursue Edgard Milhaud's work, and to develop academic research on economic models dedicated to collective interest and the satisfaction of social needs.

Our world really needs it.

Alain Arnaud  
President of CIRIEC

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<sup>1</sup> Edgard Milhaud, The International Centre for Research and Information on Collective Economy, In APCE, 1948/1, p. 27.



## Acknowledgements

This book is the result of a collective work and we would like to thank all those who contributed to it. First of all, we would like to thank the authors of the 23 articles collected in this book, some of whom helped us in the selection of their contributions, as well as the copyright holders who gave us their permission. Our thanks go in particular to Wiley for the numerous articles from the *Annals* included in this collection, to the publishing house Peter Lang, to the International Labour Organization, to the Presses universitaires de Rouen et du Havre and to the European Economic and Social Committee. Our thanks also go to Barbara SAK, managing director of CIRIEC International and Christine DUSSART, editorial assistant of the *Annals of Public and Cooperative Economics* and secretary of CIRIEC's scientific commission on the social and cooperative economy, for their careful reading of our two contributions and the improvements they suggested. Finally, we would like to thank the CIRIEC secretariat, and especially Carmela De Cicco, Coline Compère and Christelle Pasquier, who obtained the authorizations for reproduction, checked the references, typed the older articles and carried out the layout and production. We hope that the result of this collective work will be as interesting to the readers as it was to us in its realization.

Bernard Thiry and Philippe Bance



## I.

### **The Economy of the Collective Interest: 75 years of scientific research**

Bernard THIRY\*

Hundreds of corporate executives, leaders of organisations, professors and academic researchers, political, administrative and trade union officials have participated, for 75 years, in the exchanges and the scientific reflections in CIRIEC. What can explain both the interest of this broad variety of persons and the longevity of the organisation? One reason certainly is the importance that the various persons involved in CIRIEC, a large global network, attribute to collective interest or general interest and to the various forms of public intervention and types of organisations that materialise this collective interest. Since its creation and until today, CIRIEC has distinguished itself by associating practitioners and experts, confronted with the managerial, economic, social and political reality, and academics, more involved in theory and reflection, thereby fostering mutual enrichment.

Naturally, certain persons have incarnated and animated CIRIEC's scientific reflection more than others. Their publications illustrate the originality of its work, its continuity over the past 75 years, as well as its evolutions, some dictated by the political, economic and social environment, others resulting from internal scientific dynamics. These are the elements that we wished to highlight in selecting some twenty publications. We have deliberately limited ourselves to articles and papers published by people invested with significant scientific responsibility in CIRIEC's bodies: CIRIEC directors, presidents of CIRIEC's international scientific council or presidents of the international scientific commissions. This choice leaves out the very substantial scientific output produced in CIRIEC's national sections, as well as the work produced

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\* Professor emeritus of Economics at HEC Ecole de gestion - Université de Liège (Belgium) and General Director of CIRIEC International.



at international level by hundreds of other experts involved. The publications collected here are not the result of solitary work. They are the product of the multiple exchanges that have characterised CIRIEC since its inception. It should be mentioned that they were only made possible thanks to the support of the members of the CIRIEC secretariat who, over the years, have provided scientific and logistical support, particularly Yvonne Gélard, Christine Dussart and Barbara Sak. We wish to thank them wholeheartedly.

The twenty-three articles selected appear in chronological order, following the evolution in reflections and topics addressed. The choice of articles was dictated more by their representativeness than by the intrinsic quality of their scientific contribution.

## Foundations

CIRIEC is celebrating its 75<sup>th</sup> anniversary, but its origins go back more than 110 years, to 1908 to be precise. In this year, Edgard Milhaud, professor of economics at the University of Geneva, founds a review, *Les Annales de la régie directe*. With the specific intention of ensuring the survival of this review after the Second World War, the same Edgard Milhaud founds CIRIEC in 1947.

It is therefore only logical that the first article in the present collection should be *Our programme*, which Edgard Milhaud defines and reveals to us in his editorial to the inaugural edition of the review (Milhaud, 1908). Subtitled "International review of public economic services", it covers only part of the collective interest economy which will become the field of reflection and rallying point for CIRIEC's members. Indeed, in the first 16 years, the nationalisation of railway networks and the analysis of municipal economic activities and structures are the issues that essentially captivate the attention of the authors, particularly the need for sound statistics in order to evaluate the relative advantages of private and public ownership.

In 1925, the review changes its title, extends its scope and an English edition appears (as well as German and Spanish editions). In his editorial to *The Annals of Collective Economy*, included in this collection (Milhaud, 1925), Edgard Milhaud justifies the new title and the extension of the scope by the profound changes which have occurred in the features of public enterprises and the emergence of new forms of organisation for public economic services; by the collaborations established between the public sector and the cooperative movement "a movement having an altogether different origin but an analogous or identical object"; and by the necessity to take into account that "the economic activity of collectivities does not only involve controlling, but also signifies regulating, and tends more and more to issue in organising the economic life." This extension,

which seems natural to us, was of course also natural to Edgard Milhaud, who, incidentally, was a militant cooperator alongside Albert Thomas, first director of the International Labour Office<sup>1</sup>. A tireless defender of peace, Edgard Milhaud also strived to heighten awareness about the relationships between the organisation of the economic life and the organisation of peace as well as to the key role that the cooperatives might play in this domain<sup>2</sup>.

Since 1925, the field of interest of the review (and by filiation of CIRIEC) is defined as follows: "Public services, cooperation, organisation of the economic life – these are three converging and connected modes of action, three forms of the collective economy. It is to the promotion of this threefold object that the Review will be devoted in its new form."<sup>3</sup> All we need to do is extent the cooperative sector and to replace the word "cooperation" by what we call "social economy" to obtain the current definition of the study field of CIRIEC. Which Edgard Milhaud does himself, by also including mutual and joint social organisations and the voluntary economy in the collective economy.

After the founding of CIRIEC in Geneva in 1947 and the resumption of the publication of the *Annals* in 1948, Edgard Milhaud continues to rally actors and researchers interested in the public economy and cooperation and highlight the links between these two modes of action at the service of public interest. For instance, he concludes a lecture delivered at the 20<sup>th</sup> international cooperative school at Bloemendaal (Netherlands) in 1950 as follows: "It is perfectly clear and obvious that public management and co-operative management are two modes of (social activities that are close to each other and complementary, that public) management can be more and more impregnated by co-operation; and in so far as co-operation impregnates its own organs and activities more deeply by its own principles, both public management and co-operative management can more completely achieve their aims."<sup>4</sup>

The creation of CIRIEC multiplied the channels for scientific reflection and communication. The *Annals* are rapidly joined by international commissions,

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<sup>1</sup>For a presentation of Edgard Milhaud linked to the *Annals*, see Geerkens, E. (2008). From the *Annales de la régie directe* to *Annals of Public and Cooperative Economics*: 100 years of Transformations in an International Economic Journal. *Annals of Public and Cooperative Economics*, 79(3-4), p. 373-416.

[https://doi.org/10.1111/j.1467-8292.2008.00366\\_2.x](https://doi.org/10.1111/j.1467-8292.2008.00366_2.x)

<sup>2</sup> Milhaud, E. (1925). The Organisation of the Economic Life and the Organisation of Peace. *Annals of Collective Economy*, Vol. 1, p. 351-376.

<sup>3</sup> Milhaud, E. (1925). The Annals of Collective Economy. *Annals of Collective Economy*, Vol. 1, p. 5.

<sup>4</sup> Milhaud, E. (1950). Co-operative Undertakings and Public Undertakings. *Annals of Collective Economy*, 21(2), p. 136.

one on the conditions of workers in collective economy enterprises, another on activities in the housing sector, another still on economic democracy, plus a terminological commission which will later be renamed theory commission. As of 1953, international CIRIEC congresses are also added, which are an opportunity for summary presentations and exchange.

The terminology (future theory) commission chaired by Gerhard Weisser, professor at the University of Cologne (Germany), sets out to clarify the concept of collective economy. It "decided to use the term 'collective economy undertakings' as applicable to those undertakings which are institutionally designed directly to promote the welfare of an organised society or of an idea for which that society stands. They devote their individual achievements and/or their results to an organised society."<sup>5</sup> In order to define a collective economy undertaking, the starting-point is not the ownership of the undertaking concerned but the persons benefiting from the results of its activities. However the collective economy undertakings can be divided into publicly owned undertakings and independent undertakings, the latter being in the hands of independent groups, and occasionally of individuals (for example co-operatives, mutual-aid insurance societies, undertakings owned by trade unions, etc.).

At the 4<sup>th</sup> congress in Belgrade (Yugoslavia) in May 1959, Gerhard Weisser submits a report on "The role of the collective economy in economic development". This masterful report, included as the third paper in this collection, considers the role of collective economy undertakings in various branches of governmental economic policy: short-term stabilisation policy, investment policy, distribution policy, regional development, competition policy, industrialisation of developing countries. One can only be dazzled by the topicality of the issues addressed.

## **Maturity**

The year 1960 sees Paul Lambert, professor at the University of Liège (Belgium), succeed Edgard Milhaud as director of the *Annals*. He had become director of CIRIEC in 1957. Edgard Milhaud withdraws, also leaving the presidency of CIRIEC. He would pass away four years later at the age of 91.

Under the impulse of Paul Lambert, CIRIEC focuses its attention even more on the field of the cooperative economy and macroeconomics. Volume 1961 of the *Annals* opens with the article "Beyond full employment" signed by Joan Robinson,

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<sup>5</sup> Weisser, G. (1960). The Role of the Collective Economy in Economic Development. *Annals of Collective Economy*, 31(2-3), 275-290. <https://doi.org/10.1111/j.1467-8292.1960.tb01660.x>, p. 274.

professor at Cambridge University (UK) and confirmed disciple of John Maynard Keynes. Paul Lambert himself dedicates several publications to the work of Keynes, to the cooperative doctrine, cooperative governance, to the International Co-operative Alliance, etc. Selecting an article signed by his hand was an arduous task, since the choice is vast and varied. We have finally picked two original articles which fit well into the general perspective of CIRIEC's research work, combining public enterprise, economic policy and cooperation while at the same time taking explicitly into account the context in the 1960s. The first article combines planning and cooperative action (Lambert, 1962). Based on the observation (which seems out-dated today) that macroeconomic planning, be it indicative or imperative, is universal, he tries to ascertain the specific role that the cooperative movement can play in overcoming some planning problems: the choice between serving the present and serving the future; quality control; the prevention of wastage; the choice of employment; the safeguarding of the freedom of choice of the consumer; democracy and the acceptance of the plan by the people. His last sentence is "Planning will be human if it is based on co-operative principles."<sup>6</sup> The second article (Lambert, 1963) is the introduction to one of Paul Lambert's major contributions on cooperative thought. This text, which may trigger a feeling of nostalgia ("all the universities of the world teach co-operation in their courses on social and political economy."<sup>7</sup>), synthesises its author's thoughts on cooperation including the doctrinal conflicts that the problem of nationalisations and the role of the State raised in the cooperative movement itself.

In 1963, at the 6<sup>th</sup> congress in Rome, the theory commission, which had studied the problem of price-setting in public undertakings, changed its name to "scientific commission". Still chaired by Gerhard Weisser, it is given the assignment to complement its work on price formation in the collective economy with sectoral studies on different activity sectors. It then examines the problems specific to undertakings of the trade-union movement, which constituted a quite considerable activity sector in the Federal Republic of Germany at the time<sup>8</sup>. In parallel, another commission chaired by Giorgio Stefani of the University

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<sup>6</sup> Lambert, P. (1962). Planning and Co-operative Action. *Annals of Collective Economy*, 33(3), p. 233.

<sup>7</sup> Lambert, P. (1963). *Studies in the social philosophy of co-operation*. Manchester: Co-operative Union Ltd., p. 27.

<sup>8</sup> These enterprises (referred to as general interest enterprises or "Gemeinwirtschaft") were owned by the German trade unions. They were wound up and/or sold to private enterprises by the end of the 1980s. See Münkner, H.-H. (1994). Panorama of Cooperatives, Mutuals and Associations in Germany, Which Do Not Consider Themselves as Forming a Sector of "Economie Sociale". *Annals of Public and Cooperative Economics*, 65(2), pp. 301-331. <https://doi.org/10.1111/j.1467-8292.1994.tb01516.x>

of Ferrara (Italy), studies the financing of public enterprises from 1966 to 1968, followed by productivity in public enterprises from 1968 to 1972. In 1972, at the 9<sup>th</sup> congress in Vienna, Gerhard Weisser leaves the presidency of the international scientific commission and another German professor, his former co-worker, Theo Thiemeyer of the University of Bochum (Germany) succeeds him. In fact, for more than two decades, most of the work of CIRIEC's scientific commissions will be dedicated to the public economy, the work on cooperation and the organisation of the economy finding its place in the *Annals*, congresses and multiple other publications and events. Incidentally, the conjunction between the German presidency of the scientific commission and a French-speaking director fostered mutual enrichment in different methodological and cultural approaches. This was certainly an essential element in the consolidation of CIRIEC's original contribution and in the interest that researchers of Germanic or Latin culture could find there.

### Changing modes of expressing collective interest

In 1964, the English edition of the review changed its name from "*Annals of Collective Economy*" to "*Annals of Public and Cooperative Economy*".<sup>9</sup> Ten years later, in 1974, CIRIEC and the *Annales* in their French edition also changed their names: "économie collective" [collective economy] is replaced by "économie publique, sociale et coopérative" [public, social and cooperative economy].<sup>10</sup> These decisions are taken because the term "collective economy" is considered misleading in particular in a context of "hostility" between Western economies and "collectivist economies" regulated by authoritarian planning of the Russian type. It is clearer and the terms "économie sociale" in the French name will also be quite useful for CIRIEC. Paul Lambert justifies these terms by the fact that certain social security institutions, mutual societies, trade unions, that are neither public institutions nor cooperative organisations, perform important activities with considerable economic repercussions<sup>11</sup>, but this will also allow CIRIEC to be more active in the field of the "social economy", a growing phenomenon at the time. This being said, an important effort was needed to clarify this concept, and CIRIEC would play a dominant role in this process. As Paul Lambert wrote:

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<sup>9</sup> Lambert, P., 1964, By any other name, *Annals of Public and Cooperative Economy*, 35(1), p. 3.

<sup>10</sup> Only in 2002 will CIRIEC's English name be changed to "International centre of research and information on the public, social and cooperative economy." See below.

<sup>11</sup> Lambert, P. (1974). Autre nom, même contenu [Other name, same content]. *Annals of Public, Social and Cooperative Economy*, 62, p. 4.

public economy and cooperative economy are well-defined concepts but it is not really the case of what we call "social economy."<sup>12</sup>

Apart from its name, CIRIEC also modifies its statutes in 1974 with regard to the forms that collective economy can adopt. Indeed, in the initial statutes (1947), article 2 stated that "the object of the Centre is to initiate and to promote by all means at its disposal all forms of research and dissemination of information on collective economy existing throughout the world in its various forms and their relationships: public utility agencies, co-operative societies, co-operative public agencies, other forms of undertakings of general interest, organised economy, plan systems, etc." Henceforth the list is as follows: "public sector, cooperation, other forms of general interest undertakings, planning, etc." The public sector replaces public utility agencies, a too specific form; co-operative public agencies, defined as publicly-owned cooperatives with several local public authorities as cooperators,<sup>13</sup> disappear because they are part of the public sector, as well as the organised economy too close to the "collectivist economy."

This will not be the last modification. Indeed, since 2004, the term "plan" has disappeared from the list. This being said, article 3 of CIRIEC's statutes further reads: "its research shall cover not merely the organisation, operation and development of the institutions in question and their place in the economy as a whole, but also any problems arising in relation to them. When studying these subjects the aim shall always be to safeguard the general interest and to strive for the ideal of economic democracy as these are the actual aims of the public, social and cooperative economy." With the exception of "collective economy", this wording has remained unchanged for 75 years.

## **Resurgence**

Paul Lambert passes away in 1977 and another professor of the University of Liège (Belgium), Guy Quaden, succeeds him as director of CIRIEC. He will remain in office until 1990. Over these twelve or so years, CIRIEC's reflection develops in multiple ways. The scientific commission chaired by Theo Thiemeyer focuses most of its work on public enterprises and, starting in 1984, on the privatisation of public enterprises, a topic imposed by current political developments, particularly in the United Kingdom. In 1986, Theo Thiemeyer writes a synthesis paper in the *Annals* on "privatisation and economic theory". This article (Thiemeyer, 1986), included in this collection, gives an overview of the various senses in which

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<sup>12</sup> *Ibid.*

<sup>13</sup> See Lambert, P. (1962). The characteristics of and principles governing publicly-owned co-operatives in Belgian experience. *Annals of Collective Economy*, 3-14.

the word "privatisation" was used. According to him "the comparative presentation of the different interpretations of privatization is far more than a question of definitions. It brings out an abundance of crucial economic problems and characteristic differences between different privatization strategies."<sup>14</sup> Observing that "the fragmentation of the economic and political discussion by language barriers has proved a considerable disadvantage, particularly in respect of the criticism of precipitate privatization programmes,"<sup>15</sup> he highlights the efforts of CIRIEC's scientific commission in fighting this fragmentation. As already mentioned, the plurality in linguistic and cultural origins of CIRIEC's members, i.e. the confrontation of Anglo-Saxon, French and German-speaking approaches in this matter, is a factor of enrichment in CIRIEC's contribution, while at the same time being a complex organisational issue.

In addition to the congresses, which bring together several hundred delegates on general topics<sup>16</sup> every other year, including some celebrity speakers<sup>17</sup>, CIRIEC, under the impulse of Guy Quaden and his team, also organises various colloquiums to study economic policy issues, Guy Quaden's main object of interest, or questions related to public enterprises or cooperative and kindred enterprises: Steel and the State in Europe (1980), Planning: Crisis and Renewal (1981), The Economic Performance of Self-managed Firms. A comparative Perspective (1985), etc. The *Annals* include the proceedings of these colloquiums and of CIRIEC congresses, as well as numerous articles on CIRIEC's fields of interest by authors of diverse origins.

As an economic policy professor, Guy Quaden of course reinforces this dimension in all topics addressed by CIRIEC. His foreword of the special issue of the *Annals* devoted to the crisis and the renewal of planning is included in this collection of papers (Quaden, 1982), where he promotes a realistic approach to planning, shunning any naïve optimism, whether economic, social or international, and taking into account the constraints implied by the opening of economies

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<sup>14</sup> Thiemeyer, T. (1986) Privatization. On the many senses in which this word is used in an international discussion on economic theory. *Annals of Public and Cooperative Economy*, 57(1), p. 152.

<sup>15</sup> *Ibid.*

<sup>16</sup> The Institutions of Public and Co-operative Economy in a Market Economy (Athens, 1978), Public and Co-operative Enterprises Autonomy, Control, Participation (Lisbon, 1980), Public and Co-operative Economy. Safeguarding Social Progress (Vienna, 1982), Growth or Stagnation. Public and Cooperative intervention. Domestic and International (Florence, 1984), Financing the Public and Cooperative Economy (Brussels, 1986), Mixed Economic Systems in Modern Economies (Bordeaux, 1988).

<sup>17</sup> Michel Rocard (1984), Edward Heath (1984), Michael Posner (1980), Marcel Boiteux (1980), Franz Vranitzky (1986), ...

to external exchange, the day-to-day management of the State and the "private" character of most activities.

The place of the State in the economic system will be the focus of much of CIRIEC's work, including at congress. For instance, the 17<sup>th</sup> congress in Bordeaux in 1988 addresses "Mixed Economic Systems in Modern Economies." In his synthesis of the congress, also included in this collection (Quaden, 1988), Guy Quaden points out that the concept of mixed economy can make reference to two ideas which seem fundamentally different. The first conception of the mixed economy is the idea of coexistence of the private sector, the public sector and a social economy sector. This is the accepted norm, that the time, so Guy Quaden, for "all private" or "all State" or the "cooperative Republic" has passed. The second, more controversial conception is cooperation between these three sectors, sometimes within an enterprise and its capital. The multiplication of hybrid forms and complementarities will be the object of multiple subsequent research in CIRIEC, mainly with regard to the public and social economy sectors. This type of complementarity "is not new to CIRIEC. CIRIEC is built on the complementarity of the public and cooperative economies."<sup>18</sup> Yet, as Guy Quaden emphasises, in a certain number of countries<sup>19</sup>, it is rather difficult to find acceptance for the idea that the public sector and the social economy can cooperate or even work hand in hand within the same association such as CIRIEC. For CIRIEC, the public sector and the social economy are "two modes of expressions of general interest, collective interest in the economic field. This general interest, this collective interest may, due to circumstances, take the form of a public company or that of a cooperative and social company."<sup>20</sup>

The 1988 congress is also the opportunity to launch the new editorial formula of the *Annals*. Editorial management is now entrusted, under the supervision of CIRIEC and its director, to chief editors supported by a small team of co-editors and an editorial board featuring prestigious names. Article selection is based on rigorous scientific criteria and with independent evaluators. The *Annals* will now no longer be solely representative of the scientific reflection in CIRIEC. They assert themselves as an international scientific review for the world of academic research. The militant character that some articles could display

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<sup>18</sup> Quaden, G. (1988). Synthesis of the Congress. In: CIRIEC (Ed.), *Mixed Economy Systems in Modern Economies*. Liège: CIRIEC, p. 183.

<sup>19</sup> See e.g. for Germany, Münkner, H.-H. (1994). Panorama of Cooperatives, Mutuels and Associations in Germany, Which Do Not Consider Themselves as Forming a Sector of "Economie Sociale." *Annals of Public and Cooperative Economics*, 65(2), pp. 301–331. <https://doi.org/10.1111/j.1467-8292.1994.tb01516.x>

<sup>20</sup> Quaden, G. (1988). Synthesis of the Congress. In: CIRIEC (Ed.), *Mixed Economy Systems in Modern Economies*. Liège: CIRIEC, p. 184.



a few decades ago was gone. The publication of the acts and proceedings of congresses also stops. However, the *Annals* continue to produce special issues regularly in order to publish the work of the scientific commissions and working groups set up by CIRIEC. These articles continue to be mainly interested in the various aspects of the "collective economy", even though this term is no longer used.

## Vitality

In 1989, the scientific commission is replaced by a triptych: a scientific council chaired by Theo Thiemeyer and two scientific commissions, one on public enterprises, chaired by Lionel Monnier, professor at the University of Rouen (France), the other on the social and cooperative economy chaired by José Luis Monzón Campos, professor at the University of Valencia (Spain). After Theo Thiemeyer's unexpected death in 1991, Lionel Monnier succeeds him as president of the council and Helmut Cox, professor at the University of Duisburg (Germany) is appointed president of the commission on public enterprises. These three professors, in close cooperation with CIRIEC's new director, Bernard Thiry, professor at the University of Liège (Belgium), will play a major role in the academic vitality that CIRIEC will manifest in the 1990s and early 2000s. Lionel Monnier leaves the presidency of the scientific council in 2002. Helmut Cox and José Luis Monzón Campos leave the presidency of their commissions in 2003. They are succeeded by, respectively, Benoît Lévesque, professor at the University of Québec in Montreal (Canada), Gabriel Obermann, professor at the Vienna University of Economics and Business (Austria) and Rafael Chaves, professor at the University of Valencia (Spain).

Privatisation policies, opening to competition, deregulation, the introduction of new modes of regulation, public budget constraints all question the role and even the existence of many public enterprises and the way many public services are provided. This is particularly true at the time of the Single Market set up by the member states of what used to be called the European Community. CIRIEC's scientific commission on public enterprises of course picks up this question and publishes several studies and papers on this topic in short succession. The first is placed under the responsibility of Lionel Monnier and asserts: "Public enterprises and Single Market. Public enterprises indispensable for a market economy." The introduction to this book by Lionel Monnier (Monnier, 1992) is included in the present collection. Statistical, legal and economic analyses combine into a twofold observation: on the one hand, member states will probably withdraw more and more from market regulation. This is perfectly logical in the perspective of European integration; however, on the other hand, in many cases, disappearing national prerogatives and controls are not really replaced by equivalents

at Community scale.<sup>21</sup> The paper highlights the destabilisation of public enterprises, whose purpose was to serve "general interest" as defined at national level, while more and more general interest is being defined at Community (i.e. European) level. The publication ends on a plea for public enterprises: like the public economy is the necessary counterpart to the private economy, Lionel Monnier considers that the existence of public enterprises is a useful complement, probably indispensable in the current European context, for the implementation of an efficient market economy.<sup>22</sup> In his view, this conclusion follows the line of arguments developed 10 years earlier by his predecessor in CIRIEC, Theo Thiemeyer.<sup>23</sup>

Helmut Cox succeeds him and animates an intense reflection on the future of public services, enterprises and infrastructure in a Europe the building of which is fundamentally based on competition. Many meetings and publications follow, in order to debate, for instance, a draft European charter for public services. At one of these colloquiums<sup>24</sup>, Helmut Cox examines the various decision criteria and principles for public services. Starting with the acknowledgement of the supremacy of the competition principle in the building of Europe and the observation of the respective strengths and weaknesses of markets, competition and public services, he questions whether competition and privatisation are the right solutions. He also outlines avenues for the improvement of public services.

Two years later, another book is published on "Public services, public missions and regulation in the European Union."<sup>25</sup> In 1999, a special issue of the *Annals* contains various reports on "Regulation versus Public Property: a Comparative Analysis" (1999/2). In this context, Helmut Cox himself wonders about the reasons for the paradigm shift in the public economy (from the "classical" public enterprise to the regulated private enterprise) in the article included in this special issue (Cox, 1999). He also points out that "the role and position of ownership or, more precisely, state ownership, has changed in respect of the execution

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<sup>21</sup> Monnier, L. (1992). Introduction. From: Monnier, L. (Ed.), *Entreprises publiques et marché unique : les entreprises publiques indispensables à l'économie de marché [Public enterprises and Single Market: public enterprises indispensable to the market economy]*. Brussels: Labor, p. 15.

<sup>22</sup> *Ibidem*, pp. 18-19.

<sup>23</sup> Thiemeyer, T. (1982). The challenge of the Market. *Annals of Public and Cooperative Economy*, 53(3-4), pp. 345–360.

<sup>24</sup> Seminar on "The Economic Approach of Public Services", Cologne (Germany), 24 October 1994. The reports of this seminar were published in a special issue of the *Annals* (1995/2).

<sup>25</sup> Cox, H., (1997). *Services publics, missions publiques et régulation dans l'Union européenne*. Paris: A. Pedone.

of public contracts."<sup>26</sup> He concludes that "privatization and deregulation result in re-regulation because the functional capacity of competition and the execution of the public contract must be guaranteed."<sup>27</sup>

In 2001, a collective publication is issued: "Services of General Economic Interest in Europe: Regulation, Financing, Evaluation, Good Practices", a synthesis of the work conducted jointly by CIRIEC and CEEP<sup>28</sup>. In 2003, before leaving the presidency of his commission, Helmut Cox edits another special issue of the *Annals* on "The Question of Competitive Tendering for Public Services in the European Union" (2003/1). He stresses that "competitive tendering, whether voluntary or compulsory, may be a useful instrument if, first, competitive tendering provides impetus for the improvement of performance accompanied by cost reductions and, second, the public policy objectives related to the provision of public services can be safeguarded."<sup>29</sup>

In all these years, public service, universal service, service of general (economic) interest, their definition, their financing, their evaluation and regulation, are topics that have imposed themselves in CIRIEC's reflections, as well as the diversity of types of enterprises tasked with providing these services (public, private or mixed enterprises). Public enterprises only constitute one aspect of the investigations of the scientific commission and as mentioned previously, this commission questions the specificity of public ownership of an enterprise in a context marked by competition and regulation. It is therefore decided (in 2002) to change the commission's name to "commission on public services and public enterprises." This title can easily be understood by laypersons and non-Europeans and readily be translated in CIRIEC's three official languages (English, German and French).

In parallel, the scientific commission on the social and cooperative economy plays a key role in asserting the social economy as a specific sector between the public and the private sector. The most seminal book in this regard is published in 1992 by Jacques Defourny, professor of economics at the University of Liège (Belgium) and José Luis Monzón Campos, with a very illustrative title: "Economie sociale : entre économie capitaliste et économie publique [Social Economy: between Capitalist Economy and Public Economy] - The Third Sector. Cooperative, Mutual

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<sup>26</sup> Cox, H. (1999). The provision of public services by regulation in the general interest or by public ownership? A consideration of recent developments in the public economy under aspects of institutional competition. *Annals of Public and Cooperative Economics*, 70(2), 161–177. <https://doi.org/10.1111/1467-8292.00106>, p. 174.

<sup>27</sup> *Ibid.*

<sup>28</sup> CEEP & CIRIEC. (2000). *Services of General Economic Interest: Regulation, Financing, Evaluation, Good Practices*. Liège; Brussels: CIRIEC; CEEP.

<sup>29</sup> Cox, H. (2003). Foreword. *Annals of Public and Cooperative Economics*, p. 5.

and Nonprofit Organizations." In his introduction<sup>30</sup>, Jacques Defourny highlights the origins of the social economy and the resurgence of this third sector at the beginning of the 70's. More importantly, he defines its distinctive characteristics: purpose of serving members or the collective rather than profit, independent administration, democratic decision-making process and priority given to people and labour rather than capital in the redistribution of revenues. For his part, José Luis Monzón Campos sees cooperatives as the spinal column of the social economy and affirms their place in a changing system as "an additional structural component in our economic system different at the same time from the whole public sector and the capitalist sector but as structured as these ones and necessary for the improvement of the allocation of resources and the distribution of income. It will be an element in economic stabilisation which will prove essential if the aim is not only to achieve balanced and sustained growth but also a sound ecosystem."<sup>31</sup>

CIRIEC, true to its vision of the cooperative sector at the service of collective interest, will always defend the place of cooperatives in the social economy, at odds with the Anglo-Saxon vision which excludes any for-profit organisation, even those that distribute a limited part of their surpluses such as cooperatives, from the Third Sector. It has therefore often been at conceptual loggerheads with the approach defended by the Johns Hopkins University in the USA which limits the third sector to private organisations which, by virtue of their statutory rules, are not allowed to distribute profit to persons mandated with their control.<sup>32</sup> CIRIEC has also often been in conceptual disagreement with some cooperative movements who refuse a concept that lumps together cooperatives and organisations of more social vocation and that highlights the contribution of cooperatives in the pursuit of general interest, sometimes in cooperation with the public sector. All these conceptual elements are clearly recalled by José Luis Monzón Campos in his article included in this collection on the "contributions of the social economy to the general interest" (Monzón Campos, 1997).

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<sup>30</sup> Defourny, J. (1992). The Origins, Forms and Roles of a Third Major Sector. In: Defourny, J., & Monzón Campos, J. L. (Eds.), *Economie sociale : entre économie capitaliste et économie publique - The Third Sector. Cooperative, Mutual and Nonprofit Organizations*. Brussels: De Boeck Université, pp. 27–49.

<sup>31</sup> Monzón Campos, J. L. (1992). The "Social Economy": Third Sector in an Evolving System. In: Defourny, J., & Monzón Campos, J. L. (Eds.), *Economie sociale : entre économie capitaliste et économie publique - The Third Sector. Cooperative, Mutual and Nonprofit Organizations*. Brussels: De Boeck Université, p. 25.

<sup>32</sup> See particularly Salamon, L. M., & Anheier, H. K. (1994). *The Emerging Sector: The Nonprofit Sector in Comparative Perspective: an Overview*. Baltimore: The Johns Hopkins University Institute for Policy Studies.

The difference between the English and the French part of the book's title in 1992 also illustrates the difficulty in accepting the term "social economy" outside Latin countries. French-speaking countries (France, Quebec, part of Belgium), Spanish and Portuguese-speaking countries (Spain, Portugal and Latin America) tend to react favourably to this term despite competition by other terms (third sector, solidarity economy, etc.). This is much less the case in English-speaking or German-speaking countries in particular. It is somehow symptomatic that, for harmonisation purposes, the words "social economy" were to be included in CIRIEC's English name only in 2002.<sup>33</sup>

This is the very definition of the social economy that CIRIEC applies to the "Third System"<sup>34</sup> when it is asked by the European Commission in 1997 to conduct a broad study on "The Enterprises and Organizations of the Third System. A Strategic Challenge for Employment."<sup>35</sup> The objective is to assess the situation of the third system in the European Union and to identify the employment dynamics that operate within this sector. More than thirty partners cooperate in the completion of this study which concludes, among others, by highlighting three employment dynamics: the first one is the transformation that current employment is undergoing, particularly in the large, established organisations that make up a significant share of overall employment in the sector; the second dynamic is the emergence of new jobs explained by the expression of new needs and increased mobilisation of people within particular territorial regions; the third one is a consolidation process from structuring, mutualising in either a horizontal direction or a vertical one.

CIRIEC's inclusive vision of the social economy does not prevent it from investigating topics specific to cooperatives or non-profit associations. An international working group is set up on "the responses of associations to the job crisis and the crisis of the Welfare State" (1992-1996), more specifically their role in social and vocational reintegration through work and services to senior citizens. Other groups examine the topic "Cooperative principles and socio-economic reality" (1992-1995), followed by "Cooperative holdings and other groupings in the social economy" (1996-1999), and finally "Structure of governance in

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<sup>33</sup>In 2002, the English designation is changed to "International centre of research and information on the public, social and cooperative economy." The designation of the *Annals* remains unchanged, though in: *Annals of public and cooperative economics*, "economics" is substituted for "economy" as of 1989.

<sup>34</sup>More precisely in the CIRIEC study, the term "Third System" refers to cooperatives and mutual companies as well as voluntary organisations, associations and foundations which remunerate work.

<sup>35</sup>CIRIEC (2000). *The Enterprises and Organizations of the Third System. A Strategic Challenge for Employment*. Liège: CIRIEC.

social economy: place and role of managers" (2001-2003). These analyses show no complacency towards loss of identity and behavioural trivialisation. In his introduction to a book published on *cooperative holdings*, Daniel Côté (HEC, Montreal, Canada) brilliantly describes the backdrop this work was conducted on.<sup>36</sup> He highlights the difficulty of being a cooperative at the onset of the 21<sup>st</sup> century. The complexity in managing a cooperative is caused by the need to be an association and an enterprise at the same time, an indissociable duality at the core of cooperative identity. This complexity is amplified by the increasingly individualistic conception of "member", by the size of the membership and by the intermingling of the competitive fields of cooperatives and their capitalist competitors.

This representation of the social economy will of course not prevent CIRIEC from maintaining an even more inclusive vision, combining social economy and public economy. This transversality falls under the responsibility of the scientific council which ensures the coordination and general animation of CIRIEC's scientific network, while at the same time keeping an eye on the quality of exchanges with national sections (which appoint the members of the scientific council), but also between managers of CIRIEC's member companies and organisations and the scientific network.

In 1997, the scientific council mobilises to issue a summary book on the occasion of the 50<sup>th</sup> anniversary of CIRIEC. 24 professors and researchers write the 14 chapters of this book on "Structural Changes and General Interest: Which Paradigms for the Public, Social and Cooperative Economy?" In their introduction "The general interest: Its architecture and dynamics" included in this collection (Monnier & Thiry, 1997), Lionel Monnier and Bernard Thiry point out that "observation of social and economic reality in fact shows a complex world in which the idea of taking into account the general interest – in the widest sense of the term (public interest, common interest of members, etc.) can find a place which is both very large and highly diversified."<sup>37</sup> "The idea of such a socio-economic combined system correctly describes the coexistence of diverse organizations which, each in their own way, work towards the general interest, and with their respective solidarity perimeters juxtaposed. (...) The general interest then appears as a complex social structure which is gradually generated by many more or less centralized or decentralized initiatives and experiments

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<sup>36</sup> Côté, D. (2001). Introduction. In: Côté, D. (Ed.), *Les holdings coopératifs : évolution ou transformation définitive ? [Cooperative holdings: evolution or final transformation?]* Brussels: De Boeck Université, p. 8.

<sup>37</sup> Monnier, L., & Thiry, B. (1997). Introduction: The general interest: its architecture and dynamics. *Annals of Public and Cooperative Economics*, 68(3), p. 320.  
<https://doi.org/10.1111/1467-8292.00049>

on the basis of the respective benefits and disadvantages of the public, private and social economy solutions involved. The viability and coherence of the entire system have a threefold basis: a process of natural selection performed by the market; the political expression of a general will; and a collective initiative based on solidarity and autonomy."<sup>38</sup>

The transversality of the reflection developed by CIRIEC is also illustrated by the establishment in 1999 of "transversal" working groups, i.e. convening both public economy and social economy experts on a topic astride these two fields of expertise. The theme of the first group of this type (1999-2002) is "Plural economy and socio-economic regulation. A theoretical approach to the relationships between for-profit and not-for-profit, private and public organizations in the provision of social and general interest services." What this title may lack in conciseness is largely made up by its explicitness, taking into account the interrelations and overlaps between sectors at the service of general interest. In his introduction to the book on this topic published on the occasion of the 24<sup>th</sup> CIRIEC congress (Naples, September 2002), Bernard Enjolras (Institute for Social Research, Oslo, Norway), one of the coordinators of this working group, points out the transformations due to the evolution of the technological paradigm, globalisation and the exponential individualisation of social relations. He also stresses that "the idea of the plural general interest economy in fact refers to the fact that there are different types of organizations (both public and private, both profit-making and non-profit-making) under operating conditions that vary according to national and sectoral context."<sup>39</sup>

## Globalisation

Since its creation, CIRIEC has involved many non-Europeans in its activities (*Annals*, congresses, scientific commissions, etc.). National sections have existed in Argentina, Canada, Japan, as well as in Israel, India, and even Iran<sup>40</sup> for a number of years. Yet, the bulk of the scientific work involves mainly European researchers on largely Eurocentric topics. This has particularly been the case for many years on the topic of public enterprises on account of

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<sup>38</sup> *Ibid.*, p. 326.

<sup>39</sup> Enjolras, B. (2002). Introduction. In: Enjolras, B., & von Bergmann-Winberg, M-L. (eds), *Plural economy and socio-economic regulation / Economie plurielle et régulation socio-économique*. Liège: CIRIEC, p. 23.

<sup>40</sup> See Gélard, Y. (1997). *1947-1997: 50 years in the life of CIRIEC*. Liège: CIRIEC.

[https://www.ciriec.uliege.be/wp-content/uploads/2016/01/EN\\_BrochureCIRIEC\\_1947-1997.pdf](https://www.ciriec.uliege.be/wp-content/uploads/2016/01/EN_BrochureCIRIEC_1947-1997.pdf)  
and Bettens, L. (2007). *1957 – 2007: CIRIEC: 50 years in Belgium From the shores of Lake Geneva to the banks of the Meuse - A relocation story*. Liège: CIRIEC.

[https://www.ciriec.uliege.be/wp-content/uploads/2016/01/EN-CIRIECBrochure\\_1957-2007.pdf](https://www.ciriec.uliege.be/wp-content/uploads/2016/01/EN-CIRIECBrochure_1957-2007.pdf)

the sometimes existential questions raised by the building of Europe. It is less the case for the scientific commission on social economy which receives more input from researchers in the United States, Canada, Argentina, Japan, etc.

This Eurocentrism has gradually subsided since the 2000s. One pivotal year is 2002. For the first time, a scientific body of CIRIEC is chaired by a non-European, Benoît Lévesque, professor at the University of Quebec in Montreal (Canada), who succeeds Lionel Monnier as president of the international scientific council. He quickly engages in a strategic planning operation of the organisation (mapping of the external and internal environment, development mission and priorities, goals and action plan). This operation mobilises many CIRIEC members and its various bodies for two years (2004-2006). The conclusions are presented and validated at the general assembly in Istanbul in June 2006 in conjunction with the 26<sup>th</sup> CIRIEC congress. The relevance of Edgard Milhaud's intuition is confirmed by the members of CIRIEC, but of course the external environment is no longer the same: other geopolitics, globalisation and financialisation, new social issues (growing inequalities), new societal demands, transformation of public intervention in the economy, transformation of research and of the academic world (relative decline of public economics and growing interest for the social economy), multiplication of networks and organisations in the field of the public and social economy, etc. This being said, the transversality between these two broad research domains, international comparisons and the conjunction of scientific rigour and social relevance by associating practitioners and researchers all continue to determine CIRIEC's specificity and relevance. By the way, reference is made to what Edgard Milhaud wrote in 1948 at the founding of CIRIEC: "it is the attribute of the Centre on one hand to bring its research and information to bear on the whole field of the forms of collective economy and not like such and such an organisation on one or another of these forms and, on the other hand, to study the connections that exist between some of them. In this field it occupies a special and unique position. It is not only interested in one or several of the domains of collective economy but in all of them and it is not content with studying them separately but it considers them in the light of their relations and connection, one might say in the general system of all their interconnections. There, on the scientific plane, it plays the part of a synthesis and on the plane of action it tends to fruitful coordination of activities by broadening the horizons of the men of action to whom its information is destined."<sup>41</sup>

Benoît Lévesque also contributes significantly to CIRIEC's scientific reflection on State-market-civil society relations, social innovation and a perspective of the collective economy on the basis of experiences in Quebec. In this respect,

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<sup>41</sup> Milhaud, E. (1948). The International Centre for Research and Information on Collective Economy. *Annals of Collective Economy*, 19/1, p. 28-29.



the article co-authored with two of his colleagues, Marie J. Bouchard, also professor at the University of Quebec in Montreal (Canada) and Luc Bernier, professor at ENAP, National School of Public Administration in Québec (Canada), examines the governance modes of Quebec enterprises referred to as "collective", i.e. State enterprises, trade union and cooperative enterprises.<sup>42</sup> Engaged in the development of the Quebec economy through financing, their governance modes must enable them to achieve objectives related to individual interest, collective interest and general interest. For instance, a fund financed by workers' retirement savings may address an individual interest (the shareholder/annuitant's, focused on yield), the collective interest of unionised workers whose major concern is employment and a general interest: the overall economic development of Quebec.

In a report presented at the 24<sup>th</sup> congress of CIRIEC in Naples (Italy) in 2002 and included in the present collection (Lévesque, 2003), Benoît Lévesque ponders the "Basic function and new role of public authorities: towards a new State paradigm." Observing the challenge to the old paradigm based on a State-Market binary, he sees the emergence of a *ménage à trois*, State-Market-Civil Society, involving a renewed Welfare State, an economic development strategy focused on an integrated offer and a new relationship between economy and society. From a terminological point of view, this vision can be linked to the frequent use of the term "plural economy" since the late 1990s instead of "mixed economy" frequently used by Guy Quaden and which refers more to a binary system.

2008 is a special year for the *Annals* as the review turns centenarian! On this occasion, Benoît Lévesque and Fabienne Fecher, professor at the University of Liège (Belgium) and chief editor of the *Annals*, publish a special issue of the review to trace back its evolution and present recently published articles.<sup>43</sup> In this regard, their article included in the present collection (Fecher & Lévesque, 2008) describes the context related to the development of public enterprises and public services on the one hand, and of the Third Sector on the other hand, and analyses the topics most frequently addressed in the period 1975-2007. As they stress themselves, the editorial policy of the *Annals* is now autonomous and the content of the various articles reflects neither CIRIEC's point of view nor the academic work conducted within it, even though a close link still exists and

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<sup>42</sup> Bernier, L., Bouchard, M. J., & Lévesque, B. (2002). La prise en compte de l'intérêt général au Québec. Nouvelle articulation entre l'intérêt individuel, collectif et général. In: Enjolras, B., & von Bergmann-Winberg, M-L. (eds), *Plural economy and socio-economic regulation / Economie plurielle et régulation socio-économique*. Liège: CIRIEC, p. 13. pp. 47-71.

<sup>43</sup> Fecher, F., & Lévesque, B. (Eds.). (2008). Les Annales ont 100 ans/The Annals are 100 years old! *Annals of Public and Cooperative Economics*, 79(3-4). Special issue.

the *Annals* continue to publish a significant part of CIRIEC's output.<sup>44</sup> This being as it is, common points appear, as e.g. the greater dynamism of research on the third sector than on the public sector, and within the third sector on the social economy or associations more generally than on cooperatives and mutuals. And equally so: the openness of economists, who are interested in the pursuit of the general interest, in greater diversity of operating rationales and in sociological concepts such as social capital, trust, networks and social ties. This opening to non-orthodox, interdisciplinary economic and sociological approaches is found more frequently in the work on the social and cooperative economy than in the work on non-profit organisations, whose theories and approaches are closer to mainstream currents in economic research.

A new collection is launched by CIRIEC this same year 2008, published by Peter Lang. The first book comes from the second transversal group (2003-2006) on "Governance regimes and general interest in the field of social and health services." In its opening chapter, Bernard Enjolras stresses that although the "new governance" narrative insists on the partnership character of relations between public authorities and civil society, which is in line with the values of the social and solidarity economy, most of the "modernisation" of public intervention modes is achieved by the extension of market regulation mechanisms and hence by competitive governance.<sup>45</sup>

In 2011, another Québécois, Luc Bernier, professor at ENAP, National School of Public Administration in Quebec (Canada), succeeds Benoît Lévesque as president of the scientific council. He had been active for many years in the commission on public services and public enterprises and still is today (see below). From 2003 to 2014, this commission is chaired by Gabriel Obermann, professor at the Vienna University of Economics and Business (Austria). For a number of years, the members of this commission continue their analysis of public services and services of general interest in a context of liberalisation and new regulation, primarily in a European perspective.

In a summary article published in the special centenary issue of the *Annals*, Gabriel Obermann and Giuseppe Bognetti, professor at the University of Milan (Italy), describe the scientific contributions of CIRIEC to the debate on

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<sup>44</sup> Fecher, F., & Lévesque, B. (Eds.). (2008). The public sector and the social economy in the *Annals* (1975-2007): towards a new paradigm. *Annals of Public, Social and Cooperative Economics*, 79(3-4), pp. 643-678. Special issue: Fecher, F., & Lévesque, B. (Eds.). Les Annales ont 100 ans / The Annals are 100 years old!  
<https://doi.org/10.1111/j.1467-8292.2008.00374.2.x>

<sup>45</sup> Enjolras, B. (2008). Introduction. In: Enjolras B. (Ed.), *Gouvernance et intérêt général dans les services sociaux et de santé [Governance and general interest in social and health services]*. Brussels: Peter Lang, p. 19.

public utilities<sup>46</sup>. They review regulation failures and the other regulatory issues. They also stress the importance of a study conducted by CIRIEC in 2003-2004 at the request of the European Commission (DG REGIO)<sup>47</sup> on the contributions of services of general interest to the economic, social and territorial cohesion of the European Union. This study formulates public policy recommendations with a view to promoting cohesion and reinforcing the contributions of the services of general interest to that cohesion. The recommendations are grouped within six themes: aspects linked to public services, affordability of prices and quality, solidarity and financing mechanisms, the countries that were candidates for accession, cross-border co-operation and, finally, the problems of evaluation, data and indicators. The European Commission made quite extensive use of the results of CIRIEC's study in its 2004 report on the horizontal evaluation of the performance of main supply industries providing services of general economic interest.

From 2008 to 2011, CIRIEC's scientific commission focuses on local public services and more particularly on local public transport, water services and waste management. As so often in CIRIEC's research groups, the work done combines different theoretical and empirical approaches, as well as an international comparison of various cases. Giuseppe Boggetti and Gabriel Obermann present the main results in an article included in the present collection (Boggetti & Obermann, 2012). They particularly highlight changes in governance. In the following years, governance was to become an ever more prominent topic in CIRIEC's reflections. As Marie J. Bouchard<sup>48</sup> emphasises, collective (public, cooperative, associative, non-profit, mutual or trade union) undertakings have in common that they need to meet the challenges of the market while at the same time striving to accomplish a mission of collective or even general interest. This translates into a number of social innovations, among others in governance. Governance must ensure a balance between the associative or public base of the collective undertaking and its entrepreneurial dynamics. Governance also

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<sup>46</sup> Boggetti, G., & Obermann, G. (2008). Liberalization and Privatization of Public Utilities: Origins of the Debate, Current Issues and Challenges for the Future. *Annals of Public and Cooperative Economics*, 79(3-4), pp. 461-485. Special issue: Fecher, F., & Lévesque, B. (Eds.). Les Annales ont 100 ans/The Annals are 100 years old!  
<https://doi.org/10.1111/j.1467-8292.2008.00367.x>

<sup>47</sup> Bauby, P., Hall, D., Thiry, B., & Sak, B. (Eds.) (2004). *Contribution of Services of General Interest to Economic, Social and Territorial Cohesion: final overall report*. Liège: CIRIEC. [Study for DG REGIO (European Commission)]. [https://www.ciriec.uliege.be/wp-content/uploads/2015/12/dgregio\\_2004-en.pdf](https://www.ciriec.uliege.be/wp-content/uploads/2015/12/dgregio_2004-en.pdf)

<sup>48</sup> Bouchard, M. J. (2005). Introduction: Nouvelles formes de régulation et de coordination dans la gouvernance des entreprises collectives [*New forms of regulation and coordination in the governance of collective enterprises*]. *Annals of Public, Social and Cooperative Economics*, 76(4), pp. 581-582.  
<https://doi.org/10.1111/j.1370-4788.2005.00290.x>

encourages coordination between collective undertakings and other private or public actors involved in the development of a territory, an industry or sector of activities.

The so-called "subprime" crisis in 2007-2008 and the subsequent mobilisation of public resources to prevent the collapse of the financial system changed the deal in many respects, as emphasised by Nobel Laureate in Economics Joseph Stiglitz at the 27<sup>th</sup> CIRIEC congress in Seville (Spain) in September 2008. He congratulates CIRIEC's members "on the work that (they) are doing to try and create a more balanced economy and on research that will support that greater balance."<sup>49</sup> "What we do know at this point is that the model based on market fundamentalism does not work, and that is why it's exactly the right time to begin thinking more about the kinds of models on which you have been working for so long<sup>50</sup>."

This crisis prompts the members of the public services / public enterprises commission, on the initiative of Luc Bernier and Philippe Bance, professor at the University of Rouen (France), to reflect on the "Contemporary Crisis and Renewal of Public Action: Towards the Emergence of a New Form of Regulation?". In a book they publish in 2011, they collect 15 contributions which analyse the current or potential inflexions of public action both from a global vantage point and from the point of view of northern (North American, European) and southern (African, South American) countries<sup>51</sup>. More specifically, in the article included in the present collection (Bernier, 2011), Luc Bernier questions the rebirth of public enterprises and the future of recently nationalised enterprises in the light of the experiences of nationalisations and privatisations in previous decades.<sup>52</sup> One year later, he speaks of missed opportunities: before re-privatising recently nationalised public companies, the European governments could have examined the possibility of improving or reforming their governance and turn them into

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<sup>49</sup> Stiglitz, J. (2009). Moving Beyond Market Fundamentalism to a More Balanced Economy. *Annals of Public and Cooperative Economics*, 80(3), pp. 359. <https://doi.org/10.1111/j.1467-8292.2009.00389.x>

<sup>50</sup> Idem. p. 360.

<sup>51</sup> CIRIEC, Bance, P., & Bernier, L. (Eds.) (2011). *Crise contemporaine et renouveau de l'action publique. Vers l'émergence d'un nouveau mode de régulation ? - Contemporary Crisis and Renewal of Public Action: Towards the Emergence of a New Form of Regulation?* Brussels: Peter Lang.

<sup>52</sup> Bernier, L. (2011). The 2008 Economic Crisis and the Rebirth of Public Enterprises. In: Bernier, L., & Bance, P. (Eds.), *Crise contemporaine et renouveau de l'action publique. Vers l'émergence d'un nouveau mode de régulation ? - Contemporary Crisis and Renewal of Public Action: Towards the Emergence of a New Form of Regulation?* Brussels: Peter Lang, pp. 89–107.

an economic policy instrument.<sup>53</sup> For his part, Philippe Bance studies the mutations in the representation of general interest and highlights opportunities, and difficulties to be overcome in a crisis period with policy options too strictly national or regional, in order to introduce indispensable new global forms of governance founded on cooperative strategies.<sup>54</sup>

In 2012, as proof for the changes that have occurred, CIRIEC's scientific commission decides to re-launch research on public enterprises proper as a field of analysis in public economics and social sciences in general. After more than three decades of privatisation, liberalisation and regulation policy (and studies), this represents an obvious break. It also expresses the will to conduct a study in a resolutely cross-disciplinary and international (and therefore less Eurocentric) perspective. It is not surprising that CIRIEC is at the initiative of this research. The study of public enterprises had become an orphan domain and CIRIEC was one of the rare centres of research still capable of mobilising expertise at global level. This research topic would occupy most of the 2010s and, after many publications, conferences and seminars, would result in the drafting of a handbook on public enterprises (see below).

On their side, the commission on the social and cooperative economy, under the presidency of Rafael Chaves, professor at the University of Valencia (Spain), develops ambitious scientific work essentially by setting up working groups. No less than five groups are set up in period 2003-2014: "Evaluation methods and indicators for social and cooperative economy enterprises and organisations"; "Weight, size and scope of the social economy as a sector – International perspectives for the production of statistics on the social economy"; "Public policies and social economy"; "Organisations and governance of social economy enterprises"; "Social and solidarity economy. Between interaction and co-construction." This work results in numerous publications.

Marie J. Bouchard, who coordinates the first two groups mentioned above publishes two books in the new CIRIEC collection with Peter Lang, one examining

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<sup>53</sup> Bernier, L., *Les entreprises publiques européennes et la crise économique : l'occasion manquée [European public enterprises and the economic crisis: a missed opportunity]*. In: Bance, P. (ed), *L'action publique dans la crise. Vers un renouveau en France et en Europe ? [Public action in the crisis. Towards a renewal in France and Europe?]* Rouen: PURH, pp. 57-74.

<sup>54</sup> Bance, P. (2011). *L'intérêt général dans la crise. Vers une "globalisation" de l'intérêt général ? [General interest in the crisis: Towards a "globalisation" of public interest?]* In: CIRIEC, Bance, P., & Bernier, L. (Eds.), *Crise contemporaine et renouveau de l'action publique. Vers l'émergence d'un nouveau mode de régulation ? - Contemporary Crisis and Renewal of Public Action: Towards the Emergence of a New Form of Regulation?* Brussels: Peter Lang, pp. 25–48.

the evaluation methods of the social economy<sup>55</sup>, the other the weight of the social economy as a sector<sup>56</sup>. As she emphasises herself in the chapter of the first book included in the present collection (Bouchard, 2009), evaluation methods and indicators specific to the social economy are not yet clearly established and recognised in political and academic circles. This weakens the position of the public economy and reduces its capacity to participate in broad societal debates. CIRIEC's work clearly aims at filling this gap and thereby contributing to the knowledge about and recognition of the social economy. One significant contribution of CIRIEC in this respect is the definition of a methodology to establish social economy satellite accounts within national accounting systems. This work was conducted at the request of the European Commission under the supervision of Jose Barea, emeritus professor at the University of Madrid (Spain) and José Luis Monzón in 2006<sup>57</sup>. It somehow complements the manual for non-profit associations in the line of work of the Johns Hopkins University<sup>58</sup>. The methodology proposed by CIRIEC has been used in a number of countries, allowing to better quantify the commercial component of the social economy.<sup>59</sup>

Rafael Chaves and Danièle Demoustier, professor at the Institute of Political Studies in Grenoble (France), also publish a book with Peter Lang on "The Emergence of the Social Economy in Public Policies". In the chapter included in the present collection (Chaves, 2013), Rafael Chaves reviews a typology of the policies promoting social economy enterprises as well as their justification from different perspectives (institutional framework, market failures and institutional failures, micro and macroeconomic benefits of the social economy and its contribution to the achievement of collective aims).

After the strategic planning operation conducted under the leadership of Benoît Lévesque, CIRIEC decides in 2007 to organise international research conferences on the social economy in odd-numbered years (the international CIRIEC congresses being organised in even-numbered years). Indeed,

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<sup>55</sup> CIRIEC, & Bouchard, M. J. (Eds.) (2009). *The Worth of the Social Economy: an International Perspective*. Brussels: Peter Lang.

<sup>56</sup> CIRIEC, Bouchard, M. J., & Rousselière, D. (Eds.) (2015). *The Weight of the Social Economy: an International Perspective*. Brussels: Peter Lang.

<sup>57</sup> CIRIEC, Barea, J., & Monzón, J. L. (2006). *Manual for Drawing Up the Satellite Accounts of Companies in the Social Economy: Co-operative and Mutual Societies*. Brussels: European Commission, Enterprise and Industry Directorate-General.

<sup>58</sup> United Nations (Ed.) (2003). *Handbook on Nonprofit Institutions in the System of National Accounts*. New York (NY): United Nations Department of Economic and Social Affairs, Statistics Division.

<sup>59</sup> Monzón, J. L. (2015). The Pioneer Work of CIRIEC-ESPANA. In: Bouchard, M. J., & Rousselière, D. (Eds.), *The Weight of the Social Economy: an International Perspective*. Brussels: Peter Lang. p. 35.

CIRIEC appears to be the international organisation most capable of bringing together the global community of researchers on the general topic of the social economy. These conferences are an ideal forum to apprehend the changes in international social economy research. At the third conference in Valladolid (Spain) in 2011, Rafael Chaves, José Luis Monzón Campos and Fabienne Fecher emphasise three important changes since the 2007 conference: a profound transformation of the socio-economic reality as a result of the impact and the prolongation of the 2008 crisis and the expectations created in relation to the role of the social economy; the topics under scrutiny by the scientific community have changed adapting to macro and micromutations; the consolidation and institutionalisation of research into the social economy and its scientific community<sup>60</sup>. CIRIEC conferences obviously contribute a lot to the latter aspect.

### **Crises, expansion and new global challenges**

Philippe Bance succeeds Luc Bernier as president of the international scientific council in 2014. The period opening up will be marked by external and internal crises and, paradoxically, by an unprecedented expansion of CIRIEC at global level. Moreover, new challenges take a prominent place in the research programme of CIRIEC members, summarised in the 17 Sustainable Development Goals put on the agenda 2030 by the United Nations.

Two of CIRIEC's "historic" national sections, which had contributed considerable scientific expertise since the creation of CIRIEC, disappear, the Italian section in 2016 and the German section in 2020. Nevertheless, Italian and German professors maintain strong involvement in CIRIEC's scientific work. On the other hand, new sections are set up and new institutional members join CIRIEC in countries where no section exists.<sup>61</sup> The globalisation of CIRIEC continues with a multiplication of accessions in Latin America. This broadening is also reflected in the composition of research groups and in the selection of topics.

CIRIEC's scientific reflection continues in three complementary ways: within the transversal groups relaunched by Philippe Bance in 2016, in the scientific commission on public services / public enterprises chaired since 2014 by

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<sup>60</sup> Fecher, F., Chaves, R., & Monzón, J. L. (2012). Introduction: Recent Trends in Social Economy Research. *Annals of Public and Cooperative Economics*, 83(3), pp. 251–258. <https://doi.org/10.1111/j.1467-8292.2012.00470.x>

<sup>61</sup> See Bettens, L. (2022). *Le CIRIEC 1947-2022 : 75 ans de réflexion et d'action en faveur de l'intérêt général et de la démocratie économique [CIRIEC 1947-2022: 75 years of reflection and action in favour of general interest and economic democracy]*. Liège: CIRIEC.

Massimo Florio, professor at the University of Milan (Italy) and in the scientific commission on the social and cooperative economy chaired since 2015 by Marie Bouchard, professor at the University of Quebec in Montreal (Canada). The *Annals*, for their part, assert themselves as a scientific review of renown under the leadership of Marco Marini, professor of economics at La Sapienza University in Rome (Italy), who succeeds Fabienne Fecher in 2016. A special issue is published in 2018 to mark the 110<sup>th</sup> anniversary of the review.<sup>62</sup>

The public services / public enterprises commission successfully pursues its work on public enterprises relaunched in 2012 and gathers a broad community of senior and junior researchers under the leadership of Massimo Florio, Luc Bernier, Philippe Bance and Gabriel Obermann, joined in 2017, by Ulf Papenfuss of the Zeppelin University in Friedrichshafen (Germany). Numerous seminars and conferences are organised. Several publications are made, e.g. three special issues of the *Annals*<sup>63</sup> and a book in the Peter Lang collection presenting fifteen case studies on the missions, performance and governance of public enterprises today.<sup>64</sup> As Massimo Florio and Luc Bernier write, the purpose is to have another look at an old idea. In the chapter of this book included in the present collection (Bernier & Florio, 2015), the authors define a rigorous conceptual framework for case studies which "give an interesting portrait of a new reality of those enterprises: their governance has been transformed, be it the corporate governance or its regulation by institutions set up to do so, and the general interest can be carried by various formula where contractualisation and public property mingle."<sup>65</sup>

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<sup>62</sup> Marini, M., & Thiry, B. (Eds.) (2018). An Enduring Platform for Public and Cooperative Economics Research. *Annals of Public and Cooperative Economics*, 89(1). Special issue.

<sup>63</sup> Bance, P., Fecher, F., & Obermann, G. (Eds.) (2015). Serving the General Interest with Public Enterprises – New Forms of Governance and Trends in Ownership. *Annals of Public and Cooperative Economics*, 86(4). Special issue.

<https://onlinelibrary.wiley.com/toc/14678292/2015/86/4>; Bernier, L., & Reeves, E. (Eds.) (2018). The Continuing Importance of State-Owned Enterprise in the Twenty-First Century: Challenges for Public Policy. *Annals of Public and Cooperative Economics*, 89(3). Special issue. <https://onlinelibrary.wiley.com/toc/14678292/2018/89/3>;

Reeves, E., Palcic, D., & Siemiatycki, M. (Eds.) (2019). The Performance and Potential of Public Private Partnerships. *Annals of Public and Cooperative Economics*, 90(2). Special issue. <https://onlinelibrary.wiley.com/toc/14678292/2019/90/2>

<sup>64</sup> CIRIEC, & Bernier, L. (Eds.) (2015). *Les entreprises publiques aujourd'hui : missions, performance, gouvernance - Public Enterprises Today: Missions, Performance and Governance*. Brussels: Peter Lang.

<sup>65</sup> Bernier, L. (2015). Conclusion: Public Enterprises Today and Tomorrow. In: CIRIEC, & Bernier, L. (Eds.), *Les entreprises publiques aujourd'hui : missions, performance, gouvernance - Public Enterprises Today: Missions, Performance and Governance*. Brussels: Peter Lang. p. 504.



This considerable work, supported efficiently by Barbara Sak, results in the drafting of a *Handbook on State-Owned Enterprises*<sup>66</sup>. Global in scope, it is the first synthesis of that type since the 1980s. It re-conceptualises the institutional framework of public enterprises, which account for about 10% of the world economy. They have public missions, are often profitable, equipped with new modes of governance and take on a broad variety of forms. There are probably more of them being created today than there are privatisations. The contrast with the situation before 2008 is obvious. The 35 chapters of this handbook present available data and analyse the reality of public enterprises in all their activities and on all continents scientifically, precisely and rigorously. Public enterprises today are more market and finance oriented than twenty years ago. Nevertheless, these enterprises, including their numerous mergers and acquisitions, frequently follow rationales illustrative of the role of State capitalism in the contemporary economy, such as the promotion of research and innovation, the development of long-term or very risk-capital-intensive projects, or the channelling of funds to address long-term societal challenges.<sup>67</sup>

Equally important work is carried out by the social and cooperative economy commission chaired by Marie J. Bouchard. The work on statistical measurement continues, a.o. with a joint publication by CIRIEC, the ILO (International Labour Organisation) and COPAC (Committee for the Promotion and Advancement of Cooperatives) under the supervision of Marie J. Bouchard.<sup>68</sup> This work, whose conceptual framework is analysed in the penultimate article of the present collection (Bouchard, Le Guernic and Rousselière, 2020), has contributed to the adoption of guidelines on the statistics of cooperatives by the 20<sup>th</sup> International Conference of Labour Statisticians in 2018. After publications on the value and weight of the social economy,<sup>69</sup> the scientific commission is now setting out to measure its social impact.

The dynamics at play in social economy both at the level of organisations as in their interaction with their environment, particularly civil society and public actors, are the subject of five publications. As stressed by Nadine Richez-Battesti,

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<sup>66</sup> Bernier, L., Bance, P., & Florio, M. (Eds) (2020). *The Routledge handbook of state-owned enterprises*. London; New-York: Routledge.

<sup>67</sup> Florio, M., Ferraris, M., & Vandone, D. (2018). *State-owned enterprises: rationales for mergers and acquisitions*. Liège: CIRIEC. Working papers CIRIEC, 2018/01.

<sup>68</sup> ILO, COPAC, CIRIEC, & Bouchard, M. J. (Eds.) (2020). *Statistics on Cooperatives: Concepts, classification, work and economic contribution measurement*. Geneva: ILO. <http://www.copac.coop/category/stats/>

<sup>69</sup> CIRIEC, & Bouchard, M. J. (Eds.) (2009). *The Worth of the Social Economy: an International Perspective*. Brussels: Peter Lang. and Bouchard, M. J., & Rousselière, D. (Eds.) (2015). *The Weight of the Social Economy: an International Perspective*. Brussels: Peter Lang.

professor at the University of Aix-Marseille (France) in her introduction to one of these publications<sup>70</sup>, relationship to the territory is a core element of the social economy and is even sometimes considered one of its fundamental values. The publication analyses, on the one hand, the effects of social, economic and political changes on the relationship between social economy and territory, and on the other hand, the new forms of territorial cooperation between different actors. The governance of non-profit and non-governmental organisations is the subject of two publications in the form of special issues of the *Annals*<sup>71</sup>. Its purpose is to highlight the determinant factors in the governance of associations, their implications in poverty reduction in developing countries and the impact of governance characteristics on performance and on the interaction between the non-profit and the for-profit sector. The fourth publication<sup>72</sup>, again in the form of a special issue of the *Annals*, explores how and why social and cooperative economy enterprises manage to preserve their democratic character and thereby avoid degeneration. The contributions collected illustrate how internal and external forces permanently put social economy organisations under pressure to preserve and promote their practices and social values. They highlight the internal practices and institutional conditions that allow them to combine financial and social performance and to relaunch a new participative momentum. Finally, one last publication examines emerging social economy experiences in Ibero-America.<sup>73</sup> Under the supervision of Juan Fernando Álvarez, professor at the Pontificia Universidad Javeriana in Bogotá (Columbia) and Carmen Marcuello, professor at the University of Zaragoza (Spain), this paper illustrates the dynamism and diversity of social and solidarity economy initiatives in a dozen Latin American countries (as well as in Spain and Portugal). Two conceptions are identified: one, more classic, sees the social economy and its plurality as a way to remedy market failures and consolidate State missions, while the other sees the social and

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<sup>70</sup> Richez-Battesti, N. (2018). Introduction. Changing Social Economies in Changing Territories. In: CIRIEC, Itçaina, X., & Richez-Battesti, N. (Eds.), *Social and Solidarity-based Economy and Territory: From Embeddedness to Co-construction*. Brussels: Peter Lang, pp. 13-25.

<sup>71</sup> Kopel, M. & Marini, M. (Eds.) (2016). Organization and Governance in Social Economy Enterprises. *Annals of Public and Cooperative Economics*, 87(3). Special issue; and Aldashev, G., Marini, M., & Verdier, T. (Eds.) (2015). Governance of Non-Profit and Non-Governmental Organizations – Within– and Between- Organization Analyses. *Annals of Public and Cooperative Economics*, 86(1). Special issue.

<sup>72</sup> Bretos, I., Bouchard, M. J., & Zevi, A. (Eds.) (2020). Social Economy under Influence: Isomorphism or Innovation? *Annals of Public and Cooperative Economics*, 91(3). Special issue. <https://onlinelibrary.wiley.com/toc/14678292/2020/91/3>

<sup>73</sup> Álvarez, J. F., & Marcuello, C. (Eds.) (2020). *Experiencias emergentes de la Economía Social en Iberoamérica*. Valencia: CIRIEC España. <https://www.ciriec.uliege.be/en/publications/ouvrages/experiencias-emergentes-de-la-economia-social-en-iberoamerica-juan-fernando-alvarez-carmen-marcuello-2021/>

solidarity economy as a collective that resists the dominant capitalist economy. The latter is more prevalent in Latin America on account of the extent of the challenges caused by inequality, exclusion and the devastation of resources compounded by frequently failing public action.

In parallel to the growing acknowledgement of the collective economy in different parts of the world, CIRIEC continues to contribute to the assertion of the social economy at European level, to knowledge about it and its recognition. In 2017, the European Economic and Social Committee commissions CIRIEC for the third time to produce a report on the social economy in Europe.<sup>74</sup> This report is not a mere update of previous reports. It contains also a conceptual comparison of the social economy with other approaches of the third sector or related to it (solidarity economy, social enterprise, non-profit organisations)<sup>75</sup>. In the chapter of this report included in this collection (Monzón & Chaves, 2017), Jose Luis Monzón and Rafael Chaves point out three delimitation criteria where the approaches clearly differ: the non-profit criterion, the democracy criterion, and the criterion of serving people. Without establishing a hierarchy among these criteria, the members of CIRIEC of course identify more with social and solidarity economy concepts which are based on criteria such as democratic management and service to people.

This allegiance to the foundations of the scientific association is also reflected in the partnerships recently concluded with other international organisations and in the reflections made in order to take into account collective interest in addressing new global challenges.

CIRIEC and, before it, the *Annals*, on the one hand, the International Labour Office (ILO), in particular its cooperative section, on the other hand, have been travel companions on the road to understanding, recognising and promoting this democratic form of enterprise as are cooperatives. Apart from the work

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<sup>74</sup> Monzón, J. L., Chaves, R., & CIRIEC (Eds.) (2017). *Recent Evolutions of the Social Economy in the European Union*. Brussels: EESC. <https://doi.org/10.2864/255713>. The previous reports were published in 2007 and 2012: Monzón, J. L., Chaves, R., & CIRIEC (Eds.) (2007). *The Social Economy in the European Union*. Brussels: EESC. <https://www.ciriec.uliege.be/en/publications/etudesrapports/leconomie-sociale-dans-lunion-europeenne-2007/> and Monzón, J. L., Chaves, R., & CIRIEC (Eds.) (2012). *The Social Economy in the European Union*. Brussels: EESC. <https://www.ciriec.uliege.be/en/publications/etudesrapports/the-social-economy-in-the-european-union-2012/>

<sup>75</sup> At the request of the EESC, this report was complemented in 2018 by a study of best practices in public policies regarding the European social economy. Monzón, J. L., Chaves, R., & CIRIEC (Eds) (2018) *Best practices in public policies regarding the European Social Economy post the economic crisis*. Brussels: EESC.

already mentioned, this centenary cooperation was marked by the publication of a virtual issue of the *Annals*<sup>76</sup> in 2020. Under the supervision of Marie J. Bouchard and Marieke Louis, this issue features twelve articles previously published in the *Annals*, dealing with cooperatives and signed by authors who have impressed their mark on cooperative thinking (Edgard Milhaud and Paul Lambert of course, but also Georges Fauquet, Hans Hermann Münkner, Ian McPherson, etc.).

The latest partnerships with the SSE-International Forum, UNRISD (United Nations Research Institute on Social Development) and UN-TFSSE (United Nations – Task Force on Social and Solidarity Economy) are clearly aimed at taking on the Sustainable Development Goals as illustrated e.g. by the special session co-organised in 2019 with the International Cooperative Alliance at the international conference of UNRISD<sup>77</sup>.

Scientific reflection in CIRIEC has of course been clearly marked these recent years by a string of crises (subprime crisis in 2007/2008 followed in Europe by the Eurozone crisis in 2010/2011 and now the crisis caused by the Covid-19 pandemic). The role, the organisational forms and modes of action of the collective economy have an obligation to respond to the challenges raised by these crises, but also those created by climate change, poverty and preservation of biodiversity.

In this spirit, a transversal working group is again set up in 2016, on a new topic for CIRIEC, but akin to the work done on forms of governance of collective action, the commons. The interest for this topic in scientific reflection is explained by theoretical advances, particularly the work of Elinor Ostrom<sup>78</sup>, Nobel Laureate in Economics 2009, but also by the development of practices aimed at experimenting new forms of governance and by the deployment of activities allowing open and shared access to common goods. This topic also responds to the need to protect our common natural resources (forests, oceans, biodiversity, polar regions, etc.). One first book is published by CIRIEC in 2018<sup>79</sup>. It is followed three years later

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<sup>76</sup> Bouchard, M. J., & Louis, M. (Eds.) (2020). Cooperatives and the ILO over 100 Years: A selection of 12 Articles. *Annals of Public and Cooperative Economics*. Virtual issue. [https://onlinelibrary.wiley.com/doi/toc/10.1111/\(ISSN\)1467-8292.ilo-coop-100](https://onlinelibrary.wiley.com/doi/toc/10.1111/(ISSN)1467-8292.ilo-coop-100)

<sup>77</sup> This special session was dedicated to "The impact of social and solidarity economy on SDGs." <https://unsse.org/2019/07/04/sdgs-sse-conference/>

<sup>78</sup> Ostrom, E. (1990). *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge: Cambridge University Press. <https://doi.org/10.1017/CBO9780511807763>

<sup>79</sup> Bance, P. (Ed.) (2018). *Providing public goods and commons. Towards coproduction and new forms of governance for a revival of public action*. Liège: CIRIEC. CIRIEC Studies Series n°1. <https://www.ciriec.uliege.be/en/publications/ouvrages/providing->

by a second publication on joint production and co-production of public goods and commons. As stressed by Philippe Bance in the conclusion of the first book included in the present collection (Bance, 2018), we witness the emergence of a new collective action paradigm now characterised by convergence of actions and the multiplication of partnerships between the public sector and the social and solidarity economy. Collective action appears more and more the result of co-construction in the framework of these multiple partnerships.

This reflection continues in a special issue of the *Annals* whose introduction is included in the present collection (Bance & Schoenmaeckers, 2021). The different articles presented in this special issue "prove the capacity of (local) actors to 'govern' a variety of common resources forms by producing the system of rules adapted to the local context (that) allows to ensure sustainable exploitation, which neither the State nor the Market can ensure."<sup>80</sup> The continuity of CIRIEC's work is clearly visible in the adjustment of the operating rules of social economy organisations, and cooperatives in particular, to the characteristics of the collective management of common goods.

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The means and ways to pursue and safeguard collective interest have of course undergone profound transformations over the past 75 years. These transformations are also reflected in the evolution of topics addressed in CIRIEC: State enterprises and State cooperatives have given way to regulated enterprises, the social economy has asserted itself, there is again growing interest for public enterprises, etc.

Today, the collective interest economy must enable us to tackle the various aspects of the Covid-19 crisis, which is endogenous to our economic system. It must reduce the risk of a repeat of this type of planetary pandemic and help us to manage our shared global public goods in the collective interest. The objective analysis and information on the various forms of organisation and actions aimed at collective interest, their specificities and their interactions are therefore still as relevant today as 75 years ago. Edgard Milhaud's intuition, his and his successors' involvement, have enabled CIRIEC to be a unique network of exchange and reflection, yesterday, today and very probably tomorrow. The present collection is intended to be a non-exhaustive illustration. Many have contributed,

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[public-goods-and-commons-towards-corporation-and-new-forms-of-governance-for-a-revival-of-public-action-philippe-bance-dir-2018/](#)

<sup>80</sup> Bance & Schoenmaeckers, 2021, p. 7.

still contribute and will contribute to this mutual and collective enrichment. We wish to thank them all wholeheartedly.

Selection of articles in chronological order:

1. Translation of: Milhaud, E. (1908). Notre programme. *Annales de la régie directe*, 1(1), pp. 1–6.
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<https://doi.org/10.1111/j.1467-8292.1925.tb02067.x>
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## II.

### What CIRIEC's history teaches us

#### Societal anchoring, operating mode and pluralist perspectives of scientific research

Philippe BANCE\*

When reading the contributions in this collection, one realises the extent of the scientific knowledge produced in CIRIEC since its inception. As Bernard Thiry has pointed out in his summary report, the research it has engaged in, whether articles published in its seminal scientific review or its collective book production, amply demonstrates its significance in terms of scientific contribution and societal usefulness. In this chapter, the results obtained will be more specifically put into perspective with research practice in CIRIEC in order to draw additional, more general conclusions on research in social sciences.

In our retrospective analysis, we will start by determining the significance of the concepts that research in CIRIEC is founded on (1) and describe how it happened to become a specific organisation in terms of organisational design, modes of governance and scientific output (2). These specificities and contributions are also related to the positioning of the organisation *vis-à-vis mainstream* economics over time (3), which will finally lead us to a reflection on future perspectives of academic research in CIRIEC (4).

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## 1. Significance of scientific genesis and founding concepts

First of all, CIRIEC was born at the onset of the 20<sup>th</sup> century from the will of its founder, professor Edgard Milhaud, to foster research on the emerging development of a more collective economy in order to accompany it better. The 1908 title of the review CIRIEC can trace its origins back to, *Les Annales de la Régie directe*, reflects the ambition to study the opportunities of an economy which gives public ownership a real place in serving collective interest. It was indeed a pivotal period, a break with the classic and neoclassic tradition of the 19<sup>th</sup> century anchored on the Smithian principle of the invisible hand and the virtues of a competitive market, which leaves little room for public intervention. Previously, public action needed to be circumscribed on the basis of four great budget principles: limit public expenditure to a strict minimum; make it neutral (i.e. avoid giving it an economic or social function and generating market distortions); ensure a balanced budget every year; proscribe borrowing, except in very exceptional circumstances<sup>1</sup>. Direct public intervention found itself even more fundamentally recused by this liberal doxa.

Consequently, to challenge this orthodoxy, a reflection on concepts, methods and managerial practices was clearly needed in order to contribute to the re-founding of public economics. However, only after the First World War was there an "acclimatisation" to the advantages and opportunities of public intervention<sup>2</sup> in Europe and across the world and was for instance direct intervention by the State and public entities to be tolerated via organisations that serve as their support structures. This would result in a radical transformation of public action to respond to the expectations of society.

Incidentally, the will to accompany change but also to thoroughly advance scientific analysis in step with the societal needs of the time would bring about changes in the name of the review. In 1925, the title *Les Annales de l'Economie collective [Annals of Collective Economy]* truly reflected the broadening of the field of analysis which occurred as a result of the deployment of multiple forms of collective action, thereby matching the scope of scientific investigation with the needs of the time, while at the same time contributing to the advancement of economic thought. Another reason was to enable a broad variety of researchers to analyse the effect of emerging organisations on collective interest, and even their limits. The approach sees collective interest as the result

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<sup>1</sup>Cf. Huart, F. (2016). *Economie des finances publiques : cours [Economy of public finances: course]*. Malakoff : Dunod.

<sup>2</sup>Delorme, R. and André, C. (1983). *L'Etat et l'économie : un essai d'explication de l'évolution des dépenses publiques en France [The State and the economy: an attempt at explaining public spending in France] (1870-1980)*. Paris : Seuil.

### *What CIRIEC's history teaches us*

of a multiform process leaving room for the action of organisations whose perimeter needs to be made explicit to respond to societal expectations.

In 1974, the new title of the review in French, *Les Annales de l'Économie publique, sociale et coopérative* [*Annals of the Public, Social and Cooperative Economy*]<sup>3</sup>, was intended to be both more precise and more inclusive. This terminological change is to be put into perspective with the erosion of words that history sometimes produces: splitting the world into a Western and an Eastern Bloc had a repulsive effect vis-à-vis the notion of collective economy, assimilated mistakenly to collectivism. The new title also describes the different components of the collective economy studied by CIRIEC. It highlights the presence of social economy organisations in its perimeter, whether cooperatives, associations, mutuals, foundations, while insisting on cooperation as an essential dimension for the formulation and materialisation of collective interest. The title also emphasises the growing role played by the social economy, which has continued to increase since then. This integrative approach combining the social economy, in the broad sense of the word, with the field of the public economy still defines CIRIEC's originality in the academic landscape today. It is proof of a broad conception of collective interest, which does not focus solely on the action of public authorities as is so often the case in traditional economic analysis. It also characterises the essential role of organisations as a framework for expressing and materialising collective interest. It opens the way for research on new geometries to express general interest and explore linkages between organisations to facilitate its materialisation. Consequently, social economy organisations which contribute by their action to expressing the common interest of their members or stakeholders find themselves repositioned in a broader conceptual frame: an approach somehow positing the immanent construction of general interest, while equally pursuing a more transcendent objective on a multi-partner basis. The action of public economy organisations, their contribution to collective interest and their relations with all stakeholders are re-examined and put in a broader societal context. Incidentally, a view very close to Karl and Michael Polanyi's research or the Ostromian school, particularly on polycentric governance<sup>4</sup>. This broader conception of collective interest was in any case going to prompt CIRIEC to analyse the development of cooperations and transversalities deployed between the public economy and the social economy and the new forms of governance at work.

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<sup>3</sup> The title of the scientific review in English was *Annals of Public and Cooperative Economy* from 1965 to 1988. Since 1989, it is *Annals of Public and Cooperative Economics*.

<sup>4</sup> Cf. Aligica, P. D. and Vlad Tarko, V. (2012). Polycentricity: From Polanyi to Ostrom, and Beyond. *Governance*, 25(2), pp. 237-262. <https://doi.org/10.1111/j.1468-0491.2011.01550.x>

The adjustment of *Annals'* title and scope of investigation was of capital importance in choosing the name "CIRIEC". At its creation in 1947, the acronym CIRIEC, an organisation with plurinational anchorage, born, in Bernard Thiry's words, from the will to support the international review, stands for *Centre International de Recherches et d'Information sur l'Economie Collective [International Centre of Research and Information on the Collective Economy]*. After 1974, in alignment with its review, its literal designation is changed to *Centre international de recherches et d'information sur l'économie publique, sociale et coopérative [International Centre of Research and Information on the Public, Social and Cooperative Economy]*.

Yet, despite changes in designation, in "scientific label", CIRIEC remains true to its founding values, which are nowadays often called genes or DNA, in its scientific and governance bodies. Indeed, from the onset, its purpose was to conduct scientific studies anchored in social and economic reality and aimed at promoting general interest, and to analyse more particularly the role collective organisations play in this regard, in a reference frame based on humanist, democratic values, individual and collective emancipation.

## **2. Nature and specificities of governance and scientific production modes**

While over the past two decades evaluation and recognition criteria for scientific research have been specified considerably, one might even say hardened and standardised internationally, what can we learn from CIRIEC's history and practice, most of which were developed previously and rather endogenously? In our view, they enable us to reflect on currently prevailing scientific standards and to position CIRIEC in this respect.

As an international organisation and provider of scientific knowledge, CIRIEC has of course established bodies of representation and research protocols, at its birth and in successive evolutions, to address its research object<sup>5</sup>. It has set up scientific commissions, bodies for collective discussion and debate, first in the field of public enterprises and public services, then cooperatives, and finally the social economy. It has also set up working groups on particular topics, for instance to analyse transversalities between the public economy and the social economy. National sections entered the stage only after its foundation, which is rather original, representing the centres of interest of public and social economy organisations in various countries across the world (currently 15 sections

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<sup>5</sup> For a description, see:

[https://www.ciriec.uliege.be/wp-content/uploads/2021/10/CIRpr\\_October2021-EN.pdf](https://www.ciriec.uliege.be/wp-content/uploads/2021/10/CIRpr_October2021-EN.pdf)

*What CIRIEC's history teaches us*

on 4 continents, plus 9 collective members in countries where no national section exists). The International Scientific Council is a body composed of researchers representing the national sections. Its role is to define scientific strategy, to validate the orientations set by the scientific commissions and to report to the Board of Directors and General Assembly.

Could this organisational makeup have perverse effects by blurring the boundaries between scientific research and vested interest; might it be contrary to science ethics and conducive to lobbying? Does it not raise questions on the posture of a researcher working in CIRIEC in terms of distance from the research object?<sup>6</sup> These questions are all the more useful today as we are witnessing a subversion of research: its instrumentalisation frequently manifests as enrolment of researchers through research contracts. In this respect, let us remind ourselves of what the tobacco industry instigated in the 1950s to defend its interests by trying to drown or discredit verified scientific knowledge on the deadly effects of tobacco consumption, by financing multiple distraction studies, e.g. sowing doubt by pointing to other factors supposedly explaining overmortality in the population concerned. Scientific research of this type, hijacked by lobbies, is obviously antinomical to research meant to contribute to collective interest. Nevertheless, it has continued to expand with the rise of very large multinational companies capable of financing research dedicated solely to their interests; today, the pharmaceutical industry is the most emblematic illustration.

Research organised in CIRIEC is the complete opposite of these practices, on account of its research protocols. Research here is not financed by the network (neither studies nor the researchers' travelling expenses). This approach to research guarantees the scientific independence of the researchers involved in the network.<sup>7</sup> Their integration in CIRIEC's work is done at their request to join the network, on the basis of their scientific competence with regard to research topics, their will to actively participate in research pertaining to their centres of interest. The work and the establishment of working groups dedicated to various research topics proceed from collegial discussions in the scientific commissions. The International Scientific Council validates research topics and research groups in line with CIRIEC's strategic orientations. Voluntary, self-financing membership, with the exception of logistic and organisational support from the international secretariat in Liège, the collegial mode of specification of study topics and scientific activity between experts, all proceed from a philosophy of independence

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<sup>6</sup> On this point, see the Proceedings of the colloquium on 1 May 2009 at the University of Montreal, Le chercheur et son objet : entre distance et proximité [*The researcher and his object: between distance and proximity*].

<sup>7</sup> Around 600 researchers have been involved in the international scientific network over the past three years, plus those working within the national sections.

that the researchers are profoundly attached to. Incidentally, a lot of the work done in CIRIEC turns out to be highly critical of the behaviour of public or social economy organisations. This mode of governance upholds the centuries-old principle of "academic freedom", which has spread across the world to enable progress of scientific knowledge by means of free confrontation of analyses. This principle is currently being threatened by political strategies aimed at "steering" research.<sup>8</sup> However, the signature in October 2020 of the "Bonn Declaration on Freedom of Scientific Research" at the conference on the European Research Area (ERA) has helped reaffirm this principle. The text is expected to commit governments to setting up a European system to monitor academic freedom and protect research from any political intervention. It emphasises, among others, that a researcher has "the right to freely define research questions, choose and develop theories, gather empirical material and employ sound academic research methods, to question accepted wisdom and bring forward new ideas."<sup>9</sup> Duly noted!

Another crucial question, obviously linked to the previous one, features very prominently in today's scientific landscape: institutional recognition of academic output by means of research assessment. The San Francisco Declaration on Research Assessment (DORA), adopted in December 2012 by scholarly journals gathered in this city<sup>10</sup>, which is the current benchmark in the academic community and mobilises the joint action of scientific associations of multiple disciplines, states that there is a pressing need to improve the ways in which the output of scientific research is evaluated by funding agencies, academic institutions and other parties. It denounces overreliance on indicators based on the journal impact factor to finance research, appoint and promote researchers. As pointed out by DORA, the evolution of assessment criteria has resulted in privileging the format of the journal and neglecting online publications. Moreover, in social sciences and particularly economics and business management, this has prompted researchers and their assessment bodies not only to focus on publication in well-rated journals but also to neglect other, previously recognised forms of scientific output. Institutional constraints are not only detrimental to research freedom. They also encourage researchers to pursue their work individually (or in a small group)

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<sup>8</sup> Beaud, O. (2010). *Les libertés universitaires à l'abandon ? : pour une reconnaissance pleine et entière de la liberté académique [Academic freedom abandoned? : for a full recognition of academic freedom]*. Paris : Dalloz.

<sup>9</sup> France diplomatie, Ministry for Europe and Foreign Affairs, 23 October 2020, <https://www.diplomatie.gouv.fr/fr/politique-etrangere-de-la-france/diplomatie-scientifique-et-universitaire/veille-scientifique-et-technologique/allemande/article/signature-de-la-declaration-de-bonn-sur-la-liberte-de-la-recherche>

<sup>10</sup> This declaration originated from researchers at the American Society for Cell Biology, commonly referred to as 'hard science'.

### *What CIRIEC's history teaches us*

on ultra-specialised research topics and to dismiss broader yet highly useful questions for society from their scope of investigation. As a result, academic output produced by large research teams, mobilising knowledge from various disciplines via the publication of collective papers, finds itself depreciated and fundamentally unable to provide society with all the contributions it could.

So, what is CIRIEC's position in this institutional context? Evidently, it is resilience to mainstream logic, underpinned by its own strategy for the production and diversification of modes of dissemination of research results. This has enabled collective production to develop and of course also be published at international scale in its two support collections (Peter Lang, *CIRIEC Studies Series*), but also under the aegis of the national sections. Moreover, CIRIEC's strategy proceeds from the multiplication of dissemination media, such as *working papers* or publication in scientific reviews. In this respect, the special issues of the *Annals of Public and Cooperative Economics* highlight scientific activity on those topics dear to CIRIEC that need revisiting. In the institutional context described above, there is no doubt that the good impact factor of the review<sup>11</sup> constitutes an important element of visibility for CIRIEC as an organisation. Further information can be found on the websites:

- of CIRIEC international (<https://www.ciriec.uliege.be/en/publications/>),
  - of the national sections (<https://www.ciriec.uliege.be/en/our-network/national-sections/>),
  - and of the *Annals* (<https://www.ciriec.uliege.be/en/publications/apce/>)
- providing an insight into the output in recent years.

CIRIEC's specificity also results from a scientific production mode based on the disciplinary diversity of the experts involved in the research: while most of the work is produced by economists, contributions by sociologists, legal experts, political scientists, specialists in management or in public administration, as well as sometimes practitioners, are very important. These multiple inputs provide the analytical wealth necessary to address topics that are highly complex by nature. They are characterised by the use and combination of scientific investigation methods, various research methodologies, and are not placed in the perspective of hegemonic expansion of economics at the expense of other scientific disciplines. The objective is clearly to foster cross-fertilisation between various scientific disciplines, disciplinary openness instead of a hegemony

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<sup>11</sup> 1,905 in 2020, according to Journal Citation Reports (Clarivate Analytics), and 191/376 (in economics).

[https://socio.umontreal.ca/public/FAS/sociologie/Documents/5-Departement/Colloques et actes de colloques/Actes-colloque volume-final.pdf](https://socio.umontreal.ca/public/FAS/sociologie/Documents/5-Departement/Colloques%20et%20actes%20de%20colloques/Actes-colloque%20volume-final.pdf)



of concepts and tools, as economics is being sharply criticised today on account of its "limits for lack of epistemological criticism and scientific exchange"<sup>12</sup>."

Thanks to its international network and the various specialisations of the researchers and experts who work with it, CIRIEC benefits from very rich sources of knowledge both in terms of economic activity sectors and the various institutional and organisational models for the production and provision of public and social services. Through discussion and exchange seminars, CIRIEC can therefore draw on its resources and develop critical comparative analyses, based on an in-depth knowledge of the field and the operational difficulties of implementation. Diversity is also exemplified by CIRIEC's practice in disseminating research work. The multilingualism established at its inception<sup>13</sup> is still present today, although English has become hyper-dominant in scientific communication. Even though expression and publication in English is a clear advantage in consolidating the global visibility of the work, there must be room for cultural diversity in scientific output in order to make the findings more accessible outside the scientific community (the public, practitioners and political decision makers). It is also important to maintain the wealth and diversity of linguistic expression in the dissemination of scientific knowledge and make this knowledge accessible to various recipients who might be particularly interested in specific topics of regional or national interest. To contribute to a broad dissemination of its work, CIRIEC international has for several years been promoting free access to the output produced internationally via its new *CIRIEC Studies Series* collection. Some national sections, e.g. France, follow the same approach.

These specificities compared to contemporary "standards" of scientific dissemination can of course have adverse effects, e.g. by limiting the attractiveness of the scientific network on account of the importance of book production in its activities. However, these effects are and will have to be fundamentally accepted on behalf of the organisation's ethical foundations and scientific objectives in the field of academic research.

Finally, on account of the characteristics described above, its focus on public and social economy organisations and the multiplicity of exchanges and cooperations

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<sup>12</sup> Op-ed by anthropologist, sociologist and physician Didier Frassin in the "Monde" of 9 July 2021.

<sup>13</sup> Initially, the two working languages of CIRIEC were mainly German and French. Today, French and English are largely being used in its bodies, with Spanish on the rise. Publication in French remains possible in the *Annals*, although this option is seldom used by researchers.

it has established with institutions related to its research object<sup>14</sup>, CIRIEC is part of a research ecosystem, where it is conducive to diversity in contemporary scientific production. Might one even add: a promoter of pluralism in economics?

### **3. Positioning with regard to mainstream economics**

Dominant (or *mainstream*) conceptions, in other words shared by a majority of researchers, are crucially important in any scientific discipline, and particularly in economics, for the valorisation of a coherent body of knowledge, the capacity to deploy recognised scientific ideas and methodologies, as well as for the existence of thought currents deemed fundamentally acceptable or not. In economics, the *mainstream* has a decisive influence on the national and global economic policies adopted at any given time, on the tools that can be mobilised to implement them. In this respect, it is common practice in economics to distinguish orthodoxy, which can be characterised as a theoretical corpus encompassing various majority currents in the research community whose epistemological foundations are close, from heterodoxy, which comprises a range of other currents opposed to dominant ideas, but providing nevertheless a coherent vision of scientific interpretation. The following currents of neoclassic inspiration and tradition could be said to make up today's orthodoxy: from proponents of public intervention regulating the market (such as the "new public economics") to ultra-liberals ("industrial economics of the regulation" or "theory of property rights"), who advocate the general withdrawal of public action... and who since the 1980s have brought about the rise of neo-liberal conceptions focussing on the efficient functioning of markets. The heterodox camp includes all economists criticising and opposing the standard mindset and methodology derived from neoclassicism. They also comprise a wide range of currents: post-Keynesians, Marxists, institutionalists, conventionalists, regulationists, "radicals", but also ... Hayekians.

At any given time, every scientific organisation is part of and interacts with an institutional research environment, with respect to its own methodological, epistemological and doctrinal options, thereby positioning itself with regard to dominant ideas. How is CIRIEC's positioning to be analysed in the context specific to economics? One could settle for a synchronic perspective, but a diachronic approach, the historical perspective of the present publication, is more

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<sup>14</sup> Beyond its scientific activity, CIRIEC has entered various institutional partnerships, a.o. with the European Federation of Local and Regional Energy (CEDEC), the International Labour Organisation (ILO) and several of its departments and units, the United Nations Inter-Agency Task Force on Social and Solidarity Economy (UNTFSE) or the Social and Solidarity Economy-International Forum (SSE-IF).

enlightening in order to get a better general understanding of what the organisation is, and what its strengths and weaknesses are in the current environment.

As mentioned before, CIRIEC emanates from a review deploying scientific knowledge, before and after the First World War, that was at odds with the *mainstream* of the time, which embraced the teachings of the classic and neoclassic schools of the 19<sup>th</sup> century, advocated a free competitive market and was inherently anti-interventionist. By analysing the perspectives offered by the deployment of public economy enterprises for public interest, the contribution of cooperative rationales under the aegis of non-profit organisations of all kinds, the work of CIRIEC's founding review played its part in the rise of this heterodoxy. It contributed to the shift in *mainstream* economics that occurred at global scale under the banner of Keynesianism in the 1930s and 1940s. The famous, though slightly exaggerated phrase used by Milton Friedman in 1965 to characterise economists: "We are all Keynesians now"<sup>15</sup>, is indicative for a shift that had become obvious by then. CIRIEC was all the more part of this new *mainstream* as Keynesianism not only legitimised the conduct of macroeconomic short-term policies. Together with other currents of analysis, in particular institutionalists and structuralists, it also spurred the deployment of structural policies, industrial policies and planning backed by powerful public intervention tools. In this regard, public organisations and particularly public enterprises played a major role in the West, and more specifically in Western Europe, in economic development and growth through the deployment of a collective economy, dear to CIRIEC, although this choice of words was subject to strong reservations at the time.

At its creation in 1947, CIRIEC could therefore be regarded as an organisation whose work was part of the new *mainstream*. This is the case considering its studies on nationalisation, the role and management of public enterprises, and more broadly of public organisations, the expansion of the mixed economy, planning (particularly indicative planning) and its implementation modalities, conducted to analyse their role and effect on economic development. Other topics also became of great academic interest: the coordination of actors and the "non conventional" economy, as well as the role of non-profit organisations on account of their specific behaviour in the social field and their complementarity with the public economy. In this respect, the fact that CIRIEC's field of study included first cooperatives then, more broadly, all social economy organisations, constitutes an important input and, alongside the work of Polanyian and Ostromian currents, an original contribution to dominant economic analysis, which granted such organisations rather cursory attention.

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<sup>15</sup> Time Magazine of 31 December 1965.

### *What CIRIEC's history teaches us*

Starting in the 1960s, multiple rising currents of liberal inspiration (first under the banner of monetarism, more broadly the "Chicago School" and "*Public Choice*"), were going to challenge Keynesian propositions with growing virulence, which would later lead to radical change. This resulted in a re-orientation of research work and topics. New questions emerged, while economic development continued at an unprecedented rate in human history (at least, measured in GDP per capita) during the so-called Glorious Thirty; the relative share of the private economy in wealth creation increased more and more; globalisation and the gradual opening of national economies spread across the world. New research fields and concepts attracted growing interest, while others saw academic analysis wane. This explains the renewal of the topics addressed by CIRIEC under its research object. For instance, in 1970s and early 1980s literature, lesser interest for planning (a rejection of the centralist model and more fundamentally of Soviet collectivism, which served as a deterrent) translated into a decline of studies or critical approaches in this matter. Some research topics became unavoidable for CIRIEC: the market regulation wanted by public authorities; the place of public or social economy organisations in this competitive context; the mutation of industrial policies and the place of the mixed economy; the role of social economy organisations in the context of a growing private economy and market liberalisation; massive privatisation, particularly in Europe<sup>16</sup>. On all these issues, CIRIEC was able to provide its critical analysis of the emerging new pathways for public policy.

However, this reorientation of research topics portended a radical change in the *mainstream*, confirmed in the 1980s by the famous "Washington consensus"<sup>17</sup>. After the failure of Keynesian-inspired crisis-recovery policies, the liberal revolution led by the Reagan administration and Thatcher government was bolstered by the alignment of major international institutions (IMF and World Bank) with the recommendations of the Chicago theorists. The latter would thus heavily contribute to the worldwide adoption of a conception of economic policy inspired by monetarist, rational expectation, supply-side economy or even property rights theories...<sup>18</sup>. The fundamentally teleological and market-oriented conception of general interest deployed in the European Union after

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<sup>16</sup> on the dynamics of privatisation, see a.o., the publications of the Privatization Barometer <https://www.feem.it/en/research/programs/mitigation-innovation-and-transformation-pathways/past-projects/privatization-barometer-pb/>

<sup>17</sup> This phrase, coined by John Williamson, was later (in 1990) used to characterise the change of orientation in the support for development aid policies in the context of debt rescheduling.

<sup>18</sup> Spreading from the USA and UK to English-speaking countries and then across the world.

the 1986 Single Act and the establishment of the single market further consolidated this domination.

In the midst of these upheavals, CIRIEC clearly entered the realm of heterodoxy. Its work first becomes very critical of the new dominant conceptions, contesting their foundations, their radicalism and the excesses they are conducive to in the field of collective action. Its criticism is mainly aimed at the evolving new EU "Community rationale", which trivialises public enterprises. However, the context is rather unfavourable for the dominant mindset to listen to and even less to consider this type of analysis. For many (particularly young) researchers, it is advisable to choose topics deemed forward-looking and avoid allegedly outdated ones. In contrast, the investigation methodology based on econometric data processing and experimentalism inherited from the hard sciences and little used in CIRIEC's work, becomes increasingly prominent. By failing to conform, the refractory are out of step with "official science". Work on comprehensive, systemic analysis, as is so often the case in CIRIEC, finds itself discredited.

Of course, the late 1980s and early 1990s only mark the beginning of the hegemony of economic analysis and policies inspired by neo-liberalism that endures until today. Pressure from the new *mainstream* prompts CIRIEC's scientific commission on the public economy to shift its field of investigation. The radical challenge to public enterprises in the dominant analysis causes it to reposition its research in the 1990s and focus on public services. The scientific commission addresses one particular topical issue right away: the gradual opening of public services to competition, especially in the European context. Next, it examines the alleged efficiency of liberalised markets and the capacity to regulate markets open to competition. This reorientation can be considered a strategic withdrawal to guarantee the permanence of CIRIEC's research, its visibility and institutional recognition.

It would however be mistaken to equate this reorientation with a reconsideration of what founded the very object of research in CIRIEC. Here again, resilience is clearly visible in the subsequent evolutions of its work. Since the beginning of the 2010s, the focus has indeed turned to the economic crisis that started in 2008 by analysing the fundamental responsibility of market liberalisation (mainly financial, but not only), in order to recommend remediation pathways, including coordination and cooperation of public policies. Since 2014, the topic of public enterprises has come back in force in CIRIEC's scientific commission on the public economy, analysing the evolution they have gone through, their efficiency and effectiveness in the new institutional context. This is all the more important

### *What CIRIEC's history teaches us*

as public enterprises, at global scale, have significant weight in the global economy and their share among the largest enterprises is even growing<sup>19</sup>.

In its second favourite field of investigation, the social economy, comprising cooperatives, mutuals, associations and foundations, CIRIEC has a more favourable positioning on account of the very orientations of the *mainstream*. Under the primary influence of the so-called "new public management" doctrine, public action has experienced major upheavals since the 1980s. Public spending cuts, the search for efficiency through privatisation and less direct public intervention, the implementation of private management criteria in public organisations are the main elements. They challenge the old Welfare State which played an essential social role in many countries, particularly in social functions directly exercised by the authorities or missions assigned to public organisations. In this context, social economy organisations generate growing interest on account of their social conscience and their capacity to innovate to serve common or collective interests on their territories. Public authorities are often motivated to assign public service missions to social economy organisations in order to cut costs. By counting on their social conscience and their close relationship with the beneficiaries of their action, national and local authorities, but also international institutions thereby intend to transform the "social State" and put their action in a sustainable development perspective. This major interest for social economy research has been a source of partnerships for CIRIEC, most notably with the International Labour Organisation (ILO), as observer member in the UN Inter-Agency Task Force on Social and Solidarity (UNTFSSSE)<sup>20</sup> and representation in the European Commission's Expert Group on the Social Economy and Social enterprises (GECES) (2018-2024).

There are multiple research avenues to explore. Statistical studies on the specification, delimitation of the scope of the social economy, notably with the European Union, have helped identify its perimeter more relevantly. In multiple sectoral, national and regional case studies, the flexibility and social innovation of social economy enterprises and organisations are studied, the way they shape and revive territories in active partnership with various other field actors. Research in line with DiMaggio's and Powell's neo-institutional analysis

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<sup>19</sup> In 2020, there were around 300 000 public enterprises worldwide (including majority and minority participations, enterprises owned by central, regional and local governments, listed, non-listed and statutory companies). They employ over 30 million people in 40 OECD countries, and probably over 60 million globally. According to the Forbes ranking, public enterprises account for more than a quarter of the 500 largest enterprises in the world. Their total weight lies between 5 and 10% of global GDP, and certainly more in terms of asset and investment value.

<https://www.routledgehandbooks.com/doi/10.4324/9781351042543-3>

<sup>20</sup> <https://unsse.org/?lang=fr>

of coercive institutional isomorphism<sup>21</sup> has pointed at the enrolment or even instrumentalisation of organisations by public authorities, thereby contradicting incentive and new public economy theories. More broadly, new modes of governance in collective action are of utmost interest for current research in CIRIEC, particularly co-construction processes with the actors of collective action, sources of economic democracy. Support for social economy initiatives through various types of public policy measures has also been analysed, in numerous contextual case studies, in order to show the diversity of practicable policies depending on the development stage of the social economy, but also on the social, economic and institutional context.

In this perspective, CIRIEC also engages in transverse research, public economy – social economy, which happens to be its very essence. It becomes all the more important to analyse the interactions between its two fields of investigation as new forms of cooperation are being deployed between public authorities, public and social economy organisations (public economy-SSE partnerships), in order to produce public goods and commons. The same applies to the study of new avenues opening up by the deployment of commons. This makes it possible to re-think collective action and offer alternatives to the dominant paradigm.

Like the review that gave birth to CIRIEC more than a century ago, CIRIEC today is an organisation contributing to scientific pluralism and striving to change the dominant paradigm. Its alternative analyses on collective governance and economic policy provide society with research needed to make an informed choice for the collective interest.

#### **4. What future pathways?**

The previous chapters have specified the characteristics that make CIRIEC a specific scientific organisation in the research ecosystem, a "specific asset" in the world of research one could say, drawing on a contestable market theory concept. It is indeed a specific asset on account of its unique cross-disciplinary positioning in both public economy and social economy, its international and plurinational territorial anchorage in the world of science and its capacity to deploy and adapt its governance to preserve the diversity of topics and modes of dissemination of scientific knowledge, its adaptability and resilience in the face of change, particularly change in *mainstream* economics. These traits foster pluralism in social sciences, and more importantly, offer society/societies

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<sup>21</sup> DiMaggio, P. and Powell, W. (1983). The Iron-Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Field, *American Sociological Review*, 48(2), pp. 147-160.

### *What CIRIEC's history teaches us*

scientific knowledge conducive to (re-)founding general interest and (re-)thinking the future in terms of alternative paradigms of collective action.

To persevere on the path of preservation of diversity and pluralism in the scientific ecosystem, an organisation such as CIRIEC does not only need to be resilient, anchored to its fundamentals and innovative in its modes of disseminating knowledge. It also needs to be capable of permanently adapting its research to make it available to rapidly changing societal expectations. On account of its specificities and recent research orientations, CIRIEC has the capacity to produce knowledge to address major future challenges for society. Its research field comprises: analysing the role public and social economy organisations can play, and their joint action with public authorities on fundamental societal challenges. Without claiming to be exhaustive, four of the most significant challenges need to be highlighted. They all result, each in their particular way, from a logic of disruption, as the implementation of collective action is broadly inspired by new public management. Focussing public action on cost analysis has resulted in a restrictive vision of collective interest out of step with the sustainable development goals put forward by the United Nations at planetary level.

A first major challenge for collective interest is research specifying the conditions for effective action to fight climate disruption. To be up to the challenges identified by the IPCC in 2018, 2019, 2021, 2022<sup>22</sup>, swift, general and large-scale mobilisation is necessary. This implies that all actors need to be associated, whether public or private, but also that research be conducted in social sciences to inform public policies, also involving public and social and solidarity economy (SSE) organisations. Public organisations have an essential role to play in energy savings, particularly in the housing and mobility sector. This is also the case for renewable energy generation and the development of new knowledge and new technologies. Lesser insistence by public authorities on their enterprises' profitability could promote proactive behaviour in this respect. The conditions for implementation need to be specified, the coordination of instruments of public action and the mobilisation of other civil society organisations be analysed, including SSE organisations, in order to innovate and boost collective action. The deployment of research analysing the specification and appropriate redeployment of missions of public organisations, as well as public support modalities for the SSE could help harness inter-organisational synergies in taking up this major future challenge for humanity.

Research on the modalities for the deployment of collective investment in industrial strategies and long-term public policies is also essential. In this perspective, a thorough analysis needs to be made of the usefulness and limits

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<sup>22</sup> IPCC, Reports, <https://www.ipcc.ch/reports/>



of proactive behaviour by public organisations and the mobilisation of the SSE to attain the sustainable development goals set by the United Nations<sup>23</sup>, especially goal 13 (climate action) for which collective investments are crucial, as well as a number of other UN goals, particularly SDG 3 (health and well-being) and SDG 4 (quality education). The action of public organisations is also crucial to achieve SDG 6 (clean water and sanitation), SDG 7 (access to energy), SDG 9 (industry, innovation and infrastructure), SDG 11 (sustainable cities and communities) and SDG 12 (responsible consumption and production). Public and SSE organisations, particularly those that operate in public and social services, have a primary role to play in ensuring the implementation of indispensable investment in infrastructure and production of public and common goods. To contribute to an effective attainment of the sustainable development goals, thorough research is needed to specify how the strategic missions of general interest of public organisations could be reinforced, how SSE organisations can be associated efficiently, taking into account the public authorities' pre-established budgetary framework and financial constraints. Analysing the production of commons by SSE organisations would also allow to specify their contributions and development conditions.

The study of the modalities for the implementation of social and territorial cohesion policies is also a major societal challenge, as this cohesion seems to deteriorate so much in many countries. For many years, public and SSE organisations have played a leading role in this matter. Their role in mitigating the effects of economic crises was clearly demonstrated in 2007 and in subsequent years. In many countries, nationalisation has made it possible to preserve the productive fabric and alleviate the very negative social effects of the recession. Public and SSE organisations have also adapted to the transformations of public policies and contributed to the implementation of territorial policies, whether regional or local. Their work also serves as a framework for the expression of social solidarities through the joint deployment of redistributive and reciprocal approaches<sup>24</sup>. With regard to the UN's Sustainable Development Goals, public and SSE organisations are therefore essential for the achievement of SDG 8: inclusive and sustainable economic growth. Consequently, it is very important to analyse modes of governance enabling these organisations to contribute as extensively as possible without leading, as was so often the case, to their excessive instrumentalisation by public authorities. Indeed, heavy constraints often harm the service quality of non-profit organisations by making them lose their ethical bearings. Research on multi-partner cooperation (including mutuals

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<sup>23</sup> United Nations, The 2030 Agenda for Sustainable Development Goals, <https://sdgs.un.org/2030agenda>, <https://sustainabledevelopment.un.org/sdgs>

<sup>24</sup> Cf Laville, J-L. (2001). Towards a Social and Solidarity Economy?, *RECMA*, (281), pp. 39-53. <https://doi.org/10.7202/1024020ar>

### *What CIRIEC's history teaches us*

and trade unions, also very present in the CIRIEC network) would also be useful to elucidate their capacity to respond to societal expectations and to make them more effective.

Research on the deployment of new, so-called multi-level and polycentric forms of governance is also very promising in CIRIEC's perspective, as it focuses on how public and social economy organisations can best serve collective interest. Ever more cooperation between public authorities at various level of government (local, regional, national and even supranational) or between multiple public and social economy organisations should prompt a re-think of the partners' respective attributions. The subsidiarity principle, when aptly applied, assigns appropriate action to the competent entities closest to those who are directly affected by said action. On account of the major challenges of sustainable development, it is of utmost societal usefulness to engage in research explaining how such principles can apply most effectively to produce commons by closely coordinating actors, whether they are public and/or SSE, as was demonstrated by Elinor Ostrom's work<sup>25</sup> on polycentric governance. It is in any case necessary to coordinate all actors more actively to take advantage of the proximity principle, a trust relationship that allows broader and closer involvement of all stakeholders in a learning and mobilisation approach for the common development of collective action. As the OECD specifies in its "guidelines" for public enterprises, which are also valid more broadly, it is necessary to "structure a complex network of responsibilities in order to guarantee the effectiveness of decisions and good governance<sup>26</sup>." The task is difficult and calls for thorough research as a prerequisite to co-constructing and making collective action more efficient along broadly shared orientations.

**To conclude:** by continuing to pursue the work it has done in recent decades and by broadly focussing its research on the issue of sustainable development, CIRIEC can consolidate its activity, placing it among the main organisations analysing the paradigm of collective action and the prospects for change that exist in this field. Through its studies on cooperation between the public economy and the SSE, partnerships between public authorities and SSE organisations, new forms of co-construction, it is in effect capable of thoroughly analysing the opportunities for the re-founding of collective action. Its analyses on the capacity of public and social economy organisations to lead social change, their proactive involvement, changes in the scale of partnerships to produce public goods and commons,

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<sup>25</sup> Ostrom, E. (2010). *Gouvernance des biens communs*. Bruxelles : De Boeck. / *Governing the Commons*. Cambridge University Press, 1990.

<sup>26</sup> OCDE (2015). OECD guidelines on Corporate Governance of State-Owned Enterprises, Paris : OCDE, p. 12.

<http://www.oecd.org/corporate/guidelines-corporate-governance-soes.htm>

the capacity for innovation in collective organisations, their territorial anchorage, the full association of all stakeholders and civil society in the framework of long-term strategies to found collective action are central in this regard.

These are topics that place CIRIEC firmly on the path of what gave birth to it: research on collective interest to serve society best through collective action.

### III.

## Articles

1. Translation of: Milhaud, E. (1908). Notre programme. *Annales de la régie directe*, 1(1), pp. 1–6.

I<sup>re</sup> Année.

N° 1

Novembre-Décembre 1908.

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LES ANNALES DE LA RÉGIE DIRECTE

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### ***OUR PROGRAMME***

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The transfer of the ownership and operation of industrial and commercial enterprises to public entities is one of the great social facts of our time. More and more, States and municipalities own, produce, sell. More and more, they are renouncing a system that consists in delegating the management and even the property of economic services of public interest to individuals or capitalist entities, and assume the burden themselves, manage them directly, take them under *direct control*. There is a whole evolution happening before our eyes, an evolution of great theoretical interest, whose essential facts we would like to consign here with the exactness that science requires.

This development is also very interesting from a practical point of view. Industries and businesses that are nationalised or municipalised are generally constituted as monopolies: it is indeed in the obvious interest of the masses that monopolies be removed from capitalist management and be handed to the public. "Given the choice – as the French Radical Party puts it – better let the Nation exploit a monopoly to the benefit of all, rather than leave it to the barons of finance, who like a band of corsairs rip off millions at the expense of the masses<sup>1</sup>."

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<sup>1</sup> Report of the party's Programme Commission at the Nancy Congress in 1907.

Consequently, the return of monopolies to the public is a common demand in left-wing party programmes.

This progressive policy is being fiercely resisted, though. The interests threatened are powerful. Most often, monopolies are backed by vast concentrations of capital admirably well equipped for the fight. Financial feudalism enjoys a lot of support, in the press and elsewhere. Large American railway companies are known to establish and maintain political organisations for their own use, which they direct at their own discretion, like their trains; they excel in appropriating existing political groups, which saves them the trouble and cost of the organising work. Railroad magnate Jay Gould, master of the Erié, once disclosed his tactics before a commission of inquiry: "In a Republican district, I was a Republican. In a Democratic district, I was a Democrat. And in a doubtful district, I was Doubtful. But I was always for Erié." Other companies are known financial contributors to both parties "like taking out cover against fire or other accidents from several insurance companies<sup>2</sup>." Not to mention the grip of railway companies and trusts on nearly all of the American press.

Yet, this is not only true on the other side of the Atlantic.

Mr. Alfred Picard, today Minister of the Navy in France, writes about the "influence of railway companies on Parliaments" in his great *Treatise on Railways*: "History shows that in some foreign countries such as England these influences are very powerful and raise serious obstacles to the natural action of public authorities; even in France, they have at certain times entered the doors of our two Chambers<sup>3</sup>." He observes that in this country "each time the general railway regime is challenged, there is a veritable deluge of articles, brochures and advocacy in favour of the Companies<sup>4</sup>." The 1895 parliamentary inquiry into the conditions of morality that prevailed at the signing of the 1883 conventions revealed that the Companies had spent 735,000 and 718,000 francs in 1882 and 1883 on their "doctrinal publicity" – as they say – first and foremost to buy off the press<sup>5</sup>, not including the countless free travel passes delivered by them for services rendered.

Railway companies are not alone in influencing and deceiving public opinion by securing the good offices of a large number of newspapers and the benevolent neutrality of most of the others. You may remember that a few years ago, Mr. René Viviani, today Minister of Labour, suddenly resigned as chief editor of a rather progressive Parisian newspaper, because despite his categorical objections

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<sup>2</sup> M. OSTROGORSKY. *La Démocratie et l'organisation des partis politiques [Democracy and organisation of political parties]*, Paris, 1903, Vol. II, p. 175.

<sup>3</sup> *Traité des chemins de fer [Treatise on Railways]*, Paris, 1884, Vol. I, pp. 559-560.

<sup>4</sup> *Ibid.*, p. 572.

<sup>5</sup> *Official, Chamber of Deputies, Parliamentary documents*, 1895, Vol. I, p. 670.

See also the introduction to our book on the *Railway Repurchase: How large Companies influence public opinion*.

*Translation of: Edgard Milhaud (1908)*

the columns of his paper would complacently accommodate small titbits supporting the renewal of a large Parisian lighting company's concession. Recently, a writer at the *Revue, Lysis*, has shown how large French banks have used their "publicity budget" to become the masters of nearly all of the press, and thereby secure their unchecked manipulation of billions of the country's savings<sup>6</sup>.

It is a general fact. The ground was also prepared by the emergence of what is commonly called "business journalism", adorning itself with names such as information journalism, political, literary or even social or independent journalism, where the financial bulletin is the essential part, where advertising spills over from page four to page three, page two or front page, where the editorial is paid by the line, where even the lead article is nothing more than covert advertising, unless, entrusted to some esteemed personality, it is a means to establish the paper's credentials and pass off the rest, where all is business – what is said and what is not – where speech is silver and silence golden.

Consequently, as soon as the profits of some large monopolous Company find themselves threatened by a nationalisation or municipalisation project, countless hospitable papers start publishing biased and false information. Some major news institutions – dailies and periodicals – do not wait for these particular occasions: champions of capital, they relentlessly oppose any extension of the economic attributions of public bodies. They track cases of municipalisation and nationalisation everywhere and across the world and present the results in the light that suits their cause. Some facts are inflated, some misrepresented, others ignored. Inaccurate or partially accurate or incomplete information, truncated statistics, misinterpretation of materially correct facts or figures, dissertations on the intangible principles of economic orthodoxy, all the resources of a dubious science, of sophistic rhetoric and complacent doctrinalism are mobilised to deceive and mislead public opinion.

And too often, the public, troubled and confused, ends up losing interest in the reforms it had initially clamoured for.

There are some countries – including France – where these manoeuvres of high capitalism have up to now more or less completely succeeded in preventing the resumption of public industrial services.

We will challenge these campaigns of lies with true documents, this adulterated literature with honest information, the alleged disastrous results of current State-owned and municipality-owned enterprises with their real results, and side by side with the results of capitalist companies. The left and extreme left press, whose silence is so often explained by their lack of documentation, will continuously and methodically be provided with proven facts, real figures and their true interpretation.

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<sup>6</sup> LYSIS, *Contre l'oligarchie financière en France [Against financial oligarchy in France]*, Paris 1908, p. 215-219.

This does not mean that each time we find an enterprise directly controlled by the State or a municipality, all we can do is approve. Industrial or commercial services can be managed badly by public bodies – as they can by private companies; they may be run for purposes other than those of the national or local community, if the power does not belong to the collectivity, either on account of the political regime or by the way this power put to use; and even in a democratic regime and under democratic control, they may fail to achieve their purpose, if they are not set up appropriately. It is not enough for a municipalised or nationalised enterprise to be somehow mechanically versed in the traditional setting of local or national administrations designed for other needs. Special conditions need to be created for them and adjusted to their specific role, their purpose. They require large freedom of movement, broad financial and administrative autonomy.

And this is precisely what is happening, at least in some countries. First jurisprudence, then the law, tend to gradually create, by trial and error, the regime that State and municipal enterprises need in order to prosper and provide the public with all the services it expects from them. At the same time, the public itself is getting accustomed to organising itself to exert control over these enterprises directly and no longer merely through its representatives. The workers and clerks they employ are also organising themselves in order to attain normal working conditions, to improve their material and moral condition, to exercise their share of influence on the management. The consumer collective and the producer collective are both becoming aware of themselves, of their power, of their rights, and the spirit of State-run or municipality-run enterprises is changing under their pressure, anticipating a change in their organisation. Throughout these struggles, torments, crises – resulting from the mismatch between old recipes and new needs – various novel and supple formulas are being elaborated, which will harmoniously reconcile the interests of producers and consumers and will ensure the fruitful cooperation between the producer collective, the consumer collective and the deliberative and executive bodies of a public entity.

We shall strive to record all these developments, all these attempts, all this work of evolution, transformation, all these birth pangs. Yet, mere reporting of facts will not do. As new and old forces, new and old ideas clash, as concepts are being developed, the work of the minds, ideally projecting the effect of evolving social forces into the future, should anticipate this evolution, strive to predict it, prepare it, facilitate it, accelerate it. The *Annales de la Régie directe* cannot ignore this work of the minds. To be able to consign its existence objectively and understand it, neither can they just sit on the fence. They need to get involved, cooperate in it.

A recent development has given the nationalisation and municipalisation of monopolies, their results and attendant organisational problems unexpected and

*Translation of: Edgard Milhaud (1908)*

huge significance. In the past, monopolies had only a minimal place and importance in overall economic life: some sort of foreign body in an organism ruled by free competition. Everything related to them had only a marginal role or interest, and their transfer to a public entity only limited significance and no lasting repercussions. Railways, insurance companies, issuing banks, water, gas and electricity utilities, tramways, – these few services, private monopolies today, were to become public monopolies tomorrow without harming the general economic regime in the least, without having any effect on the social organism. However, for a number of years now, ten, fifteen, twenty years, the general economic regime has been transforming; the social organism is evolving momentously towards monopolisation. Through its natural development, as a result of its normal growth, capitalist production starts as free competition and ends up as a monopoly. De facto monopolies resulting from freely competing industries and businesses are joining the ranks of long-standing natural monopolies, the classic monopolies of old, both of them blending into a new economic formation that lays down the law for the general production and trading system, or tends to do so. Increasingly, a monopoly is at one with the social organism, dominates it, metamorphoses it. And everything that touches monopolies now takes on organic significance. The socialisation of old natural monopolies no longer appears like a disparate act without any lasting effect, but like the beginning of a vast transformation.

In our research, our findings, we will also have to make room for the great fact of industrial and commercial monopolisation and its prerequisites: concentration of capital, development of limited liability companies.

Yet, although monopolisation never fails to call for socialisation, the latter can anticipate the former or even occur independently. Not only the socialisation of monopolies, but the socialisation of all capitalist means of production and exchange has now become possible and necessary in order to solve the social crisis of our times, provided the minds are prepared for it: one compelling contribution will be the disclosure of the successful results – although dampened by pressure from capitalist circles – of companies already nationalised or municipalised, and all the efforts made, all the measures taken to perfect their organisation and to harmonise all elements and interests involved.

Without leaving their home turf, the *Annales de la Régie directe* intend to take part in the struggle for full socialist liberation.

EDGARD MILHAUD.

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Translation of: Milhaud, E. (1908). Notre programme. *Annales de la régie directe*, 1(1), pp. 1–6.

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2. Milhaud, E. (1925). The Annals of Collective Economy. *Annals of Collective Economy*, 1(1-4), pp. 1-5.  
<https://doi.org/10.1111/j.1467-8292.1925.tb02067.x>

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## ANNALS OF COLLECTIVE ECONOMY

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### THE ANNALS OF COLLECTIVE ECONOMY

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This international Review, which is presented herewith to the public in four editions — English, French, German, and Spanish, — is the successor of an international Review written in French and founded in 1908 under the title of *Les Annales de la Régie directe* (Annals of Direct State and Municipal Services). The extension of its scope, as indicated by its new title, *The Annals of Collective Economy*, has been dictated by three orders of considerations.

The first of these relates to the profound changes which have gradually supervened in the character of public enterprises. The direct management of economic services by public collectivities such as Governments, provincial authorities, and local bodies, was, at the beginning of this century, if not the only, yet, the predominant form, at least the only form of any consequence, of public enterprises. The alternative with which the public authorities was then faced, was the following : Should the management of these economic services — transport, supply of power and light, credits, insurance, etc. — be left to private enterprise or should the interested collectivities operate them, manage them directly ?

Naturally, even at that period problems relating to organisation presented themselves which, when solved, were bound to lead to new methods. “ It is not sufficient,” we declared in our inaugural remarks of November 1908, “ that the nationalised or municipalised services should be somehow automatically forced into the traditional framework of municipal and national administrations, which was shaped for other ends. Rather should novel types of administration be created, appropriate for the new purposes and their realisation. Great latitude in action and a decided financial and administrative autonomy are indispensable in this connection.

“ An evolution in this direction is, in fact, proceeding in some countries... In the midst of conflicts, commotions, and crises — the consequence of the maladaptation of old methods to changed requirements, — new methods are being forged, more varied and more elastic, which will reconcile the interests of producers and consumers and will ensure a fruitful collaboration between producing and consuming collectivities, on the one hand, and the deliberative and executive organs of public bodies, on the other. ”

Having made these observations, which outlined our programme, we added : “ We shall consider it our duty to take note of these movements, these experiments, this process of evolution, transformation, and gestation. ” The sixteen volumes of the *Annales* published since that date testify, we think, to the extraordinary importance of this process the initial stages of which are described in the above terms. This process was eventually accelerated and assumed ampler proportions owing to the events of the war and the immediately succeeding period, to the requirements of a time when the world’s life depended on the proper functioning of the machinery of collective economics, and to the perturbations involved in the attempts at extensive reorganisation which subsequently ensued.

Now this mighty process of “ evolution, transformation, and gestation, ” has led to decisive results in two directions. On the one hand, the public economic services have more and more assumed new characters, adapting themselves and their methods to the purely economic nature of their functions. On the other hand, side by side with these, new forms of public enterprises — sometimes semi-public enterprises — shot up with astonishing rapidity and in great numbers : autonomous Italian institutes, French public offices, national Belgian societies, communal Austrian enterprises, and in all countries joint stock companies with official participation (so-called mixed undertakings), and others. In the majority of cases the control of these enterprises remained in public hands; but the bodies placed in charge of these enterprises were new, specialised, or created *ad hoc*. It was, in any case, no longer a question of direct control by the old administrative services. Accordingly, it became essential for us to take account of the changes both in the platform of the Review and in its title.

Now as to the second order of facts. This vast movement of public or semi-public control has linked itself with another movement, a movement having an altogether different origin but an analogous or identical object. We refer to the cooperative movement. Its magnitude may be gathered from the following figures : there are in existence more than 80.000 agricultural cooperative organisations for purchasing and marketing goods ; more than 105.000 cooperative credit societies ; and more than 90.000 consumers’

*Edgard Milhaud (1925)*

cooperative societies serving about 40 million families. (I) In most countries during the war the central and local authorities made use of cooperative institutions as if they had been public services. Consequently, relations either of collaboration or of methodical partition of tasks came to be established between them. This interpenetration was conspicuous in regard to not a few matters — the establishment of semi-cooperative and semi-municipal undertakings, by consumers' cooperative societies collaborating in public bodies acting through the former; participation of cooperative societies in the provisioning of municipal services; part assigned in municipal housing schemes to cooperative housing societies; contracts for public works entered into with producers' cooperative societies; the cooperative organisation of labour — with the aid of workers' cooperative societies and workshop commandites — in undertakings and in docks under public control, and so forth. As a consequence it became impracticable for us to separate the study of public and cooperative enterprises, seeing that these represent two complementary forms of collective management.

Finally, we reach the third order of considerations, namely that the economic activity of collectives does not only involve controlling, but also signifies regulating, and tends more and more to issue in organising the economic life. Indeed, the organisation of our social economy is the primordial task of our age or, more exactly, the pre-condition of the realisation of its most urgent and highest duties.

The chaos which the war gave birth to provoked an unemployment crisis of unprecedented acuteness and extent. In its turn, the unemployment problem has greatly stimulated scientific research of an apposite kind. The study of economic crises — of the ominous trade cycles which have characterised our industrial economy for the last hundred years — has not only been resumed, but is being pursued both more methodically and with greater boldness. In fact, the discovery has been made that of natural catastrophes and that economic sphere as in that of natural catastrophes and that economic crises can be grappled with, their gravity attenuated, and their recurrence perhaps prevented. Among the suggested solutions are a broader policy of public works, the social control of credit grants, and controlled industrial understandings. These are all connected with the organisation of our economic life.

There is another formidable problem, that of social insurances. The world over the working class clamours for them, demands them as insistently as it recently did the eight hours' day. So strongly is this urged and the claim is so just that satisfaction must surely be given on this point. But how, whilst the public finances are disorganised and the budgets are fatally overweighted,

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(I) *Cooperation in Foreign Countries*. (Reports of the Federal Trade Commission. Washington, 1923).

are the masses to receive, not verbal satisfaction, but something substantial? There is only one way : to increase the wealth of communities by a systematic and effective utilisation of all available resources ; by suppressing all energy waste ; and by radically eliminating idleness in machine and hands ; that is, by organising our economy.

However, it is not only the future of social insurance schemes which depends on this decisive step, but also the vast plans connected with labour legislation in general. The experience of recent years has shown to what degree ruthless competition between countries bars the road to social advance and, in particular, prevents the ratification of the most important labour conventions. This betokens a grave situation. Hence the conviction is growing that if we desire to develop the social solidarity of nations, we must begin by harmonising the economic interests of States through organising our world economy.

Lastly, we come to the problem of problems, the peace problem. This has naturally a moral aspect, that of the demands of justice ; but there is also the economic aspect. Moreover, rightly conceived, the economic problem raises the problem of justice. The right of peoples to dispose of themselves involves the right of peoples to life and to work, and no such right exists if, through dumping, through the withholding of indispensable raw materials or selling them at exorbitant prices, and through the closing of its economic frontiers, one nation can condemn another to misery and even to starvation. To establish unmistakably pacific relations between peoples, we must secure the harmonious efflorescence of their economic activities. To organise a durable peace involves therefore the organising of the world's economy.

Public services, cooperation, organisation of the economic life—these are three converging and connected modes of action, three forms of the collective economy. It is to the promotion of this threefold object that the Review will be devoted in its new form.

Edgard MILHAUD.

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<https://doi.org/10.1111/j.1467-8292.1960.tb01660.x>

**ANNALS OF COLLECTIVE ECONOMY**

**COLLECTIVE ECONOMY  
AND ECONOMIC DEVELOPMENT**

**Report of the Fourth International Collective  
Economy Conference**

BELGRADE, 18-21 May 1959

and of the General Assembly of ICRICE

## **5. THE ROLE OF THE COLLECTIVE ECONOMY IN ECONOMIC DEVELOPMENT**

Report submitted by Gerhard WEISSER,  
*Professor at the University of Cologne*

### **I. The conception of the collective economy**

The Terminology Commission of the ICRICE, at its meeting in Geneva on 26 October 1954, decided to use the term “ collective economy undertakings ” as applicable to those undertakings which are “ institutionally designed directly to promote the welfare of an organised society or of an idea for which that society stands. They devote their individual achievements and/or their results to an organised society ” (point 7 of the decision). The sector of a national economy which consists of collective economy undertakings may then be designated as the “ collective economy sector ” (point 4 of the decision). A private economy undertaking, unlike a collective economy undertaking, may be considered as a single economic unit principally designed to serve the individual interests of its owners. The term “ collective economy ” may also be used to designate a particular type of cooperation between single economic units in a national economy ; this case is not, however, taken into consideration here.

Thus when it defined the term “ collective economy undertakings ” in this way the Terminology Board took as a starting-point not the ownership of the undertakings concerned but the persons benefiting from the results of their activities. The Board did, however, take ownership as a criterion for the classification of the undertakings belonging to the collective economy group. These can be divided into publicly owned undertakings and independent undertakings, the latter being in the hands of independent groups, and occasionally of individuals (most co-operatives, trade union undertakings, mutual-aid insurance societies, theatre-goers’ societies, etc.). The ICRICE has already received reports from a number of countries indicating which undertakings can be classified in these groups.

Collective economy undertakings may exist both in market economies and in the centrally planned types of social economy ; in the same way, private economic undertakings can exist in centrally planned economies. The decisive question is, however, whether the undertakings are free in their actions or not. From the purely logical standpoint, therefore, the decision to promote or not to promote collective economy undertakings is completely unrelated to any decision to adopt or not to adopt a certain structure in the social economy.

We can therefore leave aside all questions concerning the organisation of the social economy when examining the problem of the part played

by the publicly owned and independent undertakings belonging to the collective economy sector in economic development. It is particularly desirable that the ICRIE study this problem, as in that body representatives of all types of collective economy undertakings gather to discuss common problems, without any reference to the views of the owners and managers of those undertakings on questions of economic and social policy.

## **II. Collective economy undertakings and the morphology of private economy structures**

The principal question discussed at the Belgrade Conference was whether and to what extent collective economy undertakings, on account of their special structural characteristics, are of a nature to contribute to the realisation of general aims of economic policy. While the theorists of the basic unit of the private economy (or, to paraphrase the German terms, the theorists of economic management) have so far devoted themselves mainly to the analysis of the processes of economic management within a given structure, usually—and in the most abstract types of studies almost exclusively—in the context of profit-making economic undertakings, there is a new branch of the science, developed especially by various institutes in Germany, which deals with “ the morphology of the private economy ”—that is to say, with the structural aspects ; in other words, they study the “ inner purpose ” and the organisational forms of undertakings as well as the legal aspects of changes in their organisation. Only this discipline can give an answer to the questions of whether and to what extent particular types of undertakings—and in this case collective economy undertakings—influence economic development and how far a policy of systematic promotion of certain types of undertakings—the details of which have yet to be worked out—can serve as an instrument of economic policy.

Collective economy undertakings are distinguished by the fact that their purpose is clearly fixed by law, by agreement or by other means as the promotion of the general welfare—or, to use the German term, the public interest (in the institutional sense).

In so far as the State is not merely an instrument of government by one class, but also aims at promoting the public interest, there exists a parallel between the processes by which the State and the collective economy undertakings determine their aims. It may therefore be supposed that in implementing its plans the State can be fully sure of the support of collective economy undertakings.

An economic theory centred exclusively on private economy undertakings aiming at a maximum profit does not coincide with reality in that it fails to take into consideration the many possible motives underlying various economic activities. A state economic policy aimed at promoting the general welfare



which does not take into consideration the potentialities of collective economy undertakings is ignoring a particularly appropriate means of realising its aims and the one which requires least administrative control ; and it will have to use other and more drastic means of achieving those aims.

The fact that we are speaking here of collective economy undertakings as instruments for the application of state policy does not imply that they are or should be *exclusively* instruments for the implementation of that policy. On the contrary, I am in favour of granting them the greatest possible measure of administrative autonomy. The problem, however, is not one of forcing collective economy undertakings to adopt a certain line of conduct which would be against their own interests, but to persuade them to go some way towards adopting this line of conduct voluntarily ; undertakings not directly destined to promote the general welfare must be induced to alter their policies accordingly from outside (i.e. by the State) if it is essential that they should do so.

### **III. The foundation and formation of collective economy undertakings**

Public undertakings must be founded mainly where private social forces—often in spite of incentives and encouragement of all kinds—cannot or will not take action.

At the outset, then, the pioneer rôle which has been played again and again by both publicly and privately owned collective economy undertakings in the social history of mankind must be stressed.

At the beginning of the process of industrialisation of the economies of the various European countries public undertakings were inaugurated by the State in the fields of finance and insurance, and even in industry. Of particular importance to economic development were the public transport undertakings set up everywhere in the world. Frequently in history we come across cases of privately owned collective economy undertakings—often co-operatives founded by religious orders, monasteries, etc.—leading the way in the opening up of hitherto unexplored economic fields. Co-operative undertakings, both publicly and privately owned, have in the past done much to advise, encourage and financially assist institutions intended to enable persons of modest means to help themselves, either individually or as members of groups. The widespread belief that co-operative undertakings are not suitable for breaking new ground is contradicted by historical fact. It might be said that a growing economy must rely on the activity of co-operative undertakings.

The erection of modern technical installations usually calls for large-scale investments which cannot be raised by individuals or groups of private persons. Moreover, a long time often elapses between the initial investment and the appearance of the finished product in sufficient volume to cover the cost

of production, to say nothing of bringing in profits. Frequently the contribution made by an undertaking to the general welfare is not reflected in its financial results, and may even be impossible to ascertain, at least by conventional methods of inquiry. Cases of this kind can be found in many fields, ranging from the exploitation of new sources of energy to land settlement (backward areas, marsh cultivation, the reclamation of land), and the provision of communications of all kinds (postal services, railways, electric power supplies, canals, etc.); the magnitude of the tasks assigned to these services increases steadily as economic development goes on.

In addition, collective economy undertakings will be desirable whenever a profit-making undertaking finds a reasonable return but refuses to assume any tasks of a collective economy character. Reference need only be made to the business policies of private undertakings providing local transport and utility services at the time of the Industrial Revolution in Germany, which took place in the nineteenth century. Sparsely settled peripheral areas or districts of towns were not provided with either transport facilities or power (the case of Berlin is particularly striking). Consequently undertakings of these types are today for the most part in the hands of the central or local authorities. Generally it may be said that wherever a natural or economic monopoly exists an undertaking seeking the maximum profit by making use of all the opportunities the market offers will not pay sufficient attention to the performance of collective economy tasks and will in all likelihood act in a manner prejudicial to the public interest in certain essential fields. In such cases it is recommended that these tasks be assumed by collective economy undertakings, as has already been done in many countries. Private monopoly undertakings can be forced, by the imposition of a series of "obligations to the public", to act in the interests of the collective economy; the legislation concerning public utilities in many Western countries is an example of how this can be done.<sup>1</sup> In the Federal Republic of Germany, too, water and gas supply companies—in so far as they are not already in the hands of public authorities—are subject to a considerable measure of control of this type. The volume of investment and production is regulated, as are prices and sometimes conditions of supply, import contracts, etc., as well. It is, however, doubtful whether the imposition of such obligations is sufficient in all cases. Such measures will always be restricted to individual branches of the industrial economy. The service of the collective economy and the promotion of the general welfare are tasks which cannot be imposed as a matter of principle. The attitudes

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<sup>1</sup> Frederick HAUSSMANN: "Public Utilities und gemeinwirtschaftliche Unternehmen in nationaler und internationaler Sicht", Bern, 1958; and "Eine besondere Rechtsform für öffentliche Wirtschaftsgebilde", in *Archiv für öffentliche und freigemeinwirtschaftliche Unternehmen*, Vol. I, 1954, p. 325; Gert von EYERN: "Das öffentlich gebundene Unternehmen", in *ibid.*, Vol. IV, 1958, No. 1.

of the persons responsible must also be considered ; and naturally those who are employed in collective economy undertakings will as a rule be more eager to serve the public than the heads of private undertakings.

Collective economy undertakings will also be needed to supply certain socially important goods and services for which the consumers, or some groups of consumers, are not willing or able to pay the prices necessary to cover the costs. In such cases the question whether the undertaking will cover its costs or not must not be a paramount criterion in deciding whether such an undertaking is to be established or not. This is true of certain undertakings providing cultural amenities (theatres), scientific and educational institutions and institutions concerned with the health of the community (hospitals, spas, sports establishments). In these fields society refuses to take the economic price as a decisive factor in determining production and to ignore the wishes of certain consumers because considerations of price militate against their fulfilment. (This is not, however, the place to study the problem of whether the customer formulates his desires as freely as is generally thought or whether his desires are to a considerable extent influenced by manufacturers' propaganda, etc. )

It may be assumed that the fulfilment of tasks which need continual subsidising will tend to be a sign to collective economy undertakings, as the combination of the search for maximum profit with subsidising may give rise to clashes of irreconcilable interests. Continual subsidising will generally be desirable only in respect of undertakings meeting essential consumer needs and setting out to cover present consumption as efficiently as possible or providing for consumption at the level it is desired to reach.

#### **IV. The influence of the collective economy sector on the economy as a whole**

However, the significance of collective economy undertakings in economic development can be ascertained only by reference to contemporary historical circumstances and economic organisation.

The place of collective economy undertakings in the general economy and the influence of their activities on economic processes (and especially on the price structure) gives the measure of their influence on the volume, distribution and composition of the social product. (It is to be noted that the amount of the social product does not give a reliable indication of the extent to which the direct interests of the individual members of a social economy are satisfied.) Quite apart from all questions of price fluctuation—which cannot be eliminated in terms of market prices and gives no indications of the extent to which the most urgent needs are met, for it is not identical with the purchasing power available. Moreover, it does not indicate to what extent the economic process is beneficial

or prejudicial to the direct interests of the individuals concerned. Collective economy undertakings not only make for an increase in the amount of the social product but also influence the manner of its distribution. They are in fact one of the most important instruments for the adjustment of the distribution of the social product and the improvement of standards of living in general. Collective economy undertakings also influence the composition of the social product, either directly, by refraining from propaganda advertising and if necessary ignoring market prices in planning their production (i.e. deciding to operate without profit or even at a loss), or indirectly, by trying to bring about a redistribution which in its turn affects the composition of the social product.

Collective economy undertakings can also influence the actual operation of the productive process and thereby the distribution of imponderable elements which have to be taken into account in measuring standards of living (regulation of working hours, wages, occupational hygiene, social conditions in general). They may also under certain circumstances fulfil essential cultural functions.

## **V. The significance of statistics in economic policies intended to promote a free economy**

To ascertain whether a state economic policy, to achieve its aims, must rely particularly on collective economy undertakings a careful analysis of the situation is necessary and also statistics covering all collective economy undertakings, i.e. the collective economy sector.

Investigations into the possibility of direct intervention by the State in specific economic sectors usually go no further than the study of the public and semi-public undertakings and the proportion of the total capacity or output of that sector that they account for, and also the possibilities of influencing the management of the undertakings provided for by law. However, this field of investigation covers only part of the collective economy sector ; many collective economy undertakings are completely outside its scope. Moreover, nothing can be learned about the management policy of undertakings from a study of their situation in law. Legal forms are nowadays extremely elastic and may serve to cover the most varied needs of undertakings. This makes examination of the collective economy sector extremely difficult.

Nevertheless, all attempts to produce statistics on these undertakings must not be abandoned. Statistics on undertakings, which have gained considerably in precision during the last few decades, need further development in this direction.

To produce statistics designed to meet the requirements of a systematic policy to promote a free economy an investigation must be made of the purposes of the undertakings concerned, of possible changes in those purposes and the organisational forms selected for their fulfilment as well as any changes in those forms. Information of this kind becomes increasingly important as the problem

of which types of undertakings are specially worthy of promotion becomes more and more a subject of political discussion in many countries.

A statistical analysis of structural characteristics should begin by showing the actual conditions under which the undertakings operate ; furthermore, their purposes should be indicated (of particular importance in this connection are the results of the undertakings—kind, quantity and composition— and the persons or institutions who benefit from the results achieved). In addition, indications of the organisational as well as the legal forms are necessary ; lastly, a certain amount of statistical data on the nature and character of the economic processes carried on in these undertakings (the “ working atmosphere ”, etc.), will be desirable if modern methods of sociological field investigation are used.

The preparation of statistics on the structure of undertakings is particularly difficult, for the purpose of an undertaking depends on the psychological factors which are difficult if not impossible to define statistically. It is therefore recommended, for statistical purposes, that the “ institutional purpose ” to which reference has already been made — i.e. the purpose of the undertakings as defined in the relevant legislation (for instance, the right to communal flats), agreements, articles, etc. — be taken as a basis.

The problem can only be considered in this context. At any rate, a well-defined economic policy for a private economy which to a considerable extent involves the promotion of collective economy undertakings of all kinds (i.e. private as well as public) requires complete statistics clearly illustrating the structure of private undertakings.

The German Statistical Society examined this problem at its 29th Annual General Meeting last October.

In the next part of this monograph we shall consider the special significance of collective economy undertakings in the various branches of governmental economic policy.

## **VI. Collective economy undertakings as an instrument of short-term economic policy**

According to the significance of collective economy undertakings in a national economy, they influence short-term market trends by the amount and timing of their investment. In earlier years they followed the trade-cycle pattern in their investment policies, i.e. they increased the volume of their investments in boom periods and restricted them during recessions ; but today many economic theorists, such as Ritschl, recommend a policy running counter to that pattern, or at least an investment policy based on a period longer than that of the trade cycle. This problem was examined by the ICRICE at its last Conference at Puteaux. During the world economic crisis which took place during the years 1932-33 the German State Railways, in accordance with the rules of conventional financial policy,

*Gerhard Weisser (1960)*

reduced their expenditure by 33 per cent. ; during the same period the State Postal Services reduced their expenditure by approximately 17 per cent., and the municipal public utility undertakings reduced their investments and raised their charges in order to cover their costs. According to present-day theories, however, the taking of such measures by public undertakings would obviously only aggravate the crisis.

It is doubtful, however, whether an anticyclic short-term policy in the Keynesian sense — i.e. an increase in investment on the one hand and a lowering of tariffs in an attempt to stimulate consumption on the other — will be effective. Reference is made to the statutory obligations to provide services which are laid on public undertakings (obligation to provide transport services, obligation to deliver goods, obligation to ensure connections). Consequently public undertakings must adjust themselves during boom periods to increases in demand. Another objection lies in the fact that recessions are often restricted to particular branches of an economy.

These objections, however, may not be of decisive importance. Public undertakings must in any case adjust their capacities to estimated future demands for their services well in advance, and a considerable measure of conformity with short-term anticyclic measures of economic policy is entirely conceivable. Localised recessions can be influenced by special measures such as the channelling of credits and orders into the sector affected.

There is, however, another objection which is more serious but applies only to a part of the collective economy sector. The question arises whether all undertakings performing functions with a bearing on social policy, and especially those concerned with producing necessities of life, which are unable to meet the demand for their services (such as public and private collective economy housing undertakings) must in a given situation limit their investments anticyclically. The investments of such undertakings must not be subordinated to considerations of short-term economic policy.

Finally, the short-term orientation of investment policy must not be allowed to prevent investments being made sufficiently well in advance without good reason. The unavoidable time lag between the initial investment and the beginning of production must always be borne in mind. If this were not the case the competitive position of the collective economy undertakings concerned — even against competition from substitute products — might be weakened.

## **VII. Collective economy undertakings as an instrument of investment policy**

A collective economy investment policy is of interest not only from the short-term point of view but also, and above all, as a means of exerting a long-term influence on the volume and composition of the social product. This question

was not always given sufficient attention during the discussions of the Conference at Puteaux and its Committees.

It has already been stated that collective economy undertakings do not determine their economic activity solely on the basis of market prices. They invest not only where the highest effective return is to be expected but also where the public interest requires them to do so. The importance of this tenet is shown over and over again in economic history, whenever an especially high level has been required for a very long period. It has already been pointed out that under certain conditions collective economy undertakings supply services even if the consumer does not — or does not yet — sufficiently desire those services (see Section IV) ; that is to say, collective economy undertakings, and above all publicly owned collective economy undertakings, invest in certain circumstances even when long-term subsidies are necessary. They devote themselves to providing for future demand in the public interest at no profit to themselves if it is sufficiently important that such provision be made. They may decide to subordinate their investment plans to questions of meeting future demand even if the additional productive capacity installed will not be fully taken up or costs covered by settled prices in the foreseeable future. In this connection the problems of calculating costs elements, marginal cost price fixing, etc., arise.

Public undertakings may also have a definite influence of investment policy as regards the volume of investment. Social insurance carriers have considerable resources available for investment and allocate them in accordance with collective economy principles. But there are also all the other savings institutions, providing *optional* facilities for the small saver, to which the small man can give his full confidence ; in particular, collective economy institutions of this kind are playing an increasingly important part in the accumulation of capital resources. The significance in a national economy of saving for a definite purpose will be examined separately in connection with building societies. These institutions have channelled into investment funds which until now have been expended on consumer goods and services.

### **VIII. Collective economy undertakings as an instrument of distribution policy**

Investment policy is by implication a policy of distribution of resources. Thus the collective economy undertakings will not only aim at achieving a level of investment necessary to provide the optimum volume of goods or services but also at making due provision for the process of capital formation which is an essential part of their economic activity. In this way they contribute to the extremely desirable end of enabling persons of modest means to accumulate assets. In so far as such assets are formed and held by workers the position of the latter in the employment market is usually strengthened by this process ; as a rule

*Gerhard Weisser (1960)*

it makes their demand for jobs more elastic. A particularly advanced example of the formation of assets owned by the workers is the “workers’ undertaking”, which, as a voluntarily formed undertaking, even in countries with market economies, is fully defensible as an institution. I will discuss the problems peculiar to this type of undertaking later.

Collective economy undertakings have an extremely important part to play in any state policy aimed at improving the distribution of the necessities of life. The present distribution of income and capital is the end product of a considerable number of accidental or arbitrary factors and cannot be justified by any political theory. As a matter of fact, nobody — not even the early Utopian Liberals — intended the present situation to arise. This is equally true of the theory of distribution according to the market value of the service provided. Sociological theorists are becoming more and more unanimous that for cultural and ethical reasons the distribution of goods and services should no longer depend exclusively on market forces. The market is unable to determine the nature of a “service”. The estimation of the value of the goods and services available on the market is today affected by a great variety of social factors, and particularly by factors independent of the State ; the selling price cannot serve as a measure of the service rendered, for in the last resort the value of services is determined by extra-economic factors.

Mutual-aid establishments for persons of limited means, such as supply co-operatives (e.g. consumers’ co-operatives), can help to correct the distribution of incomes by bringing it more into line with needs (i.e. by supplying their members with the necessities of life on the best possible terms) and can also influence the terms of competition in an economy. For example, in Sweden the co-operatives have a decisive influence on price levels throughout the economy. We shall return to this example later. In this context the analysis of the morphology of private-economy units must throw more light, from both the theoretical and practical viewpoints, on the influence of these mutual-aid undertakings on the distribution of the necessities of life and on the social structure as a whole. Undertakings of this type are in fact still hampered in many countries by numerous restrictions, all of them springing from the unshakable conviction that they are “collectivist” in character. On the contrary, such institutions infuse a greater measure of freedom into the economy by offering the consumer the choice between obtaining supplies on the market from persons known to him or together with other persons in co-operatives. Collective economy undertakings can help persons with no private means, and especially young persons, to make a good start in life and rise to high positions. A book entitled “Collective Ownership, Past and Present”, published by the British Labour Party in 1957, states that the gigantic autonomous industrial combines whose business activities are beyond all control — especially that of shareholders — are more and more placing themselves in a position to favour certain population groups. In this field, too, collective economy undertakings can have a corrective influence. Very frequently anomalous privileges in distribution



existing in an economic system can be partly counterbalanced by public undertakings. Collective economy undertakings are a useful and effective instrument of redistribution (special transport tariffs of a social character, cultural institutions, etc.), and can and do make use of all known methods of market sharing and price discrimination, with the only difference that they do not aim at the maximum profit, like private undertakings, but plan their production in accordance with actual needs.

In the adjustment of relative living standards the “supervisory” collective economy undertakings, to which reference was made earlier, play an important part in the field of credit, land and housing. They advise and guide persons of limited means in the implementation of certain projects of vital economic importance to them. In Germany the provincial *Heimstätten* and independent collective economy undertakings devote themselves to assisting persons of limited means to prepare building plans. They can also assist members of the middle classes and give advice and aid to small independent farmers, artisans and tradesmen; the German Co-operative Fund, a semi-public collective economy undertaking, is a typical institution of this kind. These tasks are particularly important as small independent workers are finding it more and more difficult to maintain their living standards in the face of improvements in techniques and economic organisation.

### **IX. Collective economy undertakings as an instrument of regional development policy**

Collective economy undertakings are essential to the fulfilment of any regional development policy. The tariff policies of public undertakings in the fields of power supply and communications and the interest policies of the public and privately owned collective economy banks can give invaluable assistance not only in countries with an excessively high population but also in the opening up of peripheral areas of highly developed industrial countries, such as Schleswig-Holstein in Germany, Wales and Scotland in Great Britain and Swedish and Finnish Lapland.

Special freight and passenger tariffs in railway and local transport are conventional instruments of regional development policy. It was precisely the failure of private enterprise in this sector which led to nationalisation; the taking over of local transport and public utility services by local authorities is one example.

However, tariff policies are not the only weapon available to collective economy undertakings. In economically backward areas public undertakings can be found in all branches of the economy, and they can subsequently be transferred into independent hands if that is desirable. In nearly all the publicly owned undertakings in the Union of South Africa (for instance, the I.S.C.O.R. and

its subsidiaries) this legal framework was adopted at the outset. I shall return to this question when dealing with the rôle of the collective economy in the underdeveloped (or “developing”) countries.

There are also collective economy undertakings which carry out a pioneer rôle of the type just described in underdeveloped areas with a view to attracting industry into such areas. For instance, a state-owned undertaking in Wales has erected factory premises and leases them on attractive terms. Institutions which plan completely new towns and direct the building of them also fall into this category.

### **X. Collective economy undertakings as an instrument of a policy intended to stimulate competition**

Collective economy undertakings may serve as instruments of a policy calculated to stimulate competition; their influence on competitive conditions make them a decisive weapon of distributional policy.

There is in fact competition—in some sectors extremely fierce—between public and independent collective economy undertakings. But they can serve as instruments of a policy to stimulate competition in markets which are controlled by a small group of persons or institutions; their establishment in such markets might be described as “setting the cat among the pigeons”. They can have a similar effect in sectors controlled by cartels. Undertakings which meet basic needs are the ones most likely to succeed in this sphere.

In the sectors in which undertakings of this kind are active (such as housing) their influence as a regulator of market conditions is clearly perceivable. The plans of the Ministry of Housing in the Federal Republic of Germany to allow the laws of supply and demand to operate in the housing sector without restriction, which have given rise to so much controversy, are based precisely on the influence of housing co-operatives as a regulator of market forces. However, this is not the place to discuss that problem.

Public undertakings may even be founded for the specific purpose of regulating market forces. They would, in fact, be a particularly suitable instrument to restore the free play of market forces: the problem should not, however, be approached in a spirit of doctrinaire rigidity or parochialism. In such cases the purpose of undertakings of this kind is the maintenance of free competition.

Viewed from this standpoint in particular the plans of the Government of the Federal Republic of Germany to turn over public undertakings to private ownership must appear very short-sighted. This, however, is a problem of domestic policy and is not our concern here.

## **XI. Collective economy undertakings as instruments of constitutional policy**

Lastly, there is an aspect of the activity of public undertakings to which neither economists nor politicians have given sufficient thought, namely their rôle as instruments for the defence of constitutional provisions. In earlier parts of this monograph reference has been made on several occasions to the ever-growing strength of extra-governmental institutions ; the influence of these institutions on economic and social development is increasing from day to day, but they have no corresponding moral commitments. Large-scale independent undertakings of types which the individual shareholders are powerless to control or which are directed by a small group of persons with large blocks of shares pursue policies designed solely to increase their power.

These institutions are strong enough to have a decisive influence on society but are beyond the reach of the legitimate authorities of society. The only means of controlling them is direct governmental action.

To what extent and in what sectors the conversion by law of undertakings to a collective economy pattern is necessary—or to what extent the imposition of a certain number of obligations of service to the community would suffice—is more a matter of constitutional than of economic policy. Here the question of freedom from arbitrary government is involved. Naturally the effect of such measures on the safeguards to freedom will depend essentially on the circumstances in which the new collective economy institutions are set up and the lines on which this is done.

## **XII. Collective economy undertakings in underdeveloped countries**

Finally, something should be said about the importance of collective economy undertakings in the industrialisation of the underdeveloped countries (sometimes referred to as the “ developing ” countries).

Clearly, in these countries the primary need is to increase the volume of production of the national economy ; but it must be effected in a socially satisfying manner. In other words, the mistakes made by the older industrialised countries must not be repeated.

The potentialities of the first countries to become industrialised were opened up by methods under which the workers were paid starvation wages while the profits earned were used by the undertakings for investment purposes ; but in the developing countries, where the process of capital formation is only just beginning, it must be organised in such a way as to prevent the glaring inequalities in the distribution of wealth which occurred in the older industrialised countries.

Recent economic theories have proved that the volume of investment depends not only on income levels but also on the uses to which those incomes—and especially workers' incomes—are put. Thus if the process of capital formation results in the payment of starvation wages to the workers, the latter obviously cannot accumulate resources; if, however, wages are higher, they can save. Social security is a form of compulsory capital accumulation, like the self-financing of undertakings out of monopoly and oligopoly profits. But the volume of saving, too, can be increased if suitable incentives are provided. The initial effect would be the same as that of self-financing arrangements, namely a fall in consumption; but the situation would be different in that in a self-financing operation the resources created are not in the hand of those who had to reduce their consumption to create them. In developing countries, too, voluntary saving should be preferred to compulsory saving and suitable inducements to voluntary saving should be given.

I have pointed out elsewhere that in underdeveloped countries the volume of investment required to set up state-owned public undertakings, and especially industrial undertakings, should not be allowed to act as a deterrent to the formation of such undertakings on the grounds that these investments will not bring in any return for a long time or because investment in the countries concerned involves greater risks than in the older industrial countries. The adoption of this legal form for undertakings will not preclude their subsequent transfer to private hands. Mention has already been made of the example of South Africa. (However, it is doubtful whether the methods followed in that country will always be satisfying from the social viewpoint.) But in some Asian countries, too, economic policies are now being framed along similar lines. Here the question arises as to whether the proposed transfer to private ownership merely involves the conversion of the undertakings involved into private profit-making undertakings or whether they are to become undertakings belonging to the workers actually employed in them or in a group of similar undertakings—in other words, whether the workers are to acquire part ownership of the undertakings in which they work. The advantages and drawbacks of joint ownership and the question whether it can contribute to the solution of social problems has been discussed at length in recent years in a number of countries, especially the Federal Republic of Germany. The problems are known. The possibility of forming veritable “workers' undertakings” is not usually taken into consideration. The conversion of public undertakings into workers' undertakings would certainly raise a multitude of problems. It might be pointed out that the workers have no resources of their own and that consequently the earnings of such undertakings will somehow have to be advanced to them on a long-term credit basis. Such a scheme if successful would give the workers an opportunity of obtaining an income from capital as well as from their labour.

The proposed workers' undertakings should not, however, be production co-operatives in the conventional sense. Admittedly, these have

in some places—mainly, like the Kibbutzim in Israel, in agriculture—proved successful. Most of them, however, have serious structural weaknesses such as lack of capital and often lack of working discipline as well. If a production co-operative is successful its founders tend to refuse to admit new members and instead to take on all additional workers required as ordinary employees. At any rate, on the basis of past experience, the production co-operative cannot be recommended as a particularly suitable method of solving these problems. However, the capital of the undertaking may be contributed not only by the persons actually employed in the work but by larger groups (such as trade unions) which have an interest in it ; in this way, the original institutional purpose of such undertakings can be maintained unchanged. Local authorities can assist the foundation of such undertakings by making available land and factory premises. Steps should also be taken to make sure that long-term credit can be obtained from outside sources. In any case, in the early stages assistance of all kinds would be necessary.

The Mutual Aid Institute in Cologne, and the Research Institute of the Permanent Committee for Self-Help, which is directed by the national associations of co-operatives, voluntary welfare institutions, refugees and displaced persons, building societies, etc., have prepared reports on the subject at the request of ministries and other bodies and have recommended the foundation of experimental undertakings of this kind. These suggestions are of importance not only for underdeveloped countries—where, as a rule, they acquire practical importance only in the later stages of development ; they should form an essential part of long-term plans ; but during the initial stages the traditional forms of the consumers' and producers' co-operatives should be adhered to.

In my opinion neither in underdeveloped countries nor in the old industrial countries would limitation to a few types of undertakings or even to a single type be at all desirable. On the contrary, the greatest possible variety of forms of social life and of types of undertakings must be sought after. The conditions obtaining in each country must be considered and for every country a list of types of undertakings the establishment of which is possible and desirable should be drawn up. But in all underdeveloped countries the promotion of the co-operative movement is, as has already been mentioned, of particular importance. Here the assistance given by the International Co-operative Alliance and the voluntary welfare institutes must be given due praise. The task, however, has only just been begun. The ICRIICE should participate in scientific work undertaken in all these fields.

### **XIII. Conclusion**

I have tried to give a brief résumé of the importance of collective economy undertakings in the national economy. Although it has been impossible to deal

*Gerhard Weisser (1960)*

with many important aspects of the problem, I think it has been demonstrated that in view of the interrelationship between all economic processes, collective economy undertakings, if not hemmed into artificial restricted fields, can have a decisive influence in every field of the national economy. In our investigations we have to confine ourselves to showing the potentialities of that influence.

In such a short monograph as this there is no room to give a comprehensive list of recommendations and warnings for the guidance of a completely independent private undertaking and for use in formulating the policies of collective economy undertakings of the kinds described. To produce such a list a great deal of work on problems of detail will be necessary. The ICRICE can give invaluable assistance by studying the fields I have mentioned—and many I have not touched upon as well.

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## **PLANNING AND CO-OPERATIVE ACTION \***

by Paul LAMBERT

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The way in which planning is spreading to the four corners of the earth is one of the most striking features of our time.

We find the first example of planning in the Soviet Union during the years 1928-29. Today there are very few countries without national planning departments, and the majority of countries which do not yet have such departments are organising them.

Let us take a few examples. You know better than I that France is at present applying her fourth plan, for the years 1962-65. The Netherlands has for many years had a Planning Department which draws up long-term plans covering twelve years or so, within the framework of which shorter plans, covering a year or two, are inserted. Belgium also has a planning department; it is still working on the necessary preliminary research, but its director recently stated that proper planning would probably begin in the near future. Italy has not yet any institutional planning machinery but is preparing to introduce it; in any case, State intervention already takes place in an organised and co-ordinated fashion through the network of public undertakings belonging to the IRI Group. Cyprus has only just become independent, but is already drawing up her first five-year plan, for the period 1962-66. Morocco has an economic and social plan for the period 1960-64, Israel has the Saphir Plan for the period 1960-65. India is implementing her third five-year plan, which covers the years 1961-66. Pakistan is implementing her second economic development plan, which was published in 1960. Indonesia has drawn up an eight-year plan for the period 1961-69. And so on and so forth. I could give you a list covering the whole world.

Why is this ?

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First of all, because the deficiencies of the price mechanism are better understood than they used to be. Just after the end of the Second World War such liberal economists as Professor Robbins of London explained that this mechanism may be suitable for the distribution of goods and services, but that one cannot expect it to ensure optimum economic development.

Secondly, planning is merely a rationalisation of State intervention in the economic field — a state of affairs that has been with us for many years. The principle at least of such intervention is accepted by almost everybody; and to make it more effective it was necessary to make it more systematic.

Obviously, the word “planning” covers a great variety of different arrangements. I shall begin with the communist countries, then go on to the underdeveloped or recently developed countries and conclude by examining the older advanced countries.

In countries with communist systems planning is authoritarian and practically universal in scope.<sup>1</sup> I say “practically” because it does not entirely cover certain sectors; for instance, a proportion of agricultural produce may be sold on free markets. But in essence planning of this kind involves the issue of detailed instructions to undertakings. To begin with, the State planning authorities consult the individual undertakings on their programmes; the latter are submitted to it, it modifies them and returns them to the undertakings concerned with mandatory force. The orders given regulate the qualities and amounts of goods to be produced, the amount or proportion of earnings to be distributed, the prices to be charged, etc.

In such a system there is very little room for co-operation. The co-operative movement, like any other group of undertakings, must accept orders from above even on such subjects as its sphere of activity. If, for instance, the planning authorities decide that the supply function in large towns shall be vested in State stores and not in co-operative stores, the central consumer co-operative organisation accepts the decision without protest. The result is, that, for almost all practical purposes, there is no such thing as a “spontaneous” co-operative movement in these countries. They are a survival of the past and offer a hope for the future. They are a survival of the past in that there are general meetings of members; but at these meetings there are very few decisions to be taken. The further one gets away from the apex of the movement and the nearer to the individual undertakings and human beings which belong to it, the more circumscribed is the degree of freedom. The main decisions have been taken elsewhere; all that remains is at most a choice between a small number

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<sup>1</sup> This remark obviously does not apply to Yugoslavia, where a flexible planning system exists within which the independence of the individual undertakings is maintained. For detailed studies of the Yugoslav system see *Collective Economy in Yugoslavia*, special issue of *Annals*, Vol. XXX. Nos. 2-3 (Apr.-Nov. 1959).

*Paul Lambert (1962)*

of methods of applying those decisions. On the other hand, the movement offers a hope for the future in that it constitutes a potential nucleus of democracy which might one day take root and expand.<sup>2</sup>

Let us now turn to the newly developing or as yet undeveloped countries.

All these countries resort to planning, and in all of them the plans include provision for the development of the co-operative movement.

Let me briefly recall the main characteristics of countries in these regions.

Saving is extremely rare; the capital accumulated is totally inadequate to meet existing needs; illiteracy is rife; and the population growth is very rapid. Consequently the State must accept the responsibility for promoting development sufficient to ensure that the fundamental needs of the population are met as far as possible.

In such countries one aspect — and one aspect only — of planning is easy, namely the choice of objectives. The task of the planners is one of admitting, not a wide and complex range of desires, but a few elementary needs, the most important of which is the need to have enough to eat.

As I said, this aspect of planning is relatively simple and easy. But all the work of implementing the plans is fraught with difficulties. The people must be educated, although the country's elite is very small and overwhelmed by tasks of all kinds. The State must take responsibility for a series of activities which private enterprise will not take up because they are unprofitable (industrial infrastructure, transport facilities, irrigation and even part of the country's industrialisation). In addition, the State must carry through agrarian reforms and promote the development of the co-operative movement.

Why do planners in these countries attach so much importance to the co-operative movement?

First of all, because they have realised that co-operation enables agricultural output to be increased.

When an agrarian reform has been carried through in a country, the agricultural structure of that country consists of a great number of family farms. If all these small units were forced to join large State farms, it is highly probable that output would not increase. The main reason for this is that in agriculture it is extremely difficult to distribute remuneration according to work, particularly in very large farms. If everybody is paid the same, the people who work hardest will feel victimised and will probably work less hard in the future;

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<sup>2</sup> Even today the degree of autonomy granted to the co-operative movements in the Peoples' Democracies varies considerably from one to another. For instance, if Poland or Hungary could recover their political independence, the dynamic spirit of the co-operative movements there would make itself energetically manifest.

on the other hand, if one attempts to measure the work done by each individual, one will not be able to find any objective criterion by which to do it, the people who have not received as much as others will be dissatisfied, and the person in charge will be accused of favouritism. Agricultural workers always work hardest when they and their families have definite rights over a plot of land. However, if this situation is allowed to continue productivity will remain low.

The solution is therefore to bring family undertakings together within a co-operative framework. This framework will serve for group purchasing, as it provides a means of overcoming not only the problem of prices but also that of quality, and particularly quality of seed; it will serve for the joint sale and marketing of produce, and also the shared use of some cattle (and, later, as the situation improves, of implements and even machinery); it will serve as a framework for the performance by the whole group of certain tasks at harvest time; and, lastly, it will serve as a basis for savings and credit operations and thus thwart one of the worst scourges of countries of this kind — the money-lending class.

This is the first reason why the planning authorities in these countries are fully aware of the importance of the development of co-operation within the framework of a general development plan.

The second and most important reason is that these planners believe that through co-operation they can develop human beings, not only as people who will gradually become capable of directing undertakings larger than tiny family farms, but above all as citizens. For if the range of vision of these people can be broadened to reach beyond their tiny plots of land sufficiently to enable them to grasp general economic problems, they will at the same time become able to understand the major political problems of their countries.

At this stage observers and co-operators of long standing like ourselves may wonder whether it is really necessary for the State to take charge of general and co-operative planning in this way.

Nearly all the members of the co-operative movements in Great Britain, France, Sweden and Switzerland who have studied this question have answered in the affirmative. Why is this?

The reason is mainly because in these countries the intellectual elite is very small and can achieve the best results where it is concentrated. Naturally, such an elite will concentrate around the State; there it can best serve the nation as a whole.

There is a serious danger here; during the planning stage the government of a young country may take all decisions on itself. Admittedly, as it is helping the co-operative movement to develop by providing it with experts, loans and subsidies, it will inevitably exercise some control over the movement.

Paul Lambert (1962)

But is it not to be feared that this control will develop into actual direction, the authorities taking decisions instead of the movement itself?

This danger is undoubtedly a serious one. The temptation lies in wait for planners at all times, and in some recently developed countries the authorities have certainly succumbed to it. On the other hand, there are countries which have not. For instance, India takes great pains to ensure that the representatives of the State do not become the heads of the co-operative movement; this is particularly due to Mr. Nehru's awareness of the danger.<sup>3</sup>

India fully realises that the State must learn to hold itself in check, to exercise control exclusively *a posteriori* and to refrain from undertaking administrative functions itself if the peasants are ever to acquire the competence and knowledge necessary to become full members of the co-operative movement and full citizens.

This is difficult; but it is essential.

Now I should like to speak at rather greater length on the countries of our part of the world and the ones which we know best — namely the older developed countries.

In these countries planning is often described as “indicative” as opposed to “imperative”. One is strongly tempted to accept this expression, since it indicates the opposition between two approaches. However, I am not altogether happy about it, as the adjective “indicative” does not give a true idea of the actual content of planning measures. Admittedly, planning involves the *indication* of objectives for the country; but what is much more important is that it involves the *guidance* of the nation towards the achievement of these objectives by setting up a number of influences. I think that influence is more the principal characteristic of planning of this type than indication. These influences can be exercised by a variety of means according to the country concerned, such as monetary policy; fiscal policies under which firms following the lines of the plan are granted tax rebates or subsidies; customs policies, designed in particular to stabilise certain agricultural incomes in the manner indicated by the planners; public works policies such as those designed to modify the industrial infrastructure of particular regions with a view to attracting industrial undertakings there; and, lastly, the activities of public undertakings themselves.

In our countries public authorities use public undertakings, with varying degrees of awareness and success, to guide the economy along the lines required for the fulfilment of planned objectives. Just now I mentioned a country

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<sup>3</sup> This should not be taken as implying that there are no defects in planning in India. On the subject see the various articles and notes written by Mr. S. K. Iyengar in the different issues of the *Annals* which have appeared or have yet to appear during 1962.

which seems to have made particularly striking progress along these lines even though there is not yet any institutional planning, namely Italy.

What has all this to do with the co-operative movement?

Let us turn for a moment to a well-known quotation from Fauquet which is of even more topical reference than when it was written:

The co-operative organisations, with their federative structures within which their component units are organized and grouped at the different levels, offer the State — if the latter knows how to use them — a series of links between the centres from which the economy is directed and the depths of social life.

I should like to add two riders to this definition.

The first is one which Fauquet would certainly have taken for granted. The co-operative movement should not offer to act as a link between the people and any planning scheme; it must have been sufficiently closely associated with the actual framing of the plan to ensure that the decisions of the authorities take the major social aims of co-operation sufficiently into account.

The second rider is that the co-operative movement must organise itself and take the necessary steps to place a moral obligation on the planning authorities to have recourse to its services.

Admittedly, federal structures have been found in the co-operative movement for many years; one might even say that this type of federalism was invented by the Rochdale Equitable Pioneers. This they did in fact when they made their first attempt to open a wholesale store for themselves and for a number of other societies which they had built up. The very establishment of a wholesale store implies the establishment of a federation, as the wholesale takes over responsibility for a number of transactions on behalf of its members. And as the primary societies have achieved greater awareness of the possibilities of their wholesale stores and of their moral unity — and have either amalgamated or, as in France, remained separate — the problem of federation has acquired increasing importance.

Co-operative federations have often established societies where none previously existed and have endeavoured to co-ordinate and supplement the activities of their members with varying success. When I say “with varying success” I have failures in mind, but also amazing successes, of which Sweden is certainly the finest example; I do not think that Professor Lasserre, our Chairman today, will disagree with me on this point. In addition, a federation often obtains the right to exercise a measure of control over member societies.

Now you can see how right Fauquet was to speak of co-operative federalism; and his remarks apply, not only to the consumer co-operatives, but also to the other branches of the movement. There are great federations of agricultural, credit and housing co-operatives.

*Paul Lambert (1962)*

Proof that the co-operative movement is a spontaneous development is to be found in the fact that federations did not develop until after — and sometimes long after — the establishment of the primary co-operatives. For instance, in Norway there have been agricultural co-operatives — and in particular dairy co-operatives — since 1856, but the federation of agricultural co-operatives in the country was not constituted until just after the Second World War. Israel is the only country in which events occurred the other way round. In that country, which was established entirely by immigrants, the consumer co-operative wholesale store was established before the local societies. I repeat that this is the only example; and even this example can be explained by reference to the special circumstances obtaining.

Once the federations exist would it not be possible for each group — such as the consumer co-operatives or the agricultural co-operatives — to work out development and rationalisation plans for their respective sectors ?

If only members of co-operatives could realise the importance of even this initial task and decide to act in the way I have suggested, any number of serious problems could be tackled and dealt with.

Here I have particularly in mind the agricultural co-operatives. They should not be content to keep things going as they are at present; they should look forward into the future, and particularly (in the countries we are directly concerned with here) in the light of the prospects offered by the Common Market — and face up to the problem of rationalisation in agriculture. They should even go so far as to put forward programmes for action to deal with difficult problems such as that of regrouping of holdings.

It would be highly desirable that the co-operatives should take this heavy burden and responsibility on their own shoulders. The proposals they would make would be much more likely to be effective than those drawn up by State planners working on their own; for the co-operatives have the advantage of being in direct contact with the persons concerned with the peasantry in this case.

The credit and housing co-operatives, in their turn, would also draw up their own plans for rationalisation and development.

Then we should come to the second stage, at which the main federations will form a confederation. This, too, has been an aspiration for many years. All of you certainly remember men of action and theorists, such as Albert Thomas, who fervently desired the establishment of closer contacts — and even institutional relationships — among co-operatives of all kinds.

If a confederation of federations could be established, the plans of the different types of co-operatives could be co-ordinated and presented to the State by the co-operative movement as a whole.

To my mind this approach has very definite advantages. Unified, the co-operative sector is a considerable power; divided and acting in conjunction

with organisations of other types — for instance, the consumer co-operatives with the representatives of the distribution system as a whole, agricultural co-operatives with agriculture as a whole, and housing co-operatives with all private or public housing firms — the movement will have little or no influence and will not constitute what Beatrice Potter-Webb described as a “State within a State”.

Additional strength is not the only advantage which confederation offers; there would be many others. One can realise these advantages by considering, as I now propose to do, certain problems of planning and trying to ascertain the specific role the co-operative movement can play in overcoming them.

First of all, planning always raises one fundamental problem, namely the choice between serving the present and serving the future.

What proportion of the national income should be earmarked for investment? In other words, once full employment has been achieved, what proportion of the total national income available for consumption must be set aside for investment?

The problem is a very serious one. To take only one example: the revolts which took place in some Peoples’ Democracies a few years ago were partly due to the fact that the planners wanted to make progress too quickly and to sacrifice too much of the present for the future.

In theory the ideal solution would be for every citizen to be able to form an opinion on the subject and to say what proportion of the national income he thinks should be set aside for investment — in other words, to what extent he thinks the present should be sacrificed for the benefit of the future.

One must admit that it would be very difficult to translate this ideal into reality. The concepts of over-all income, saving and investment have already given rise to disagreement among professional economists and are some of the most complex notions in economics. Governments would have to develop the technique of explanation to a fine art before they could put such a question to the general public.

But in such a situation the co-operative movement, which is in touch with millions of members who have at least some experience of management problems, the distribution of surpluses, the choice between distribution in dividends and the formation of reserves for future expansion, could act as a link, explain the question to a substantial sector of public income and give the State an indication of what the people would be prepared to allow, and on the extent to which sacrifices for the benefit of the future would be considered reasonable. The answer would, admittedly, be approximate; but it would carry great weight.

*Paul Lambert (1962)*

The second major problem of planning is that of quality control. Development programmes are useless if the quality of production falls as the quantity increases.

In this field, too, public opinion can make itself felt. Many of you know that even in the Soviet Union satirical magazines like *Krokodil* publish cartoons from time to time about thousands of alarm clocks which will not go off, clothes which shrink fantastically the first time they are washed, etc. But it must be remembered that these cartoons cannot be published without permission of the authorities. Thus what we have here is a criticism of subordinates by their heads; for criticism of the heads themselves is unthinkable. Obviously, quality control would be much more effective if the press were free and political democracy restored.

Here again, however, we have a problem of organisation and competence. The co-operative movement — and here I am thinking mainly of the consumer co-operatives — are making systematic efforts to keep a check on quality, not merely by laboratory research but also by checking on quality when purchases are made at the wholesale store, where they make their purchases not for profit but for the benefit of the groups of consumers they represent.

It follows that, if it were given a part to play within a plan, the co-operative movement would certainly play a role of prime importance in the field of quality control.

The third major problem of planning is the prevention of wastage. Since optimum development is being sought, every effort must obviously be made to prevent wastage.

Wastage can occur in a variety of ways. It can occur within the individual undertaking; and I think we can accept the principle that it will be reduced to a minimum if the undertaking concerned is given a maximum of autonomy — for an autonomous undertaking keeps the closest check on its own costs. In addition, however, there is wastage of a social character; this occurs when undertakings take decisions which are incompatible with one another and give rise to the wastage which occurs during recessions or depressions and which can — as you well know— attain staggering proportions.

It follows that a plan must set out to reconcile the autonomy of the individual undertaking with general co-ordination; this implies, first, that autonomy must not be absolute, and, secondly, that co-ordination must not be totalitarian in character.

Once again, it is difficult to reconcile the two extremes; but none of the economic and social problems of our time are easy to deal with. “Difficult” does not mean “impossible”.

The co-operative movement is in fact a federation of autonomous individual undertakings. It offers a pattern of organisation which, if accepted,



would enable wastage to be eliminated, not only within the individual undertaking, but within the nation as a whole.

There is a third type of wastage — that which results from the imperfect nature of competition.

Many measures of rationalisation could be applied but are not owing to the imperfect nature of the competitive system. You have certainly heard it said time and time again that products backed by intensive advertising campaigns acquire an individuality of their own, with the result that, where it would suffice to have, for instance, one toothpaste factory, there are ten or even a hundred, all producing different products which nevertheless have approximately the same intrinsic worth.

You need not be afraid; I am certainly not thinking of a system in which there would only be a few standardised products available. It is not the abolition of variations designed to meet different tastes that I am concerned with, but the avoidance of useless and costly dispersal of effort.

In this field, too, the co-operative movement offers an example of production rationally and directly planned to meet the needs of the educated consumer. Just think of the immense potential offered by a completely integrated co-operative movement supplying simultaneously such goods and services as — to mention only a few — foodstuffs, textiles, household appliances, agricultural produce of all kinds, housing and credit!

The education of the consumer is an activity peculiar to the co-operative movement; it is an important means of countering imperfections in the competitive system. It is also significant in other ways, as we shall see later.

I should now like to say a few words about a fourth problem of planning, namely the choice of employment. This problem is of more concern to trade unions than to co-operatives; however, the co-operative movement can help to deal with it.

The question of choice of employment becomes more and more serious as the number of economies in which full employment is a reality increases.

If the planners consider that the economy must be given a new direction and that new undertakings must be established in branches in which world demand is rapidly increasing, workers will have to be transferred from one undertaking to another and from one sector to another. The workers concerned, however, are already in employment; and to induce them to move from one sector to another higher wages will have to be offered them. If the trade union understands the problem and co-operates there will be no difficulties; if, however, the trade union takes the increase in wages in the new sector as a pretext for demanding a general upward adjustment of wages, the effect of the inducements

*Paul Lambert (1962)*

will be nullified; and at this stage there is a danger that authoritarian methods and the systematic direction of labour may be resorted to.

This danger can be averted if steps are taken to see that families are given accurate information on the subject well in advance so that young people will be more attracted towards the expanding trades in which earnings are likely to be high.

The planning authorities should give information of a general character; they are in the best position to know what technical changes are likely to take place and what the effect of those changes on the size and structure of the economically active population will be.

However, this task of supplying information is not so easy as one might think. There are, admittedly, specialised organisations doing this job, and the national press can also assist. But once again, the best channel of information is an organisation which has genuine contacts with the rank and file of its membership. Consequently the co-operative movement can play an extremely satisfactory role even in a field such as this.

I now come to the fifth major problem of all planning, namely the extent to which the freedom of choice of the consumer should be safeguarded.

First of all, it must be remembered that, even in countries where planning embraces every aspect of life, money is still in use. Some idealists had imagined economic systems in which money would not be used; they believed that money was the source of all social evils and that, instead of receiving money, one would receive vouchers for particular goods in exchange for a given number of hours of work at a given task.

Fortunately, these ideals have remained dreams.

Wherever money exists there is a minimum of choice for the consumer. The latter has an income and spends it on the goods available; thus he has a certain margin of choice. For instance, he can eat less in order to be able to buy a new suit more often. But where the consumer has nothing else this freedom of choice is of little significance.

The consumer has a genuine freedom of choice when his demand influences the actual supply. If consumer demand for a particular product is high and the undertakings producing it are autonomous, the latter will react by increasing their supplies, and the consumer will thus ultimately be better satisfied.

Before I go any further — and I am sure you realise that I have nowhere near fully expressed my views on this subject — I should like to digress for a moment on the subject of the provision of goods and services free of charge. This is only compatible with freedom of choice for the consumer where it involves collectively used services. For instance, there is no objection whatever to free education. There is also something to be said for providing transport services

free of charge as the latter are used collectively and not on a strictly individual or family basis. In the field of transport there is already a trend in this direction as most of the main transport services are subsidised. Although the abolition of transport charges would increase costs very considerably, it would offer the advantage of encouraging people to move out of the big towns and to settle in neighbouring rural areas.

On the other hand, there are very serious objections to the provision of housing free of charge, which is envisaged in the latest programme of the Communist Party of the USSR.

Why should this be?

First of all, it must be pointed out that — as in all other similar cases — this costlessness is only apparent. Housing has to be paid for somehow; if it is not paid for by rent it will be paid for indirectly because the prices of other goods or services will be higher. For instance, rentals will be covered by higher prices for clothing. But this is not the primary consideration.

The main objection is that any shortage of a good or service provided free of charge inevitably involves rationing.

Who is to decide whether I am to live in a three-room flat or a four-room one? Who is to decide whether my flat is to be in the centre or in the suburbs? The answer, if housing is provided free, is the public authorities. In a field such as this freedom of choice for the consumer may, for instance, imply a decision never to go away on holiday in order to be able to live in a flat with an extra room all the year round. Once the decisions are made by the public authorities this freedom of choice disappears.

Let us return to the influence of the customer on the supply. It is only fully justifiable if the problem of fair distribution of incomes has been overcome. If this is not done, the whole system works to give priority of satisfaction to the rich customer.

The State is responsible for taking steps to ensure that at least the most flagrant injustices in the distribution of incomes are righted. But in this field, too, the co-operative movement can play an important part and could do much more if it would co-ordinate the activities of its different sections and apply its full strength.

First of all, the consumer co-operatives, either by paying dividends or by the collective utilisation of surpluses, bring a considerable proportion of the national income into the hands of the working classes — for the overwhelming majority of their members are either employees or self-employed workers. If the consumer co-operatives and the agricultural co-operatives could come to an agreement on an equitable basis to ensure that the prices of agricultural produce allowed a fair remuneration to the farmer for his work — without, however, allowing for

*Paul Lambert (1962)*

any element of pure profit — genuine justice would have been achieved in one sector of the distribution system.

The co-operative movement in general, with all its different forms, is certainly a force making for a fairer distribution of income.

Consequently the prerequisite for freedom of choice for the consumer is, if not fully, at least partly met by the co-operative movement.

Let me turn now to another aspect of the same problem. We all know — and American writers of recent years have laid much stress on the fact — that the freedom of choice of the consumer is to a considerable extent illusory, as the actual choice is in fact determined by the producer by means of intensive advertising.

It is a well-known fact that the most resistant of beings will, if they study themselves, recognise the influence of publicity slogans in their actions.

Since this is so, it is incorrect to say that the consumer makes the choice and dictates demand. In fact, the consumer is passive; the producer dictates his decisions for him.

The consumer only really makes a choice if he is properly informed and makes a genuine, motivated decision. The only social force through which the consumer can obtain the necessary freedom is the co-operative movement, and in particular the consumer co-operative movement, which has been endeavouring to educate the consumer ever since its inception.

The co-operative movement educates its members as consumers, as human beings and as citizens; it develops in them the habit of taking motivated decisions in meetings in which all are equal. For all these reasons the co-operative movement is the main force striving for the re-establishment of genuine freedom of choice for the consumer.

Lastly, there is the problem of the significance of the plan and of its acceptance by the people.

No plan will be effective unless it enjoys a large measure of acceptance among the citizens. To receive such acceptance the plan must have been framed in agreement with the people and not dictated from above by a few planning technicians. But here again it is inconceivable that the population, which consists of separate individuals, can really influence the planning authorities. Such an influence can, however, be exercised by organised democratic bodies in contact with the individual members of the population in their capacities as producers or consumers; they are in a position to pass on, not the decisions of the heads of the federations, but the wishes of the millions of individual members of the different co-operative movements.

It is true that this raises once again the problem of democracy in co-operatives. I spoke to you on this subject a little while ago; I will not repeat

what I said then. In spite of the difficulties which arise, I still say that the co-operative movement is a democracy; the proof lies in the fact that, no matter how much one may look, one will always find that the leaders are chosen and the main policy decisions made by democratic means.

Lastly, planning will be useless unless it serves the ultimate aim of all human activity, namely the moral and intellectual betterment of mankind.

One cannot judge an institution by simple criteria; the national income per head does not tell the whole story. Planning which achieves material objectives by the use of methods which drag mankind down and give ever greater importance to selfishness, fear and pusillanimity is a failure.

Planning, like all other human institutions, can only be judged in accordance with that simple criterion which I take the liberty of recalling to you; does it make for the moral and intellectual betterment of mankind or for its degradation?

If the former is the case, planning is a desirable thing and is to be welcomed. If the latter is the case, planning is to be condemned.

Perhaps you understand me now. I am firmly convinced that planning contributes to the moral and intellectual betterment of mankind in so far as it follows the lines laid down by institutions of earlier periods which have proved their worth in this field and never lose sight of human values. For me the most important of these institutions is the co-operative movement. Planning will be human if it is based on co-operative principles.

5. Lambert, P. (1963). Introduction. In: Lambert, P., *Studies in the social philosophy of co-operation*. Manchester: Co-operative union Ltd, pp. 27-36.

## **STUDIES IN THE SOCIAL PHILOSOPHY OF CO-OPERATION**

### **INTRODUCTION**

#### ***Existence of Co-operation***

Co-operation holds such an important place in the world that it has become impossible to understand the social and economic reality today without studying Co-operation.

Consumers' co-operatives distribute from 6 to 10 per cent (in countries where Co-operation is fairly limited) and up to 30 and 40 per cent (in countries where it is strong) of the total amount of retail goods. Co-operative industrial production did not follow the same pattern; it is important, however, in some countries such as Britain and Sweden. Co-operative insurance society organizations, particularly in Germany, in Sweden, and in Belgium, have developed to a considerable extent. In Germany and in Austria, savings and credit co-operatives occupy also a notable position. But the most striking phenomenon of the last few years is the astounding extension of agricultural co-operatives in Australia, New-Zealand, the United States, Canada, Denmark, the Netherlands, France, and elsewhere.

A few nations are living under a co-operative regime in the sense that the co-operative forms of economy pre-dominate: Iceland and Finland.

Besides, as the I.L.O. has repeatedly stressed, Co-operation is the great hope of economically under-developed countries.

### ***The teaching of Co-operation in the Universities***

All the Universities of the world teach Co-operation in their courses on social and political economy. Often, Co-operation is the subject of a special chair or of a research institute. In this respect, though I shall not attempt to make a complete list, I should like to give a few examples.

In France, since the end of 1944, the University of Paris has its chair of Co-operation, for a long time distinguished by Bernard Lavergne, and occupied today by Professor Lasserre, who, since last year, ceded his doctorate course to Professor Weiller in order to devote himself to a free course open to the general public. Special courses on Co-operation exist at the Universities of Strasbourg, Rennes, Poitiers, Lille, Caen, and Montpellier.

In Germany and Austria the Universities of Erlangen, Frankfurt, Marburg, Münster, and Vienna have federated their research institutions in order to publish a joint review of the highest interest devoted to the science of Co-operation (Professors Josef Back, Emil Wehrle, Gerhard Albrecht, Hans-Jürgen Seraphim); the University of Cologne has its course, its seminar, and its institute of Co-operation (Professor Gerhard Weisser); the University of Munich has its seminar (Professor Otto Hintner); those of Berlin and Innsbruck, their course (Professor Hugo Tillmann, Berlin).

It is the same in Switzerland. At the Universities of Basle (Professor Henri Faucherre) and Zurich (Professor Richard Büchner); in Geneva there is a course on co-operative law and a course of public economy which comprises the Co-operation of collectivities, according to the tradition created by Professor Edgard Milhaud, who, for a long time, delivered this teaching with considerable authority.

In Belgium, Louis de Brouckère taught Co-operation at the University of Brussels; the Law School of Liège has just opened a free course on Co-operation; the University of Louvain disposes, from the academic year 1958-1959, of two courses (in French and in Dutch) on the same subject.

I insist: these are only examples. Outside of Europe, as Maurice Colombain notes, « the teaching of Co-operation has found room today in the universities of most of the provinces in Canada and in more than forty States of the United States, as also in a dozen universities of Latin America, in about ten universities in India and in a few universities and upper schools in the Philippines and Thailand. »

### **Science and social philosophy**

The present work is a study of *social philosophy*; it is necessary that I warn the reader of the meaning that I give to this word.

Like many writers, I make a clear-cut distinction between social philosophy and science. Science *explains* the real, social philosophy *judges* the real and proposes several changes in order to improve it. Science, at the most, does not go beyond the strict and pure intelligence of the real, when it attempts to seek and co-ordinate adequate means in order to reach the aims that are given to it by social philosophy or policy. It does not go beyond this point.

This separation between science and social philosophy does not imply any preference for one or the other: science and social philosophy are complementary; they have an equal importance in the destiny of men. They are also complementary in many other respects, and it frequently happens that it is social philosophy that inspires science, chiefly in our field of social sciences. Indeed, it is frequently in pursuance of a *judgment* that a man has delivered on facts, that he then devotes himself, often for many years, to *understanding* the facts. He becomes learned because he first made a judgment of social philosophy.

As far as Co-operation is concerned, *the social philosophy comes before the science*, for it has come before the existence of Co-operation itself: Co-operation derives from a judgment made by its founders on the world as it appeared just after the industrial revolution, and it is because this judgment was an unfavourable one that Co-operation was born.

As Charles Gide once said, Co-operation is at the same time an *object of science* and a *reason for being*. Hence its complete study implies at the same time a scientific and an ideological study.

### **Social philosophy of Co-operation**

M. Albert Pasquier, of the Law School of Caen, is of the opinion that the phrase, « social philosophy of Co-operation », is inadequate because of the very marked differences separating the authors and the statesmen who appeal to it.

But if this reason were sufficient we could not speak either of the socialist philosophy, of the neo-liberal philosophy, or of the Christian social philosophy.

As always, in similar cases, the phrase, « social philosophy of Co-operation », is collective: it comprises *all the philosophies* that give Co-operation a role of varying importance in the solution of the economic and social problems.



In two chapters of the present book is a new history of the co-operative thoughts,—though it is a very modest and summarized one; I shall be led to taking a stand on various points which have been questioned in the history of the thinking.

But my main concern is not that of a historian; it is that of a man of thought: I aim chiefly at expressing, as clearly as I can, my own opinion on the problems of the co-operative thought, starting with the most burning ones. I shall never be content with explaining, I shall always give my opinion, since I believe that this is the best way to allow the reader to pass his own judgment easily.

In fact it is because of this personal responsibility that I use the first person throughout the book.

Here now is the outline of the main themes of the chapters that are to follow.

### ***Co-operative thought before Rochdale***

Before Rochdale, that is to say before the Rochdale Pioneers founded their society in 1844, all the questions that co-operative social philosophy raises, even the most contemporary ones, had been considered in a rich and complex achievement which goes from Robert Owen to Louis Blanc.

Contrary to a few co-operators I shall sustain the opinion that makes Fourier and Owen the fathers of Co-operation. Actually, neither of these two historic figures traced in detail the forms that Co-operation was to take, but both stated the fundamental principles on which it was going to develop.

Incidentally it is a particular pleasure for me to salute the genius of these two men who, for a long time, were considered as pure utopians, while they actually rank among the greatest realist of all times. Indeed, this institution of which their genius has caught a glimpse is—as it has been said—the only social experience that was a complete success. Actually, it is striking to notice that, as time goes on, most of the folly that was attributed to Fourier, particularly, decreases, while the share of genius grows.

Speaking of Fourier's ideas, Charles Gide still regarded as foolish true theses which can be summed up as follows: one day one will be able to modify man with the help of biology, and artificial satellites will turn around the earth...

### ***The Rochdale principles***

I shall attempt to make a new analysis of the Rochdale principles, in order to distinguish what is general and indispensable to any co-operative and what, on the contrary, can be attributed to circumstances, or is special to some co-operatives. Indeed, in the Rochdale principles, some are due only to circumstances, for instance the forbidding of buying or selling on credit.

I shall develop the idea that I had the honour of defining before the 30th Co-operative Congress of Belgium, namely that the fundamental principle of Co-operation is democracy and not the dividend.

Co-operative democracy brings about a whole series of problems. I should like to underline the following one: as Co-operation grew, exercising of democracy became more difficult. When an isolated store was grouping a limited number of members, we were confronted by direct democracy; the members knew practically all the problems of their cooperative, and besides, most of them had access almost every day to the board of directors or to the body of commissioners, so that they acquired the experience of management and control.

Today the very expansion of Co-operation throughout the world creates the problems proper to *indirect democracy*. To a large extent the co-operator trusts the men whom he delegated to the management and the daily direction of his society. It is true that this evolution does not at all suppress the principle of democracy; the same situation appears, as everybody knows, in the sphere of politics. Many authors nevertheless, Mr. A. Johansson, the great Swedish co-operator particularly, are of the opinion that a new effort must be made to associate the co-operator more with the co-operative management. When he addressed a meeting of experts in Erlangen, in 1957, Johansson even called upon the imagination of the co-operators and asked them to seek methods that would allow Co-operation to become again the actual family organisation that it was in the past.

If, in my opinion, the dividend is not the first co-operative principle, it has not lost any of its importance as an instrument of distributive justice.

As for the open door principle, I shall examine when it can be applied, and when it cannot. I shall give it a particular importance because this principle allows us to explain how co-operative property is not contradictory to the socialist ideal of the first co-operators.

It has sometimes been written that Co-operation, since it implies a certain private property, is incompatible with the socialist ideal. To this statement we ought, I believe, to answer two things. The first is that there is not

one socialist thought, but many; that if the Saint-Simonians give preference to a collective property fairly close to the State property, other socialists—in particular Owen and Fourier—give preference to collective property within spontaneous associations. The second answer is that the open door principle, in the numerous instances when it can be applied, calls the new members to the enjoyment of co-operative property; it has rightly been considered as the very symbol of the co-operative ideal since the co-operators who created and developed a society, do not consider it as their own and exclusive property, but on the contrary invite the new co-operators to share the advantage of the already accomplished efforts. Nothing is exclusive in the co-operative property; on the contrary, there is a tendency for it to become common.

I shall also insist on a principle of which the Pioneers have not been granted the merit, although they have expressed it: in the case of dissolution of a co-operative, the net assets must not be distributed among the members, but be given to another co-operative or to a social institution.

### ***Co-operative thought after Rochdale***

The reader who is not a specialist in co-operative studies will certainly be surprised to notice the number and the variety of thinkers who were passionately interested in Co-operation.

Some saw in it a force of conservatism: while improving the condition of the labour classes, it deterred them from the revolutionary influence.

Others understood it as a means of instituting some particular socialism which would realize the consumer's supremacy. This social philosophy has German and English origins and it found its most perfect expression in Charles Gide's work.

Others again regarded Co-operation a more or less important part in the building up of various socialist systems. For some of them, doubts arose after 1848 as to the value of Co-operation, and it is the Belgian socialists who erased these doubts which existed in the minds of their French and German friends. I shall attempt not to lose anything of the infinitely varied harvest of the socialist ideas on our subject, from Lassalle and Marx to G.D.H. Cole and Louis de Brouckère.

### ***Renovation of the fair price doctrine***

Some theorists, among them Bernard Lavergne, are of the opinion that the fair price doctrine is now out of date, and that it must be abandoned; their argument being that prices are linked together, depend on one another, and that the only fair price is in fact that of competition.

Paul Lambert (1963)

I believe on the contrary that this old idea of fair price, a very old one, and anterior to Co-operation, since it goes back to the Middle Ages and even to Antiquity, regains an amazing actuality, for our age is characterized, chiefly in under-developed countries, by the aggravation of what is called the *imperfections of competition* in distribution, and, in general, by the *rise of distribution costs*.

It is true that this rise in distribution costs is witnessed even in co-operative societies. Swedish co-operators made some estimates in this respect, from which it is shown that, for forty years, the costs of co-operative distribution itself has increased notably compared to prices. How does this come about? First of all, everybody knows that technical progress is not the same in distribution as in industry; distribution is still a department of manual work. Yet, the rise of income of the distributive agents kept pace with the rhythm of the rise in income of productive agents, a situation that was actually unavoidable and even desirable. Besides, the social progress under its different forms, the limitation of the working hours particularly, increased the cost of distribution while practically no other, or very little economy was being effected in the amount of time necessary to distribute the same volume of commodities. To sum up, in the field of industry the progress in productivity has preceded social progress; in distribution, the social progress has preceded progress of productivity. This is the primary reason why distribution costs proportionally more today than forty or fifty years ago, even in the co-operatives.

But if one leaves Co-operation to consider the whole system of distribution, one then notices the reasons for rises in prices, which are not present in the co-operatives and which have an astounding importance. The struggle for selling numerous products which often differ one from the other only by the shape or form, consequently produced a considerable rise in the distributive expenses as such: publicity and high remuneration of salesmen, a remuneration that is often higher than the producers'. On the other hand, the imperfections of competition account for the distributive enterprises being too numerous proportionally to demand, and even to the convenience of the consumers. It is not a certain price, determined by the consumers' demand, that determines the possible number of retailers; it is on the contrary the number of retailers that determines the cost of distribution, and consequently the price.

Depending particularly on the analysis of imperfect competition, I shall attempt to defend, against Lavergne, the fair price doctrine proposed by Charles Gide.

***Strength and weakness of the principle:—  
the consumer's supremacy***

The principle of the consumer's supremacy cannot be an absolute one. The task of Co-operation is to realize a synthesis between the legitimate interest of the producer and that of the consumer, as well as a synthesis between the democracy of both of them.

It would be over-simple and dangerous to believe that evolution will lead economic organization to one single type of enterprise. For activities very close to final consumption it is advisable that the consumer should retain most of the supremacy. For activities that are remote from it and take place in the primary sector of economy (agriculture), most of the supremacy belongs to the producer. For intermediate activities, for the manufacture of machinery for instance, it is advisable that the supremacy be equally shared between the consumer, the producer, and the citizen.

Yet, it is quite true that of all the organized social forces it is the consumer who, today, is the weakest. If Gide's principle contains out-of-date elements, it also contains very strong ones: to the very extent in which true competition disappears, the organized presence of the consumers alone can seek the lowest costs and organize production.

***Economic democracy.***

***Wage-earners, co-operation, trade unionism***

Being a pure form of economic democracy, the co-operatives can contribute to solving the problem of wage-earners under its two aspects: in the world in which we are living the wage-earner does not receive the integral return from his labour; the wage-earner is in a state of dependence during his work.

The two great forms of Co-operation: worker producers' co-operatives and consumers' co-operatives each possess particular advantages and disadvantages for conducting this struggle; I shall analyse them. It is not true, for instance, that the distribution of the worker producers' co-operatives to the workers is fairer than the distribution of consumers' co-operatives to the consumers.

I shall investigate why the worker producers' co-operatives have not made more progress, then I shall consider in detail how, on their side, consumers' co-operatives can confront wage-earners within their own personnel.

Finally I shall express the belief that a new co-operative development is linked to a close connection between trade unionism and Co-operation.

*Paul Lambert (1963)*

### ***Co-operation and the State***

The introduction of the co-operative principles into the sphere of public law is not accepted by all co-operators. In this respect I shall even go farther than Lavergne and show that public enterprises, other than the « municipal co-operative companies » are extensions of Co-operation.

At this point we shall deal with the doctrinal conflicts that the problem of nationalizations raised in the co-operative movement itself. It repeatedly happens that some co-operators oppose certain forms of nationalization. We shall have to understand these arguments and try to discover to what extent they were right or wrong.

As for the State, if it is necessary to resist its pressure, we must also fully acknowledge the functions which characterize it: not the functions of managing enterprises, but the functions of orientation, of general direction, and of flexible planning.

#### ***From Fauquet's « co-operative sector » to the problems of a new co-operative expansion***

Investigating the future of the co-operative movement we shall have to consider closely Fauquet's developments on the « co-operative sector », and see if it is true that Co-operation is bound to remain limited to one particular sector of economic activity. I immediately acknowledge that I do not share Fauquet's opinion on this point.

Will Co-operation develop by successful competition against the other forms of production and distribution, as Gide thought it would? Will it develop, as is the case in economically backward countries, thanks to a certain assistance from the State? And if it develops in that way, what precautions must it take to avoid being engulfed by the State, to preserve its independence, its « *raison d'être* », to secure for social and economic life liberty of which it is one of the manifestations?

What substance is there in the thesis of those who think of certain forms of mutualization of existing enterprises, and who place their hopes in a co-operative development which would be momentarily helped by the State, but would later become independent again?

In order to throw light on these questions I shall analyze the essence of Co-operation.

For instance, is the co-operative society an enterprise? And if it is an enterprise—and I believe it is—what are the principles that must guide it?

Some time ago I heard in Erlangen an American co-operative theorist saying that, actually, the general principles of liberal politics could be applied to Co-operation, and that a theory of Co-operation could be built up starting from the thesis of price maximisation. I shall try to show that this is an erroneous view of Co-operation; that, *since it was precisely created to react against the profit-making enterprise, Co-operation cannot become a profit-making enterprise.* Co-operation must aim at the ultimate satisfaction of human needs, even in sacrificing in particular circumstances the opportunity of realising a higher profit for its own members. Co-operation cannot be dissociated from the moral virtues which called it into existence.

### ***Purpose of this book***

I have just alluded to Johansson's exposé at the conference of Erlangen in August 1957. He recalled that in their time the Rochdale Pioneers were capable of discovering practicable forms to harness a great ideal. Today Co-operation faces new problems and new difficulties. It is trying to find its way. I know—said Johansson in substance—that among contemporary co-operators some will be equal to the simple weavers from Rochdale and that, in turn, they will be capable of finding practicable ways in the world of today towards an ideal that has remained unchanged.

I should be satisfied if the result of my reflections and investigations has helped the reader to become one of these men whom Johansson anticipated will emerge.

## NOTES

Page  
of the text

### NOTICE

The reader will find in the margin the page of the text to which each note refers. In order to make it possible for the reader to go through these notes without referring to the text, and to choose what he might consider of interest, each item is introduced with a few words indicating its subject.

### Notes to the Introduction

- 27 The existence of Co-operation. See Victor Serwy, *Le centenaire des « Equitable Pionniers » à Rochdale. Un siècle de coopération*, Brussels, 1946; C. R. Fay, *Co-operation at home and Abroad*, 5th edition, London, 1948; my study *A Balance Sheet of Collective Economy in the World, Annals of Collective Economy*, 1956, pp. 113 to 140; for a recent synthesis: *La coopération de consommation dans le monde*, special number of *Liaisons coopératives*, June 1958.
- German review devoted to the co-operative science: *Zeitschrift für das gesamte Genossenschaftswesen, Organ der Genossenschaftsinstitute an den Universitäten Erlangen - Frankfurt - Marburg - Münster - Wien*, herausgegeben von G. Weippert und R. Pohle.
- 27 University courses on Co-operation. Quotation from M. Colombain: I. L. O., *La coopération, Cours d'éducation ouvrière*, Geneva, 1956, p. 100.
- C. Vienney is starting an inquiry which promises to be of the highest interest; see his article *Note pour une enquête sur l'enseignement de la coopération*, *Archives internationales de sociologie de la coopération*, January-June 1958, pp. 114 to 125.
- 28 Co-operation, object of science and reason for being. This essay by Charles Gide has been written for the Swedish co-operative review, « Kooperativa Forbundet » and has been reproduced in the *Liaisons coopératives*, number 11, May-June 1957, p. 10.
- The phrase « social philosophy of Co-operation »: Albert Pasquier, *Les doctrines sociales en France. Vingt ans d'évolution. 1930-1950*, Paris, 1950, p. 416.
- 30 Fourier's genius and folly: cf. Gide, *Les prophéties de Fourier* (pamphlet), second edition, Nîmes, 1894, p. 4.
- 31 to 35 Johansson's report to the Conference of Erlangen: *The Demands of Co-operative Practice on Science*, 2nd International Conference on the Co-operative Science, Erlangen, August 1957; Johansson draws attention particularly to the rise in the cost of co-operative distribution in Sweden. The cost of co-operative distribution in France was the subject of a remarkable analysis by Jean Lacroix in his work *La distribution coopérative en France*, preface by G. Lasserre, Paris, 1957, second part. Being devoted to the *social philosophy*, the present work does not embrace the *economic theory* of Co-operation; this second study ought to start with the analysis of Dean Isaac Guelfat's important contribution: *Quelques problèmes de la théorie économique de la coopération* (Bureau d'études coopératives et communautaires. N° 2), Paris, 1954. Similarly, the present work examines the *principles* and not the *techniques* (of planning, for instance).

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6. Quaden, G. (1982). Planning: crisis and renewal: foreword. *Annals of Public and Cooperative Economy*, 53(2), pp. 139–144.  
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## **PLANNING : CRISIS AND RENEWAL**

### **Foreword**

by

Guy QUADEN,

*Director of the Annals and of CJRIEC*

Before 1940 — and even during the cold war period in a number of countries — the idea of introducing an economic plan based on government initiative into a free-market economy system was totally unacceptable, since it was considered to be a favoured instrument and the symbol of dictatorial communist regimes. However, external factors made the introduction of certain forms of economic planning necessary.

In capitalist countries, national planning was initially conceived in response to the requirements of war and reconstruction. This was certainly the case in France, where the first “modernisation and equipment plan” (1947) consisted of a list of steps to be taken involving principally the granting of priority to imports designed to strengthen a certain number of basic sectors of the economy. During the same period, Japan adopted a planning system resembling that of France in a number of respects. In the Netherlands a different approach was adopted; it was more short-term in character and involved the coordinated use of the conventional instruments of economic policy, a bargaining procedure, wage control and econometric instruments designed for economic forecasting. Norway adopted a similar approach. Lastly, during the 1960s, Italy, Great Britain and Belgium successively introduced, in a somewhat haphazard fashion, indicative medium-term planning procedures.

For some time a number of publicists, economists and politicians treated planning either as an instrument which might be useful in organising the war effort and reconstruction or as a seed of collectivism the growth

of which would place us all on what Hayek, in the title of his famous book, called “the road to serfdom”. With the passage of time, however, they have come to accept national planning as a requirement of modern technology, which demands decisions, on the part of the State and of enterprises, which will have medium- and long-term effects (on account of the large amounts of investment capital required and the time needed to start up a production process) and consequently makes medium-term and long-term forecasts necessary.

In no capitalist country was economic planning machinery set up by marxists as weapons in the war against the private enterprise system; on the contrary, in more than one case it was set up by governments bearing conservative titles. The explanation for this lies in the fact that in no case was planning intended to replace Adam Smith’s “invisible hand” by the visible (and iron) hand of the State. There are many different kinds of plans; and in the type of planning we are considering here it is certainly not the aim of the public authorities to use planning as a means of dictating to private firms how they should behave; its principal object is to enable private firms to take their own decisions with a better knowledge of the factors involved. It is designed, not to destroy market mechanisms, but to complement them.

Today there are only two major western nations left — the Federal Republic of Germany and the United States — which do not draw up official plans. On the other hand, it can be argued that, although both those countries are vigorous proponents of orthodox economic theory, their systems have moved at least as far away from the classical model of competition as have those of the other countries.

Since the last war the role of the State as an agent of economic development and a regulator of social tensions has expanded everywhere. If planning is defined as a coordinated set of measures taken by the public authorities with a view to requiring the other economic agents to accept the constraints of coherent medium-term objectives, it can be said that instances of planning are to be found in all neo-capitalist countries. Seen from this point of view, what is called plan in certain countries appear as no more than one step — and a rather ceremonious one — in the process of continuing negotiation between the State and the principal economic agents, and in particular the largest firms.

During the 1960s, in Europe at least, the concept of democratic planning was one of the central themes of economic debate and the principal source of hope for a certain number of reformers (that was the time when General de Gaulle, for a short while, raised the status of planning in France to that of “a burning obligation for the entire nation”). Subsequently, however, the movement lost momentum. Throughout the 1970s, its implementation was hampered

*Guy Quaden (1982)*

by the events of the troubled international scene, confusion over the causes of the crisis and the remedies for it and a lack of political will. Everywhere, in varying degrees, a movement away from planning became apparent.

However, the economic difficulties which have accumulated during the last few years have made planning more necessary than ever. The significant slow-down which has taken place in economic growth has made choices even more essential. The principal problems facing most of our governments today (mass unemployment, persistent inflation, industrial redeployment and public finance deficits) all have a medium-term dimension, and it is impossible for anyone to believe that they can be overcome speedily. Mostly, inasmuch as it contributes to the exploration of possible future paths, to the clarification of choices, to the organisation of collective thinking and to the promotion of ordered effort, planning remains a fundamental instrument for the necessary democratisation of economic life.

In the circumstances it is not surprising that planning is winning new supporters (even in the United States, where a number of people, including W. Leontief, are appealing for the introduction of planning).

However, it might be more accurate to say that support is developing for a new kind of planning. If we are to steer a course between the Scylla of fatalism and the Charybdis of utopianism, we must in my view adopt a more realistic approach to planning; and to do this, we must first reject three idealistic approaches and recognise three constraints.

The three idealistic approaches to be avoided are the following:

- economic idealism, which in practice means that we imagine that we can keep the economy on its optimum growth path by means of a sophisticated system of equations;
- social idealism, which is based on the belief that when the plan is drawn up one can, by means of carefully balanced compromises, achieve a broad measure of social consensus and thus avoid all tension and friction between the different groups during the implementation of the plan; and
- international idealism, which rests on the assumption that planning at the European level (not to mention a higher level still) could be rapidly framed and implemented, thus bypassing at a stroke the most obvious constraints on efforts to introduce planning at the national level.

The three constraints derive from enterprises, from foreign countries and from the State.

We are at present living (and for the time being at least shall go on living) in economies in which national plans will be and remain purely indicative and promotional as far as the private sector is concerned. Moreover, it must not be forgotten that our economies are wide open to foreign trade (for our supplies as well as for our markets) and are consequently dependent on economic agents which are not affected by our national plans.

In present circumstances, the only agent which the State can compel to comply with the plan is in theory itself. However, it has to be borne in mind that the public authorities are suffering from a kind of schizophrenia, for they are torn between the desire to formulate grandiose medium-term objectives and the need to act on a day-to-day basis in line with much more immediate considerations.

However, the idea that only individual enterprises may draw up plans (and the bigger they are, the greater their ability to do so) whereas the State should be debarred from doing so, seems to me unacceptable. Thus what I have said so far is intended, not to encourage the abandonment of planning, but to encourage the development of a form of planning which is satisfying in every respect.

Most planners take the view that the principal virtue of a plan is coherence. However, experience has shown that every plan is based on economic and mathematical relationships of interdependence the validity of which is, to say the least, questionable and on forecasts which are inevitably unreliable (to take only one example, once a certain rate of inflation has been forecast the anticipatory moves of the different economic agents immediately make that forecast invalid). Planners are fascinated by the idea of coherence in the same way as economists generally are fascinated by the concept of equilibrium situations. Unfortunately for them, economic and social development always take place in a context of incoherence and disequilibrium.

Let me make myself quite clear on this point. I am obviously not pleading in favour of incoherence; and in any case I am convinced that planning exercises have an essential function of a pedagogical type to fulfil. Even so, it is essential that those exercises should lead to the declaration of clearly defined priorities in the industrial, social and budgetary fields based on clearly presented choices.

During the last few years it has often been said that planning should “lower its sights”. This is not quite what I have been calling for here. My position is one of opposition to plans which go into a great deal of detail but which have little practical significance and of support for planning of the operational type based on the achievement of a better balance between concerns of coherence and those of selectiveness.

*Guy Quaden (1982)*

Fundamentally, what I have been arguing so far is that planning should return to its original source of inspiration; for the difficulties we are living with today can only be overcome by the mobilisation of all our economic resources.

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In December 1981 the Belgian section of CIRIEC organised in Brussels an international colloquium on the subject of “planning: crisis and renewal”, over which I had the honour of presiding. It was attended by planning commissioners from Belgium, France and the Netherlands. Their reports are reproduced in this special issue of the *Annals*.

Mr. Maldague’s report is based on Belgian experience but draws substantially on that of other countries. He begins by recalling the continuing problems of planning and reviews the many difficulties with which planners are faced at the present time. At the same time, however, he points out that, paradoxically, the very factors which are making planning increasingly difficult often highlight at the same time the present need for planning. He describes some of the principal choices which planners have to make — whether planning should be official or non-official; whether it should be a blueprint for society or an economic strategy — and so on. In practice, the alternatives eventually appear less irreconcilable than might seem to be the case at first sight. He goes on to examine a number of technical problems, such as the role of quantitative projections and the question of planning horizons. Finally, he makes the point that, more than ever in the past, a Plan must endeavour to reconcile two apparently irreconcilable imperatives — flexibility and firmness.

Professor van den Beld, from the Netherlands, describes in his report his country’s long experience with planning. The central planning office does not draw up detailed plans to be complied with by the public authorities and the other economic agents. Following a tradition established by Professor Tinbergen, its first director, it favours a quantitative approach to problems, and its principal task is the conduct of annual macro-economic research and forecasting projects. The author throws the light on various incompatibilities which may occur between short-term policies and long-term objectives. In view of the problems to which the decline in the quality of forecasts, on the one hand, and the narrow margin of freedom of decision left to those responsible for economic policies in an international context of increasing uncertainty, on the other, the author concludes that the best approach is a step-by-step one, to be reviewed year by year, in the general direction chosen, so as to achieve, in whole or in part, the desired objectives over the medium term.

Mr. Prévot’s report describes the renewal of the planning process in France. In this field, as in other fields, the transfer of power has given rise

to radical changes: “replanning” is the concrete expression of the voluntarist economic thinking of the government. The designers of the new planning process are not starting from scratch: they are incorporating in the new structure the positive achievements of Jean Monnet, the first French planning commissioner, and of his successors, at the same time attempting to learn from past shortcomings. At the same time, the new planning machinery for France has been significantly influenced by two other major changes which have taken place since the Left came into power — the movement towards decentralisation to the regions, which is a break with a long-standing centralising tradition which has hitherto prevailed in France; and the expansion of the public sector resulting from the recent nationalisation of the greater part of the private banking sector and a number of major industrial concerns.

Two papers, respectively concerning Portugal and Japan, were added to these three reports presented at the Brussels colloquium.

Portugal is certainly an interesting country. First of all, it is in an intermediate position between the small group of industrialised countries and the great mass of developing countries. Secondly, half-way through the 1970s, it underwent radical political and social changes during which serious consideration was given at one time to the idea of making the Plan the focal point of economic policy. However, what this report — entitled “Stabilisation policies and economic development in Portugal” and written by Mrs. Silva, Professor at Lisbon University and a former Secretary of State for Planning — is really about is the consistent absence of planning in Portugal.

In contrast, Japan has since the end of the war been conducting an experiment in indicative planning — a fact that is all too little realised in Europe and North America, although many other aspects of Japan’s “economic miracle” have been subjected to scrutiny there. Since 1949 about 10 plans have been published. Their objectives, the methods of drawing them up, the results achieved and the difficulties encountered (which give rise to frequent revisions: no plan has been implemented right through the period it was designed to cover) are described in a document sent to us by the Japanese Planning Agency which is reproduced at the end of this issue.

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7. Thiemeyer, T. (1986). Privatization. On the many senses in which this word is used in an international discussion on economic theory. *Annals of Public and Cooperative Economy*, 57(2), pp. 141–152.  
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## **PRIVATIZATION**

### **On the many senses in which this word is used in an international discussion on economic theory**

by

Prof Theo THIEMEYER

*Chairman of the Scientific Commission of CJRIEC*

The Scientific Commission of the CIRIEC started its discussions on the theme "Privatization of Public Enterprises" at the Conference on Public and Co-operative Economy in Florence in 1984. The idea was to compare privatization policy and privatization measures in various countries, but above all to exchange views on the theoretical economic discussion of the problem of privatization. The Belgian, French, Italian, Austrian and German sections of the CIRIEC sent delegations of scientists to participate in this work. At the first meeting in Florence, in addition, Israel was represented by Mrs Nira Dror and Japan by Prof. Shusaku Yamaya. There were two further meetings of the Scientific Commission in Frankfurt on 5 July 1985 and in Brussels on 29 November 1985. For the presentation and analysis of the situation in Great Britain, which of course cannot be omitted from any discussion of the more recent movement in privatization, we were able to obtain Dr. Heidrun Abromeit of Wuppertal, West Germany, who has a most thorough knowledge of the English development and the relevant literature.

The reports from the participating delegations of scientists are herewith made available to the public. These might be called workshop reports : they make no pretension to solve the problem, but they do bring out clearly important aspects of the privatization problem.

Already at the start of proceedings it became clear that nearly all those participating in the talks started from widely divergent concepts of "privatization". It was very soon agreed that we could not start by trying to "unify" the terminology. But the Commission did feel that the reports would be easier to read



if there was an introduction giving an overview of the various senses in which the word "privatization" was used. This made it clear that behind the multitude of meanings attached to "privatization" much more was concealed than a superficial dispute about definitions.

Still less was the great variety of concepts a consequence of "language barriers". But the language barriers did contribute to the fact that the economic and political scientists who, in parallel scientific discussions, were trying to work out an objective and critical view of precipitate privatization measures, were not fully aware of what was being said in the other groups.

I.

The fruitfulness of the theme of "Privatization" as a problem of economic science in international comparison first became clear in the talks in the Scientific Commission of the CIRIEC: it was surprising at the start to find out how those economic trends that distanced themselves from uncritical and liberalistic concepts of privatization and precipitate privatization measures in the different countries, and were striving to objectify the discussion, were completely cut off from one another by language barriers. Already the concept of "privatization" was used with completely different meanings, and the *focal points of the theoretical analysis* were located very differently *in the reports from the different countries*. This is explained partly by the different extent, the different structure and the different genesis of the public sector in the different countries, and partly by the political — above all party political — constellation.

Whereas in the German-speaking region — Austria and the Federal German Republic were represented in the Commission — privatization was understood — not solely but mainly — as the sale of public enterprises or parts of them to private individuals (transfer of ownership rights), the French report sees the *transition by firms to private business entrepreneurial aims, in particular profit-oriented aims*. Thus it was not the transfer of property rights, but the *transformation of the aim of the enterprise*, the transition to profit-oriented behaviour, that was the focal point of the French contribution to the discussion on privatization. There is yet another aspect in which the French contribution places the stress quite differently from the German-language contributions. In the contribution from the French members of the Commission, the concern is especially for the *problem of affiliates* of the large State-owned firms. It is a question of "*branching*". Here interest is concentrated on especially the economic but also the scientific political analysis of the strategy (or strategies) that the State,

or the State parent company — or more precisely its management — pursues with the aid of these affiliates. Certainly the rapid growth of affiliates of State-owned firms over the last decades, particularly in France, has provided the occasion for the economic analysis of the policy of branching. But many of the findings and hypotheses from this French discussion could also have been fruitfully used for, e.g., the analysis of public enterprises and the privatization discussion in the Federal German Republic. It is true that also in Germany there have been references to the role of affiliates and holdings of the firms owned by the Federation or the Länder in the day-to-day political discussion of privatization. But in the foreground of the discussion in Germany and in Austria in recent years was the question of the municipal economy. The scientific discussion was above all occupied with questions of refuse removal, abattoirs, hospital laundries and the like.

The question of what is to be understood by "Privatization", or the question of *what* exactly privatization efforts should be aiming at, is far more than a dispute over terminology.<sup>1</sup>

The different interpretations of "Privatization" that were of importance in the contribution to the CIRIEC scientific discussion will be given below. Here, for those concepts of "privatization" that brought important new aspects into the — predominantly scientific — discussion, some explanations are added. Several of these concepts overlap to a great extent, but place the stress elsewhere. "Privatization" can mean :

1. *Transfer (sale) of public assets* (firms, parts of firms — "partial privatization"—) or individual assets to private persons. (Here we must distinguish between the case in which public assets are transferred to non-State public utilities<sup>2</sup> and the completely different case in which assets are transferred to private profit-oriented companies).
2. *Transition to private law legal forms* (i.e. formal separation from the public administration; this need not be linked to transfer of property to private persons).
3. *Transfer of individual public supply tasks* to private persons (Konzessionssystem und Submissionssystem, see the Austrian contribution

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<sup>1</sup> For the German-language discussion, we should mention here in particular the comprehensive overview by Achim v. LOESCH, *Privatisierung öffentlicher Unternehmen. Ein Überblick über die Argumente*, Baden-Baden, 1983.

<sup>2</sup> Here it is assumed that public utilities, by their nature, carry out "public tasks" and/or act primarily in the interests of their customers (consumers).

from R. Platzer) "Subcontracting" (Escarmelle/Bance), Contracting out (see the contribution from H. Abromeit on the UK); also *functional privatization*.

4. *Transition to private business management in the sense of profit-oriented management*, even in public enterprises (i.e. the profit-motive dominates over the aims of optimum covering of needs and other aims seen as those of the social economy).
5. *Extension of the margin of autonomy for the management of public enterprises*. (Here it is assumed that the extended margin will as a rule be used in the direction of private business objectives).<sup>3</sup>
6. *Debureaucratization* in the sense of freeing from formal provisions and administrative instructions. Among these are liberation from the provisions of the public budgetary law. "Debureaucratization" also means creating a margin for entrepreneurial (flexible, adaptable) dispositions. (See on this point in the discussion e.g. Peter Eichorn, FRG).
7. *Decentralization*, less in the geographical sense, but more in the general sense of the delegation of authority to decide, plan and act. This also means activation of increased information gained by being nearer to the problem.
8. Aligning the conditions under which public enterprises act on those which apply to private firms (see in this connection the Italian contribution from Stefani).
9. *Promotion of competition by market processes* (or market-like systems of incentives) with goods such as those traditionally supplied by the public sector. (This meaning of the concept of "Privatization" has given particular political impetus to the demand for privatization. For the transition from this competition argument to the justification of the private monopoly, see below).
10. *Dismantling of such State monopolies* as are justified by referring to the traditional argument of "*natural monopoly*" (in simplified terms, the thesis of "natural monopoly" means that: concentration on *one* supplier is the most cost-effective because it produces the advantage of economies of scale and economies of scope. (On this discussion, see in particular the Belgian contribution from Escarmelle/Hujoel and the contribution from Abromeit on Great Britain).

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<sup>3</sup> This assumption, which is at the basis of the French contribution from Monnier/Bance, appears to derive from the hypotheses of the "New Political Economy" (Public Choice Approach). But the question of how the management of a public enterprise uses the additional margin of autonomy could not be conclusively discussed in the CIRIEC Commission.

11. Adaptation of wages and working and employment conditions to those applicable to the private sector, this as a rule assuming a "privileging" of those active in the public sector: "*Privatization of jobs*". (Many protagonists of privatization saw precisely in the real or supposed privileging of jobs one of the causes (or even the decisive cause) of the cost inefficiency of public enterprises. This aspect of "privatization of jobs" is the main point of interest for the trade unions. From the trade union point of view, one of the things "privatization" represents is a process which increases the danger of losing jobs.
12. *Unilateral reduction of the nature and scope of public services* (reduction of the relative share of the public sector in services, reduction of the services on offer, particularly in the transport sector). Escarmelle and Hujoel speak in this connection of an "erosion of the public sector" in spite of "institutional continuity".
13. *Privatization of public resources* (Bance), i.e. the use without payment or without covering costs of the productive forces of the public and social sector, of public means of production and public services or of know-how created by the public sector, by profit-oriented producers in the private sector: e.g. private use of research results, especially also in the form of cooperation in mixed-economy affiliates. (For the opposite case of the mobilization of private know-how by the founding of mixed-economy firms, see the Section below on the branching strategy). Also some areas of the so-called small and medium firm policy (encouragement of small and medium firms) represents a form of subsidy. The interpretation of such processes as "privatization of public resources" doubtless opens up interesting prospects for the discussion of privatization, especially for the advanced technology sector. Thus, for example, in the Federal German Republic the politically spectacular process of privatization (privatization in the sense of "the transfer of public assets") goes hand in hand with a "privatization of public resources" (including areas of research and communications technique). This can make sense for the economy as a whole, or even be indispensable, but requires assessment from the point of view of normative policy.
14. The reference to the possibility of a "*Privatization of public revenue*" opens up similar perspectives. This process can be interpreted as a *conversion of revenues from public investments into private profits*; or to put it differently, as private access to public capital and its revenues. Monnier/Bance refer in this connection to processes for stimulating private economic activity (e.g. provision of land and infrastructures etc. on favourable terms) for the creation of siting advantages etc. Especially important are those forms of stimulating private economic activity in which the public participant in mixed-economy enterprises renounces part of the revenues in favour of the private partner, or

consciously accepts a weaker position in respect of his rights than he would normally be entitled to by his share in the capital. Monnier/Bance speak in this connection of a "discrimination" against the public partner. Whether this way of looking at it, which is based in particular on the analysis of the policy of branching in France, also proves fruitful in other countries — and I personally would not exclude this in respect of the Federal German Republic — is something that requires detailed investigation.

15. Privatization = "denationalization", but here this means something more than the traditional concept of denationalization. It can mean the following :
- a) Even public enterprises are increasingly exposed to the pressure of international competition and international markets. The sealing up of the domestic market by public enterprises comes increasingly under economic and political pressure from international suppliers. (Such as national postal services in the traditional area, but above all in the telecommunications sector; airline companies at EEC level; internationalization of procurement policy by public enterprises in the EEC Member States).
  - b) Public enterprises are becoming increasingly active on foreign markets.
  - c) Denationalization can also mean the take-over of capital shares and/or rights of disposal by foreigners (physical persons, firms, etc.). The objections to this are partly emotional — as expressed quite recently in the automobile branch — but also partly rational economically and politically.

## II.

In this connection, there is also particular interest in the question of what political, economic and ideological connections there are *between the USA deregulation debate and the privatization debate in Europe*. In the work of the Scientific Commission of CIRIEC, it was in particular the Belgian contribution from Escarmelle/Hujoel that addressed this question. Here reference was made to the various phases of regulation policy in the USA, but the point was specially made that the USA type of regulation, thus especially the regulation of monopolies by independent commissions, could not be compared with the European type of monopoly control in the form of public monopoly enterprises. Ideologically and politically, however, *the deregulation discussion and the privatization discussion were guided by a similar anti-State mood*. In the privatization discussion, many of the central arguments from the USA deregulation debate keep recurring. It has proved to be problematic that the form of monopoly control by independent commissions, as it developed in the USA from the last third of the previous century, had from the start only two objectives, to which the present discussion

Theo Thiemeyer (1986)

has again narrowed down: preventing ruinous competition (which explains the theoretical and economic campaigns against any form of internal subsidy or cross-subsidisation) and preventing excessive advantage for the customer (which made the limitation of profit the core of the regulation — an extremely dubious approach from the business management and tax theory points of view).

Nevertheless, *privatization is not to be seen simply as a variant of deregulation policy*. Karl Kühne brought this out in the talks in the CIRIEC Commission, and the presentation by Heidrun Abromeit of the privatization of British Telecom made it clear: privatization of public monopolies makes it necessary to find a different form of control for the monopoly which is now a private one, namely a new form of regulation.

### III.

This brings us to the *problem of the change in the subject of the privatization discussion* — a change whose economic importance cannot be stressed enough. Whereas in the first phase of the privatization discussion the aim in the foreground was to make possible, by privatization, *more competition in order to increase efficiency*, the more recent phase of development is concerned with the *privatization of traditional monopolies*. A classical European instrument of monopoly control is the *public utility*. The theoretical attempts to *justify the privatization of public monopolies* go in two directions: one the one hand, there are efforts to demonstrate that the earlier reasons — valid in the state of technical development at the time — for monopolization (e.g. network monopolies) are today no longer plausible as a consequence of technical progress (a serious argument of which only the ideologically extreme positions are to be rejected). On the other hand, it is believed to be possible to prove that even those monopolies which are handed over to the private sector without regulation are subject to indirect — but, it is claimed, effective — forms of competition: namely from potential competitors who come into action when the private monopolist, by high monopolistic prices, offers a chance to the potential competitor to get in on the act (hence the enthusiasm of the liberal-theoretical discussion for "picking out the plums" or "skimming off the cream" <sup>4</sup>).

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<sup>4</sup> Naturally, "picking out the plums", i.e. the breaking up of lucrative parts of the market would also hamper "*internal subsidisation*": Insofar as "internal subsidisation" as a classic process of the pricing policy of a social economy, many protagonists of a social economy are against "picking out the plums".

Once more: for a part of the privatization discussion that is important economically and politically, "*Privatization*" means not more competition but the conversion of public monopolies into private monopolies. Heidrun Abromeit refers in her contribution to the somewhat cynical comment from The Economist that the British Treasury, in the privatization of British Tetecom, could not be disinterested in the furthest possible retention of its monopoly even after privatization: the sale of a firm with possibilities of a market monopoly fetches more money.

The report from our Belgian members Escarmelle/Hujoel on the privatization discussion in Belgium addresses in particular a question which is of special significance in the international discussion on deregulation and privatization: *the question of the postal monopoly, especially in the field of telecommunications*. The specific Belgian situation, a double monopoly, namely the combination of a public monopoly in the network area with a private monopoly in the telecommunications industry, has hardly been analysed in the international discussion. Escarmelle/Hujoel point to the economic disadvantages of the Belgian double monopoly. On the other hand, they do not uncritically surrender to the storm of enthusiasm in the international economic theory discussion for the deregularization measures in the USA (unscrambling of the private A. T. & T. American Telephone & Telegraph Company) and the privatization of the telecommunications sectors in Japan and Great Britain. (After the first experiences in the USA and Japan, this enthusiasm has been noticeably damped down, and my impression is that much of it has given way to an embarrassed silence). The contribution from Heidrun Abromeit on the privatization of British Telecom already casts a doubtful light on the privatization process: *the question crops up of the selling off of public assets at less than their true value*.

#### IV.

But another aspect stressed by Heidrun Abromeit in connection with the British privatization measures, and which also plays an important role — with a slight shift of stress — in the report on the Italian discussion from Giorgio Stefani, is of great interest for a general theory of the social economy: *in many decisive cases, privatization takes place "subject to conditions"*, i.e. the enterprises are saddled with conditions in respect of, for example, the duty to provide supplies, or in respect of their price policy "in the public interest" or, for example — Stefani refers to Italian examples — with employment conditions (no personnel reductions, etc.). *Control* in respect of public tasks *by minority holdings and veto rights* by the State or by the minority public shareholder make it clear that there are *public tasks the fulfilment of which cannot really be renounced even by those*

Theo Thiemeyer (1986)

*in favour of the privatization measures.* In spite of all the loud assertions in favour of denationalization, says Mrs Abromeit, the wish was to leave open a "loophole for intervention" via minority holdings and veto rights. Even in the Federal German Republic there has been a noticeable shift of the discussion from uncouth calls for privatization to the question of how much participation (or possibly minority participation) is sufficient to safeguard the "public interest". (See in this connection also the German contribution from Brede/Hoppe). Even the most radical protagonists of privatization, when they first took on the responsibilities of government, have had to bow to reality — e.g. the realization that the prevalent political view was that there were "public tasks" which it was expedient for enterprises to carry out. This leads the present discussion on deregulation and privatization back to *two problems which are discussed again and again in the context of the "theory of the social economy"*:

- a) Is a *public utility* necessary to fulfil public tasks in the social economy or does it suffice to regulate ("*public obligation* ") private firms ? <sup>5</sup>
- b) Are so-called *mixed economy enterprises*, in which public and private capital work together, an ideal solution, since here on the one hand the public interest is safeguarded and then on the other hand the private business rationality is ensured by the profit-oriented thinking of the private partner ? Heidrun Abromeit adopts for this mixed-economy enterprise the term "*hybridization*" which has come into use in the British discussion. Monnier/Bance speak of "*experimental dualism*".

## V

The problem of *branching* i.e. of founding affiliates, which is specially stressed by Monnier/Bance in their analysis — and in the contribution from Giorgio Stefani on Italy this aspect plays a major role — should be looked at once again. We refer specially to the many-sided aspect and the contradictions of this development. Some refer to this branching as "*cold nationalization*" (concealed nationalization), and the critics of branching regard the process as *disguised privatization* ("denationalization"), either because the affiliates carry out gainful private activities or because, in addition to this, they have a mixed economy organization. Monnier/Bance see in the creation and pursuing of affiliate enterprises first of all a *remedy against elephantiasis*, i.e. a means of breaking up uneconomic dimensions for enterprises which drive up costs. Further, branching

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<sup>5</sup> On the discussion of this problem in Germany cf. Theo THIEMEYER/Carl BÖHRET/Gerhard HIMMELMANN, eds., *Öffentliche Bindung von Unternehmen. Beiträge zur Regulierungsdebatte*, Baden-Baden, 1983.



appears as a strategy for allowing public capital to work profitably. Further, branching can be *part of the classical strategy of vertical integration and horizontal diversification*. Finally, the creation of affiliate companies and the participation in mixed-public<sup>6</sup> and social economy facilitate *economic activity outside national frontiers*.

Monnier/Bance also consider, in relation to the French situation, that the creation and management of affiliates meets the *efforts of management* of the public parent companies *for more autonomy* and adaptation to private sector business methods. Especially since the incorporation of private capital — thus the transition to the mixed-economy form of enterprise — could provide the management of public enterprises with an effective argument to oppose interventions by the utility in the profit interests of the private partner. *Mixed affiliates in general encourage and compel the privatization of the management*.

*The economic regulatory function of the policy with "social economy firms"* is seen particularly in the following:

- a. *Mobilization of private capital* (also in particular own capital) for those branches of industry for which there is public interest in their regulation. Creation of investment resources and responsible own capital, taking the load off the public budget.
- b. *Mobilization of private sector know-how* for public purposes.
- c. *Encouragement of private initiatives* and promotion of the chances of development and growth of branches of industry by (temporarily) bringing in public own capital.

For this strategy of mixed affiliates, the term "joint ventures" has been increasingly adopted.<sup>7</sup>

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<sup>6</sup> *Mixed-public* firms are those in which different public utilities collaborate. In the *mixed economy* firms, public and private capital work together.

<sup>7</sup> The word "Joint Ventures" originally meant cooperation between a firm wanting to establish in a foreign market and a firm in the foreign country which can bring in its knowledge and relations in this market. The term "Joint Venture" to designate cooperation in mixed affiliates should be interpreted figuratively.

VI.

Heidrun Abromeit in her contribution on the privatization discussion in Great Britain points out *the financial management aspect* of privatization — at least in the UK discussion — has ostensibly played only a subsidiary role.

However that may be: at least for the theoretical economic analysis, the financial management aspect is of great importance. Both the French and Belgian contributions point out that *mixed economy financing is an important strategy for the procurement of capital* (own capital) for investment purposes. Stefani stresses, in relation to the more recent development in Italy, the financial management significance of the disposal of affiliate enterprises by the target State concerns: the privatization of whole firms (in the sense of transfer of ownership) thus serves to procure capital for investment in other branches of industry. So what is involved in this form of *privatization* — at least according to the declared intent — is *a shift of public productive assets according to the prevailing needs of public investment at the time*.

On the other hand, in the majority of cases, revenues from privatization are seen as a welcome contribution to covering the consumer expenditures of public budgets. The critics speak of a "squandering" of public assets, and Conservative critics in Great Britain have talked of "selling the family silver".

The corresponding discussion in the Federal German Republic has applied a somewhat more subtle analysis *of the use of privatization receipts*. Protagonists of (partial) privatization counter the objection *that in privatization the State foregoes future profits* (dividends) with the following argument. It is first of all assumed that the revenues from privatization make State indebtedness to the same extent superfluous. It is further assumed that the interest on the various forms of State indebtedness amounts to more than the dividends which would accrue to public budgets if privatization were abandoned. If the (discounted) interest on the public debt saved as a consequence of revenues from privatization is more than the (discounted) profits foregone by the public budget because of the sale, then the reproach that profits were foregone because of the "squandering" of public assets would be irrelevant. Nevertheless, this discussion on the difference between the interest on public debt and budget receipts from State holdings has shunted the privatization debate into a siding. Already the abstract comparison between the market rate of interest for public loans and dividends from public capital participations is doubtful: it comes down to a comparison between the discounted burden of interest and the discounted (expected) dividends.

We should, however, distinguish between the case just dealt with of *the procurement of general budget resources by privatization* and the case

— discussed by Giorgio Stefani among others — *of privatization* (e.g. of affiliates of State concerns) *for the procurement of financial resources for the purposes of other economically relevant investments* (including pioneer functions in the field of new technologies). However, the second case is distinguished from the first only by the fact that there is a sort of condition that the revenues from privatization must be reinvested in industry.

### Final remark

What has been said above should have made it clear that the comparative presentation of the different interpretations of "privatization" is far more than a question of definitions. It brings out an abundance of crucial economic problems and characteristic differences between different "privatization strategies". This is why the Scientific Commission of the CIRIEC agreed from the start to refrain from trying to reach agreement on a unified definition of "privatization". We had to be satisfied with discussions which clarified the political and economic perspectives of our interlocutors.

One thing is certain: the fragmentation of the economic and political discussion by language barriers has proved a considerable disadvantage — particularly in respect of the criticism of precipitate privatization programmes. The Scientific Commission of the CIRIEC is making efforts to overcome this fragmentation.

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Thiemeyer, T. (1986). Privatization. On the many senses in which this word is used in an international discussion on economic theory. *Annals of Public and Cooperative Economy*, 57(2), pp. 141–152.

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8. Quaden, G. (1988). Synthesis of the congress. In: CIRIEC (Ed.), *Mixed economy systems in modern economies*. Liège: CIRIEC, pp. 181–186.

## CLOSING SESSION

### **Synthesis of the Congress by Mr. Guy QUADEN, Director of the CIRIEC**

The round table, which has just finished, constituted in its own way a synthesis of the debates, as it allowed different national and personal visions of the problem at the centre of our discussions over the past three days to confront each other: the mixed economy, its reality, its problems, its future. The discussions have enabled all the participants in this room to pick up a certain number of ideas from each other, some answers and some questions. For me, there are three ideas I will remember at the end of this congress, three ideas which are, perhaps, not conclusions but they are at least questions.

The first idea, seems evident and this congress has only, in the end, verified something which we have known, in a confused fashion, for some months, even years, already: Now is not the time of certitudes, learned truths or even less of eternal truths, now is a time of incertitude and perhaps, up to a certain point, disillusion. This should not lead us to pessimism, but should lead us, and others, to bring ourselves into question.

The time of big single totalizing, totalitarian models is perhaps over. In the XIXth century, the XIXth century went on for a long time, three models, three forms of economy organization were competing and even confronting each other. What we could call the "all private": private companies were the only possible conception and the only efficient one, there are two other models, firstly "all public", "all state", the state intervenes at both macro-economic and micro-economic levels. Finally, in the literature at least, the model of the "cooperative Republic", the whole of the economic system, all companies have to refer to this model.

The time for big models and certitudes has today, I think, passed. This has been very clear over the last three days when we have all shown, I think, a lot of modesty.

The "all private" model was brought into question and won, at least for a certain time, during the slump in the 30s which showed the deficiencies of integral free enterprise, – what economists call deficiencies, failures of the market economy. We have to admit that the slump in the 70s-80s also revealed a certain number of deficiencies in state intervention. The vision which has been predominant for sometime is quite reassuring. The market economy and, more directly, private capitalist economy is showing a certain number of imperfections but the State, in its wisdom, on the macro-economic level by its economic policy and on the micro-economic level in its companies, will correct these imperfections because it thought it was acting for the common good and on the basis of correct but incomplete information.

We must admit, today, that this vision was naive and the slump of the 70s-80s revealed, all over the world, the deficiencies, the imperfections, the limits of the nationalized model : rigidity, bureaucracy, politicization, electoral economic management, too much weight given to technological values in relation to financial and commercial constraints.

From this realization, in a certain number of countries, a wave which, depending on the languages which we speak, we call conservatism, neo-liberalism, ultra-liberalism which, in the companies field, is being focused around one work, one objective, one programme, has resurged : privatization, which in speeches, has had quite a lot of success and, in reality, has been carried out in a very unequal fashion in different countries. I think that this wave, this return to the models of the XIXth century, is now running out of steam, as the absolute confidence the free market and private enterprise, strongly developed in a certain number of areas over the last ten years, was based on incredible historical amnesia. An economy with little or no state regulation, left entirely to private enterprise, that's what most western countries knew in the XIXth century and again in the XXth century until the slump of the 1930s. This economy was not more stable – that's the least we can say – than the modern economy and its social cost was just as heavy. I think that recent events in particular the crash of the financial markets, last year, very quickly brought the financial feasibility of these privatization programmes into question and quickly tempered the enthusiasm of a large part of public opinion for this kind of programme.

Now is not the time or at least for some time — will it continue? I don't know —, now is not the time for ideologies. It is the time for pragmatism. We are told that the present time is the time for the mixed economy on one hand and

*Guy Quaden (1988)*

efficiency on the other. Those are the other two ideas I would like to put to you and criticize rapidly.

We are told that now, this is the first point that I put to you, is not the time for the integral private model, nor the integral public or cooperative model, the time of the mixed economy is here. I think that this formulation holds some truth but it is, to say the least ambiguous. Firstly, the mixed economy, in Western Europe at least, is not new. It is perhaps new in North America, it will perhaps be new in Eastern Europe but, in Western Europe, the mixed economy — if we mean by that the co-existence, in proportions which vary from one country to another and one area to another, of the generally dominant private sector and a public sector and a cooperative sector, this mixed economy is not new. What is new, I think, is that we are now all more or less convinced, whatever our political opinion, that this is a durable situation. I am not talking about precise proportions which are those of a given time in the public sector, the private and the cooperative sector, but of the idea that one of these sectors will win definitively over one of the others and even the idea that one of these sectors should not win definitively over the others, the idea is quite wide spread, and generally admitted, it is none the less ambiguous. I think that, in effect, all through this congress we have not managed to clarify the concept of the mixed economy totally. I know, for having been at many international congresses, that the differences in national situations and also in the languages we use — Europe is a tower of Babel, that's its problem —, these differences always cause a certain confusion which is difficult to dissipate completely. I think we have, under the heading mixed economy, heard relatively different definitions.

Because it is now time to make a synthesis and, in any case, to keep myself to the essential, I think that the concept of the mixed economy — and I saw it again in the last round table that I was privileged to hear — we have made reference to two ideas which seem fundamentally different. The first conception of the mixed economy is that which, at least implicitly, I have used up to now : the idea of coexistence, cohabitation as we say in France, of the private sector, the public sector and a sector of social economy, i.e. cooperative and mutual. That is the first conception of the mixed economy. I have said it and I repeat, it's a reality which is not new, a reality which is changing.

The second conception of the mixed economy is quite different and it is the object of questions, even opposition which have shown themselves in this congress. Outside the cooperation between the three economical sectors, the second conception of the mixed economy talks about collusion, alliance, mixtures of two or three of these sectors of activity. I have seen that, in the conception of the mixed economy the most widely spread in France, the mixed economy is a set of companies which unit, in different ways, the public sector on one side and

the social economy on the other, or the public sector on one hand and the private sector on the other.

Connivance between the public and social sectors is not new to CIRIEC. CIRIEC is built on the complementarity of the public and cooperative economies. I didn't invent the concept of the collective economy which, again for linguistic reasons, we have renamed, in a more weighty but less politically ambiguous fashion the "public, social and cooperative economy". This concept of CIRIEC is not obvious and I who was given the task of contributing to its distribution over the last ten years, I have been able to realize that in a certain number of countries it was quite difficult to make people accept the idea that the public sector on one hand, the social sector, i.e. cooperative and mutual, on the other hand can coexist, work together in the same association. As you know, the founders and pioneers of CIRIEC think — I and you also, I believe agree — that there are two modes of expressions of general interest collective interest in the economic field. This general interest, this collective interest may, due to circumstances, take the form of a public company or that of a cooperative and social company. This conception of the mixed economy is not obvious in all countries. The idea of alliance, fusion, however limited, between the public and private sectors is a problem for a certain number of us and we, the reporters, had reserves in saying that it was difficult to imagine that a company can serve two masters at the same time, a public master and a private master.

Why is the idea of the mixed economy developing now ? On one hand disillusion, the fact that everyone recognizes the limits of the model to which he sticks but there is an other problem, another constraint, another challenge which is posed now and to us — I was going to say Europeans but I know that in the room, thankfully, there are not only Europeans — all over the world but more precisely in Western Europe in 1992-1993, the first problem is the problem of size. Small is beautiful as we said in the 70s. It is true in certain circumstances but we realize — which has justified a renewal of interest, in many countries, in the cooperative idea — that hard economic competition today, on the international scale, the problem of size, the problem of big dimensions, is the challenge for most companies who want to increase their volume of sales and reduce production costs; It's a problem which is posed more acutely in the companies we are talking about. Cooperative companies, mutual insurance companies — and this is their value, their greatness — are very often characterized, by their national, regional and even local entrenchment. As for public companies they are, by definition, the instrument of the authorities and, to my knowledge, today, in Western Europe, we are talking about national, regional or local authorities. No public authorities today can be considered supranational or transnational. The problem, as you know, of the modern economy is that big private companies operate on the world stage, they are multinational, transnational, while public authorities and democratic associations, for example, unions and mutual insurance companies

*Guy Quaden (1988)*

have remained for the most part national. It is, therefore, certain that our companies will be obliged, in the future — in order to survive in international competition, as the market place is a constraint for all — will have to ally. The idea of public multinational companies associating public companies in different countries, European and non-European, will have to be thought about, but we cannot, I think, exclude other forms of alliance associating, in certain cases, private capitalism and public or social capital. This will be a subject for debate and a certain number of questions.

I'll insist on one point only which will lead me to my third remark. The reluctance or, at least, hesitation of certain number of us is linked to the problem of the objectives of these companies, the values which dictate their behaviour, because what we find at the foundation of our public companies and cooperative companies, of the mutual type — when they are not just the effect of an historical or circumstantial accident — what preceded their creation and to a certain point their development, were specific values that such companies intended to express and realize.

I come to the third and final remark I wanted to make at the end of this congress. We are told that now is no longer the time for ideologies, it was my first idea, from the start. We are also told that now is the time of the mixed economy, of coexistence and even association between the three sectors of activity, and that this is justified in the name of efficiency. We are told that the form these companies take is of little importance, and, in particular, that their mode of property is of little importance, what counts, what is important, is that these enterprises be efficient, as efficient as possible. I think that this concept of efficiency, like the concept of the mixed economy is ambiguous. Certainly, I think that it would be out of place and even ill timed to challenge the necessity of efficiency, but I think that, in the current environment, we must say and repeat that efficiency can neither be defined nor measured on a unidimensional basis.

Efficiency does not just mean profit. It's not that the word profit, nor its reality should cause us a problem. I am one of those who have thought for a long time — and in my case, always — that profit is a necessity for our companies, be they public, cooperative or mutual. If our companies want to develop, survive, invest or progress, they obviously have to have the financial resources. As we know, though, profit is not our objective, it's a tool. Besides profit and financial efficiency there are other dimensions to the efficiency concept : solidarity is a value. I accept the concept of efficiency, if it means economic and social efficiency. Because, if our companies exist, it is because a certain number of tasks in the public interest also exist, redistribution, equalization of conditions between the different social classes or between different regions of a country. We are forced to realize that the problem which is most often posed is that our companies and in particular the objectives of public companies are not clearly defined. We require



public companies and social companies to strive for a whole series of objectives : profitability, i.e. financial efficiency, but also social efficiency and a contribution to different macro-economic objectives, for example the fight against inflation, against unemployment or against the external deficit. The problem is that these objectives are not clearly defined and in addition they are even less often hierarchically organized — because these different objectives are not necessarily reconcilable; choices have to be made; hierarchies have to be established — and finally these objectives are even more rarely measured before hand or afterwards.

I believe, to end this subject, that we cannot accept that the method of managing our companies can be purely and simply the same as the methods of management in private companies and that the performance of our companies can be measured only on profit, but we must admit to ourselves that our companies cannot hide behind the imprecise search of general interest, behind more or less vague public interest missions in order to refuse any measure of efficiency, before or after. At this point I would like to add that an organization like CIRIEC — which, to use current parlance is an interface, a link between company managers on one hand and university researchers on the other —, can, on an international scale and on the scale of the different national sectors, contribute to clarifying this last aspect.

I would like to express my thanks and congratulations, as the Director of CIRIEC international, to the congress organizers, I mean our friend President Vattier and his collaborators.

I will not hide the fact that on the first day, at the opening of the congress, that we had a certain number of disappointments due to certain absences, but I would like to thank the organizers and participants in this congress very sincerely. Those who have heard the reports, those who have at least read them, can witness the fact that the reports presented to this congress have been among the best and we have been able discuss them during our congress.

And in addition to the quality of the reports, we have been warmly welcomed and looked after. We also had the attractions of Bordeaux and its region, which perhaps explains the limited attendance at this, the last working session, but which guaranteed that we retain an excellent recollection of our stay in Bordeaux.

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9. Monnier, L. (1992). Introduction. Dans : Monnier, L. (Ed.), *Entreprises publiques et marché unique : les entreprises publiques indispensables à l'économie de marché*. Bruxelles : Labor, pp. 9–19.

## Introduction

Lionel MONNIER

*Président de la Commission scientifique internationale sur les entreprises publiques*

Le présent ouvrage fait le point sur les travaux menés depuis trois ans par la Commission scientifique internationale du CIRIEC sur les entreprises publiques. Cette Commission regroupe actuellement vingt-huit membres, économistes et juristes pour la plupart universitaires, représentant neuf pays : l'Allemagne, l'Autriche, la Belgique, l'Espagne, la France, la Grande-Bretagne, la Grèce, l'Italie et la Yougoslavie.

Ce livre se présente comme un ensemble organisé de contributions individuelles, chacune étant signée de son auteur, sur des thèmes définis en commun<sup>(1)</sup>. Cette individualisation des textes répond d'abord aux nécessités habituelles (partage du travail et des responsabilités) de la rédaction finale de tout ouvrage collectif. Mais elle correspond aussi au fait que, sur un sujet aussi complexe et délicat, et malgré de longues discussions qui ont sur bien des points permis une réelle convergence des points de vue, des différences de sensibilité subsistent. Il était donc important qu'elles puissent s'exprimer, car elles sont révélatrices du fait que, sur certaines grandes questions comme la politique économique, la politique industrielle, le soutien à certains secteurs nationaux en difficultés, etc., il n'existe pas d'argument scientifique décisif susceptible de faire l'unanimité.

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<sup>(1)</sup> Il convient de préciser que le présent ouvrage ne rend pas compte de manière exhaustive de toutes les interventions faites au cours des sept réunions plénières, d'une ou deux journées selon les cas, qu'a connues la Commission sur ce thème de recherche. Sans parler des interventions purement orales, indispensables, à l'avancement de travaux du groupe, d'autres interventions restées sous forme de documents intermédiaires n'ont pas été reproduites ici. Il en va de même qu'un certain nombre de travaux qui ont déjà fait l'objet soit d'un exposé dans des colloques, soit d'une publication dans des revues scientifiques.

L'ouvrage comporte douze contributions. Les premiers articles s'attachent à définir une problématique générale : les entreprises publiques y sont considérées en tant que telles (indépendamment donc de leurs caractéristiques sectorielles) et globalement confrontées au contenu du projet communautaire... Et réciproquement, puisque le projet communautaire est lui-même confronté aux difficultés que rencontrent les entreprises publiques afin de tester sa capacité à les comprendre et à les résoudre. Or cette symétrie dans l'approche des problèmes s'avère riche d'enseignements. Le lecteur sera en effet surpris de constater à quel point l'étude du traitement réservé aux entreprises publiques se révèle être un angle d'analyse particulièrement pénétrant à la fois du contenu, mais aussi des vides, du projet communautaire lui-même !

Les articles suivants évoluent progressivement vers des approches semi-globales (l'étude des entreprises publiques de service public, ou celle des entreprises publiques concurrentielles) puis franchement sectorielles (secteurs des télécommunications, des transports et de l'énergie). Plus concrètes, ces analyses fournissent des illustrations indispensables pour compléter l'approche globale.

La dernière contribution occupe une place à part. Sans prétendre, sur un sujet aussi complexe<sup>(2)</sup>, présenter une synthèse achevée ou des conclusions en bonne et due forme, elle tente toutefois de prendre du recul pour s'interroger sur les raisons profondes de l'apparente incompatibilité entre entreprises publiques et projet communautaire.

Voilà pour l'organisation d'ensemble du livre. En ce qui concerne ses principales conclusions (à la différence d'un roman, un ouvrage scientifique n'a aucun suspense à ménager !), je les évoquerai ici sous trois rubriques : analyse statistique, analyse juridique et analyse économique.

*L'analyse statistique* (P. BANCE / L. MONNIER) s'est appuyée sur les chiffres publiés par le Centre européen de l'entreprise publique (CEEP). Elle s'attache à la fois à étudier l'évolution du poids des entreprises publiques, analyser les particularités de leur comportement économique, et finalement mesurer le degré d'homogénéité structurelle de la Communauté sous l'angle de l'économie mixte.

Contrairement à ce qui se dit souvent, on n'observe pas, au niveau communautaire, de recul quantitatif global des entreprises publiques sur longue période. Le recul n'est réel que dans les années quatre-vingt. Mais il fait suite à une très forte augmentation du poids relatif des entreprises publiques dans

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(<sup>2</sup>) ... et qui comporte nécessairement une dimension prospective puisque le marché unique n'est pas encore effectivement installé.

les années soixante-dix. Si donc l'on prend comme point de départ l'année 1973 — année du premier choc pétrolier et du début de la crise qu'ont connue les économies occidentales —, on constate que les entreprises publiques, après avoir beaucoup progressé, puis beaucoup régressé, ont aujourd'hui approximativement retrouvé leur niveau d'avant-crise. Elles représentent actuellement selon le critère retenu, entre 10 et 20% de l'activité économique de la Communauté. La question du rôle des entreprises publiques en Europe reste donc quantitativement importante, et ne semble pas en voie de disparition spontanée.

Du point de vue du comportement économique, les années quatre-vingt font apparaître une nette « banalisation comportementale » des entreprises publiques ; en ce sens que leur comportement tend à se rapprocher de plus en plus de celui des entreprises privées. Cette évolution s'explique probablement par la conjonction de trois raisons convergentes. La première peut s'analyser comme un processus de « récupération » (ou de « remise à flot ») d'entreprises publiques européennes dont la situation financière s'était fortement dégradée dans les années soixante-dix, du fait du rôle de régulation macroéconomique qu'on leur avait imposé de jouer. La deuxième raison tient au développement des politiques de « privatisation » qui poussaient, elles aussi, à un assainissement préalable des entreprises publiques concernées, puisqu'on vend plus facilement une firme qui fait des bénéfices qu'une autre qui fait des pertes. La dernière est liée à la signature de l'Acte unique en 1986 : devant la perspective du marché unique, les Etats membres ont sans doute anticipé sur une inévitable « normalisation » du comportement de leurs entreprises publiques.

La troisième grande conclusion de l'étude statistique est peut-être la plus importante pour l'avenir. Car on observe aujourd'hui une rupture de l'homogénéité structurelle que présentaient antérieurement les différents Etats européens sous l'angle de l'économie mixte. Au moment de la signature du traité de Rome et jusqu'à la fin des années soixante-dix, les poids relatifs des entreprises publiques dans les quatre plus grands pays de la CEE étaient en effet très comparables<sup>(3)</sup>. A l'époque, cette situation a probablement eu pour conséquence concrète de rendre la présence des entreprises publiques plus facilement acceptable... puisque, en la matière, « tout le monde » disposait à peu près des mêmes moyens. Or ce consensus implicite n'est aujourd'hui plus possible depuis que la Grande-Bretagne a « privatisé » la quasi-totalité de ses entreprises publiques alors que les autres pays adoptaient dans ce domaine une politique beaucoup plus nuancée. La question des entreprises publiques tend donc, de ce fait, à devenir une question fortement conflictuelle, non plus seulement sous l'angle

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<sup>(3)</sup> Sont concernés ici les cas de l'Allemagne, de la France, de l'Italie et de la Grande-Bretagne, dont les effectifs des entreprises publiques représentent à eux-seuls environ les trois-quarts du total communautaire.

des principes communautaires, mais aussi sous celui des réalités structurelles et des pratiques économiques concrètes.

Venons-en maintenant à *l'analyse juridique* du problème de la légitimité communautaire des entreprises publiques (M. DEBENE et O. SAINT-MARTIN). On est ici surpris par l'extrême discrétion des traités des Communautés sur cette question ! Le traité de Rome en parle peu, l'Acte unique et le traité de Maastricht n'en parlent pas. Pourtant, il ne fait plus aucun doute que l'intégration communautaire aura des conséquences majeures sur les conditions d'existence des entreprises publiques européennes.

Que dit le traité de Rome ? Son article 222 — dont il sera souvent question dans ce livre — stipule que « le présent traité ne préjuge en rien le régime de la propriété dans les Etats membres ». La propriété de l'entreprise peut donc être indifféremment publique, ou privée, ou mixte, ou même passer d'une catégorie à l'autre. L'entreprise publique et plus généralement l'économie mixte sont donc en principe compatibles avec le projet communautaire ; en statique comme en dynamique. En réalité, il s'avère que l'article 222 ne règle rien. Car cette « indifférence communautaire » qu'il institue ne vaut que pour la nature juridique de l'entreprise, pas pour son comportement économique. Du point de vue comportemental, les entreprises publiques sont en effet renvoyées à l'article 90 (premier paragraphe) du traité, qui leur fait obligation de se soumettre strictement aux règles de concurrence.

C'est ici que réside toute l'ambiguïté de la situation actuelle. Car si les Etats ont créé — et ont choisi de conserver — des entreprises publiques..., ce n'est probablement pas pour que celles-ci se comportent en toutes circonstances exactement comme le feraient des entreprises privées ! Or, pour la Commission européenne, seules seraient légitimes les entreprises publiques qui ne présentent aucune « spécificité comportementale ».

Le deuxième paragraphe de l'article 90 vient certes nuancer ce constat, mais seulement pour les entreprises expressément chargées de la gestion de services d'intérêt économique général, qui ne sont soumises aux règles de concurrence que dans la mesure où celles-ci ne font pas obstacle à l'accomplissement de leurs fonctions ; mais sous réserve que le développement des échanges n'en soit pas affecté d'une manière contraire à l'intérêt général de la Communauté. Il reste alors à interpréter ce que recouvre exactement cette notion. Or la tendance évidente de la jurisprudence est de considérer que l'intérêt général communautaire s'analyse principalement dans la liberté des échanges et le strict respect des règles de concurrence. A peu de choses près, nous voilà donc revenus au point de départ !

Globalement, l'avis des juristes de la Commission scientifique internationale est que le droit communautaire n'a pas encore réussi à traiter correctement la question — il est vrai fort délicate — de la présence d'entreprises publiques sur le marché. Car ou bien, au nom du principe d'égalité de traitement, le droit communautaire assimile purement et simplement entreprises publiques et privées — mais ceci sur le modèle exclusif de l'entreprise privée — et les entreprises publiques se voient alors refuser le droit à toute espèce de spécificité comportementale... ou bien le droit communautaire fait la distinction entre les deux, mais c'est pour redécouvrir concrètement que le propriétaire des entreprises publiques est un Etat (ou une collectivité publique) et considérer comme *a priori* suspectes les relations financières qu'il entretient avec elles. Ne s'agirait-il pas d'aides publiques déguisées qu'il conviendrait de contrôler ou d'interdire ? Les entreprises publiques font alors l'objet d'une suspicion systématique, discriminatoire et donc potentiellement pénalisante.

Finalement, il apparaît que le droit communautaire reste hésitant devant la dualité « entreprises publiques / entreprises privées », et balance entre deux attitudes : assimilation ou discrimination. Mais force est de constater que, pour le moment, ces deux solutions apparemment opposées ont cependant pour résultat commun de placer concrètement les entreprises publiques dans une situation plus difficile que celle des entreprises privées (M. DEBENE).

Les ambiguïtés qui pèsent sur la légitimité communautaire des entreprises publiques emportent des *conséquences économiques* complexes.

Pour introduire cette question, rappelons d'abord que toute société se construit sur un équilibre entre deux grands groupes d'éléments complémentaires : d'un côté les activités marchandes, qui relèvent principalement du secteur privé, de l'autre les facteurs non marchands, qui sont de nature micro- ou macro-économique, ou qui traduisent des préférences intrinsèquement collectives. Par nature, ces facteurs échappent au marché et nécessitent donc l'intervention de décisions politiques afin de fixer les « conditions-cadre » dans lesquelles se déroulera la concurrence de marché.

Si tous les économistes acceptent cette idée d'une nécessaire coexistence entre les domaines marchand et non marchand, leur unanimité disparaît dès qu'il s'agit de dire précisément où se trouve le « juste équilibre » entre les deux. Les opinions varient selon que l'on est plutôt interventionniste, ou plutôt libéral. Elles varient aussi en fonction de la conjoncture : selon que l'économie privée se porte bien, ou qu'elle éprouve des difficultés. Sur le plan des faits, on constate enfin que les choix diffèrent d'un pays à l'autre, en fonction de l'histoire et de la culture nationales : non seulement quant au poids globalement reconnu aux facteurs non marchands, mais aussi quant aux modalités techniques précises de leur prise en compte.

Par rapport à cette présentation des choses, l'avis de la Commission scientifique internationale est que l'appréciation de la Commission des Communautés européennes, comme celle de la Cour de Justice, sont actuellement trop optimistes quant à l'étendue du domaine où la concurrence a réellement capacité à assurer seule la direction de l'économie. Un élargissement de la concurrence intracommunautaire est certainement souhaitable. Mais il doit s'accompagner d'une redéfinition explicite de l'ensemble des conditions-cadre de cette concurrence. Sinon, les équilibres antérieurs, qui s'étaient constitués progressivement et pragmatiquement dans les espaces nationaux, risqueraient d'être rompus dans un sens anormalement défavorable à l'économie publique. Il faudrait alors s'attendre à des décisions contre-productives allant à l'encontre des objectifs de bien-être social qui furent à la base de la création de la Communauté (K. OETTLE).

Cette question cruciale est en même temps extrêmement délicate. Car d'un côté, il ne fait aucun doute que la priorité communautaire accordée à la libéralisation des échanges (sur l'harmonisation des conditions de concurrence) a permis de débloquer une situation que les conflits des intérêts nationaux tendaient à figer. Mais, d'un autre côté, on ne peut pas ignorer la nécessité même d'une harmonisation. Or il serait illusoire de compter sur la concurrence pour produire elle-même une harmonisation acceptable de ses propres conditions-cadre... Nous sommes là en présence d'un conflit majeur entre, d'un côté, la vitesse d'exécution du projet communautaire et, de l'autre, la qualité de la construction finale.

D'un point de vue sectoriel (H. COX, P. MÜNCH et G. STEFANI), il apparaît ainsi qu'un certain nombre de missions dites « de service public » se trouvent menacées : par exemple l'obligation de desservir la totalité d'un territoire. Ces missions étaient traditionnellement remplies par des entreprises qui disposaient en contrepartie d'une protection vis-à-vis de la concurrence. Si cette protection disparaît, ces entreprises se trouveront soumises au risque d'« écrémage » (« *cream skimming* ») dans la mesure où leurs concurrents pourraient alors concentrer leurs activités sur les seuls créneaux financièrement rentables. Privées des ressources correspondantes, ces entreprises devront soit abandonner ou réduire leurs missions de service public, soit se tourner vers des financements publics explicites. Or, dans la plupart des pays européens, règne actuellement un climat politique antisubventionniste. Faute de nouveaux circuits de financement, on risque ainsi de voir régresser certaines missions de service public..., ceci sans que personne ne l'ait jamais explicitement décidé !

La même remarque peut être faite à un niveau plus global. La Commission scientifique s'est par exemple interrogée sur la question de savoir comment faciliter les alliances et opérations de concentrations industrielles les plus favorables à l'Europe (L. CARTELIER). Sur ce point, il est en effet possible de montrer que le marché, à lui seul, ne garantit pas que la décision résultant

*Lionel Monnier (1992)*

du libre jeu des intérêts particuliers soit aussi la plus avantageuse pour la Communauté. Il y a donc là matière à une intervention incitative pertinente. Or, actuellement, on ne peut que constater que cette possibilité n'est pas utilisée.

Finalement, la réflexion de la Commission scientifique aboutit au double constat suivant :

- Il y a — et il y aura probablement de plus en plus — recul du rôle des Etats membres en matière d'encadrement du marché. Ceci est parfaitement logique dans une perspective d'intégration européenne.
- Mais, dans bien des cas, les prérogatives et contrôles nationaux qui disparaissent ne trouvent pas vraiment d'équivalents au niveau communautaire.

Cette situation comporte une ambiguïté majeure. Car la question se pose de savoir si cette absence de relais communautaire correspond à un choix politique délibéré fait en faveur d'une économie européenne très libérale ... ou si elle ne révèle pas aussi une certaine incapacité actuelle des instances communautaires à assurer concrètement le relais des responsabilités politiques qui échappent désormais aux Etats membres. Pour certaines grandes questions d'économie publique se poserait ainsi un problème de transition... et de vide politique (L. MONNIER). On constate en effet qu'il n'existe pas actuellement, au niveau européen, d'institution politique suffisamment forte et légitime pour prétendre définir globalement ce que pourrait être l'intérêt général communautaire au-delà de ce qu'autorise la référence au bon fonctionnement de l'économie de marché. Il s'ensuit, en la matière, une tendance structurelle à s'en remettre au marché... ou à renvoyer au juge.

En 1990, par exemple, on a vu l'expression « politique industrielle » retrouver officiellement sa place dans le langage communautaire. Mais il fut aussitôt admis que « l'achèvement du marché intérieur » — donc la politique de concurrence elle-même — pouvait être considéré comme « une politique industrielle par excellence » ! Cela pose évidemment problème, car pourquoi avoir éprouvé le besoin de recourir à deux expressions différentes... si elles veulent vraiment dire la même chose ? On pressent bien, là encore, que la Communauté n'a pas réussi à s'émanciper de la référence au marché.

Pour les entreprises publiques, la période de transition s'annonce difficile à négocier. Car du fait de la mise en place du marché unique, elles se trouvent soumises à des forces convergentes qui les poussent vers une « privatisation comportementale »... sans qu'elles sachent toujours très bien ce qu'il va advenir des différentes missions de service public qu'elles assumaient auparavant. Or toutes les entreprises publiques européennes sont en fait, pour des raisons historiques, des entreprises publiques nationales (allemandes, françaises,



italiennes, etc.) ... jamais des entreprises publiques communautaires. Il s'ensuit que l'« intérêt général » qu'elles avaient jusqu'à présent vocation à servir se définissait et se gérait toujours dans un cadre national, et pas communautaire ! De ce fait, ces entreprises se trouvent aujourd'hui confrontées à une déstabilisation profonde des bases culturelles et relationnelles sur lesquelles elles s'appuyaient antérieurement.

Diriger une firme, qu'elle soit publique comme privée, ce n'est pas seulement gérer le quotidien. C'est aussi décider d'une stratégie à moyen et long terme. Par les incertitudes qu'elle entretient quant à leur légitimité communautaire, la situation actuelle — si elle devait se prolonger — se révélerait particulièrement paralysante pour des entreprises publiques qui doivent elles aussi mettre au point une stratégie : nationale, communautaire et internationale. Cette gêne est d'autant plus importante que les entreprises publiques évoluent souvent dans des secteurs fortement capitalistiques, où le temps d'élaboration et de retour d'une stratégie industrielle et commerciale se compte parfois en décennies.

Voilà pour les inquiétudes. Mais, paradoxalement, l'évolution actuelle est également prometteuse, si l'ensemble des problèmes est, à tous les niveaux, abordé avec nuances et dans une perspective d'avenir. Deux facteurs apparaissent en effet favorables. On peut d'abord s'attendre à ce que l'accroissement des pressions concurrentielles (ou simplement plus de transparence dans l'information, et donc la possibilité de mieux comparer les performances réalisées par différentes entreprises d'un même secteur) contraigne inéluctablement les entreprises publiques peu performantes à un suivi plus attentif de leur gestion interne. Le risque d'avoir à faire face à des contrôles communautaires — si ces contrôles savent éviter toute exagération quant à leur fréquence et quant à leurs méthodes — devrait par ailleurs avoir comme conséquence positive d'obliger les Etats à une plus stricte autodiscipline. Les « Etats-patrons » ne pourront plus intervenir à tout propos et n'importe comment dans la gestion d'entreprises publiques qu'ils ne contrôleront probablement jamais plus comme avant.

Mais pour que, dans les prochaines années, les progrès de la construction européenne constituent vraiment un facteur positif, il faudrait aussi que les autorités communautaires réussissent à rééquilibrer leur conception de l'entreprise publique. Pendant longtemps, elles ont dû ignorer ce problème trop épineux. Aujourd'hui qu'elles se sentent en position de l'affronter, elles s'intéressent prioritairement, sinon exclusivement, aux inconvénients liés à la présence d'entreprises publiques du point de vue de l'élargissement de la concurrence intra-européenne. Il conviendrait maintenant de dépasser cette logique d'affrontement ; en prenant aussi en compte les avantages que leur présence peut comporter : tant du point de vue de l'installation du marché unique

*Lionel Monnier (1992)*

que sous l'angle — essentiel — de la capacité ultérieure de la Communauté à mieux faire face à la concurrence internationale externe.

A court terme, il est indispensable que le point de vue des entreprises publiques puisse mieux s'exprimer et soit correctement écouté, même si cela conduit à poser des problèmes difficiles dont certains sont éventuellement sans solution immédiate au niveau communautaire. Car, chacune dans leur secteur d'activité, les entreprises publiques européennes disposent de compétences acquises et d'une culture qui présentent certes des points communs, mais aussi des différences, avec celles des entreprises privées. Leur expérience originale doit en particulier être mise à profit en matière d'anticipation des possibles effets pervers liés à l'éventuelle mise en place de tel ou tel nouveau type d'organisation sectorielle.

De même que l'économie publique est le complément obligatoire de l'économie privée, l'existence d'entreprises publiques est à considérer comme un complément utile, probablement même indispensable dans le contexte européen actuel, de la mise en place d'une économie de marché efficace.

Cette conclusion rejoint tout à fait l'argumentation développée dans le premier article de l'ouvrage, intitulé « Le défi du marché : Coexistence de l'économie publique et sociale dans l'économie de marché », qui introduit le débat du point de vue de la théorie de l'économie publique. Cette contribution occupe cependant une place à part car il s'agit en fait de la reprise d'un article publié en 1982<sup>(4)</sup>. Nous avons choisi d'honorer ainsi la mémoire de son auteur, le professeur Theo Thiemeyer, président du Conseil scientifique international du CIRIEC, qui avait aussi présidé jusqu'en 1988 la Commission scientifique internationale sur les entreprises publiques et qui participait encore très activement à ses travaux lors de la réunion de Cologne, quelques semaines avant son décès inopiné en novembre dernier. Il avait pris en charge le chapitre concernant le secteur électrique.

Qu'il nous soit permis de dire ici brièvement pourquoi nous avons choisi de republier cet article.

Sa tonalité générale, d'abord, correspond tout à fait à l'approche que Theo Thiemeyer avait de la science économique comme du débat scientifique. La question de la pertinence de l'« économicité sociale »<sup>(5)</sup> — c'est le thème

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<sup>(4)</sup> Dans les *Annales de l'économie publique, sociale et coopérative*, 1982, 3/4

<sup>(5)</sup> C'est-à-dire la nécessité de reconnaître comme potentiellement rationnels l'intervention économique de l'Etat ou le fait, pour des individus ou des organisations, de ne pas se préoccuper exclusivement de leur intérêt particulier, mais d'y adjoindre éventuellement des arguments d'intérêt général ou de service public.

de son article — est en effet posée d'emblée au niveau du débat international sur le sujet, et sa formulation actuelle réexaminée par rapport à l'histoire des idées économiques. On retrouve là la marque à la fois de la grande culture de l'auteur et de son sens de l'engagement intellectuel ; puisque après avoir brossé une telle fresque, il prend personnellement position, concrètement et point par point.

Mais il est clair que nous avons aussi choisi cet article de Theo Thiemeyer parce qu'il introduit parfaitement le thème général de l'ouvrage. Et, bien qu'il ait été publié il y a maintenant dix ans, son contenu est toujours autant d'actualité. L'article se fixait en effet deux objectifs :

- montrer en quoi l'orientation du débat scientifique international — et par voie de conséquence de l'enseignement universitaire — se fait, consciemment ou non, dans un sens unilatéralement et excessivement hostile à l'économie publique et sociale ;
- mettre en garde les praticiens de ces secteurs d'activité contre la tentation de considérer que cette « mode » — à certains égards abstraite et hermétique — que connaît la science économique pourrait ainsi se développer durablement sans jamais produire de conséquences concrètes.

Pourtant parfaitement clair et argumenté, ce message prémonitoire n'a pas été entendu comme il l'aurait mérité. Au cours de la dernière décennie, l'image de l'économie publique et sociale n'a cessé de se dégrader dangereusement : aussi bien au niveau des publications scientifiques qu'au sein même des équipes dirigeantes des entreprises publiques où, inévitablement, interviennent aujourd'hui des hommes qui n'ont appris la science économique que dans cette ambiance intellectuelle là.

Cette remarque prend tout son poids — et nous retrouvons ici le cœur même de l'ouvrage — en matière de construction communautaire, laquelle a connu une fantastique accélération avec la signature de l'Acte unique... en 1986, donc dans un contexte idéologique du même type. Que l'on choisisse d'y voir une relation de cause à effet, ou une simple coïncidence chronologique, on ne peut que constater que la question de la légitimité européenne des entreprises publiques se trouve depuis lors posée en des termes qui lui sont le plus souvent défavorables.

Un large rééquilibrage des points de vue et, pour cela, un débat s'appuyant sur des argumentations complètes, explicites et sans *a priori* nous paraît aujourd'hui devoir s'imposer. Et, dans ce débat indispensable, nous rejoignons sans réserve la pensée de Theo Thiemeyer qui concluait ainsi son analyse :

Lionel Monnier (1992)

*« Ces institutions [entreprises publiques et d'économie sociale] sont — que cela s'insère ou non dans la conception dominante de l'ordre économique — un instrument rationnel de politique économique en vue d'accomplir certaines tâches sans lesquelles un ordre économique fondé par principe sur le marché ne peut fonctionner.*

*Quant à l'image, au renom de l'économie publique et sociale dans l'opinion, et à l'enseignement de cette matière, tous deux nécessitent actuellement une reconstruction laborieuse et patiente.*

*Mais ce devoir de reconstruction nécessite à son tour l'engagement des praticiens et des théoriciens de ce secteur pour l'intérêt collectif. »*

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10. Monnier, L., & Thiry, B. (1997). Introduction: The general interest: its architecture and dynamics. *Annals of Public and Cooperative Economics*, 68(3), pp. 313–333.  
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## **INTRODUCTION: THE GENERAL INTEREST: ITS ARCHITECTURE AND DYNAMICS**

by

Lionel MONNIER and Bernard THIRY

Since the creation of CIRIEC in 1947, and, *a fortiori*, since the creation of the *Annals*<sup>1</sup> in 1908, the general interest, its content and its means of expression have undergone profound transformations. CIRIEC's field of activities and research have also widened, first focusing on public enterprises, whether national, regional or local, cooperative and mutual societies and trade union enterprises, but now embracing mixed enterprises, associations and other nonprofit organizations, as well as enterprises in charge of services of general interest. Planning, on the other hand, has been replaced by regulation on the agenda. CIRIEC's official name has also been modified, substituting 'public, social and cooperative economy' for 'collective economy' in 1974, thus anticipating the complete collapse of 'collectivism' which, dressed up in the glad rags of the general interest, was transformed into a dictatorship and into economic and political immobility.

The general interest's means of expression, which are rooted in history and culture, are characterized by their plurality, and it is this plurality that the almost 30 authors who have contributed towards this issue have tried to present and to analyse to a plethora of visions and traditions. The reference to the general interest is obviously the common denominator of all the contributions, though

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<sup>1</sup> First called 'de la Régie directe', then 'of the collective economy' and finally 'of public and cooperative economics'.

some authors understand it more as a public interest (the 'common good'), as defined and pursued by the public authorities, whether national, regional, local or supranational, while others regard it more as a common interest of cooperative, mutual or association members. These two different approaches have clearly complemented each other within the CIRIEC movement since its creation. Edgard Milhaud, its founder, believed it was impossible to study the cooperative movement in isolation from the world, while excluding other aspects of the collective economy in the sense in which he understood the term, i.e. the economic activities directly oriented towards the service of a community: public enterprises, cooperatives, the organized economy, the planning system, and the economic role of the trade unions. Furthermore, he considered cooperation in its larger sense, making a distinction between associations of individuals and associations of communities (Milhaud 1942, 1950). Carrying on the analyses of G. Fauquet, he suggested to B. Lavergne the idea of *régie coopérative*, by demonstrating the links between purely voluntary cooperation and public services (BIT 1950, Lambert 1964, p. 137).

Paul Lambert, his successor at CIRIEC, in his thinking, also associated the state's macroeconomic policy (Lambert 1963) and the cooperative doctrine (Lambert 1964). Did he not himself consider himself to be a follower of C. Gide and of the Nîmes School on several points? And if, as C. Gide proposed, consumer cooperatives spread by means of a success against competition, until they conquer all the distribution channels, until they subordinate industrial production and then agriculture, is it not true that there is a fusion of public action and cooperative action?

Using the phrase of C. Gide, 'cooperativize the state', P. Lambert understands this to mean 'to unburden the state of all its tasks of business management and entrust them either to purely voluntary cooperation or to public enterprises who themselves apply the essential elements of the cooperative principles' (Lambert 1964, p. 239-240). And he adds, 'Working, liberated from any capitalist concerns, aiming for the improved being of vast categories of citizens, the cooperatives will be ready to support, by means of their own decisions, a general policy that they will have contributed towards forming. In this sense, I agree entirely with Lasserre: the expansion of the cooperative societies will allow a number of direct regulatory interventions by the state to be avoided' (Lambert 1964, p. 240).

But as Guy Quaden – CIRIEC's third director said – 'the idea that the general interest can, depending on circumstances, either take on the form of the public enterprise or the form of the cooperative and social enterprise...is not obvious in all countries' (Quaden 1988, p. 192). Furthermore, since the 1960s and, in particular over the past 20 years, our economic and social system has undergone

several mutations which put into question certain mechanisms and notions of general interest (and which develop others). The general interest, nevertheless, still remains a fundamental subject of reflection and of permanent relevance. Within CIRIEC, scientific studies on these questions have been pursued and examined in detail. A fundamental issue is the way in which the individual, and his articulation with society, are modeled and understood.

## 1 The individual and society

The question of reconciling the interests of the individual with the general interest has been at the heart of liberal economic analysis since its origin. The dominant economic thinking concerning this central question has, however, evolved over the last quarter of a century.

In the eighteenth century, Adam Smith laid emphasis on the individual as an irreducible human reality, a fount of initiative and a focus for economic calculation. The economic system was to be based on the foundation of individualism, both because it is part of human nature to be an individual and because the quest by each individual for his or her own personal interest leads automatically to the attainment of the general interest. While the proof provided was vague, the idea of a mechanism – an economic one – guaranteeing the harmony of individual interests had clearly been put forward. This was the famous model of the ‘invisible hand’ guiding the market, an intuition of genius and one which founded the science of economics, to which it gave its subject matter, namely, the analysis of the mechanism for transforming individual aims into outcomes promoting the general interest.

In the original version of the liberal theory, *Homo oeconomicus* was undoubtedly represented as an egoist. But this was based upon a ‘weak’ assumption. Its main aim was to show that there was no need to assume that all individuals are philanthropists in order to expect that, without seeking to do so, they will in fact work towards the general interest. It was therefore possible to focus on the mechanisms of the market and their built-in capacity for ‘reconciling’ individual interests with the attainment of the general interest. In this particular model, *Homo oeconomicus* appeared therefore as an ‘ordinary egoist’, who could on occasion even become an altruist. This did not affect the proof in any way.

The liberal economists of the twentieth century, who have been less optimistic than their forebears as regards the virtues of the natural order, gradually drew up, at both the micro- and macroeconomic level, a list of the system’s possible failures. However, their vision of human nature had not changed. If the markets experienced failures requiring the application



of collective therapies, it would always be possible to find people – whether omniscient sages, benevolent dictators, politicians or senior officials – who would be able to intervene on behalf of – and in the direction of – the general interest. Economic liberalism therefore became increasingly open and interactive, becoming an intellectual field which could to a large extent accommodate Keynes and Samuelson.

### 1.1 The drift of the paradigm of *Homo oeconomicus*

The situation has changed greatly since the end of the 1960s, with the rise of the neoliberal theses (in particular, a growing following for the public choice school). The assumption of egoism which initially characterized the behaviour only of *Homo oeconomicus* has gradually contaminated all spheres of human activity, particularly politics (peopled by ‘individual politicians’) and administration (peopled by ‘individual officials’), as well as other spheres, extending as far as family life. This generalized behavioural egoism has at the same time been radicalized. Unlike *Homo oeconomicus*, who was ‘a normal egoist’, the new individual is presented as being a complete and cynical egoist who rationalizes everything and who pursues his or her own ‘utility’, which is, more often than not, measured only financially.

This radical drift of both the substance and field of application of the *Homo oeconomicus* model has also changed this model’s function. At the outset, this was a model in the classical sense of the term, that is to say, a deliberately simplified representation of a reality which was far more complex, devised in order to facilitate partial analysis. Today, however, the characteristics of the new *Homo oeconomicus* tend to be presented as describing an actual situation and an established anthropological fact which cannot be seriously questioned (Thiemeyer 1982). The new paradigm is thus simultaneously explicitly presented as the ‘existing model’ and taught as a ‘model to be imitated’ (Etzioni 1989). Complete cynicism becomes the only form of expression recognized to be relevant to individual rationality, as any other type of behaviour (linked, for example, to a sense of public service in the case of an official, to the state in the case of a politician, to a sense of economic democracy in the case of a cooperator, or to a sense of solidarity in the case of a volunteer worker) can no longer be analysed, other than as an anachronism, symptoms of incompetence – or attempts at trickery.

This neoliberal or ‘utilitarian-monetary’ approach, which is narrowly constructed on the basis of characteristics relating to individual behaviour, has been paradoxically revealed as being highly stimulative as regards anything affecting questions of general interest. The specific difficulties relating to

the inevitable human accompaniment to theoretical procedures for taking account of the general interest had been previously greatly underestimated and even ignored. It is becoming clear that failures are also possible at this level, whether this is at the level of public administration or that of the enterprise or organization of the social economy, and this greatly complicates finding a solution to the problems involved. This is the undeniable part of the neoliberal argument, and it has to be fully accepted at both the practical and theoretical level.

On the other hand, the anthropological foundation of the neoliberal doctrine, namely a complete identification of opportunism with rationality, merits severe criticism. This is so because this assertion, which is both very important in itself and is clearly destructive of any kind of social economy or public economy culture, would need to be established empirically. This, however, is not the case, as it is based on a model of human behaviour which is clearly excessively abstract and a caricature. Contrary to what it claims, the utilitarian-monetary analysis does not take the individual as its point of departure. The truth is rather that it abandons the individual!

## 1.2 Solidarity, rationality and efficiency

The individual person should be rediscovered as both the subject of analysis and as an actor seeking to model the socio-economic framework of activities in accordance with his or her views and expectations. For this purpose it is essential to rely on genuinely multidisciplinary research, including the latest trends in the cognitive sciences which show the individual person to be a subject in whom utility and morality constantly clash. The individual is a rational being who knows how to choose the means suited to the ends but he or she also acts under the influence of emotions and values. While most politicians, for example, are undoubtedly concerned about their electoral interests, their conduct also reveals that they honour other types of obligation. Similarly, the values of solidarity and of economic democracy, which are at the base of cooperative and mutualist movements and voluntary action, can be accepted only with difficulty into the 'utilitarian-monetary' vision of the individual.

Contrary to the assumptions of the ultraliberals, all the evidence indicates that individuals do not view their relationship with society solely through the prism of a simplistic antagonistic dialectic of the 'me-them' type which strongly opposes them against the rest of society. In individual rationality, there is also room for a richer social relationship based on cooperative pairings of the 'me-we' type, in which the individual recognizes himself or herself to be and is also assumed to be a partner of a community (or several communities), the collective values and aims of which the individual shares and with which

the individual feels solidarity.<sup>2</sup> Socialization of the individual is thus expressed by means of a set of 'solidarity perimeters' (Monnier 1991), within which the logic of competition nevertheless leaves room for cooperative relationships.

The fact that account is taken of the complexity of the spectrum of possible motivations does not lead to an exchange of the cynicism of the utilitarian model for some kind of sanctimonious image of the individual. What is involved is simply taking note of the existence of this diversity, analysing it scientifically as a potential to be exploited, and seeking to draw from it all possible consequences in terms of organizing society. The question is how to mobilize, as effectively as possible, all forms of energy and intelligence, whether they are already available or merely latent, or whether they are individual or collective.

If social cohesion is considered to be a common good, consideration should be given to all types of organization enabling certain individuals – those more concerned about these matters than the average citizen – to increase their monetary contributions above the normal tax demands or to make contributions other than monetary ones.

In addition to altruism and the desire to serve the public interest, there is also room for the collective or common interest. This is achieved by taking into account all forms of interpersonal objective solidarity and therefore by optimal use of the micro- and macroeconomic externalities which always accompany economic activity. A society or group which succeeds in correctly internalizing all forms of interdependence will be more efficient than one that relies solely on the laws of the market and on interpersonal competition. However, this assumes the emergence of a collective intelligence and, for that purpose, the establishment of an ad hoc organization. A collective, institutional 'capital' therefore has to be formed.

In practice, the conceptual dissociation between 'altruistic solidarity' and 'objective solidarity' often proves to be a difficult assumption to make, particularly from a dynamic perspective. This is because it is necessary to ask: what forms of interdependence are involved? Are these only pre-existing and immediately available externalities, concerning which it should be sufficient to take note? Or are these also potential externalities which could for this reason be the subject of a collective research and promotion strategy? Let us take as an example personnel management in an enterprise. At the lowest level, a satisfactory guarantee of employment and remuneration can be interpreted in terms of employer generosity and therefore as a form of expensive paternalism. In the short term,

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<sup>2</sup> At this point we accept the arguments of the new 'socio economy' movement which condemn the imperialism of neoliberal economic reasoning in intellectual life and in the teachings of the business schools.

this company generosity therefore appears to conflict with a requirement for its external competitiveness. On the other hand, from a dynamic perspective, the same policy can be understood and justified as an incentive strategy relating to a cooperative interplay. Company cohesion is therefore analysed as an investment yielding positive externalities, for example by encouraging both the workforce and the company itself to agree to more intensive training, as there are reasons for believing that there will be favourable consequences for the 'common basket'. Conversely, a systematic policy of labour flexibility undoubtedly enables company costs to be reduced in the short term. But by reducing its capacity to elicit cooperative behaviour, this policy insidiously draws on the very reserves of the organization, proportionately reducing its long-term capacity for adaptation. An economic choice between efficiency and solidarity therefore clearly involves two columns in the balance sheet, the short- and long-term balances of which are potentially inverted.

The same analysis continues for the most part to be applicable at the level of public action, where the state – i.e. the various public authorities, whether national, regional or local, or even supranational – controls both the major social and economic balances and their timing. It seeks to orient both the decisions between efficiency and solidarity on the one hand and those between the long term and short term on the other (Delmas 1991). The reason for this is that liberal economies are at the same time political democracies. Their operation involves a permanent tension between two apparently contradictory principles of organization (Fitoussi 1995). On the one hand there is the play of market forces, which is based on the exercise of unequal financial power, namely, to each according to his or her means. By producing social differentiation, the market society provides a natural incentive for individual effort and dynamism. On the other hand, there is the political interplay based on universal suffrage, namely, to each a vote. A democratic society therefore ensures representation of the values of solidarity and long-term policies. It is the bearer of a form of collective intelligence which partially substitutes cooperative for non-cooperative interplays of interest. And, finally, it is the tensions and compromises between these two contradictory but not incompatible principles which permit internal regulation and ensure the dynamic cohesion of our societies.

## **2 The general interest as a social structure**

For some, but for cases of market failure (natural monopoly, external effects, public goods, etc.), the free interplay of market forces and competition is supposed – on its own, spontaneously and everywhere – to ensure a close and immediate correspondence between individual interests (which remain intact, i.e. are 'exclusively individual') and the general interest (in the singular,

which implicitly indicates that it exists on a planetary scale). In this generalized and problem-free *laissez-faire* and *laissez-passer* world, the socio-economic area appears to be a neutral landscape flooded by a single and self-regulating market. The idea of a search for the general interest, like the idea of methods of taking the general interest into account, does not find any conceptual support in this abstract and excessively rigid dichotomy between the interests of the individual and the general interest.

## 2.1 General interests and solidarity perimeters

Observation of social and economic reality in fact shows a complex world in which the idea of taking into account the general interest – in the widest sense of the term (public interest, common interest of members, etc.) can find a place which is both very large and highly diversified.

On the one hand, in its non-market form, the public sector economy is a massive one in all countries, irrespective of their political systems. This public sector economy alone accounts for between 25 per cent and 50 per cent of gross domestic product (Lecaillon 1993). To this should be added the public sector market economy – that is to say, state-owned enterprises. Of course, privatizations have affected almost every country in the world over the past 20 years to various degrees. But what we understand by privatization is not completely free from ambiguity and from misunderstanding (Thiemeyer 1986; see also Nitta, chapter 13 of this issue) and the enterprises over which the public authorities have a majority control still represent an important economic reality. For example, they still represent 10.4 per cent of the non-agricultural economic activity of the European Union (Bizaguet 1997). Furthermore, consideration should be given to the increasing number of enterprises with a minority state participation and to the enterprises which serve the general interest and are therefore subject to special public regulations.

On the other hand, what is commonly referred to in the essentially French tradition<sup>3</sup> as the social economy – which groups together the cooperatives, mutual societies and associations (Moreau 1994, Bidet 1997) – cannot be overlooked (Monzón Campos, chapter 5 of this issue). According to modest estimations, the social economy employs between 6.5 and 7 million people in the 15 Member States of the European Union; in other words, it accounts for between 5 and 5.5 per cent of salaried employees (Commission Européenne 1996).

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<sup>3</sup> Although it seems as if the first author to have used the term 'social economy' in this sense was a British essayist and historian, Samuel Smiles (Lynch 1995).

In addition to these figures, observation of the actual situation also reveals an obvious conceptual aberration, namely, that most often the idea of the general interest apparently can be expressed concretely only in plural terms. In fact, throughout the history of the concept, and as a result of a series of initiatives, some authoritarian and others spontaneous, what can be termed a 'geography' of 'constituted general interests' has been gradually established. The term 'geography' should be understood here in the widest sense. It indicates that subgroups take shape on the basis of a whole, as classic political geography has been only one of the possible dimensions of division. From a methodological point of view, ascertainment of the existence of this plurality of general interests means that – in general – one can no longer be content with a purely abstract and normative approach to the question of the general interest. There is clearly room for an inductive approach which will seek to account for the phenomenon as it really exists, that is to say, as regards both its diversity and universality. The subject matter of analysis adopted therefore is the historical set of the various specific methods of taking account of the general interest, considered as a social structure, for which one seeks to discover the mechanism involved.

This kind of analysis, which is a very complex one, could in our view begin with the following three concepts:

- (i) There is the concept of the existence of 'solidarity perimeters' which group together individuals sharing approximately the same idea (or intuition) of the general interest. These solidarity perimeters represent so many levels enabling individuals to evolve specifically towards possible cooperative relationships of the 'me-we' type. The range of these perimeters extends from the family to the nation, passing through a company, trade union, mutual society, cooperative, association, etc.
- (ii) There is the definition of coherent objectives and functions, along with the concept of the general interest, peculiar to each solidarity perimeter. However, contrary to the objective of maximizing private income – which involves highly focused economic behaviour – the search for the general interest frequently leads to indefiniteness (Monnier 1978) due to the diversity of possible assessments of the objective itself (Thiry 1995).
- (iii) Each solidarity perimeter should therefore have a decision-making system which is endowed not only with technical skills as regards achieving the particular general interest objective involved, but also with a capability for evaluating the actual substance of the objective or function to eliminate, where necessary and on a case-by-case basis, any such indefiniteness. Independent of any philosophical consideration, indefiniteness of general interest objectives leads organizations to a more or less democratic form of management.

## 2.2 Delimiting the scope of general interest organizations

What types of organization serve the general interest, in one way or another? The question first arises at the philosophical and scientific level. Hence, is a reference to the general interest sincere or does it really involve purely ideological language aimed mainly at legitimizing an existing organization (Rangeon 1986)? This question also arises at operational and political level in that certain general interest organizations can on this basis lay claim to particular kinds of protection or public funding. Consider, for example, the exemptions to the competition rules set out in the European Treaties for enterprises which provide services of general economic interest (art. 90,§2).

A simple criterion which serves to characterize general interest organizations has recently been sought in the 'extroversion' (or altruism) of the organization, in other words, in the fact that the group which controls the organization can be distinguished from the group which benefits from its activity (Gui 1991). This type of organization therefore carries out a 'peripheral unloading'.

This extroversion criterion is interesting insofar as it provides an explanation as to why a society may rationally decide to help certain organizations which operate within it, specifically when these provide concrete assistance to beneficiaries (or causes) whom the whole of society itself wants to help (or promote) in the name of its own idea of general interest. But this criterion has some rigidities which do not allow it to be applied mechanically. In particular, it tends to exclude too quickly all forms of organization – like most mutual societies or cooperatives, for example – which only put extroversion partially or periodically into practice (Harraudeau and Ridel 1996). These mixed organizations (as they combine the common interest of the members with a wider general interest) are not only very numerous, but may also evolve – alone or in association with other general interest organizations – in a way which brings them nearer to the model type (Levesque, Malo and Rouzier, chapter 11 of this issue).

But the main limit to the extroversion criterion – which we believe prevents it from being the only criterion taking the general interest into account – lies in the fact that it remains too far outside the organization which it claims to qualify (or disqualify). Under these conditions, this criterion must reach its limits each time that the perimeter of the organization in question extends to cover that of society as a whole, that is, the national perimeter itself. For it is clear that at the level of the socio-economic totality, a 'peripheral unloading' is no longer possible (without international assistance, etc.). According to the extroversion criterion, the notion of general interest would therefore be consubstantial with the 'part' and would never embrace the 'whole'. This approach conforms with difficulty to what we know about the socio-economic configuration of the present world,

in which national perimeters, for obvious cultural and institutional reasons, represent the main perimeters in taking account of the general interest.

It is therefore necessary to qualify the extroversion criterion and to recognize a potential dimension of general interest in all the socio-economic entities whose internal organization claims to be able to encourage, facilitate or provoke a behavioural evolution of its members by means of a diminution of purely individualist modes of behaviour in favour of more (spontaneous or constrained) cooperative modes of behaviour. Nations and public authorities thus find their place among the methods of taking the general interest into account, alongside microeconomic organizations, such as the associations which offer mutual assistance, but also alongside most cooperatives and mutual societies, by means of the original rules governing their internal operation, their values and their principles.

As well as their 'classic' principles of voluntary membership which is open to all, of democratic power exercised by the members and of their economic participation, etc., the cooperatives ensure the promotion of intercooperation, and at the Centenary Conference of the International Cooperative Alliance (ICA) in Manchester in 1995, a seventh principle, of commitment towards the community and of contributing to its sustainable development, was approved. Thus the extroversion of the cooperative was affirmed. Evidently, recognizing the cooperatives' partial aim of serving the general interest does not mean that they are used by the state in its service, nor, to be more exact, in the service of the general interest as defined by the public institutions. Furthermore, without mentioning cases whereby all the members essentially correspond to the territorial community, as is the case of the Desjardins movement in Quebec (Levesque, Malo and Rouzier, chapter 11), a large number of analysts and managers underline the impact in terms of employment, social exclusion, etc., of the cooperatives and other enterprises of the social economy, which are generally and essentially managed to the benefit of their members (Monzón Campos, chapter 5; Spear and Thomas, chapter 9). We thus reach the heart of the Franco-German debate or of the misunderstanding with regard to the social economy (Wülker 1995, Moreau 1995). What is more, the relationship between the cooperative and the general interest is also the subject of internal debate within Germany, as is illustrated by the colloquium held in Münster in 1985 (Boettcher 1985). It should be noted in particular that Theo Thiemeyer, a disciple of Gerhard Weisser, took part in this colloquium. Departing from the theory established by Adolph Wagner during the last third of the nineteenth century, he considers it difficult to place all the cooperatives in the general interest economy among 'the free enterprises of general interest, which, without being obliged to do so as public institutions – have decided of their own accord, to devote themselves to public duties' (Thiemeyer 1985, p. 59). He believes that their 'auto-affirmation' must be respected, while recognizing the secondary



general interest objectives which the cooperatives may pursue in a non-explicit manner.

Identifying organizations of general interest has become more complex as we have witnessed a 'hybridization' of various types of enterprises. Many privatized public enterprises have been transformed into mixed enterprises or regulated private enterprises (Cox, chapter 2; Oettle, chapter 3), which often continue – though in a generally more limited manner – to take the general interest into account. Concerning cooperatives, laws and statutory provisions relating to them have been adapted to meet the requirements of the market (and of their members) and to incorporate elements of private capital enterprise (Monzón Campos et al. 1996); we can legitimately question the pertinence of these adaptations (Kaplan de Drimer, chapter 10).

We are now confronted with a vast continuum, one extremity of which is represented by labour-owned capital enterprises generally without a social aim but which have, because of their modes of organization and management, values and principles close to those of the cooperative. Examples of these are the *sociedades anonimas laborales* (SAL) in Spain and the democratic employee share-ownership plans (ESOPs) in the Anglo-Saxon countries. The other extremity of this continuum is made up of enterprises, associations of persons, which, while carrying out principally commercial activities, fulfil, by replacing or in collaboration with the public authorities, missions of general interest or of services to the community or to specific groups of disadvantaged persons, the typical example being the Italian social cooperatives (Thiry 1996). Certain private enterprise models could even find their place in this approach to the general interest – such as the 'technostructural' enterprise (Galbraith 1967) or the 'Japanese-style enterprise' (Aoki 1990) or even the 'citizen' enterprise (Bauby and Boual 1994) – even if we are forced to recognize that the first two models mentioned have declined drastically since the 1980s and that the third model has been slow to emerge.

### 2.3 The architecture of the methods for taking account of the general interest

During the past decade – and particularly because of the work done in CIRIEC – knowledge of the various possible methods of taking account of the general interest has made considerable progress. This applies to the specific forms of logic and interrelationships of different theoretical analyses as well as to factual and statistical information (Ben-Ner and Gui 1991, Monnier 1992, Defourny and Monzón Campos 1992, Thiry and Vandamme 1995, Cox 1995, Monzón Campos et al.1996).

Although all the mysteries of this socio-economic alchemy relating to the general interest are still far from having been elucidated, there is now a much greater awareness of the extreme diversity of the patterns which are possible and of the fact that this heterogeneity does not constitute a methodological obstacle to an analysis all of the phenomena involved. Moreover, observation of certain joint evolutions related to the public sector economy and the social economy – for example the complementary action of public social security and the mutual and associative organizations in several countries, or the rise of nonprofit organizations in the United States and the United Kingdom following the retreat of the welfare state (Schiff and Weisbrod 1991; Knapp and Kendall 1991) – strongly suggests the existence of a huge socio-economic system comprising micro- and macroeconomic components, some elements of which could be substituted for one another, or, on the other hand, work together, depending on the general context (Gazier 1993).

The idea of such a socio-economic combined system correctly describes the coexistence of diverse organizations which, each in their own way, work towards the general interest, and with their respective solidarity perimeters juxtaposed. It seems to us, however, that it is necessary to go further – to the concept of the architecture of the general interest – in order to account for both the frequent interweaving of the solidarity perimeters and for the inclusion of some perimeters among the wider ones encompassing them. The idea of complementarity of types of logic and organization, and of making the whole coherent, then overrides the idea of the possible substitution of component elements and trends relating to the subgroups. The general interest then appears as a complex social structure which is gradually generated by many more or less centralized or decentralized initiatives and experiments (Demoustier 1996) on the basis of the respective benefits and disadvantages of the public, private and social economy solutions involved. The viability and coherence of the entire system have a threefold basis: a process of natural selection performed by the market; the political expression of a general will; and a collective initiative based on solidarity and autonomy.

This research path, which is intentionally not a normative one, appears to be in keeping with the diversity observed in the national systems relating to the general interest which, while undoubtedly heavily influenced by cultural and institutional traditions, nevertheless always possess an internal consistency.

It seems to us that an in-depth study should be made – at both the conceptual and factual level – of this structural approach to the general interest, as there is currently no trace of it in any economics manuals. This should make it possible to gain a better understanding of the logic underlying all the existing social and economic systems and, where necessary, improve their performance. This could also make it possible to tackle in an intellectually new way

certain current problems (especially unemployment and social exclusion) which have proved resistant to conventional economic therapies.

A particularly cogent example of this is provided by studies, which have been under way for around 10 years, on the question of local community services. The aim of these services is to provide local responses to certain needs which cannot be fully met by local authority services (e.g. home care for the elderly, minor repairs, child care, etc.). For this purpose they need to draw on three types of resources – namely user participation, volunteer work and public funding – within complex programmes involving private capital enterprises, associations, mutual societies and cooperatives, and public institutions (at local, regional and national levels). Under these programmes, the social economy networks contribute their specific skills and an ability to provide an interconnected approach to social needs. As far as the public authorities are concerned, financial support is more easily found owing to the directly recognizable nature – by the taxpayers – of the social needs subsidized and the fact that public assistance for local services also creates local jobs. Unlike conventional macroeconomic policies aimed at stimulating consumption, this type of public policy suffers little from ‘leakage’, as all its costs and benefits are limited to one decision-making area. As a result, there is a strong linkage between the various solidarity perimeters involved, their functions and objectives and the established institutional facilities (Gaspard 1988, Cette et al. 1996).

#### 2.4 International externalities and national individualities

Solidarity, public goods and external effects – whether positive or negative, microeconomic or macroeconomic – can also be found at the international level. In the case of the community of nations, this gives rise to two questions, which are in principle of the same type as those encountered at the national level, although with two differences:

- (i) The first difference is that the wishes expressed are the product not of individual rationality but of state rationality. In analytical terms, the consequences of this appear to be small when it is considered that, as ‘individuals’, states often show themselves capable of behaviour which is just as – if not more – opportunistic than that of ordinary individuals. There is a state individualism which is potentially closer to that of the neoliberal model than is ordinary individualism itself (Salesse 1996).
- (ii) The second difference is that there is no supranational authority capable of enforcing the collective interests of states when they are incapable of agreeing to a decision which would be of importance for all of them.

The fact that there are so many fewer states than individuals is generally not sufficient to prevent what can be described as 'free rider' behaviour.

As a result of the institutional inadequacies of international society, the techniques which operate within states for taking account of the general interest are lacking at the international level. From this follows a collective inability not only to deal with major questions of 'international general interest' but also to reach decisions which are of common importance for a group of states. At the international level, the microeconomic approach to the analysis of behaviour appears to be fully justified.

Among the international public goods and external effects of a microeconomic nature, mention can be made of peace, security, air and water pollution, protection of the ozone layer, introduction of a single currency, and the construction of major networks. As a result of recent economic developments, some of these problems – such as pollution – have acquired a key importance in the context of the general interest of peoples. It is very easy to see, however, the constant difficulties encountered by the international community as regards even an initial solution.

Moreover, the process of globalization of the world economy has been accompanied – as a result of the development of trade and financial flows – by an increase in international macroeconomic externalities. These make national economies – and hence economic policies – increasingly interdependent, even while the countries concerned maintain their political independence. Under such conditions, each national economic policy initiative can be subjected to a dual cost–benefit assessment:

- (i) a strictly national assessment;
- (ii) an international collective assessment which extends the cost–benefit calculation to all the commercial partners of the country taking the decision.

There is obviously no reason why these two assessments should lead to the same results and therefore to the same choice. However, it is quite certain that the first type of assessment – which is individual and national – will be preferred by any country.

This state of affairs is proving to be awkward. It is known that policies aimed at growth tend to export their favourable effects, while austerity policies tend to export unfavourable effects (Muet 1996). There is therefore an international macroeconomic bias which tends to influence national choices to the detriment of stimulating policies and in favour of austerity policies. On the other hand, the collective interests of states as commercial partners call for them

to succeed in drawing up a cost–benefit assessment for the entire ‘common basket’ and to coordinate their economic policies with a view to sharing the effects.

Observation of economic policies conducted over the last 10 years – including certain international regional groups, such as the European Union, considered to be more coherent – leave room for scepticism as to the actual spontaneous capacity of states to take the collective major decisions required in economic policy.

### **3 Structural changes, shifts in paradigms and new methods of taking the general interest into account**

The economic system is continuously changing, but perhaps for some years we have witnessed an accelerated rate of structural mutations, accompanied by an unprecedented redefinition of the relative importance and of the respective roles of the state and public enterprises, of capital enterprises, and of cooperatives, mutual societies and nonprofit organizations. Before examining the changes in the paradigms and the new methods of taking the general interest into account, it is important to establish the backdrop to these structural changes and to the developments in the relative importance of the different sectors. This is the aim of the first chapter of this special issue, which was contributed by H. Anheier and A. Ben-Ner.

The changes in the paradigms concern both the public enterprise and the social and cooperative economy. H. Cox (chapter 2) and K. Oettle (chapter 3) illustrate the change in paradigms mainly with regard to the public enterprise, this being increasingly replaced by regulated private enterprises. While both take the German situation as their point of departure, their approach is very different. H. Cox repositions the development within the dominant macroeconomic thinking, which shifts from the ‘social market economy’ to a neoclassical supply-side policy, with three key words: denationalization, deregulation and privatization. On the other hand, K. Oettle adopts an approach which is based on the science of business management. This approach increasingly denies that there are differences between the different types of enterprise. One of the consequences is that the introduction of commercial managerial thinking into public services may have negative effects on the supply of services. The balance sheet on this subject has to be carefully drawn up.

The changes in the model with regard to the social and cooperative economy are illustrated by B. Lorendahl on the basis of the situation in Sweden (chapter 4). The total domination of the Swedish public sector in the social sector

is in decline and a new model of integration between the public and cooperative sectors is emerging, in particular following the appearance of new cooperatives in sectors concerned with child care and care of the elderly. These new private cooperatives are supported by the public authorities, which see them as an alternative to privatization. Their emergence leads B. Lorendahl to examine the conceptual problems and, in particular, to examine the links which should be established between, on the one hand, the social economy as defined in the French tradition (Moreau 1995, Bidet 1997), which includes the cooperative sector, and, on the other hand, the nonprofit organizations as understood in the essentially Anglo-Saxon approach, especially thanks to the work carried out by the team at Johns Hopkins University (Salamon and Anheier 1992a, 1992b). The dialogue between these two approaches is not always easy, especially as some may view the nonprofit organizations as a marginal, charitable and voluntary sector, which is responsible for alleviating some social problems, without either profit or indeed commercial activity, leaving the economic activity to the market and to the private capital companies. This is clearly not the underlying notion of the social economy, which fully integrates economic activity and profit and which can be distinguished from the private capital economy in particular by its aim, which is not that of maximizing the profitability of the capital or by the allocation of profits.

In retracing the origins of the social economy and in presenting its importance in the various parts of the world, J. L. Monzón Campos (chapter 5) is also anxious to highlight the change in the paradigm which we are currently witnessing, due to the spread of unemployment and the crisis in public systems of social security. Basing his argument on the double recognition of the failures of both the market and public management, J. L. Monzón Campos comes to the conclusion that a new social economy is currently developing with the aim of fulfilling various aims of the general interest.

The next three chapters deal essentially with the network activities (telecommunications, postal sector, water, gas, electricity, railways, etc.) which are the privileged domains of public enterprises (or regulated private enterprises). G. Bognetti and R. Fazioli (chapter 6) examine the problems which the network activities face as a result of globalization and European integration. We are currently participating in a technical and organizational revolution which is redrawing the borders marking the different sectors of activity. The need for regulation, especially at European level, is making itself felt more than ever, but it is more a question of structural regulation than of behavioural regulation, and a voluntary policy which targets network integration should be developed at European level.

J.-M. Glachant (chapter 7) analyses the future of public interest obligations after two decades of privatization and deregulation. The experience

of air transport and telecommunications in the United States and that of electricity in the United Kingdom confirms that the public supervision of regulated industries has policy objectives other than efficiency. These non-commercial policies are destabilized by the spread of competition policies. Only restrictions to competition allow a non-commercial policy to survive, for example a tariff equalization limited to some categories of services and customers. Furthermore, the management of mixed policies, which combine a sectoral competition policy with restricted non-commercial policies, is both too complex and too concrete to escape the supervision of a sectoral regulator associated to an authority applying general legal rights. This conclusion puts European integration into question.

A third approach is developed by P. Ruys (chapter 8). Management and government structures, as well as goods and services, have undergone profound modifications, which have led to important changes at public sector level. At national level, several organization models of the public sector have been developed for network activities (public utilities) and P. Ruys, basing his argument on the example of the water sector and on a comparison of the Dutch, British and French models, brings the empirical results closer to the theoretical principles. He extricates some lessons for the future.

Chapters 9 and 10 are dedicated to the cooperative sector. For many economic, social and political players, worker cooperatives seem to be a partial answer to the employment crisis and to the crisis of the welfare state. We find therein a special link between the cooperative and the general interest; despite the fact that the main objective of a cooperative in general is not that of creating and protecting employment, its contribution can be of great significance and, furthermore, it is for this reason that in several countries, support and development initiatives have been taken by the public authorities. Taking this as their point of departure, R. Spear and A. Thomas (chapter 9) analyse several support development models of worker cooperatives and demonstrate their main contributions to the general interest, over which the state no longer has a monopoly.

The link between the values, principles and modes of organization of cooperatives on the one hand, and of the general interest on the other, is at the heart of A. Kaplan de Drimer's contribution (chapter 10). In noting the changes which have marked the methods and rules of organization of cooperatives and which can lead to a certain loss of identity (see also Monzón Campos et al. 1996), A. Kaplan de Drimer carries out a critical examination of this evolution and draws an outline of the methods which would allow a reconciliation of the identity and the nature of the cooperative and the general interest of its members.

We have already mentioned how the notion of general interest, its methods of expressing itself and its implementation were largely conditioned

by national identity, by culture and history. Chapters 11, 12 and 13 provide an excellent illustration of this. B. Levesque, M.-C. Malo and R. Rouzier (chapter 11) analyse the organization and evolution of two large Quebecois institutions, one in the public sector, the 'Caisse de Dépôt et Placement du Québec', and the other in the cooperative sector, the 'Mouvement des Caisses Populaires et d'Economie Desjardins'. Although the two are different, we see a convergence of these two institutions to serve the general interest and to arbitrate, sometimes with great difficulty, between this obligation and economic and financial constraints.

The Austrian model of the general interest has undergone profound changes (chapter 12). Although it has its roots in a glorious past, for almost 40 years it has found itself in a strategic position between Eastern and Western Europe. The collapse of the planned economy and the resurgence of political democracy in the Eastern part of Europe, as well as Austrian membership of the European Union, have completely changed this position and we may question what the consequences of this change will be as far as the Austrian model of the general interest is concerned and examine the contributions it can make to other European countries.

Japan also has particularities to offer. By illustrating the changes undergone by the two large public enterprises in charge of the railways and telecommunications, S. Nitta (chapter 13) demonstrates how Japan is trying to reconcile opening up to competition, improving its financial and technological performance, promoting its service to the consumer, denationalization and the need to conserve the general interest.

Finally, the combination of different players, those from the public and private spheres and from the social economy, in order to serve the general interest can be illustrated in a particularly instructive way if we look at the modes of organization of local public services. On the basis of an analysis of Germany, France and Italy, B. Gachet, S. Schulte-Beckhausen and G. Valotti (chapter 14) show the diversity of the solutions adopted: local public authorities' initiative and forms of partnership in Germany, delegation of certain local public services to private groups but also to associations in France, and changes towards more flexibility, autonomy and diversity in the forms of organization in Italy.

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Upon reading these 14 chapters, what becomes clear is that over and above the diversity of the methods of organization and of expression, the general interest is an essential component of our economic and social system. Instead of a monolithic system, geared towards the market and to capital societies,



as is advocated by certain ultraliberals, geared towards the state, as certain governments wanted to impose, most of which have now disappeared, or geared towards the cooperative and other forms of organization of the social economy as in the case of the *République coopérative* by C. Gide, we are witnessing a vast combination, both of the different sectors of the economy, but also within the general interest sector itself. As G. Quaden underlined in 1988, 'the time of the big single totalising, totalitarian models is perhaps over' (Quaden 1988, p. 181). If, in the minds of CIRIEC's members and sympathizers, the state does not have a monopoly over the general interest, then market forces should not lay claim to this monopoly for themselves. That certainly merits some thought, and the analyses put forward in this special issue are only a step along this line of thought that CIRIEC aims to promote and develop.

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## Chapter 5

# CONTRIBUTIONS OF THE SOCIAL ECONOMY TO THE GENERAL INTEREST

by

José Luis MONZÓN CAMPOS

### 1 Introduction

For 30 years after World War II, public services corrected many of the market failures in the greater part of the developed world through the public sector, which was considered the most suitable instrument for this purpose. Over the 1945-1975 period the consolidation of mixed economy systems did not prevent the development of a large group of companies and organizations (cooperatives, mutuels and associations) which have helped to solve important social and general interest problems related to cyclical unemployment, imbalances in rural areas, the quality of life of pensioners, and the unequal balance of power between commercial distributors and the consumer, among others.

Many of the social economy companies and organizations arose during this period largely as circumstantial manifestations of the cyclical evolution of the economy, or as a survival strategy for declining economic sectors. However, in recent years two problems have become central to modern market economies: unemployment and the coverage of social protection services during the transition

from the welfare state to the welfare society. Neither self-adjusting market mechanisms nor traditional macroeconomic policies have proved capable of solving either of these problems.

If involuntary unemployment has become capitalism's most costly market failure, there is also an unsatisfied demand for social services which traditional public action is incapable of solving on its own. This is the context in which this paper analyses the general interest contributions of the social economy from the double perspective of the failures of the market and those of the public sector, and concludes that a new social and cooperative economy is arising in developed countries which is destined to fulfil an important function in achieving general interest objectives.

## 2 Cooperatives and the origins of the social economy

Historically, the social economy as an activity was bound up with its mainspring, the cooperatives, which arose as a reaction by the workers against the effects of the Industrial Revolution (Monzón Campos 1996). The first cooperatives, in their tentative beginnings, were a spontaneous defensive response on the part of the workers to the harsh conditions dictated by capitalism: the values propounded by particular currents of thought did not influence their creation, or at least not directly (Monzón Campos 1989).

It was only after 1820 that the *socialist* doctrine developed by R. Owen, W. Thompson, G. Mudie and W. King began to have a direct and decisive impact on the development of the British cooperative movement, particularly in the case of the famous Rochdale Cooperative. This was set up in England in 1844 by 28 workers, six of whom were disciples of Owen. The famous cooperative principles promoted by the Rochdale experiment were adopted by most cooperatives, and were decisive in the development of the social economy concept.

Since the 1995 International Cooperative Alliance (ICA) Congress in Manchester, the Cooperative Principles have defined cooperatives as democratic organizations in which decisions are made by a majority of members and users of the cooperative activity: capitalist members or investors, if any, are not permitted to constitute a majority. Equal voting rights for members, limited rate of return on share capital and the creation of undistributable cooperative assets are other distinguishing features of a cooperative.

Cooperativism in France was boosted by *associational socialism* during the first half of the nineteenth century. J. Ph. Buchez and Ch. Fourier developed

*José Luis Monzón Campos (1997)*

a rich tradition of worker cooperatives, continued by Louis Blanc and his well known social workshops.

*Christian socialism* was another current of thought with a clear influence on the cooperative movement. J. M. Ludlow, in Britain, and V. A. Huber, in Germany, championed cooperativism on this religious basis, while F. W. Raiffeisen became the father of the agricultural cooperatives and, within these, of the credit cooperatives. In 1849 Raiffeisen had already set up several agricultural cooperatives, but his main claim to fame is the creation and spread of the 'Darlehens-Kassenvereine' mutual credit societies. The first of these was founded in 1862 in Anhausen, and the culmination of their spectacular development came in 1877 with the constitution of the German Federation of Agricultural Cooperatives on the Raiffeisen model, with a strongly Christian-inspired component.

Another current which favoured the cooperative movement was the *liberal tradition*, with a surprising line-up of top-class theorists who encouraged these experiments. John Stuart Mill was influential in the passing of the first law in the world specifically to regulate the cooperative movement: the Industrial and Provident Societies Act of 1852. Mill argued for the creation of worker cooperatives, operating within a market context, as a means towards a moral revolution and a more beneficial ordering of industrial affairs (Mill 1848).

In Italy, the social liberals frequently addressed the subject of cooperatives, notably E. Nazzari, L. Luzzati, L. Wollenborg and U. Rabbeno, during the second half of the nineteenth century, who advocated the creation of industrial cooperatives among workers and of credit cooperatives among farmers.

Leon Walras was not only a scholar who studied the cooperative movement, he also took an active part in it. In 1866 he founded a magazine, *Le Travail*, devoted to the cooperative movement. In Walras' view, the cooperatives fulfil an economic rôle, not by doing away with capital but by making the world less capitalist, and a moral rôle, by introducing democracy into the workings of the production process (Monzón Campos 1989).

To conclude this review of the doctrines which inspired the cooperative movement, the most genuine representative of the so-called *solidarists* is the Frenchman Charles Gide. His well known Nîmes School was the ideological focus of the post-Rochdale consumer cooperative movement, which exercised a strong influence on the international cooperative movement and was one of the inspirers of the ICA founded in London in 1895.

Mutuals (friendly societies, provident societies) also flourished in the nineteenth century, together with other types of associations, to the extent that the legal framework which regulated all these initiatives was often one and



the same. Cooperatives, mutuals and associations have been the core of the social economy since the nineteenth century. The most genuine representatives of the social economy, nonetheless — thanks to their historical dimension, their importance in every sector of the economy, their presence on every continent, their deep roots among major social groups, their operating rules and their legal standing — are the cooperatives.

### 3 Identifying the concept of the social economy

While the concept of the *social economy* is over 100 years old (Defourny 1992), it is only in the last 20 years that what is known as the *third sector* has begun to attract growing attention from researchers. It is no accident that studies and research in this diffuse sector are increasing as capitalist companies, state-owned companies and the public sector in general are showing themselves incapable, on their own, of providing a satisfactory response to the great challenges that face modern society, prominent among which are those of full employment and social welfare.

One of the theoretical models which have been employed to outline and define this third sector has developed out of the concept of the social economy in places such as France, Belgium, Quebec and Spain. Basically, it includes cooperatives, mutuals and associations. The international scientific commission of CIRIEC has been working since 1988 to analyse the social economy and to define the concept. The scientific commission of CIRIEC-Spain has proposed that the social economy be defined as:

‘private companies that operate in the market in order to produce and provide goods, services, insurance or finance, in which the distribution of surpluses and the decision-making processes are not directly linked to the share capital of each member, as each member has one vote. The social economy also includes those economic agents whose main function is to produce services not intended for sale, for particular groups of households, financed by the voluntary contributions of families in their rôle as consumers’ (Barea Tejeiro 1990).

The above definition is on the same lines as that adopted by the French in their 1982 Social Economy Charter, which is very similar to the definition subsequently proposed in Belgium by the National Economic Council. This emphasizes four characteristics: ‘the objective of providing a service to members or to the community, independent management, democratic decision-making processes, and the primacy of people and work over capital in the distribution of surpluses’ (Defourny 1992).

Another criterion by which to define the agents which make up the social economy was established by B. Gui (1991): all private microeconomic organizations are classified in terms of the *dominant category* (who has the ultimate decision-making power) and the *beneficiary category* (who receives the surplus). After distinguishing *general interest (public benefit) organizations* (in which the beneficiaries of the business activity are distinct from those who control it) and *mutual benefit organizations* (where the surplus of the business activity is enjoyed by the decision makers), Gui establishes that the essential characteristic of the organizations which make up the social economy is that *a category of agents other than investors is the beneficiary*. This criterion is very interesting but has some limitations (see the introduction to this special issue by Monnier and Thiry, section 2.2).

A more recent methodological perspective from which to approach an analysis of the third sector has been developed in the literature on nonprofit organizations (NPOs) which arose in the USA about 20 years ago with the studies of Weisbrod (1974, 1977), for whom the NPOs are 'those private organizations which, as a result of their statutes, cannot distribute their profits to the persons controlling them'.

Using Gui's terminology, it may be concluded that one feature shared by all organizations in the social economy is that financial members or investors, if any, can never constitute a majority of either the dominant category or the beneficiary category. In the case of mutual benefit organizations, the dominant and beneficiary categories will be composed exclusively, or in their majority at least, by *user members* of the activity in itself, who provide capital in order to be able to use the services of the organization rather than to obtain returns on the capital invested. In the case of general interest organizations, the beneficiary category will be made up of users who do not belong to the dominant category.

#### **4 A new social economy in a new scenario**

From an examination of the cooperative, associative and mutual experiences from their origins in the nineteenth century up to the present day, certain conclusions can be drawn which are important for an exploratory evaluation of the social economy. The first of these is that the companies and organizations of the social economy are created to meet and satisfy the needs of diverse social groups which do not encounter satisfactory solutions in other institutions, and which the transformations of the system have placed at a disadvantage. The cooperatives arose and were developed in the nineteenth century because they were *useful business tools* with equally useful

operating rules for setting up efficient companies to solve certain problems, and they met certain needs of less powerful social groups, particularly in the consumer and agricultural fields (Zevi and Monzón Campos 1995).

The second point to emphasize is that cooperatives are created 'from below'. In other words, it is the social groups that are affected that assume responsibility for solving their own problems in a collective and voluntary manner. Non-profit general interest organizations are also created 'from below', but the groups that direct them are other than those which benefit from their economic activities.

The traditional mixed economy model, constructed in most developed countries over 1945-1973, solved many of the main general interest problems affecting these societies at that time, in a reasonably efficient manner. With high economic growth rates and full employment, a broad public sector was considered the appropriate instrument for providing public services, which were progressively extended to cover a wide range of social welfare services. In this context, the social economy companies, on the whole, performed no more than a subordinate function as a subsistence solution in declining economic sectors or as a sub-product of cyclical growth in the economy.

The present renewal of interest in the business formulae of the social economy is a result of the inability of the traditional mixed economy model to find satisfactory solutions to such outstanding problems as unemployment, social exclusion, welfare in rural areas, health, education and quality of life for pensioners. Many of these social needs are not sufficiently or suitably supplied either by capitalist-type private enterprises or by the public sector (Zevi and Monzón Campos 1995). The crisis of the mixed economy model is a result of the exhaustion of the growth model of the 1945-1973 period, which was based on large units of production, the intensive use of capital and energy, and the development of a strong public sector that complemented the traditional private sector (Barea Tejeiro and Monzón Campos 1992). At the same time, swelling public budgets and the bureaucratization of economic relationships came into conflict with the impact of the new technologies on economic and social processes, which has altered the shape of production, distribution, organization and business management and modified the markets (including the labour market), and has accelerated the shift towards the tertiary sector of production.

In this context, objectives of general interest such as full employment or a satisfactory degree of social protection are becoming more and more difficult to achieve through the sole action of the state and of capitalist private enterprise. The globalization of the economy, the impact of the new technologies (as mentioned above), the reorientation of the functions of the public sector, together with sociological change, have created a *new scenario* in which

the modern market economies now find themselves, one in which the economic problems to be solved have altered and *new social needs* have appeared which are not encountering a satisfactory response within the framework of the traditional welfare state. However, a *new social economy* appears to be emerging to meet them, with useful and effective answers to the challenges of unemployment and social exclusion.

## 5 The current reality of the social economy

Although the dispersal of the data and the lack of methodological rigour mean that the figures available for organizations in the social economy must be treated with caution, there is no doubt of the enormous worldwide economic and social importance of cooperatives, mutuals and associations.

Within the field of the *traditional cooperatives*, that is to say, those which were created and evolved as industrial capitalism was reaching maturity, *agricultural cooperatives* deserve special mention. Around 600,000 cooperatives of this type throughout the world, with 226 million members and a turnover in excess of US\$500,000 million, bear witness to the extraordinary importance of agricultural cooperatives (Coté and Luc 1996). From the available figures, over 50 per cent of the total business of these organizations is done by the agricultural cooperatives of the European Union. In Asia, Japan represents 70 per cent of the total turnover, while the USA makes up 80 per cent of the entire business

**Table 1—Agricultural cooperatives around the world\***

Continent	Number of members (72 countries)	Number of cooperatives (79 countries)	Turnover in millions of US dollars (50 countries)
Europe	13,796,277	58,149	265,746
Asia	195,070,033	454,433	125,148
America	6,256,572	18,346	113,303
Africa	11,205,687	52,524	9,151
Australasia**	109,933	169	9,203
Total	226,438,502	583,621	522,551

\* The greater part of these figures date from 1994.

\*\* Includes New Zealand and Australia. The Australasian portrait is based on partial data from Australia. Source: Coté and Luc (1996).

of the agricultural cooperatives of the American continent, the same percentage as South Africa's share of the total for Africa. In brief, five countries (Japan, the USA, France, Germany and Belgium, in descending order) account

for 65 per cent of total revenues generated by agricultural cooperation throughout the world.

*Savings and credit cooperatives* have developed widely throughout the world, particularly those linked to rural areas. At the end of 1994, those affiliated to the World Council of Savings and Credit Cooperatives numbered 37,078, in 87 countries, with 88 million members. In Europe, credit cooperatives had 33 million members and 60 million clients in 1991, their clients' deposits totalled 800,000 million Ecus, and they employed 400,000 staff. In 1994 the market share of the credit cooperatives was 34.3 per cent in Finland, 31.9 per cent in France, 30.5 per cent in Austria, 25 per cent in the Netherlands and 19.6 per cent in Germany, and in certain countries they were the main financial institutions in rural areas. The Agricultural Credit System in the USA is cooperative in nature, and in 1993 its loans to farmer members totalled US\$54,000 million and constituted 25 per cent of the total loans made to the agricultural sector (ONU 1996).

*Consumer and user cooperatives* play a major rôle in food distribution (consumer cooperatives), housing and health. Consumer cooperatives and their federations perform an important general interest function, defending consumer rights. For the drafting of its food directives, the European Union asked the advice of the European Community of Consumer Cooperatives (EUROCOOP). In 1994, EUROCOOP's affiliates covered 21,367,000 families and these consumer retail cooperatives enjoyed imposing market shares: over 50 per cent in Switzerland, 35 per cent in Denmark, 30 per cent in Finland and 25 per cent in Norway. In developing countries, although their dimensions are more modest, consumer cooperatives are very important at a local level (ONU 1996).

Europe has a long-standing tradition of *housing cooperatives*. They are part of the European Liaison Committee for Social Housing (CECODHAS), as are other social housing organizations, both public sector and nonprofit. A total of over 65 million people (60 per cent in rented accommodation and 40 per cent with access to ownership) live in over 20 million social housing units (Comisión de las Comunidades Europeas 1993). In developing countries, housing cooperatives play an important part in helping many families to build their own home, providing access to building plots and the necessary building materials (ONU 1996).

A wide range of *health cooperatives* has developed around the world, largely in the developing countries or in developed countries where the welfare state is a weak latecomer. Over 50 million people in 20 countries benefit from the services of health cooperatives. Of these, 39 million owner-members are health cooperative users and 13 million belong to medical cooperatives owned and staffed by doctors and dentists. Furthermore, 30 million people in Europe are owner-members of cooperative pharmacies, and these enjoy a market share of 10 per cent (ONU 1996).

As regards *worker cooperatives*, various factors explain the renaissance they are enjoying in the developed countries following their slow decline throughout this century. The altered model of growth, the tertiarization of production and the increase in unemployment since 1973 are factors to be borne in mind (see also chapter 9 by Spear and Thomas). In Europe, around 800,000 workers are employed in these companies, most of which are labour intensive and of smaller size. Italy, with 373,250 workers and 20,800 cooperatives (Comisión de las Comunidades Europeas 1993), and Spain, with 17,346 workers (including 53,000 in labour-managed companies, *sociedades laborales*<sup>1</sup>) and 19,610 enterprises (Monzón Campos and Morales 1996), are the countries with the highest proportion of worker cooperatives.

Mutuals are another big component of the social economy; they have developed in a similar way to traditional cooperativism. Mutuals are societies of persons which guarantee to their members nonprofit protection against social risks such as illness and its consequences. In Europe alone, mutuals cover more than 100 million beneficiaries, employ more than 200,000 wage-earners and have a turnover greater than 30,000 million Ecu (Comisión de las Comunidades Europeas 1993). In Latin America, mutualism is widespread; in particular, Argentina, Brazil, Columbia, Chili, Mexico and Uruguay have around 13 million mutualists (Sarria 1997).

Alongside the traditional cooperatives and mutuals, the new cooperatives and associations devoted to social integration through work and the production and distribution of social welfare services are steadily gaining in importance.

The international scientific commission of CIRIEC on the social and cooperative economy has been working on the growing rôle of the organizations of the social economy (associations, cooperatives and mutuals) in these new fields. The three years' research results will be published in two different books (Defourny and Favreau 1997, Defourny and Laville forthcoming).

In recent years developed countries have seen a notable growth in companies aiming for social integration through work, within diverse legal frameworks, and of cooperatives and nonprofit organizations which specialize in social and community work. In Italy, the UK, France and Spain, these organizations have grown significantly in a short space of time. In Sweden the cooperatives and nonprofit organizations are taking a very significant part in the current charges in the welfare society (see chapter 4 by Lorendahl).

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<sup>1</sup>*Sociedades anónimas laborales* are joint-stock companies in which at least 51 per cent of the shareholders must be full-time permanent employees of the company. There are limitations on the number of shares which may be held by any one person, and on the number of non-shareholder employees.

The nonprofit sector, largely made up of associations, is an essential component of the new social economy, and has recently been studied by the Johns Hopkins comparative survey of eight industrial countries: Germany, the USA, France, Italy, Japan, the UK, Sweden and Hungary (Salamon and Anheier 1994). In 1990, the nonprofit organizations of the eight countries studied employed 12 million workers, at 6.9 per cent of total employment. The running costs of this sector, as a percentage of gross domestic product, are in the region of 3.3 per cent, rising to 6.3 per cent in the USA, and the main activities of these organizations are education (22.7 per cent), health (19.1 per cent), social services (18.3 per cent) and culture (17.7 per cent). The financial resources of the nonprofit sector are mostly raised from private sources, 10 per cent donations and 47 per cent income, while 43 per cent comes from public funding, although this constitutes the majority in the case of health and of social services (58 per cent and 52 per cent, respectively).

## **6 The market, the general interest and the social economy**

Together with well known market failures in relation to the allocation of resources, income distribution and economic stability, the two major problems of general interest in the modern market economies are unemployment and the transition from the welfare state to the welfare society. Neither the self-adjusting mechanisms of the market nor traditional macroeconomic policies have been able to solve either of these problems.

As regards unemployment, the great paradox is that since human needs are multiple and capable of infinite development, and productive activity is, in the last instance, designed to satisfy human needs, how is it possible for a supply of labour not to encounter a productive activity to carry out? It has already been pointed out (Weitzman 1987) that involuntary unemployment is capitalism's most costly market failure by far. Macroeconomic explanations based on an insufficient level of demand or on the resistance to falls in real salary and the inflexibility of the labour market are not sufficient. These causes cannot explain all the unemployment that has built up, although these rigidities may have considerably reduced the strong stabilizing function of the labour market and may make it difficult to reduce unemployment without generating inflation.

In this context, there would appear to be a growing awareness of the need to evolve microeconomic employment policies within which to develop a wide range of incentives to workers and employers to look for and to offer work. In reality, the root of the principal economic problems of our times is not these macroeconomic factors but behaviour patterns, institutions and policies that are profoundly microeconomic (Weitzman 1987).

As a result, *economic stabilization* can be reinforced by creating and developing workers' cooperatives. These will introduce automatic balancing mechanisms into the market, mitigating many of the rigidities which are given as explanations for the high rates of unemployment. The empirical studies available (Barea Tejeiro and Monzón Campos 1992) show that workers' cooperatives generate a greater proportion of stable work than traditional companies. They create wealth and distribute income efficiently, they retrain their workers and generate a culture of participation and co-responsibility, which is vital for the success of income and economic growth policies.

The processes of tertiarization and decentralization of production, of accelerated technical change and of modifications in the strategy, structure and management of businesses have created new spaces for effective action by technology and marketing-intensive companies, in which workers' cooperatives with staff with professional qualifications and management skills and aiming at product specialization can develop and enjoy good prospects over the coming decades.

Concerning the *allocation of resources*, the cooperatives appear to be increasingly irreplaceable in rural areas as agents of the policies of balanced development, rationalization of production and creation of new sources of wealth, as they internalize the generation of new added values which will permit a greater growth in farm income.

*Income distribution* also finds an effective tool in the social economic agents. The management of certain local and regional public services can be developed advantageously through the social and cooperative economy. The public funding of particular welfare services does not necessarily mean that their production must also be public. The production or management of certain merit goods such as centres for senior citizens, home help, neighbourhood services and others can be developed advantageously by the social economy (Sajardo 1996). Non-profit cooperatives and associations are, in many cases, the ideal form of organization for the efficient provision of public services in the field of the social services. They are able to adapt these to a diversified demand with the participation of the users, to incorporate free human resources into their production processes in the form of voluntary work, and to apply market criteria in their costings.



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**THE PROVISION OF PUBLIC SERVICES  
BY REGULATION IN THE  
GENERAL INTEREST OR BY  
PUBLIC OWNERSHIP?**

**A consideration of recent developments  
in the public economy under aspects of  
institutional competition**

by

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**1 The changing face of the public economy**

The economic structures of the public economy sector in Europe have undergone radical changes during the past twenty years. The principle underlying cause was the pressure emanating from the European Community treaty and its realization upon the Member States of the European Union (Cox 1996a,b,c). The fulfilment of the basic freedoms of the treaty supposes the dissolution and deregulation of areas hitherto exempted from the rules on competition and monopolies, provided that these are not liable to be classified as natural monopolies. The facilitation of competition has also forced the public enterprise sector to sometimes considerable overhauls and reorganizations of their structural and corporate policies to reflect changed parameters and conditions. This process is now in full swing, and it is to be expected that the public sector

will have changed beyond all recognition after the turn of the millennium. Even now, the structure, the self-image and the significance of public ownership is displaying a paradigm change. The once 'classical' public enterprise is increasingly giving way to the *mixed* enterprise with differentiated ownership, or to the private enterprise type which, even without the profit-driven main activities – in addition or 'on the side', as the case may be – is also supposed to provide public services, can be legally or contractually obliged to provide the service or services in question and should therefore be placed under central governmental task regulation (Cox 1997). If the various organizational forms of public service provision are reduced to a common scale, that contained by the basic points of the 'traditional public enterprise' and 'regulated private enterprise', then the actual types of public service provision should be situated somewhere between these extreme points and shift more markedly in future towards the task-regulated private enterprise obliged to provide public services. This development is referred to when we speak here of *paradigm change* in the public economy.

## **2 Reasons for the paradigm change in the public economy**

The reasons for this paradigm change are numerous and partially overlap with each other (Cox 1996c).

The Internal Market Concept of the European Union is in principle and consistently directed towards the market economy. It pursues the objective of a single European market that can work only when artificial obstacles to competition in the form of exemptions from the rules on competition or one or another shape or form of monopoly have been removed and only when anti-competitive behaviour and competition-distorting subsidies have all been consistently prohibited. The opening up to competition could not remain without consequences for public enterprises in the former theatres of competition. The ancient public monopoly enterprises were also exposed to fiercer competition (and will continue to be so in future), which, in turn, will necessitate a new tack or reorientation of corporate policy. The opening up to competition means the 'classical' state-owned public enterprise, not yet facing any parallel competition, must now increase its market efforts. This also moves the public enterprise to make more intense use of elements of a private-economy philosophy of enterprise. This then surfaces in the increased tendency to thinking and acting in terms of profit and loss. Cost reduction and profit-pursuing policies become elevated to conditions for the future viability in an environment of ever more intensive competition. The former public monopoly enterprises did not face the pressure of competition and could offset losses in specific areas or with specific products internally through monopolistically inflated prices in other areas (internal financial compensation, or cross subsidizing). These alternatives will no longer be

available, when those enterprises are opened up to competition. In this case cost reduction and profit-creation policies become a necessity.

The question is whether the *public missions* which had to be provided for reasons of the general interest and were just barely if at all cost-effective will still be possible under these conditions, because enterprises in competition tend to slough such poor earning or unprofitable activities. The obligation of public enterprises to provide a range of local high quality universal services at socially desirable prices will destroy equal starting chances for the competing enterprise unless equivalent external compensation exists in respect of loss-making universal services. Anyway, recent developments changed the framework for providing public services. Because internal cross subsidizing would contravene the rules on competition, new financial strategies must be developed.

The 'classical' public enterprises must also observe *limits to growth*. The public carrier would have to provide the public enterprise with the necessary equity capital for it to remain or become competitive. Most public enterprises are under-capitalized, because the state – mindful of the crisis of the public budget – cannot provide enough equity capital to its enterprises. Public enterprises are therefore forced to supply themselves partially with private capital. This is done via conversion into joint-stock companies and flotation on the stock exchange with an eye to the creation of capital. Partial or full privatization leads to a change of paradigm from 'classical' public enterprise towards *mixed* or *completely private* enterprise. In the past the privatization of public enterprises effected in almost all European countries were, in many cases, rather the result of financial policy than any regulation policy considerations, since the ownership-neutral European Law on the one hand forces competition, but on the other does not call for privatization of public enterprises (EC Treaty, Art. 222). Privatization impedes the provision of general-interest services where those services earn low profits or are loss-making, and are regarded by private or privatized enterprises as public welfare *burdens*. Such activities will be decreased. This tendency is further accentuated by the stock exchange quotation of a limited liability company. There is no doubt that the enterprise's valuation on the stock exchange gives incentives to the management to neglect low-profit welfare missions because of their possible negative effect on share prices. This becomes the easier the more precise the public service assignment is fixed by regulation. The management will behave this way the higher the premiums are set on the shares issue. A premium set high in the interests of supply of capital is usually accompanied by a confidential advance from the stock exchange. With the result that the enterprise management is obliged towards a consistent value-oriented corporate policy in favour of shareholders and for a sustained increase in earning power and share prices. If this hypothesis is correct, and there is much to recommend it, management will tend to see low-return public welfare services as burdens with low priority.

The conversion of public enterprises into limited liability companies and other private forms certainly has a positive effect on a lasting reinforcement of equity capital. The range of the management's autonomous activities is also considerably expanded, which certainly has positive effects with regard to competitiveness. Also the individual interests of politicians, derived from public choice theory, are decreased. Additionally, the control and advance function of the commodities market and the stock exchange become fully operational, with the result that management is also under pressure from that direction to create a more efficient enterprise policy.

The management and board of directors of a limited liability company under German law are obliged to act in the interests of the company. In the specific case of a quoted mixed-economy limited liability company or of limited liability obliged to provide universal services, this interest is highly complex, because completely different and partially contradictory interests must be satisfied in private universal service enterprises. The *clash of objectives* between the interests of the shareholders (increasing the shareholder value) and public interest in the sense of the provision of a public universal service may be thought to be programmed into these mixed enterprises. It is suspicious that the shareholders' interest after return on private capital and corporate growth dominates over the management activities in the face of obligations for the provision of universal public welfare services. Moreover, if the public service assignment is not clearly defined, leaving ample room for interpretation as to the actual nature of the public mission, management can indulge in opportunistic behaviour. Management will then tend to prioritize the interests of the shareholders and neglect the public service provision assignment.

Regulation policy holds that private enterprise in competition can equally well provide general-interest services (if not even better) and, if necessary, be enlisted for public missions via public links or task regulation. Free market competition and healthy economic market performance are not mutually exclusive. The opinion that the optimal provision of public services – whether loss-making, cost-covering or more-or-less profitable – has necessarily to do with the organizational form of public ownership has been called into question. Even privatized or private enterprises are equally suited to shouldering loss-making missions provided they receive a commensurate financial *quid pro quo*. This is equally true for the bland supposition that non-cost-covering public services can be financed only internally, under the conditions of one or another monopoly status. This helps not only to explain the privatization of public enterprises but also that deregulation, meaning the de-monopolization of the former exceptions to the rules of competition, is required and accordingly finds acceptance in local rules and regulations. Deregulation policy issues from European Community law and is binding for EU Member States, while the privatization of public enterprises remains at the discretion of each Member State, or of its regional authorities.

*Helmut Cox (1999)*

It is interesting to observe that liberal and conservative governments have not been alone in pursuing deregulation and privatization policies, which can be quite plausibly explained in terms of their neo-liberal economic policies. However, socialist governments too have carried out privatizations in the past, although their programme adopts a more pessimistic view of this and prefers the form of state ownership for the provision of a general-interest service. The privatization policies of socialist or social democratic governments are, however, explained more by the financial crisis of the state budget and less by any considerations of market organization policy. Entry to the stock exchange is expected to bring high sales profits that can be used to finance balance of payments deficits. The potentially negative effects on the range of public services are, perhaps, knowingly accepted.

### **3 Re-regulation as a result of privatization and deregulation**

The deregulated sectors are all a matter of sectors of economic activity in which, on the one hand, commodities and services are produced and provided in a context of competition and, on the other hand, now as before, in spite of all the deregulation and privatization in the world, is still expected to provide *general-interest services*. The European Union directives and secondary items of national legislation, e.g. for Germany the 1997 Postal Services Law, the 1996 Telecommunications Law, the amendment of 1998 to the Energy Law; the 1993 rail traffic structural reform or the national railway reorganization may have gone some way towards ensuring some measure of freedom of competition or access to the market (access to the network) for third parties, but they certainly also aimed at some guarantee of provision of public welfare services. The legislator (European Union, Member States) sets out from the premise that even a functioning competition does not automatically produce a specific, politically desirable level of welfare. The central concept, in this sense, is the concept of 'provision of universal services' (Cox 1996a). The universal service provision concept of the EU sets itself the target of a minimum or basic provision of services of a given quantity and quality for suitably affordable prices for the general public. An example would be local provision of infrastructure services of a particular quantity (degree of local cover) and quality at reasonable prices that do not have to reflect the regional costs of the infrastructure service (e.g. uniform charges throughout the area).

This is undoubtedly a case of a socio-politically motivated *ex ante determination* of a universal basic or minimum service to be made available having certain service characteristics that is not then simply left to sink or swim in the free play of market forces, but is to be interpreted as a politically determined, normative *handicap*. Such a provision of universal services as basic services



is not politically arbitrary, nor is it determined by the private interests of one or another clientele, but is in normative terms the result of rational deliberations and decisions around socially desirable basic welfare with the provision of universal services (Cox 1995).

True, such minimum service standards can also be attained via market processes as services in competition, but in this case the legislator assumes that the provision of a basic range of particular services usually does not, necessarily, have to be ensured by competition. In the context of the EU universal service concept, deregulation is therefore combined with a corresponding *task regulation* that is supposed to guarantee a basic range of general-interest services (task regulation). Regulation is accordingly connected with re-regulation (Cox 1996c).

Regulation is also necessary from a regulatory policy viewpoint, because entry into the market and the networks must be regulated for all (in electricity, gas, telecommunications, rail traffic, etc.). These networks are still partially in monopolistic hands, because parallel network operators, e.g. region-wide networks, would be inefficient. Furthermore, market entry regulation is also necessary when the networks concern scarce, limited resources (e.g. tight frequencies in telecommunications) that must be administered and allocated in a targeted fashion.

Entry to the market, or entry to the network, is also a matter of *deregulation*, because of the importance of preventing the (monopolistic) network operators from abusing their positions of market domination by an effectively prohibitive admission charges policy at the expense of the network user. Market entry regulation therefore doubles to a considerable extent as a price abuse control mechanism. A regulation of this kind is largely founded in regulatory policy, because access to the network and, thus, competition within the networks and between networks (interconnection) is only possible in the first place through regulation. Regulation of competition and task regulation are both anchored in the above-mentioned regulation laws, e.g. for postal and telecommunications services, even if, *de facto*, for reasons as yet unexplained, the regulation of competition (market entry regulation, entry fee control, abuse control) dominates task regulation (Cox 1996c).

#### **4 Provision of public services with reference to institutional competition of the regulation system and the various types of enterprise**

The analysis thus far has shown that, after deregulation, the former exceptions to the rules of competition begin to assume different corporate forms,

*Helmut Cox (1999)*

instead of the purely public enterprise, making a shift in the direction of the regulated mixed-economy and regulated private enterprise. This can, for example, be established in the case of the postal services and the telecommunications sector. Whether this development is representative for all sectors of the economy will admittedly have to be assessed in a more differentiated fashion. In other sectors, there is still very keen competition between public, private, co-operative and non-profit-making organizations if we cast our eyes, e.g. to the 'group competition' within the German banking or insurance sectors. In the credit sector, private banks, public banks (savings banks, regional banks) and co-operative credit institutes compete with each other in more or less identical banking markets. In urban areas, the municipal enterprise (Stadtwerke) dominates, mostly, but not exclusively, as sole supplier in the traditional utility sectors of the municipal economy, such as electricity, gas and water distribution, waste management, local public passenger transport, culture, etc.

In these sectors, the various enterprises carry out certain activities in competition and certain public service missions. They are obliged by law, by their statutes, or by some other institutional specificity of their carrier to provide such general-interest functions as private-economy enterprises in competition would tend to shrink away from them because of their low return on investment or unprofitable character.

The stability of this structural status is open to doubt. Enterprise structures, organizational forms and regulations for the provision of public missions now appear to be changing in the classical public enterprise sectors also. It is not so easy to forecast the actual direction in which they may be headed. A general development pattern (in the sense of a pattern prediction (von Hayek, 1968)) can, however, be attempted. These sectors will also have to align more closely to private-economy enterprise structures.

It is useful scientifically to understand the development of enterprise structures in terms of the process and results of *institutional competition* or (synonymously) of the different systems of rules and regulations (Cassel 1996). The term 'institution' should be understood, according to North, as meaning systems of rules relevant to interactions that come into play in organizations (North 1990), in the present case those engaged in the provision of public services. Similarly, competition between different types of enterprise (G. Weisser) can be understood as institutional competition and, for that matter, as competition for the best possible corporate form and system of rules for the fulfilment of a public service mission, here, e.g. in the form of the provision of universal services in the general interest. The application of this competition-theory approach will involve the application of the evolution-system-theory market process approach to the process of the provision of public services. Here, competition is pressed into service as a 'research and development procedure' (von Hayek) in the quest

for the 'optimal', 'right' rules, regulations or organizational forms for the successful completion of a public provision.

The point of departure of this view is that, bearing in mind the 'constitutional lack of knowledge' (von Hayek 1968; Streit and Wegner 1989), no-one knows *ex ante*, from the outset, which institutional arrangement or which set of arrangements is/are the best problem-solving procedure(s). This cloud of unknown results from the situation whereby the preferences of the citizens are multiple and mutable during the course of time and new problem areas and challenges emerge, as e.g. they were broken down for the public economy in Chapter II, with the result that new solutions to these problems or new regulations, i.e. new institutional arrangements, are now in order.

Institutional competition (Mussler and Wohlgemuth 1995; Streit 1995) works in two directions: as a process of *discovery* and *control* (Vihanto 1992). As a process of discovery inasmuch as institutional competition allows institutional customers to run comparative studies of the problem-solving capacities of the existing institutional arrangements, and thus the institutional suppliers (the architects of policy) then have the challenge of developing attractive innovations. Institutional competition also has a *controlling* effect on suppliers of old and new institutional arrangements inasmuch as account must be taken of the fact that, in mutual competition, institutional arrangements become subject to an actual or potential substitution. The discovery and control functions of institutional competition therefore enter into the equation because the possibility of exit and voice constantly prompts the institutional suppliers to self-examination, perhaps involving correction of possibly less attractive institutional arrangements (Hirschmann 1970).

This may be explained by an example:

It is a well-known fact that citizens, as customers of public administrations and public enterprises, are often unhappy and vent their dissatisfaction. In the past, public enterprises were therefore repeatedly urged to see themselves as modern service providers. Opening up the old competition-free areas to new suppliers has already set up parallel competition that could lead to the reduction of demand. The political leaders react to disaffection and the danger of migration because they are eager to be re-elected as politicians and must, for their part, press ahead with their new, innovative arrangements that rather coincide with popular preferences. The stimulus system of institutional competition in the sense of the discovery and control function is then fully activated. This example also clearly demonstrates that elements of economic and political competition jointly take effect in systematic competition or institutional competition (which may be seen as a process of interaction). It is quite possible to apply

*Helmut Cox (1999)*

the theoretical approach of institutional competition to the development of the structures of the public economy and, with this approach, also explain the paradigm change from the purely public enterprise through to the regulated enterprise.

New problems for the public economy have been thrown up by the European law *deregulation policy*, i.e. through opening up to competition, scrapping state monopolies and discontinuing the exemptions to the rules of competition. Public enterprises in many sectors now find themselves faced with increasingly parallel competition from other, mostly private, suppliers. The equal starting opportunities rule also forbids public assistance or similar advantages for the public economy. EC Treaty Art. 92 places such assistance under strict prohibition. European law basically treats public enterprises as private enterprises (Cox 1995). Exceptional regulations are administered very restrictively, as Art. 90/2 shows. This new situation also forces the public enterprise sector to new institutional arrangements.

A further problem for the public economy, as explained, is the increase of the equity capital basis in order to keep up with competition from private operators. Owing to their budget restrictions, the public carriers are in no position to supply their enterprises with sufficient and additional equity capital. The intake of private capital, partially through conversion of the enterprise into a limited liability company and through quotation on the stock exchange, is therefore often the only way out of the financial crisis. The acceptance of additional equity capital naturally represents a major structural upheaval for a public enterprise, because a partial and, in particular, a complete privatization affects the decision-making and the opinion-shaping structures as well as the corporate objects and, in extreme cases, transforms them into private economy. If increasingly private economy structures start to emerge in such an institutional competition, and the enterprise policy is consistently trimmed to the principles of pursuit of profit and return on investment, then the result of this institutional competition could quite easily be the dismantling or reduction of the same formerly public missions and universal services or minimum service standards that the so-called general interest demands. Under these conditions, institutional competition would lead to a downwards adjustment of the level of services (race-to-the-bottom) (Sinn 1990, 1997; Kiwitt and Voigt 1997). This may, to pass judgment, prove to be problematic with regard to the particular value of a public mission and the merit rating of public services.

The current state of play of research does not allow any general pronouncements or hypotheses regarding the effects of a competition of systems regarding the provision of public services, insofar as they are ever at all possible. There would certainly have to be a high degree of differentiation according to the type of product or service, or according to branch. The decisive question

in this connection would be whether public missions or general-interest services (e.g. low-profit universal services) could also be catered for via competitive services without government pressure. If this is true, the effect of such an adjustment process in the framework of institutional competition does not need then necessarily to lead to the depression of welfare service standards. This does, however, assume that even loss-making or barely cost-covering universal services can be reconciled with the private economy considerations of profit and loss. The case in favour can be argued with reference to full use of capacity, corporate public image, public relations objectives, or the future opening up of the market. Such considerations could certainly play a certain role in the case of networks and region-wide network services. This cannot be claimed generally for the public enterprise sector as a whole. A differentiating appraisal is therefore appropriate in this connection before jumping to any hasty conclusions about the business management contours of the provision of low profit universal services.

## **5 Pre-harmonization of universal services due to the failure of institutional competition?**

If the hypothesis is correct that institutional competition has a tendency to lead to the reduction of provision of less profitable public or universal services, and to lower basic service standards, the question is whether this effect should and could be prevented by obligations by law in the form of conditions and – with reference to the EU – by means of a pre-harmonization of universal service provision standards. The question is, in the first instance, a very political one because the demand for universal service standards or for general interest tasks can only be decided through political channels. In the EU, this question has been decided up to the point where, in the light of socio-political considerations and mindful of social cohesion, a basic provision of services with a sizeable universal component has been accorded a high priority for all Member States.

This statement of principle has already found expression in a variety of directives for universal services for the various sectors of the economy. However, the decision to take the path of pre-harmonization is not without its scientific and political opponents. In the main, it is the advocates of institutional competition who, for various reasons, prefer a European-wide competition of the systems of rules over *ex ante* pre-harmonization (Prosi 1991; Mussler and Wohlgemuth 1995).

In what follows, there is first an attempt to explain what the two alternative harmonization strategies actually set out to achieve, and how the harmonization results should be assessed, before going on to test which harmonization path is preferable for the realization of a universal services concept.

The discussion on the completion of the European Internal Market with regard to the sometimes great differences between national sets of rules and parameters on the provision of public services currently turns around the question as to whether these rules and parameters should be pre-harmonized and at the *central* level, or whether a (*decentralized*) *competition of systems or institutions* (institutional competition) might not be preferable seeing that it yields, *ex post*, optimum harmonization results through the processes of competition (Prosi 1991; Pitlik 1997; Ehlermann 1995; Woolcock 1994). The *first mentioned* path of harmonization occurs centrally, at the highest level of the EU, in the wider context of a democratic, political opinion forming and decision-making process on the objects to be regulated – here, the desired universal service standards. That opinion-forming and decision-making process at the central level has bargaining character, may be complicated and time-consuming, and always rests on compromise decisions. In the *second* path, that of institutional competition, these ‘problems’ are side-stepped, because the free competition rule of the systems points the way, precisely in the direction of the more efficient set of rules, i.e. the rules more closely approximating popular preferences (here, the universal services concept), will press ahead in the market, or that several sets and concepts of rules will succeed in asserting themselves in the market. In the context of institutional competition, it is regarded as an open process of research and discovery, the harmonization results therefore cannot be known before the event. By contrast, normative politically, the results of the pre-harmonization strategy or the objectives of harmonization deliberately politically follow the *ex ante* line of negotiations.

Both harmonization strategies are co-ordination and control systems and both are accompanied by rules, but they work in completely different ways and spring from completely different philosophies. In opposing corners: political decision and bargaining versus competition process; *ex ante* versus *ex post* harmonization; central versus decentralized solution; preset harmonization results versus unknown harmonization results due to the openness of the institutional competition process. It is conceivable, and possibly also not to be denied, that the politically determined harmonization objectives partially or totally contradict the harmonization results yielded through competition. This apparent anomaly exemplifies the totally different points of departure and bases of the two strategies for harmonization.

Despite the general trend towards deregulation, there seems to be a stronger preference in the EU for pre-harmonization if the directive-making powers of the EU institutions are invoked with regard to ‘public missions’, the ‘public’ or ‘general’ interest, ‘universal services’, ‘non-commercial interests worthy of protection’, etc. which has found expression in the past in various directives for different sectors or areas of regulation (Cox 1996b,c). Directives for the universal services standards have the function of aligning and standardizing

the national regulations or laws with particular harmonization objectives. This is why open institutional competition between different national sets of rules and conceptions seems to be regarded with suspicion, despite the fact that the principle of competition is the load-bearing pillar of the European internal market concept. If universal service standards were pre-harmonized for all Member States, giving them an aura of compulsoriness, this would be the expression of a competition pessimism based on central task regulation in the general interest (Cox 1996a,b,c).

Critics of pre-harmonization come predominantly from the neo-liberal circles that support the critical counter argument of centralistic *ex ante* co-ordination and represent competition optimism even as regards the fulfilment of public missions, general-interest missions or universal services, and wish to see regulation needs restricted to a minimum (Mussler and Wohlgemuth 1995; Streit 1995; Prosi 1991). A further line of attack on pre-harmonization is its political bargaining character. In the view of the representatives of the economic theory of politics or the public choice approach, bargaining processes are irrational because of the influence of group interests and individual interests. Politicians do not make decisions rationally but, as the positive regulation theory points out, in the interests of their clientele, to drum up the highest possible number of votes. It is also disputed that the regulation and pre-harmonization results do in fact correspond to the real preferences of citizens. Perhaps they correspond more closely to individual political interests, and to the interest of the respectively represented clientele. With this view, liberal economists in particular hope to see institutional competition counteract the influence of group and individual interests so that the welfare state or 'institutional sklerosis' (Olson) can be cut down to size and the 'Leviathan' finally tamed (Sinn 1992). The supposition here is that institutional competition is completely friction free and runs its course without the influence of interest groups.

If institutional competition rather brings about the reduction of minimum standards, no road leads to a pre-harmonization of universal service standards (Cox 1995). The levels at which the minimum standards for public services will have to be set, and whether differentiated minimum levels could be set for homogeneous geographical units instead of one standard EU minimum level, are separate issues into the bargain. Europe is no regional wonderland with homogeneous spaces; here and there it has some highly heterogeneous population densities, economic sectors, branches, urban and rural districts, industrial centres and sparsely populated regions, levels of prosperity and the like. Uniform minimum standards for universal services therefore may suggest themselves, but their order of magnitude will have to be differentiated according to homogeneous geographical units. Because it is a matter of minimum standards for the provision of public services, the level of these standards ought to be set commensurately, and not too high. In keeping with the principle of subsidiarity,

the Member States would be allowed sufficient leeway to increase these minimum standards in the light of the national regulation policy and to structure them accordingly. There is nothing to stop elements of competition from being integrated into such regulation if public services that materialize only through external financial balancing can be provided through competitive public invitation for tenders. Here, acceptance would go to the tender requesting the lowest subsidy for execution of the public service contract. Such a subsidy underbidding competition by a public award procedure is also perfectly capable of neutralizing the influence of interested parties on public contract policy and 'taming the Leviathan'. The misgivings of liberal economists would then be rendered groundless.

## **6 Conclusion**

The analysis produced the following findings:

- (1) The political leaders and scientific theorists of the public economy must note the fact that a paradigm change has taken place throughout Europe from the classical public enterprise to the enterprise regulated in the general interest. This process is currently in full swing. The role and position of ownership or, more precisely, state ownership, has changed in respect of the execution of public contracts. Exogenous and endogenous reasons can be stated.
- (2) Privatization and deregulation result in re-regulation because the functional capacity of competition and the execution of the public contract must be guaranteed. Functional regulation institutions are required.
- (3) The paradigm change, i.e. the reduction of state ownership in favour of other, more 'public' arrangements can be quite convincingly explained by reference to competition between institutions or systems.
- (4) On the other hand institutional competition may lead to the best possible arrangements for the execution of the public contract or universal services. This tendency can be verified in many cases. Institutional competition fails in such cases. Minimum service provision standards are therefore established for particular public missions through political decisions or, if necessary, by pre-harmonization in the European Union. These minimum service standards should not be uniform for the whole of the European Union, but differentiated according to the particular area.



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## FONCTION DE BASE ET NOUVEAU RÔLE DES POUVOIRS PUBLICS : VERS UN NOUVEAU PARADIGME DE L'ÉTAT<sup>1</sup>

par  
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**RESUMÉ\*\*\*:** *Cet article avance l'hypothèse d'un nouveau paradigme en émergence qui permettrait de repenser les rapports entre l'État, le marché et la société civile et qui pourrait être aussi novateur que le fut celui de l'après seconde guerre mondiale fondé sur le couple État-marché. Selon cette nouvelle vision, le rôle des pouvoirs publics se redéfinirait de plus en plus en référence à l'avenir plutôt que par rapport au passé : dans le domaine du social, nous serions invités à passer d'un État-providence négatif à un État-providence positif; dans le domaine économique, à passer de politiques économiques orientées vers le soutien de la demande à des politiques visant à soutenir une offre intégrée dont les éléments dépassent le domaine économique pour atteindre le social. Dans cette visée, le nouvel arrimage vertueux entre le développement économique et le développement social ne peut plus être à sens unique dans le sens de la redistribution*

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\*\*\* *Abstract at the end of the article; Zusammenfassung am Ende des Artikels; resúmen al fin del artículo.*

*(et donc comme seules dépenses sociales) puisque le social représente à la fois un capital et un lieu d'investissement. Cela suppose que les pouvoirs publics travaillent à la mise en place d'une nouvelle économie mixte qui articule d'une manière inédite les entreprises capitalistes, les entreprises publiques et les entreprises d'économie sociale, une nouvelle économie mixte qui serait en même temps économie plurielle, respectant la spécificité de chacune de ses composantes dans la visée de l'intérêt général.*

## Introduction

Deux décennies après le tournant néolibéral amorcé dans le monde anglo-saxon, la question de la « fonction de base et du nouveau rôle des pouvoirs publics » est toujours d'actualité. Le néolibéralisme a, sans doute, réalisé une fonction historique bien précise : celle de remettre en question le paradigme de l'État qui avait cours jusqu'alors, mais il n'a pas réussi à fournir un nouveau paradigme dont la légitimité se serait imposée largement, voire quasi naturellement. Si, au départ, ce courant a mobilisé simultanément deux tendances politiques relativement différentes, ces tendances sont plus que jamais en tension (Giddens : 1999 : 15). En effet, le conservatisme qui s'appuie sur des valeurs telle la nation, la famille et la tradition, s'entend de moins en moins avec le fondamentalisme du marché qui promet sans grande réserve l'individualisme et l'autorégulation marchande. Ces deux tendances sont loin d'entretenir la même vision de l'État, de la société civile et de la place de l'individu dans la société. En revanche, de nouveaux acteurs sociaux, voire une nouvelle gauche, proposent un renouvellement de l'État et de la société civile pour répondre aux nouveaux problèmes, aux nouvelles demandes sociales et aux nouvelles valeurs. Ce faisant, les positions, maintenant en présence, ne se limitent pas à « plus d'État » versus « plus de marché ». En conséquence, on peut même avancer l'hypothèse d'un nouveau paradigme en émergence qui permettrait de repenser les rapports entre **l'État, le marché et la société civile.**

Ce nouveau paradigme pourrait être aussi novateur que le fut celui de l'après seconde guerre mondiale, tout en laissant également place à la diversité des configurations concrètes. Comme l'a bien montré Esping-Andersen pour le social, l'État-providence a existé selon trois modèles ou régimes : un État-providence libéral, un État providence social-démocrate et un État-providence conservateur (Esping Andersen, 1999). De même, Salais et Storper (1993 : 331 sq.) ont identifié au moins trois conventions d'État dans le rapport de l'État à l'activité économique: un « État extérieur » pour combler les manques et les défaillances comme en France, un « État absent » ou opposé au marché, comme aux États-Unis, un « État situé » qui favorise l'égalité des acteurs, comme dans

les pays scandinaves. Si ces typologies avaient une valeur explicative pour les anciennes configurations des États, nous devons supposer que le nouveau paradigme laissera également place à une diversité des configurations concrètes résultant aussi bien des héritages du passé que des dynamiques sociales propres à chacune des sociétés nationales et des grandes régions du monde. Si cette hypothèse de l'émergence d'un nouveau paradigme s'avérait fondée, nous pourrions en conclure que « la fonction de base et le rôle des pouvoirs publics » ne peuvent être repensés en profondeur sans référence à ce nouveau paradigme.

Notre exposé comprend deux parties. Dans la première, nous identifierons quelques facteurs de transformations qui remettent en question l'ancien paradigme du point de vue du développement social et du développement économique. Dans la deuxième partie, nous esquisserons à grands traits les contours d'un nouveau paradigme de l'État fondé sur de nouveau rapport entre l'État, le marché et la société civile. En conclusion, nous soulèverons quelques enjeux sur la nécessité d'élargir et d'approfondir la démocratie.

## **1 Remise en question de l'ancien paradigme de l'État**

L'hypothèse d'un nouveau paradigme en émergence suppose que l'ancien paradigme soit radicalement remis en question et que, par la suite, le retour en arrière soit devenu impossible. Il s'agit donc non seulement de questionner la cohérence de l'ancien paradigme, mais de montrer comment les transformations en cours touchent « les fondements de la transformation » (Beck, 2001 : 20). Il devient ensuite possible d'imaginer de nouvelles formes de régulation du social et de l'économie.

### **1.1 L'ancien paradigme : le couple État-marché**

Le paradigme de l'après seconde guerre reposait principalement sur le **couple État-marché** que confortait le cadre de la reconstruction de l'après-guerre et plus largement de la modernisation de l'économie. Il s'agissait de garantir les mêmes chances à toutes les personnes, y compris pour tenir compte des aléas de la vie, tout en fournissant des services collectifs généralement caractérisés par la gratuité et l'universalité d'accès. Il existait une conviction que le progrès était porté par trois piliers : le progrès technologique inconditionnel, le progrès de l'État comme garant de l'intérêt général et le progrès social conçu comme progrès du pouvoir d'achat pour un accès universel à la consommation de masse (Lipietz, 1989 : 25).

Inspirée par l'approche keynésienne dans l'économie et par celle de Beveridge dans le social, cette vision nouvelle favorisera une approche

hiérarchique et centralisatrice. L'État social, qui en a résulté, a signifié un accroissement considérable de l'intervention étatique au plan du financement, de la régulation et de la dispensation des services devenus davantage accessibles et gratuits. L'organisation de ces services s'est déployée selon un rapport aux citoyens comparable à celui que l'on retrouve dans la très grande entreprise de l'époque, c'est-à-dire un rapport hiérarchique, bureaucratique et peu ouvert à la participation des employés et des usagers. De plus, les autorités publiques ont eu tendance à négliger les solidarités communautaires de même que la prévention et les déterminants sociaux dans le domaine de la santé et du bien-être. Pour les politiques économiques, la grande entreprise et l'organisation bureaucratique ont été valorisées sans réserve au cours de cette période. L'État se percevait comme le mieux outillé pour réaliser une planification économique incitative, de sorte qu'il n'hésitera jamais à se faire entrepreneur pour favoriser la diversification industrielle et plus largement l'intérêt général de la nation.

Ce modèle de régulation réalisait à l'échelle nationale un arrimage heureux entre développement social et développement économique, à travers, entre autres, une redistribution qui consolidait la demande effective pour la production nationale de biens et de services. Il en était ainsi des dépenses sociales. Mais, au-delà de sa description "vertueuse", les limites de ce modèle se font sentir très tôt. Dès les années 1970, les gains de productivité élevés, sur lesquels reposait le modèle de la production de masse, s'effondrent brusquement, mettant ainsi fin à une dynamique interne positive (Aglietta, 1976; Aglietta et Brender, 1984). Au plan des services collectifs, les résultats sont également mitigés tant du point de vue du décrochage scolaire que de l'incapacité à répondre aux nouveaux besoins sociaux. Plus profondément, la démocratie sociale, ancrée dans les intérêts collectifs et régionaux, est dévalorisée au profit d'une démocratie représentative qui s'en remet aux technocrates pour prendre les "bonnes décisions". Comme l'a bien montré Esping-Andersen (1999), l'État-providence a été contesté depuis sa création, sans doute différemment selon les décennies. Ce qui est maintenant nouveau, c'est que les facteurs externes s'ajoutent aux facteurs internes de remise en question.

## 1.2 Les vecteurs de la transformation

Le premier vecteur de cette remise en question a sans doute été la critique qui débute à la fin des années 1960, mais qui a pris deux formes différentes. La première est la **critique sociale** menée principalement par les syndicats, critique qui se voulait corrective du capitalisme industriel et qui faisait appel à l'État pour la redistribution. Cette critique allait dans le sens d'un approfondissement du providentialisme. La seconde, plus radicale, est celle que Bolstanki et Chapiello (1999) ont appelé la **critique artiste**. À la différence de la critique sociale, qui pouvait être satisfaite par la redistribution, les demandes d'autonomie et de

créativité portées par la critique artiste supposent un réaménagement du pouvoir. Cette critique remet en cause le fonctionnement hiérarchique et bureaucratisé tout en exigeant des transformations majeures du système de production et de consommation. Cette critique radicale sera prolongée par la **critique écologique** pour un développement durable et autre rapport à la nature et à la science. Autrement dit, ce que demande la critique artiste, c'est moins une augmentation du pouvoir d'achat que du pouvoir tout court, soit une démocratisation sociale et économique dans le cadre d'une citoyenneté plus active.

Un deuxième vecteur de transformation est la montée **de l'individualisme et de la fragmentation sociale** dont l'État-providence est en partie responsable. L'individualisme qui n'est pas synonyme d'égoïsme, puisque l'individualisation croissante résulte du fait que les personnes se différencient de plus en plus en raison d'une multiplicité d'appartenances que favorisent une division plus poussée du travail, l'arrivée des femmes sur le marché du travail et la reconnaissance de droits sociaux de plus en plus nombreux. Les groupes sociaux, dont les droits sont reconnus, donnent lieu à autant d'intérêts collectifs et de communautés socio-culturelles, comme celles regroupant, par exemple, les femmes, les jeunes, les personnes âgées, les minorités culturelles, les gais et lesbiennes, etc. Alors que la société civile acquiert ainsi une épaisseur nouvelle, l'État ne peut plus répondre à ces nouvelles demandes en termes d'universalité. En même temps, comme « chaque individu perçoit son rapport à l'État en termes de service (d'utilité) et non en termes de bien commun », la démocratie représentative devient inopérante par une surcharge de demandes (Thériault, 1996 : 146). Sous cet angle, Offe et Preuß (1997 : 223) n'hésitent pas à écrire que « l'État-providence ne visait pas à former des citoyens capables de concevoir l'intérêt général de façon autonome, mais des travailleurs dignes de confiance. » D'autres vont plus loin encore en avançant que, par sa régulation hiérarchique et bureaucratique, l'État aurait contribué grandement à la destruction du capital social et à l'érosion de la cohésion sociale, minant ainsi le fonctionnement de nos sociétés (Paquet, 1999; Eme et Laville, 1994).

Un troisième vecteur est **la mondialisation**, notamment l'ouverture des marchés, qui brise en quelque sorte l'arrimage vertueux entre développement économique et développement social. Les dépenses sociales constituent désormais moins un élargissement de la demande que des coûts susceptibles de réduire la compétitivité des entreprises lancées à la conquête de marchés externes. Autrement dit, les interdépendances résultant de la mondialisation ont pour conséquence qu'il devient plus difficile, voire impossible, de penser, par exemple, un État-providence dans un seul pays (Walzer, 2000). De même, les compromis à l'échelle nationale pour l'emploi s'effritent en raison, entre autres, des stratégies de rationalisation et de changement technologique des grandes entreprises entraînant ainsi une désindustrialisation. De plus, la globalisation exacerbe, comme jamais auparavant, la concurrence de sorte que l'environnement des



entreprises devient de plus en plus turbulent. Les approches centralisées et hiérarchiques s'avèrent de plus en plus inadéquates comme le révèlent les difficultés de General Motors (GM) et l'échec de l'URSS dont les rigidités institutionnelles les empêchent sans doute différemment d'innover et de s'adapter dans un contexte de changement rapide. Pour les entreprises comme pour les politiques industrielles, l'entrée de compétiteurs, de plus en plus nombreux sur le marché interne, fait en sorte que la diversification tous azimuts cède le pas à la spécialisation et à la recherche de valeurs ajoutées (Porter, 1990). Si les entreprises se centrent alors sur le métier principal, quitte à sous-traiter les fonctions périphériques, les politiques industrielles cessent de soutenir les « canards boiteux » pour accorder le gros de leur soutien aux entreprises et « régions gagnantes » (Benko et Lipietz, 2000 et 1992).

**La financiarisation des économies**, qui est intimement liée à la mondialisation, aura également des effets de déstabilisation. Selon cette tendance, le capital financier tend à décrocher aussi bien des territoires que des secteurs d'activité. La prédominance des exigences financières atteint les entreprises de l'intérieur, puisque les managers sont désormais soumis aux financiers dont la versatilité et la myopie ont de graves conséquences sur la stabilité des entreprises, comme on a pu l'observer récemment. Désormais les entreprises doivent licencier non seulement parce qu'elles sont en difficulté financière, mais aussi parce que les rendements ne sont pas suffisamment élevés aux yeux des financiers. De plus, le capital financier refuse de soutenir des activités dont les rendements sont trop modérés ou risqués, comme c'est le cas pour le financement des PME et à fortiori des TPE. L'État est donc invité à intervenir de plus en plus sur les facteurs d'offre, notamment le financement des entreprises. Par ailleurs, cette conjoncture laisse entrevoir une pertinence nouvelle pour les fonds éthiques et plus largement l'investissement socialement responsable, à travers, entre autres, les fonds institutionnels et les initiatives de la société civile (Orléan, 1999, Cohen, 2001).

**Les nouvelles technologies d'information et de communication (NTIC)**, et plus largement la nouvelle économie, constituent également un vecteur de transformation. D'une part, elles contribuent à une désindustrialisation et à l'émergence d'une économie de services qui ne sont pas sans conséquence sur l'emploi (Gadrey, 1996 et 1990). Ceux qui perdent leur emploi dans les secteurs traditionnels ne sont pas ceux dont les compétences sont recherchées par les entreprises de la nouvelle économie. D'autre part, elles modifient encore plus le rapport au temps et à l'espace alimentant ainsi une modernisation réflexive, c'est-à-dire qui fait problème et invite à la réflexion. Si, par exemple, nous sommes de plus en plus en relations en temps réel avec des personnes physiquement absentes, nous devons faire davantage confiance à des systèmes experts et à des gages symboliques (Giddens, 1999). Mais, au moment où la confiance systémique occupe de plus en plus d'espace, elle devient de plus en plus problématique

comme le révèlent, entre autres, les systèmes comptables et les modalités de contrôle qui y sont rattachées. En même temps, la confiance personnelle est de plus en plus menacée par la malfaisance qu'on retrouve de plus en plus parmi les hauts dirigeants des plus grandes entreprises.

Enfin, s'il fallait identifier un vecteur synthétique des transformations en cours, il faudrait identifier la **montée des risques** qui nous fait littéralement entrer dans « une société de risques » (Beck, 2001) : nouveaux **risques sociaux**, mais aussi nouveaux **risques sociétaux** produits par une logique technico-scientifique devenue borgne. Les **nouveaux problèmes sociaux** résultent principalement de chocs externes qui donnent naissance à « une structure sociale du risque radicalement nouvelle » (Esping-Andersen, 1999 : 280). Ainsi, la dernière décennie a apparemment révélé une incompatibilité au moins temporaire entre plein emploi et égalité. Une orientation favorisant le plein emploi, comme aux États-Unis, s'accompagne d'une augmentation des inégalités de revenus alors qu'une préoccupation pour l'égalité, comme en France ou en Allemagne, donne lieu à des taux élevés de chômage. Dès lors, de nouveaux risques (chômage de longue durée, exclusions sociale et professionnelle, nouvelle pauvreté, etc) apparaissent de même que des incompatibilités difficiles à gérer qui freinent le redéploiement de l'État-providence, tout en réduisant son efficacité voire sa pertinence. Ainsi, l'exclusion sociale ne peut être résolue ni par la sécurité sociale, ni par la redistribution.

De leur côté, les **risques sociétaux** concernent de plus en plus l'avenir. Ces risques sont généralement ni tangibles, ni visibles : ce sont des risques qui n'apparaissent que dans la mesure où les citoyens en prennent conscience, des risques qui sont des dangers appréhendés ou virtuels, des risques d'autant plus nombreux et menaçants qu'ils sont produits par la science et la technologie, par le développement économique, tels le nucléaire, les OGM, le réchauffement de la planète, la vache folle, le clonage humain, les catastrophes apparemment naturelles (sécheresse, inondation, etc.) (Beck, 2001). Ces nouveaux risques sociétaux feraient en sorte que nous passons d'une société de redistribution à une « société de risques », d'une société de pénurie des approvisionnements à une société de la surabondance des risques, d'une société luttant contre la faim à une société luttant contre la peur, d'une société où le passé avait une fonction déterminante sur le présent, à une société où l'avenir et le fictif deviennent cause de l'expérience et de l'action présente (Ibid : 61). Si ces risques ont encore une dimension de classe (les risques s'accumulent en bas alors que les richesses s'accumulent en haut), il n'en demeure pas moins que plusieurs atteignent la planète entière de sorte qu'ils sont, à moyen ou long terme, démocratiques, comme l'est déjà le smog dans les grandes villes.

Devant ces risques nouveaux, les **organisations relevant de la société civile** jouent un rôle de sensibilisation sur les causes. Les pouvoirs politiques n'agissent

que sur les conséquences alors que la rationalité technico-scientifique est à la base de la production de la plupart de ces risques. Sous cet angle, il s'opère une repolitisation de la société qui fait en sorte que les grandes entreprises privées sont questionnées sur leurs orientations et sur leurs activités. Cette repolitisation s'accompagne paradoxalement d'une perte de confiance dans l'action des États apparemment plus réactive que pro-active. En somme, la protection, qu'accordait jusqu'ici l'État-providence, visait plus à réparer qu'à préparer l'avenir. Autrement dit, les nouveaux risques sociaux et sociétaux nous invitent non pas à mettre fin aux interventions de l'État, mais à penser autrement la fonction et le rôle des pouvoirs publics. C'est ce que nous verrons maintenant.

## 2 Vers un nouveau paradigme de l'État

La remise en cause des formes d'intervention et de régulation étatique dans l'économie et le social ne suffit pas à définir un nouveau paradigme, mais permet d'identifier les défaillances à combler. Après avoir vu les défaillances de régulation du marché, de l'État et de la société civile, nous reviendrons au renouvellement des interventions de l'État dans le social et l'économie.

### 2.1 Nouvelles défaillances et nouvelles régulations

Ainsi, en l'espace d'un siècle, nous avons expérimenté successivement les **défaillances de la société civile** qui étaient fortement mobilisées par la tradition et l'ancien régime, les **défaillances du marché**, notamment celles du laisser-faire tous azimuts et maintenant les **défaillances de l'État** à travers l'échec des économies administrées et les limites de l'État-providence. Ainsi, le modèle concurrentiel, qui s'imposait dans la seconde moitié du XIX<sup>e</sup> siècle, répondait **aux défaillances d'une société** où prédominaient la dépendance des personnes et une confusion des rapports politiques et des activités économiques (Polanyi, 1944, 1983). Le modèle keynésien fait appel intensivement à l'État pour apporter une solution aux **défaillances de l'autorégulation marchande**, mais les années 1975–1985 mettent en lumière les défaillances du **couple État-marché**, de sorte que la reconnaissance de **la société civile** s'impose maintenant comme incontournable à droite comme à gauche, sans doute différemment. À droite, les néolibéraux proposent l'auto-régulation marchande, mais avec les conservateurs ils renvoient les perdants aux bons soins de la société civile: ceux qui ne peuvent survivre dans le cadre du marché doivent s'en remettre à l'économie informelle, à l'économie domestique ou encore à la charité telle qu'encouragée par les diverses religions. La nouvelle gauche prend acte des limites du couple **État-marché** pour proposer d'y adjoindre également la société civile, mais dans le cadre d'une économie plurielle (Laville, 1994) ou d'une nouvelle économie mixte (Giddens, 1998). Ce modèle de

régulation et de gouvernance, qui mobilise à la fois **l'État, le Marché et la Société civile**, ne peut s'épanouir sans un cadre institutionnel favorable à la concertation entre des parties prenantes (stakeholders) et sans un élargissement et un approfondissement de la démocratie.

Au cours de la dernière décennie, nous sommes ainsi passés d'une période de crise à une période de mutations profondes. À grands traits, cette période peut être caractérisée par de **nouvelles configurations des pouvoirs de l'État-nation** au profit d'instances supranationales (au mondial) et d'instances infra-nationales (au local et au régional) et à une reconnaissance de plus en plus explicite de la société civile comme partie prenante; **de nouveaux rapports de production** misant à la fois sur la flexibilité et l'intégration que rendent possible les nouvelles technologies, mais qui exigent la réflexivité, la connaissance et la participation des travailleurs et des sous-traitants, l'innovation continue, un recentrage des entreprises sur le métier principal, d'où une relative spécialisation des économies nationales; **de nouveaux rapports de consommation** où les clients pour les services marchands et les

**Tableau 1 – Trois types de régulation et de défaillance**

Régulation	Keynesienne	Neolibérale	Partenariale	C o m p l é m e n t a r i t é
État	Interventionniste (solution)	Minimal	Partenaire	
		<i>Défaillance</i>	<i>Défaillance</i>	
Marché	Économie administrée	Auto-régulation (solution)	Régulé	
	<i>Défaillance</i>	Régulation financière	<i>Défaillance</i>	
Société civile	Résiduelle Traditionnelle	Résiduelle Pour exclus et perdants	Mobilisée Défaillance	
Intérêt général	État : garant de l'intérêt général	Somme des intérêts particuliers	Diversité des intérêts collectifs	
			Hiérarchisation	

usagers pour les services publics demandent plus de qualité et de diversité invitant ainsi à penser les services en fonction de ceux et de celles à qui ils sont destinés, quitte à faire appel à leur participation; de **nouveaux rapports entre les entreprises et leur milieu** : la proximité devient un avantage pour la qualité des relations et pour la circulation des informations (d'où une redécouverte des districts industriels et l'intérêt pour les systèmes locaux de production).

## 2.2 Nouveau paradigme : un ménage à trois, État-marché-société civile

Ces diverses reconfigurations supposent de nouvelles modalités de coordination qui relèvent de la société civile, exigent un dépassement du couple **marché-état** pour faire place, non pas à un retour au **marché célibataire**, comme le voudrait les néo-libéraux, mais à un ménage à trois, **Marché-État-Société civile**. Cela dit, ce ménage à trois ne va pas de soi puisque le marché, la hiérarchie et la société font appel à des mécanismes différents : les prix pour la coordination des activités marchandes, le respect des règles pour les hiérarchies publiques et privées, l'engagement volontaire pour la société civile, ce qui suppose la délibération pour l'adhésion à un projet commun toujours à redéfinir (Piore, 2001). De plus, ils doivent également relever des défis bien spécifiques : le marché doit prévenir la défection (*exit*), la hiérarchie doit s'assurer non seulement de la rationalité des règles, mais aussi de la légitimité de ceux qui les définissent (*voice*), la gouvernance relevant de la société civile doit relever le défi de la solidarité et de la loyauté (*loyalty*) (Hirschman, 1970; Boulding, 1970). En somme, l'engagement de la société civile dans un projet économique ou dans une activité de services ne peut s'en tenir au marché et à la hiérarchie, puisque cela suppose l'échange d'information et la délibération entre les parties. Dans la mesure où les entreprises capitalistes et publiques se proposent de faire participer toutes les parties concernées, elles devront aménager un espace de délibération et de débat public.

## 2.3 Dans le domaine du social : vers un État-providence positif

**Dans le domaine du social**, la participation de la société civile représente un élément incontournable pour un État-providence renouvelé (Vaillancourt, 1999; Vaillancourt et Laville, 1998) ou encore pour un « État-providence positif » (Giddens, 1998). D'une part, « la gauche et la droite sont maintenant confrontées à des contraintes similaires et des demandes semblables: un chômage élevé et persistant, un pourcentage important d'exclus du marché du travail, un niveau d'endettement public préoccupant » (Noël, 1996 : 4). D'autre part, les grandes thématiques qui tentent de fournir des réponses à des demandes et à des problèmes nouveaux, semblent se rejoindre pour exiger un dépassement de l'État-providence traditionnel, soit la solidarité et l'équité plutôt que l'égalité, le ciblage des interventions plutôt que l'universalité et le « mur à mur », le développement de ressources humaines, la responsabilisation et des mesures actives d'emploi, plutôt que l'assistance et des mesures passives, des investissements sociaux, plutôt que des dépenses sociales orientées vers la seule réparation, etc. Sur ces diverses thématiques, les oppositions au discours néo-libéral ne s'articulent pas uniquement sur la défense des acquis. « À chaque proposition néo-libérale correspond une réponse progressiste qui remet également en cause l'État-providence tel qu'on le connaît, mais qui le fait au nom

de valeurs et de principes différents » (Noël, 1996) comme le montre le tableau suivant.

En somme, il existerait deux avenues de réforme de l'État providence : l'une visant à arrimer la protection sociale à la logique du marché en s'en remettant à la société civile pour les perdants, l'autre faisant appel également à la société civile avec l'aide de l'État mais pour favoriser l'empowerment des personnes et des collectivités. Les propositions néo-libérales sont bien connues : très forte incitation au travail (workfare), soutien au revenu conditionnel au mérite, ciblage des clientèles, politiques actives, responsabilité des individus, contrats individuels et décentralisation. L'avenue de l'État-providence renouvelée dépasse en quelque sorte l'universalisation par sa volonté de tenir compte des différences et de l'équité. Les transferts sociaux sont inscrits dans une reconnaissance de la pluri-activité et implicitement de l'économie plurielle, de l'économie sociale et solidaire. Enfin, ce qui nous semble le plus significatif, c'est la volonté de donner plus de pouvoir aux

**Tableau 2 – Reconfiguration de l'État et des politiques sociales**

État providence ( <i>Welfare State</i> )	État neo-liberal ( <i>Workfare state</i> )	État providence renouvelé ( <i>Enabling state</i> )
Egalité, assurance	Solidarité limitée, Soutien conditionnel du revenu	Solidarité large, Intégration des transferts sociaux à la fiscalité
Universalité	Ciblage des clientèles, particularisme	Respect de la différence, multiplicité
Transferts sociaux	Développement des ressources humaines, employabilité	Parcours vers l'emploi, Pluri-activité, partage du travail, économie solidaire, économie sociale
Services sociaux	Responsabilité individuelle, contrat entre l'individu et l'État	Partage des responsabilités, pouvoir des usagers, logique de la contrepartie
Normes nationales	Décentralisation	Développement local

Source: A. Noël, 1996.

usagers et de reconnaître le niveau local. Cette reconfiguration de la gouvernance repose sur la reconnaissance de la société civile, la diversité des acteurs sociaux et le principe de la subsidiarité dans le cadre de compromis faisant appel à de nouvelles solidarités (Stöhr, 2002).

Ce renouvellement de l'État-providence pourrait donner ce que Giddens appelle « État-providence positif ». On passerait d'un « **État providence négatif** » orienté vers le passé, la protection et le curatif, à un « **État-providence positif** » misant sur l'investissement social pour préparer l'avenir, permettre aux personnes d'affronter les risques plutôt que de simplement les protéger. Ce nouvel

État providence suppose que, dans un cadre où prédomine la réciprocité plutôt que la dépendance, les droits sociaux sont généralement attachés à des responsabilités. Ainsi, l'assurance-chômage pourrait être liée à l'obligation d'une recherche active d'emploi, tout en tenant compte de certaines impossibilités ou contraintes (ex: les coûts liés à la recherche active).<sup>2</sup> De même, au lieu de considérer les personnes âgées comme un problème, pourquoi ne pas les voir comme partie de la solution. Comme l'espérance de vie se prolonge, les personnes de 60 à 65 ans peuvent représenter des ressources humaines précieuses. En somme, « l'État providence positif remplacerait les aides négatives de Beveridge par des aides positives: au lieu de la dépendance, l'autonomie; au lieu de la maladie, la santé active; au lieu de l'ignorance, l'éducation permanente; au lieu de l'inactivité, l'initiative » (Giddens, 1999 : 128). Plus largement, l'État-providence se combinerait avec une société providence qui favoriserait la décentralisation, l'initiative et la prise en main, à travers, entre autres, le tiers-secteur, les associations et l'économie sociale, notamment pour la livraison de certains services sociaux.

#### 2.4 Dans le domaine de l'économie : une offre intégrée

Au plan du développement économique, il existerait également une nouvelle vision où l'État serait présent plus comme un partenaire que comme le grand organisateur. Dans le cadre d'une concurrence exacerbée qui contraint à l'innovation, les entreprises adoptent de plus en plus de nouveaux modes de gouvernance qui cherchent à mobiliser les dynamismes sociaux. Ces nouveaux modes reposent de plus en plus sur « un modèle d'interaction qui accorde beaucoup de place aux facteurs externes aux entreprises, notamment aux phénomènes d'interactions, d'apprentissages, d'échanges de savoir et d'infrastructures socio-institutionnelles (Landry et alii, 1999 : 7). Dans ce contexte, l'État est appelé à jouer un rôle de catalyseur qui favoriserait la multiplication des ententes entre partenaires économiques et non économiques, notamment pour la conquête des marchés externes. Dans cette visée, l'importance de l'État, de l'intervention de l'État dans l'économie, ne disparaît pas, mais son rôle est transformé. Au lieu de soutenir principalement la **demande** pour assurer la relance, les politiques industrielles s'articulent autour d'une stratégie axée sur **l'offre intégrée**: R&D,

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<sup>2</sup> Dans le domaine du travail, le Rapport pour la Commission des Communautés européennes relève avec justesse que la situation actuelle se caractérise souvent par une détérioration des conditions de vie et de travail, détérioration qui résulte des transformations économiques, notamment des stratégies patronales (A. Supiot, 1999). Pour un aperçu de l'importance des transformations du marché du travail aux Etats-Unis, voir Osterman (1999). Après avoir montré comment les anciennes réglementations ont été remises en question, notamment par les entreprises, ces deux études concluent à la nécessité de nouvelle régulation.

formation de la main d'œuvre, accès au financement, etc. (Mazner et Streeck, 1991). Ce faisant, les politiques industrielles doivent s'arrimer aux politiques d'éducation, de recherches, etc. Au lieu de se faire **entrepreneur**, l'État se fait **partenaire avec les entrepreneurs et autres parties prenantes**.

Plus explicitement, les politiques industrielles favoriseront une **spécialisation** dans quelques secteurs stratégiques pour tirer profit de l'insertion dans l'économie-monde et encourageront la formation de grappes industrielles ou encore de systèmes locaux de production. Dès lors, les politiques industrielles cherchent moins à soutenir les entreprises en difficulté (sauf évidemment si les entreprises en difficulté le sont pour des raisons de mauvaise gestion ou de mauvais

**Tableau 3 – Les politiques industrielles**

Politiques	Néo-libérales	Partenariales
Logique d'action	Marchand-domestique Financiers-managers	Marchand-civique-solidaire
Marché	Auto-régulé	Socialisé plutôt que réglementé
État	Minimal voire absent (en principe) Privatisation	Situé et non extérieur: facteurs d'offre Coordination entre acteurs sociaux
Société civile	Groupes d'intérêt à proscrire À la marge, sous-traitance	Concertation et délibération Reconnaissance, obligation mutuelle
Politiques économiques	Économie de l'offre	Offre intégrée: R&D, formation, financement, services aux entreprises
Politiques industrielles	Libre-échange tous azimuts Conquête des marchés externes	Spécialisation orientée Soutien de l'offre

D'après Bourque, 2000.

climat de travail) qu'à encourager celles qui peuvent s'imposer comme gagnantes. De même, les politiques de développement régional ne concernent plus les seules en difficulté, mais visent dans le meilleur des cas la formation de systèmes régionaux de production (Störh, 2002; OCDE, 2001; Scott, 1998; Saxenian, 1994). Pour toutes ces raisons, l'État favorisera également l'émergence d'une « nouvelle économie mixte », différente de l'économie administrée qui visait la subordination du marché au gouvernement, différente également de l'ancienne économie mixte où le privé et le public relevaient de deux mondes séparés. À travers la



concertation et le partenariat, la nouvelle économie mixte mise sur la synergie entre les secteurs capitaliste, privé et d'économie sociale, dans le cadre d'une économie plurielle soucieuse des difficiles arbitrages que représente la « dynamique des marchés et intérêt public », la régulation et la dérégulation, les échelles mondiale, nationale et locale (Giddens, 1999 : 100).

## 2.5 Nouveau rapport entre « l'économique et le social »

Si la reconfiguration de l'État, dans le domaine social et économique, est pensable et même souhaitable selon ces repères, les rapports entre l'économique et le social s'en trouvent reconfigurés au point où il nous faut redéfinir ce qu'on l'on entend maintenant par social et économique.

Dans l'ancien modèle (keynésien), on supposait que le développement économique devait précéder le développement social dans la mesure où ce dernier était défini en termes de redistribution et de dépenses. Dans la configuration en émergence, le social est non seulement un output, mais devient un input, désormais partie prenante des avantages comparatifs d'une économie donnée. Des dépenses, pour améliorer l'environnement et la qualité de vie, deviennent désormais des investissements qui améliorent le rendement des investissements dans le développement économique. Des **investissements dans le capital social**, par exemple, pourraient être aussi rentables que ceux réalisés dans le capital physique : technologie, équipement, finance. Une **recherche québécoise** récente sur les entreprises manufacturières montre que « des augmentations marginales des indices de capital social exercent davantage d'effet sur les décisions relatives à l'innovation que des changements marginaux dans la variété des technologies avancées utilisées dans les procédés de fabrication ou des changements marginaux dans les investissements en R&D » (Landry, Amara et Lamari, 2001 : 12). Les auteurs en tirent notamment la conclusion que « le capital social doit être considéré comme un **facteur d'intervention** si les politiques publiques visent à stimuler l'innovation de façon efficace ». Les politiques sociales elles-mêmes peuvent être pensées comme des investissements sociaux qui permettent de préparer un avenir meilleur, d'où l'attention portée aux enfants, aux ressources humaines et au développement des compétences. Dans cette visée, les risques sociaux et la sécurité sont redéfinis ou repositionnés: il s'agit moins d'éviter, voire de protéger les citoyens de tous risques, que de voir les risques comme des opportunités nous invitant à innover et donc à s'outiller individuellement et collectivement pour les surmonter ou même pour éviter qu'ils se réalisent. Autrement dit, la sécurité vise moins à empêcher le changement qu'à se donner la capacité de changer pour éviter que les risques appréhendés ne se réalisent. Cette sécurité ne peut être apportée par l'État sans la mobilisation de toutes les parties prenantes concernées.

Si le développement social et le développement économique peuvent devenir en interactions positives, il faut bien voir que le social et l'économique sont également redéfinis dans leur contenu. Désormais, et de manière tendancielle, **l'économique** ne peut plus être définie exclusivement en termes marchands puisqu'elle fait appel non seulement au marchand, mais également au non marchand et au non monétaire (économie substantive dans le sens de Polanyi ou encore économie plurielle). En termes de régulation et de gouvernance, le mécanisme de la concurrence est complété par de nombreuses formes de coopération qui relèvent du social. Par la suite, le **social** ne peut plus être défini exclusivement comme un coût ou une dépense sociale, puisque désormais il constitue **un capital social, un investissement**, une source d'avantages comparatifs, un lieu d'investissement favorisant un retour élevé sur investissement. Enfin, la prise en charge du social dans l'investissement devient également une condition *sine qua non* de la survie de l'humanité comme le suggère bien la problématique du développement durable.

## Conclusion

En conclusion, il est nécessaire de rappeler que le rapport à l'État demeure ambivalent, ce qui donne sans doute un fondement à l'attrait pour certaines politiques néo-libérales prônant un État minimal, d'une part, et pour des politiques interventionnistes dans l'économie et le social, d'autre part. Dans la mesure où l'État exerce le monopole de la violence légitime, un contrôle social toujours plus contraignant constitue un danger surtout quand la démocratie s'affaiblit ou encore lorsque l'État se préoccupe principalement de renforcer les forces de coercition, ne serait-ce que pour protéger les citoyens pour des dangers appréhendés. En revanche, il est difficile de voir comment le progrès social et des mesures favorisant l'émancipation pourraient se matérialiser sans l'intervention de l'État qui représente encore l'instance par excellence pour dégager l'intérêt général. Les citoyens s'attendent à ce que l'État soit capable de transformer les demandes sociales en termes de droits et de biens collectifs en conformité avec l'intérêt général.

Comme il n'y a pas d'alternative au capitalisme (au moins à la vue des générations présentes), la question qui nous concerne est de savoir comment, jusqu'où et de quelle manière le capitalisme peut être régulé et gouverné (Giddens, 1998 : 43). Cette question se pose maintenant non seulement à l'échelle nationale mais aussi à l'échelle mondiale, en raison à la fois des problèmes, dont les risques communs à l'humanité sont une facette, et du fait que les grands acteurs économiques évoluent à cette échelle. L'État et les pouvoirs publics ne peuvent maintenant négliger ce nouveau rôle qui est de créer une économie mondiale qui aille dans le sens du bien commun de l'humanité tout en prenant

collectivement en charge des problèmes qui n'ont de solution qu'à cette échelle. C'est dire, par le fait même, qu'il y a certaines fonctions qui ne peuvent être déléguées que très partiellement vers le haut à travers les instances internationales ou vers le bas conformément au principe de la subsidiarité. Dans cette visée, nous sommes donc conviés non à moins d'État, mais à mieux d'État, ce qui suppose de repenser la fonction et le rôle des pouvoirs publics à la lumière des repères identifiés précédemment.

Les défaillances successives du marché, de l'État et de la société civile nous ont appris que lorsque la régulation d'une société est remise exclusivement au marché ou à l'État, il y a danger de démesure. L'autorégulation marchande comme l'administration de l'économie par l'État se sont avérées catastrophiques, alors que la société civile, laissée à elle-même, ne permet pas de sortir du cercle des intérêts collectifs pour exprimer l'intérêt général (Monnier et Thiry, 1997). Désormais, nous sommes invités à penser l'avenir dans le cadre d'une complémentarité ou mieux d'une tension entre l'État, le Marché et la Société civile. Le défi sera d'autant plus élevé que les frontières du marché s'ouvrent à l'échelle du monde, que les États commencent à se donner des moyens qui dépassent les États souverains et que la société civile mondiale n'existe qu'à travers quelques organisations et une opinion publique encore plus fragile. Cela dit, il faut éviter le modèle unique puisque, même dans le cadre du ménage à trois État-Marché-Société civile, la diversité des configurations concrètes s'impose, compte tenu de la diversité des héritages et des dynamiques sociales et régionales.

Si la législation, la redistribution et la livraison de certains services relevaient exclusivement de l'État, il apparaît plus nettement aujourd'hui que le métier principal des États souverains est de légiférer. Dans ce domaine, l'État ne peut être remplacé ni par les entreprises, ni par le marché, ni par la société civile. En revanche, en déléguant certaines de ses responsabilités à des instances internationales et d'autres à des instances locales, l'État ne disparaît pas, mais il se redéploie. S'il n'est pas nécessairement le mieux outillé pour la production et la livraison de certains biens et services, sa présence est incontournable au moins dans le secteur non marchand. Pour la redistribution, il faut reconnaître que même lorsque la société civile et les entreprises y concurrent, l'État y occupe toujours la place centrale et la plus déterminante.

Comme nous avons tenté de le démontrer en partant des grands vecteurs de transformations, le nouveau rôle des pouvoirs publics se redéfinit de plus en plus en référence à l'avenir plutôt que par rapport au passé : dans le domaine du social, nous sommes invités à passer d'un État-providence négatif à un État-providence positif; dans le domaine économique, à passer de politiques économiques orientées vers le soutien de la demande à des politiques visant à soutenir une offre intégrée dont les éléments dépassent le domaine économique pour atteindre le social. Dans cette visée, le nouvel arrimage vertueux entre

le développement économique et le développement social ne peut plus être à sens unique. Cela suppose que les pouvoirs publics travaillent à la mise en place d'une nouvelle économie mixte qui articule d'une manière inédite les entreprises capitalistes, les entreprises publiques et les entreprises d'économie sociale, une nouvelle économie mixte qui serait en même temps économie dite plurielle, respectant la spécificité de chacune de ses composantes dans la visée de l'intérêt général.

Compte tenu de ce qui précède, et si l'on tient compte de la fragmentation sociale de nos sociétés, une des fonctions principales des gouvernements nationaux devient la nécessaire réconciliation des demandes des diverses parties prenantes : acteurs sociaux, communautés socioculturelles, entreprises, collectivités locales, etc. Cette réconciliation ne peut faire l'économie de la régulation des conflits et donc de l'exercice du pouvoir d'État. Cependant pour que l'État n'ait pas à intervenir que sur la base de la seule coercition, il se doit de favoriser l'expression des citoyens et donc un élargissement et un approfondissement de la démocratie sous ses diverses formes, soit de la démocratie plurielle (Lévesque, 2001a). On peut reconnaître au moins trois formes de démocratie: la démocratie représentative, la démocratie directe et la démocratie sociale qui doivent se conforter les unes les autres (Thériault, 1996; Schmitter, 1992).

La démocratie représentative, qui est manifestement incontournable, tend à reposer sur les seuls choix individuels définis à partir d'intérêts individuels et de préférences considérées comme fixes. Une société qui se limite à la démocratie représentative, affirme implicitement qu'elle n'est constituée que d'individus. De plus, elle risque de produire l'exclusion des représentés et de créer rapidement « un fossé entre le citoyen et ses porte-parole » (Callon et alii, 2001 : 170). Pour prendre en considération les appartenances collectives et les divers intérêts collectifs, il faut se tourner vers la démocratie sociale, qui repose sur la concertation des grands acteurs sociaux (expression des intérêts collectifs), complétant ainsi la démocratie représentative (expression des intérêts individuels). Cependant, l'agrégation des intérêts collectifs, pas plus que celui des intérêts individuels, ne produit l'intérêt général (Monnier et Thiry, 1997). En effet, si elle n'est pas soumise à la démocratie représentative, la démocratie sociale peut dériver vers un corporatisme étroit ou même une privatisation de la citoyenneté (Duschatel, 2000). Enfin, la démocratie directe qui repose sur l'expression de tous les citoyens, ce qui pourrait s'avérer possible en utilisant des nouvelles technologies comme l'Internet, ne constitue pas pour autant la voie royale. En effet, la démocratie ne consiste pas seulement à choisir, mais à fournir la possibilité de choix éclairés ou encore de choix allant dans le sens du bien commun ou d'un intérêt général (Offe et Preuß, 1997 : 226). Pour éviter que ces décisions soient le produit d'intérêts myopes ou particularistes, il est nécessaire de développer le désir de promouvoir le bien commun, le bien public ou encore l'intérêt général (Monnier et Thiry, 1997). Pour ces raisons et d'autres encore, la démocratie délibérative devient

incontournable aussi bien pour la démocratie représentative que pour la démocratie sociale et même pour la démocratie directe. Par conséquent, une démocratie plurielle suppose une présence renouvelée de l'État, soit une volonté d'encourager le développement d'espaces publics de débat et de promouvoir l'expression des citoyens en s'adonnant lui-même à la transparence.

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### **Basic function and a new role for public authorities: towards a new paradigm of the State**

*This article puts forward an hypothesis for an emerging paradigm which would allow us to reconsider the relations between state, market and civil society and which could be as innovative as the paradigm of the period after the second world war founded on the pairing state-market. According to this new vision, the role of the public authorities would be redefined more and more with reference to the future rather than in relation to the past. In the social field, we would be invited to proceed from a negative welfare state to a positive welfare state; in the economic field to pass from economic policies oriented towards supporting demand to policies aiming at supporting integrated supply, the elements of which go beyond the economic sphere to reach the social one. From this perspective, the virtuous new relationship between economic development and social development can no more be one-sided in the sense of redistribution (and thus solely social expenditures) since 'the social' represents both a capital and a place of investment. This supposes that public authorities work for setting up a new mixed economy articulating in an original way for-profit enterprises, public enterprises and not-for-profit enterprises, a new mixed economy that would be a plural economy respecting the specificity of each component and aiming at the general interest.*

### **Basisfunktion und neue Rolle der öffentlichen Hand: Zu einem neuen Paradigma des Staates**

*Dieser Beitrag stellt die These eines neu entstehenden Paradigmas heraus, das ermöglicht, die Beziehungen zwischen Staat, Markt und Zivilgesellschaft neu zu überdenken, und das so innovativ sein könnte wie das Paradigma der Periode nach dem Zweiten Weltkrieg, welches auf der Koppelung Staat-Markt begründet war. Nach dieser neuen Vision würde die Rolle öffentlicher Behörden immer mehr mit Blick auf die Zukunft statt in Beziehung zur Vergangenheit neu definiert. Auf dem sozialen Gebiet bedeutet dies, von einem negativen Wohlfahrtsstaat zu einem positiven Wohlfahrtsstaat überzugehen, und auf ökonomischem Gebiet, überzugehen von Wirtschaftspolitiken, die sich an der Unterstützung der Nachfrage orientieren, zu solchen, die auf ein integriertes Angebot abzielen, dessen Elemente über die ökonomische Sphäre hinausgehen, um die soziale zu erreichen. In dieser Perspektive kann die anzustrebende neue positive Kombination zwischen ökonomischer und sozialer Entwicklung nicht mehr eine Einbahnstraße im Sinne einer Redistribution (und somit einzig sozialer Ausgaben) sein, da "das Soziale" sowohl Kapital als auch einen "place of investment" repräsentiert. Dies setzt voraus, dass die öffentliche Hand am Aufbau einer neuen gemischten*

Benoît Lévesque (2003)

*Wirtschaft arbeitet, die in origineller Weise gewinnorientierte Unternehmen, öffentliche Unternehmen und Nonprofit-Unternehmen einschließt – einer neuen gemischten Wirtschaft, die gleichzeitig eine plurale Wirtschaft ist, welche die Spezifität jeder einzelnen Komponente respektiert und das Allgemeininteresse zum Ziel hat.*

### **El nuevo papel de los poderes públicos: hacia un nuevo paradigma del Estado**

*Este artículo avanza la hipótesis de la emergencia de un nuevo paradigma que permitiría reformular las relaciones entre el Estado, el mercado y la sociedad civil y que podría ser tan innovador como el surgido tras la segunda guerra mundial y fundado sobre el binomio Estado-mercado. Según esta nueva visión, el papel de los poderes públicos se redefiniría cada vez más con referencia al futuro antes que con la relación al pasado: en el ámbito social se nos invitaría a pasar de un Estado-providencia negativo a un Estado-providencia positivo, en el campo económico se sustituirían las políticas económicas orientadas al sostenimiento de la demanda por otras que trataran de apoyar una oferta integrada cuyos elementos superen el ámbito económico para alcanzar el social. Bajo esta óptica, la nueva relación virtuosa entre desarrollo económico y desarrollo social no puede realizarse en senso único en el sentido de la redistribución (exclusivamente como gastos sociales), puesto que lo social representa simultáneamente un capital y un motivo de inversión. Eso supone que los poderes públicos trabajan para la puesta en práctica de una nueva economía mixta que articule de manera hasta ahora inédita las empresas capitalistas, las públicas y las de economía social; una nueva economía mixta que sería al mismo tiempo plural, respetando la especificidad de cada uno de sus componentes bajo el enfoque del interés general.*

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**THE PUBLIC SECTOR AND THE SOCIAL  
ECONOMY IN THE ANNALS (1975–2007):  
TOWARDS A NEW PARADIGM<sup>1</sup>**

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**Introduction**

When the *Annals of Collective Economy* became the *Annals of Public and Cooperative Economics* in 1974, it incorporated the term ‘social economy’ into its French title (*Annales de l’économie publique, sociale et coopérative*), even though the social economy had not yet gained recognition in any country, not even France. Although the public enterprise and public services sectors emerged as the principal sector conveying the general interest, the social economy did not yet constitute a recognized ‘third sector’, despite that fact that mutual societies, cooperatives and associations had existed for over a hundred years.

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<sup>1</sup> This paper was translated by Stuart Anthony Stilitz (stus@sympatico.ca)

Three decades later, the issue of general interest – and that of the State as its principal architect – would be raised in other ways. This long period was marked by crisis and change in various Nation-States, and in geopolitics throughout the world, with the emergence of regional blocs, including the European Union, and more recently with the economic rise of China and India. Thus, to a significant extent, States were re-engineered, both in terms of the division of skills through globalization and decentralization and in their core function, especially their methods for intervening and regulating the economy and society (Lévesque 2003). Many public enterprises had to open up to competition, as did several large cooperatives and mutual societies, while numerous cooperatives and associations emerged – principally in social services, local development, job creation and labour market integration, and fair trade. In addition, there was a growing trend toward privatization, demutualization and even decooperativization. While the State is still one of the principal participants in defining general interest, it is no longer the only one, since other ‘solidarity perimeters’ have now established themselves (Monnier and Thiry 1997). Thus, economic and political entities, have become more complex, more interdependent and more hesitant in confronting global challenges such as global warming, security and, more broadly, sustainable development.

With the above factors in mind, we analysed the content of the *Annals of Public and Cooperative Economics*, for the period 1975–2007, in the light of activities that fall within the domain of general interest. To this end, we compiled a list of 728 articles published in the 132 issues that were published in this period (see Table 1). As part of the research, we targeted primarily the following fields: public enterprises and public services; mixed enterprises and regulated private enterprises; and the third sector, though from the standpoint of the social economy and non-profit organizations (NPOs). We then identified the principal research issues and widely-used theoretical frameworks. We will cite authors whose articles seemed significant in terms of these research objectives, though we were not able to conduct an exhaustive examination of them. In addition, the editorial policy of the *Annals* is the responsibility of independent scientific boards. Consequently, the content of the various articles in the present journal does not necessarily reflect the viewpoints of CIRIEC, the scholarly association sponsoring the journal. The specific area of interest of CIRIEC and the *Annals* is not simply the public economy, the social economy and the cooperative economy, but also their mutual relationships as established through their respective contribution to the general interest. These relationships,

**Table 1 – Articles dealing with the public sector and third sector  
(social economy and NPOs)**

	Public sector (%)	Third sector (%)	Total (%)
1975–1985	75.4	24.6	100 (207)
1986–1996	55.9	44.1	100 (267)
1997–2007	44.1	55.9	100 (254)
Total	57.6	42.4	100 (728)

which are systematic and based on the institutional arrangements of each country, give rise to questions that are common to these sectors, thus creating transversal analyses that are considered from the standpoint of general interest. Lastly, the researchers hail from a wide variety of theoretical backgrounds, which is advantageous when dealing with a field as broad and complex as the one at hand.

The present article is divided into two main parts. The first deals with public enterprises and public services, while the second deals with the third sector, which is discussed from the vantage point of the social economy (cooperatives, mutual societies, manager associations) and NPOs (mainly non-profit associations and foundations). As Table 1 indicates, for the three decades as a whole 57.6% of the articles dealt with the public sector and 42.4% with the third sector. While the public sector clearly dominated during the first decade, with 75.4% of the articles, the third sector dominated in the last decade, with 55.9% of the articles. For these two major sectors, we will select the following dimensions: the context, the definition of organizations, the main theoretical approaches employed by the researchers and the major research themes. By proceeding in this way, will we be in a position to delineate the major changes and outline the principal questions raised within the two major groups. To conclude, we will try to identify their points of convergence, in terms of general interest and transversal questions, to see if the hypothesis of a new paradigm advanced in this journal in 1997 has been confirmed (Monnier and Thiry 1997).

## **1 The public enterprises and public services sector**

To ensure it coheres with the section devoted to the third sector, we have decided to limit this first section to public enterprises and public services. Thus, we have excluded from our analysis articles dealing with several public sector issues such as public finance, public administration and even certain public policies.

## 1.1 The public enterprises and public services environment

Since 1975, the roles, structures and missions of the public sector, and especially those of public enterprises, have changed significantly. Until the 1970s, a Keynesian policy environment of macroeconomic intervention dominated, and public enterprises played a strategic role as instruments in implementing the objectives of these policies. In addition, public sector growth was able to redress the market failures and protect national interests.

The stagflation of 1974–1975 cast doubt on the relevance of Keynesian policies (Aharoni 1976 and Androsch 1977). The concept of State's failures grew under the influence of alternative theoretical currents, such as monetarism and public choice. By the early 1980s, the paradigm was changing from State interventionism to supply-side, neo-classical policy. The period then saw the development of liberalization policies, deregulation of areas shielded from competition and much privatization. Classic public enterprises were transformed into mixed enterprises (Bédard, Tereraho and Bernier 1998, Bognetti and Robotti 2007) or regulated private enterprises (Cox 1999). Following the privatizations, it was considered appropriate to introduce public service missions. Thus, private or privatized enterprises could be legally compelled to provide general interest or universal services. Also, new forms of public-private partnerships were developed (O'Toole 1984, Anheier and Ben-Ner 1997), especially through delegation of public services. In Europe, the Single Market policy accentuated this trend.

## 1.2 Defining public enterprises

From reading articles in an international journal such as the *Annals* over thirty years, it appears that only a broad definition of the classic public enterprise can be retained. Drawing on a definition suggested by Thiry (2002), we will not select the activity criterion, be it a purely commercial activity or an activity with public service obligations; similarly, in formulating our definition we will not select as a criterion legal status in the strict sense, be it a classic business corporation, a cooperative or an enterprise with a special status. The criterion usually selected is that of majority control by governments, whether the latter intervene individually or jointly, directly or indirectly, and regardless of whether control is wielded by those holding most of the share capital or most of the votes at the annual general meeting, or even by those in a majority position in the administrative body. While this definition of a public enterprise may seem broad, it does not encompass all companies with public participation. Minority participations held by governments are common, whether they involve partial privatization or new investments intended for consolidation or growth. Furthermore, certain otherwise totally private enterprises have been subject to government regulation or a 'golden share', which may involve government pre-approval for certain strategic decisions,

such as transferring a significant proportion of the share capital or selling certain assets or subsidiaries. Thus, in addition to public enterprises, there is a mixed (public-private) sector, which has grown so much that the public enterprise sector has become highly heterogeneous. The articles compiled reveal a clear difference between, on the one hand, enterprises that function in competitive sectors where the public service mission is absent and, on the other hand, those where it is present. Regardless of the approach of these articles, all of them reveal that over the last three decades the sector has undergone major transformations.

*Public enterprises with a totally industrial or commercial vocation*

In the case of public enterprises that have a totally industrial or commercial vocation, public sector investment is often linked to market failure. The latter is not manifested in the way economists define failure<sup>2</sup> but, rather, in terms of the private initiative and capital involved. This is what prompted European States to revive the steel industry in the years between 1970 and 1980 (Quaden 1980). The presence of public funds together with private funds reduces the risks assumed by private partners, and publicly owned capital facilitates support for industrial and commercial activities. When they work together in this way, the public partner – even when it is a majority shareholder – often has only a secondary role. The industrial operator is often the private partner, while the public partner must be content with a monitoring role, though it may at times have a say in strategic decisions. Of course, the difficulty with this resides in the effectiveness of the monitoring and the demarcation between what comes under management (the sphere of the private operator) and what comes under strategy (the sphere where there is input from all partners, both private and public). Questions may also arise concerning the role of the board of directors, its composition and power, and various governance issues; these issues involve both public and private enterprises.

In this totally industrial and commercial sphere, public authorities more often than not pursue a modest industrial policy geared towards economic development and social and territorial cohesion. In Europe, a variety of mechanisms control government financial investment in industrial and commercial enterprises. In particular, they forbid governments from treating their own enterprises more favourably than private enterprises or enterprises belonging to other levels of government. Thus, from the moment public authorities invest in enterprise capital – in situations where a private investor operating in normal market economy conditions would not – there is State aid; while not all

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<sup>2</sup> On the other hand, market failures account for the hard-core public service enterprises. See *infra*.



State aid is routinely criticized, conditions for financial support are severe and restrictive (Monnier 1995).

### *Public enterprises providing public services*

Many of the articles are devoted to public enterprises active in the following sectors: energy, water, mail service, telecommunications and transport, that is, what the Anglo-Saxon world often refers to as public utilities. They also discuss recent trends in these enterprises, and this will be examined in detail in Section 1.3. Historically, these enterprises have been characterized by one or several market failures: (i) the fact that they provide a commodity or service of the public or collective type (non-exclusion and non-rivalry); (ii) extensive informational asymmetries; (iii) significant returns to scale or economies of scope, in extreme cases involving a so-called natural monopoly, significant externalities (positive or negative) and/or club effects and (iv) considerations of security, the long term and future generations, etc. (Glachant 1995).

In Europe, the methods for structuring these sectors were greatly modified; they were impelled especially by the Commission concerned by increased integration of domestic markets. However, other factors too played a role here: the increase in world trade, technological shocks, consumers' desire to meet their needs more effectively and pressure from private enterprises, some of which were keen to gain access to activities that were results-oriented and characterized by moderate risk, others looking to obtain good-quality, low-priced basic inputs to raise their competitiveness.

Both types of enterprises merit examination. In the European Union alone,<sup>3</sup> following a steep rise in the 1970s and early 1980s, the relative role played by the public enterprise sector reached a peak around 1982, followed by an almost constant decline.<sup>4</sup> While the decline in its relative role over the last twenty years may be attributed essentially to various privatization programmes, the increase observed between 1973 and 1982 was due as much to doctrinal decisions (such as the French government's nationalizations under Mauroy in 1981 and 1982) as to pragmatic considerations such as rescue plans for sectors in difficulty (such as the steel industry).

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<sup>3</sup> For studies related to public enterprises in North America and Latin America, see Aharoni (1983) and Pick (1983).

<sup>4</sup> Based on statistics provided by the European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP), the EC share was 13.7% in 1971, 16.6% in 1982, 11.8% in 1991 and 9% in 1998. Of course, the number of countries involved has changed over time.

### 1.3 Main themes involving public enterprises

Table 2 presents trends in the main themes involving public enterprises and public services, as discussed over the last three decades in the *Annals*. Analysis of the 266 articles dealing with these issues reveals a shift in research on the macro-economic objectives of public enterprises (32.8% in 1975–1985 and 0% in the other periods) towards an examination of the objective of technical efficiency and cost efficiency (4.7% in 1975–1985 and 28.1% in 1986–1996). Studies on privatization processes increased in the second period 1986–1996, with 32.1% of the articles, and remained very significant during the last period (22.2%). The set of problems related to regulation appeared during the 1986–1996 period and had 9.7% of the articles; their number increased greatly in the last period, accounting for 35.4% of the articles. Note, too, that many of the articles dealt with other issues related to public enterprises. They will not be analysed in detail, but are grouped together in Table 2 under ‘Miscellaneous’. Topics in the latter category include financing, setting of prices, cost structure, location, marketing and the training of public- and mixed-enterprise managers. The latter category of articles, which also contains descriptive analyses by sector and country, decreased over time from 57.8% in 1975–1985 to 14.1% during the latter period.

An inventory of all the journal’s articles dealing broadly with the public sector over the last three decades reveals they numbered 375. The 109 articles not classified in Table 2 and that are not specifically examined in the present article range from topics connected to planning, public finance (criteria required by the Maastricht Treaty,

**Table 2 – Articles on public enterprises and public services**

	Macro-economic objectives (%)	Technical and cost efficiency (%)	Privatization (%)	Regulation (%)	Delegation of public services (%)	Miscellaneous (%)	Total
1975–1985	32.8	4.7	3.1	1.6	0	57.8	100 (64)
1986–1996	0	28.1	32.1	9.7	0	30.1	100 (103)
1997–2007	0	10.1	22.2	35.4	18.2	14.1	100 (99)
1975–2007	7.9	15.9	21.4	17.3	6.7	30,8	100 (266)

regressive taxes, etc.) and welfare systems (in the areas of health and retirement) to various public policies conducted in the fields of employment, price stability, research and development, housing and even support for the social economy. Other topics, including the rate of return on public investment, wage determination or the role of public administration often figure in more than one article.

The five topics selected, namely, effectiveness, the liberalization and privatization processes, the new forms of regulation, the general interest missions and the problem of delegating public services have been analysed below in detail. The emergence and development of these research topics are linked not only to new currents of economic thought (Section 1.4) but also – at the supranational level – to the policies of European authorities.

### *Effectiveness*

Among the recurring themes in the journal, we find definitions and measures of effectiveness. The effectiveness and performance of an enterprise is defined as the degree to which the objectives assigned to it by its owners can be reached. The objectives of the private enterprise owners come down in large measure to a single objective, profit maximization. The objectives of public enterprises are more numerous and may be presented as follows (Thiry 1993).

The allocation objective has been studied in numerous publications. It refers to efficiency in resource allocation. This objective encompasses different aspects (Tulkens 1986): technical efficiency, which consists in the ability of the enterprise to create its output with a minimum of resources (Deprins and Simar 1989); cost efficiency, which refers to the ability to create the output at the least cost (Filippini et al. 1992); allocative efficiency, which involves determining the production volume and the output price, and which in principle requires that the price equal the marginal cost of production (Marchand and Tulkens 1979).

Then there are redistributive objectives. The public enterprise may decide to provide its services or charge certain prices for the purposes of redistribution among individuals, or even among regions, particularly via price perequation systems. For a long time, public enterprises also assisted governments in their macroeconomic policies (combating inflation and unemployment) (Pestieau 1984), in their pursuit of economic growth and in making their balance of payments viable. Governments can also entrust their enterprises with economic development and industrial policy missions. The trend since the late 1970s reflects a diminished role for direct policies, such as public funding and public procurement (Jeanrenaud 1984), and even sector policies. Today, this role has been revived by the European Union, through research support programmes and structural funds. Public enterprises are also involved in environmental protection and land-use planning policies, in the protection of people's savings and in maintaining control over strategic decisions in certain sectors functioning at the national or regional level. It can also provide workers with better working conditions, or even increased participation in managing an enterprise. In their capacity as socially aware enterprises and vehicles for social cohesion, we once again note their objective of facilitating occupational integration.

*Liberalization and privatization*

As explained above, since 1975 the framework for public enterprises has changed a great deal. The frequently used term 'deregulation' does not adequately describe what came about. It would be more accurate to say that there was an adjustment: new forms of regulation replaced those that had existed until the 1980s. By contrast, the term 'liberalization' seems more appropriate: opportunities for entry were improved and barriers to entry were reduced considerably. Above all, monopolies were either abolished or reduced to a minimum, that is, limited to the core infrastructures of networks forming natural monopolies<sup>5</sup> or to what was temporarily acceptable to ensure the financing of non-profitable sections of industries. In this way, competition was greatly stimulated and the number of operators increased.

Liberalization processes were often accompanied by privatization, which constitutes another major theme of the journal. Thiemeyer (1986) provided more than 15 different explanations for privatization. Thiry (1994) defines privatization as the total or partial transfer of an enterprise to the private sector; the transfer can either be remunerated or be free of charge (Markou and Waddams 1999, Reeves and Palcic 2004). For Thiry, the French term, *dénationalisation*, is inadequate since it does not apply to local or regional public sectors, which, for their part, may also be subject to privatization. The term *désétatisation* leads to a confusion between modification of property rights and reduction in State regulation. In addition, the author demonstrates that privatization cannot be reduced to changes in the status, structure or management regime of public enterprises. These changes may occur prior to privatization, though they may also constitute an alternative to it, aiming to increase management independence and effectiveness without resorting to private interests or operators.

Numerous articles have examined the reasons for privatization. Thiry (1994) differentiates amongst these reasons: ideological and doctrinal; economic efficiency and effectiveness; the financial requirements of public enterprises that cannot be met due to a lack of State funding; and development needs, especially in international cooperation among operators. The Community rules on public enterprises, established within the framework that created the Single European Market (SEM), accelerated the trend toward privatization. In central and eastern Europe, the introduction of a decentralized market economy led to much privatization (Estrin 1991, Ben-Ner 1993, Jones and Mygind 2000). Several articles and thematic issues of the *Annals* also discussed the problem of privatization in developing countries (Heald 1992, Cook and Minogue 2002, Sciandra 2005).

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<sup>5</sup> Such as rail transit, natural gas transportation and distribution systems and electrical transmission grids.

## *Regulation*

Liberalization and privatization, especially in sectors involving public service missions, have come to require stronger regulation and a greater role for the regulatory State (Cox 1999, Bance 1999). Many of the articles examined this trend. The new modes of regulation (Varone and Genoud 2001, Kassim and Waddams Price 2005) initiated in these sectors have the following characteristics:

- (1) They separate production activities from regulatory missions. Even when the State keeps its responsibilities in the area of production (relating to its holdings in the enterprises involved), it must separate its role as a producer-shareholder from that of regulator; consequently, the regulatory bodies (competition agencies and sector regulators) must have a degree of independence from the State;
- (2) They separate economic activities controlled by monopolies from those operating within a competitive framework (at least in bookkeeping, but most often organically as well). They ban cross-subsidization, a practice giving certain enterprises (in competitive markets) a competitive advantage, and allowing monopolistic activities to dominate in the area of costs and profitability (Heald 1997);
- (3) They provide market actors with transparent and nondiscriminatory access to essential facilities, that is, to basic networks, which remain, more often than not, in a monopolistic position;
- (4) There is transparency in financial relationships between governments and their enterprises to ensure that there is no government assistance hampering the free play of competition;
- (5) They clarify general interest missions and public service obligations and require transparency in their implementation.

## *General interest missions and the delegation of public services*

All of these changes place governments and their enterprises in a situation differing totally from that of the 1980s. Gone is the era in which it was enough for the State to entrust an enterprise or a State or municipal services company with an activity subject to the general rules for public services (continuity, equality, adaptability and security), or to impose constraints that were flexible when it came to financing an activity performed according to the general interest. Governments have begun to take greater responsibility in matters of public service obligations (Fournier 1996). It should be pointed out that there has never been perfect harmony between public enterprises and economic activities subject to public service obligations. As noted above, some enterprises with public participation provide no public services; conversely, some public services

were performed by private enterprises even before the privatization waves of the 1980s and 1990s.

The articles in the journal reveal that, more than ever before, governments are taking charge of public service missions. They are also defining and financing them, and monitoring their implementation. Given this trend, the European Commission has introduced the concept of 'services of general interest'. The field encompassing missions of 'general interest' and public service is broader than that of universal service missions or obligations (Cremer, Gasmi, Grimaud and Lafont 2001), a minimal concept developed by the Commission and particularly relevant in telecommunications. Universal service is defined as a minimal group of services of a specific quality to which all users and consumers have access at an affordable price. Universal services do not go as far as general interest or public service missions; they do not concern all the network sectors, such as the gas or public-transport sectors. The universal services concept is progressive and has the potential for new applications in the bank, insurance and other sectors.

Depending on the specific characteristics of the sector involved, general interest or public service missions and obligations can have several objectives. These include, amongst others:

- (1) Overall economic efficiency, that is, correcting market failures: taking externalities into account, correcting the inefficiencies that stem from natural or other monopolies, guaranteeing security of supply, long-term planning, etc.;
- (2) Environmental protection, land-use planning, meeting specific national needs in terms of defence, and protecting cultural specificity;
- (3) Redistribution amongst individuals or regions aiming at notably implementing and maintaining networks and (economic) activity throughout the country; preferential tariffs for certain categories of consumers (the disabled, the elderly, large families, etc.); the obligation to provide minimal service, or even the so-called price perequation system, which generally involves the mechanism of cross-subsidization between the profitable and unprofitable parts of the same activity. Perequation can be social (no differentiation on the basis of consumer income) or geographic (no differentiation on the basis of location).

The operator in charge may also have public service obligations, and governments must establish a form of coverage for the supplementary cost this entails. It may involve cross-subsidization, annual subsidies from public authorities, preferential tax treatment or payroll tax relief, negative bids in which the operator in charge of the service is the one who applies for the lowest subsidy, a sector-based financing system (for example, via public service funds or

a universal service to which all operators in the sector contribute, whether or not they take on public service obligations).

Lastly, another current research topic that has appeared in many of the journal's articles is that of delegating public services (Cox 2003, Staropoli and Yvrande 2006). Contracting methods employed within the framework of public service delegation include competitive tendering and direct allocation of a contract without call to tender (*intuitu personae*) being extended to a public enterprise or a third party. One way competitive tendering can be carried out is through awarding the contract to the highest bidder, or through a beauty contest in which the principal criterion is not the price but the quality of the service provided. In Europe, this is viewed as an instrument to facilitate the application to public services of Community law regarding opening up to competition.

#### 1.4 Theoretical approaches

As noted previously, market failures constitute one explanation for the regulatory role of the State. Government regulation of 'public utilities' can be explained in particular by the economies of scale and scope enjoyed by natural monopolies, and by the resulting consumer protection. However, State intervention has also revealed failures that in part justify privatization and the liberalization of markets. Numerous theoretical developments provide a framework for these problems. While certain nuances apply, we can state that the *Annals* have analysed these problems primarily from the standpoint of neo-classical and neo-institutional theories. Legal science and political science have provided an analytical framework for the numerous descriptive articles. This accounts for not only their distinctive national characteristics but also for the influence of European policy on the processes of liberalization and privatization in certain sectors. In the period under study, few heterodox approaches were used in the articles dealing with the public sector. This contrasted with the treatment received by articles on the third sector.

Thus, transaction cost theory is discussed in numerous articles (Obermann 2007). While the theory at first analysed private enterprise, it was later applied to the public sector (Williamson 1999). The theory of transaction costs linked to contractual and coordination relationships attempts to determine if certain transactions can be carried out more efficiently in specific institutional environments, namely, market, hybrid or organizational relationships (vertical integration, in-house production). For example, it allows us to determine which organizational form is the most effective, especially in providing public services.

Basing its argument on the fact that contracts are, by nature, incomplete (Fares and Saussier 2001) allows it to analyse various forms of public service delegation.

Also widely employed is principal-agent theory, which is associated with asymmetric information and figures prominently in many of the articles as an analytical framework for relationships within a complex network involving the State, the regulator, enterprises, and various stakeholders and managers. Specifically, these models allow us to identify hidden information and thus define the control mechanisms and incentives that enable us to match the actions of agents with the preferences of the principal. The theory serves to demonstrate that the principal-agent relationship (in this case, stockholders-directors) can be more efficient in the private sector than in the public sector, where citizens are the owners. It is also used widely to analyse public service delegation processes (Kassim and Waddams Price 2005).

Public choice theory demonstrates that individuals in public sector organizations pursue different individual objectives, including budget maximization, to optimize their individual advantages and working conditions (Niskanen 1971). The aim of this criticism of government dysfunction, especially government bureaucracy, is to demonstrate that the State cannot guarantee the general interest. The theory of property rights, for its part, demonstrates the dominance of private property. It maintains that in private firms the incentives for improving performance are stronger — incentives that stem from the right to control and the right to residual income (Alchian 1987). In private firms, improved performance results from owners putting pressure on managers, pressure that is non-existent in public enterprises; this is due essentially to a lack of motivation on the part of public managers, who have no residual income. Consequently, some consider that public ownership will be less efficient than private ownership.

In management science, several articles turn to New Public Management (NPM) approaches, which assume there are no differences between private sector and public sector organizations. Consequently, NPM theory suggests applying market techniques to public sector organizations (Pollitt 2000). To reform the public sector, these approaches suggest for instance introducing competitive bidding (Mattisson and Thomasson 2007). Organizational theory has inspired several articles, especially as concerns evaluating the impact of privatization (Bishop and Thompson 1992).

A large number of empirical articles have compared the performance of public and private enterprises. These comparisons fall within the framework of neo-classical theory and are generally based on the measurement of productive efficiency, that is, technical efficiency and cost efficiency. The methods used to measure efficiency are numerous and based on econometric models (Farsi, Filippini and Greene 2006), or make use of a nonparametric approach



to determining frontiers (Data Envelopment Analysis) (Doble 1995). Regulators also use these measurements of efficiency to define regulation mechanisms (Estache, Perelman and Trujillo 2007).

## 2 The third sector: the social economy and non-profit organizations (NPOs)

The articles that deal with the third sector,<sup>6</sup> and that delimit this sector according to social economy or NPO parameters, account for 308 of the 728 articles (42.4%) published between 1975 and 2007 (see Table 1). The percentage increased from 24.6% of the articles in the first decade to 53.6% in the last decade, clearly revealing the scope of changes that came about with recognition of the social economy and the rise of non-profit organizations. This increase in articles on the third sector did not take place at the expense of those on cooperatives, since studies involving the latter increased from 45 articles in the first decade to 69 in the latter decade (which, nevertheless, saw a relative decline in cooperatives in the third sector). The social economy as a concept comprising a variety of third sector components did not appear in the journal until 1983, while the first article on the NPO concept did not appear until 1987. If we limit our examination to articles with a significant theoretical dimension, then the articles guided explicitly by social economy principles (11.7%) are less numerous than those based on NPO parameters (18.1%). However, the expression ‘social economy’ arises much more frequently, as we can see from the proportion of articles dealing with cooperatives and mutual societies.

### 2.1 The third sector context

As occurred in the case of public enterprises, the third sector context underwent a profound transformation. The *Annals* provided

**Table 3 – Articles on the third sector: social economy and NPOs**

	Social economy criteria (%)	NPO criteria (%)	Cooperatives or mutual societies* (%)	Miscellaneous (%)	Total
1975–1985	3.9	–	88.2	7.9	100% (51)
1986–1996	5.2	19.2	66.9	8.7	100% (115)
1997–2007	19.7	23.9	48.6	7.8	100% (142)
1975–2007	11.7%(36)	18.1%(56)	62.1%(191)	8.1%(25)	100% (308)

\* Includes self-managing enterprises and workers’ co-operatives.

<sup>6</sup> The third sector in the sense employed by Mertens (1999) following in the footsteps of Gui (1991). See *infra*.

explanations for three major transformations. First, non-profit associations grew continuously following the Second World War, especially in nations where civil society had a voice. Until the 1970s, associations remained a marginal social force, but in the next few decades they became 'a major economic force in industrial nations', sometimes accounting for 10 per cent or more of the active labour force. Thus, in France, Germany and the United States, they 'contributed more to growth in employment in the 1980s than any other economic sector' (Ben-Ner and Anheier 1997: 336). In the United States, associations and the foundations that supported them, alone constituted a sector that tended to organize itself as such, that of Non-profit Organizations (NPOs). With the decline in funding from governments, these associations increasingly developed business activities, so that in certain cases they became 'social enterprises' (Borzaga and Defourny 2001, Nyssens 2006a).

Second, the situation among cooperatives over the last three decades has evolved, following a double trend: a difficult period for the majority of entrenched cooperatives and a period of strong growth for new cooperatives (Fernandez 2006). In the first case, the forms of governance and property associated with a significant number of mature cooperatives became commonplace. One might even dub this trend 'coopitalism'. However, the most important aspect of this trend was that these forms of governance and property were transformed, particularly to meet the challenge of market liberalization (Nilsson 1994, Bagar 1994). While some sectors, such as loan and credit cooperatives, fared relatively well (McKillop 2005), others, such as the consumption sector and mutual societies, underwent decooperativization and demutualization, especially in the United Kingdom, Australia and Austria (Chaddad and Cook 2004, Birchall 2000: 30, Greinke 2005, Schediwy 1995). As concerns the new generation of cooperatives, they were created in new sectors that often fell within the exclusive jurisdiction of the State, such as social services, social integration and local development (Lorendahl 1997, Richez-Battesti and Gianfaldoni 2005). In addition, they gave rise, to a new category of cooperatives, social cooperatives, which are not markedly different from associations (Borzaga 1996). Thus, certain observers maintain that 'while the form of cooperation bequeathed by the 20th century is largely dominated by its economic sector, its significance in the future, if not its very existence, could well be shaped by the social sector' (Chomel and Vienney 1996: 663).

Lastly, recognition of the social economy, which occurred in the second half of the 1970s, reveals a reversal of the trend in relationships among cooperatives, mutual societies and associations. Centripetal forces gradually came to dominate centrifugal forces, with the result that a concept emerged, that of social economy, apt to unite them under a new category (Manoa, Rault and Vienney 1992). The term 'reversal of the trend' is not an exaggeration, since 'from 1960 to 1970 no one imagined that cooperatives or mutual societies might have something

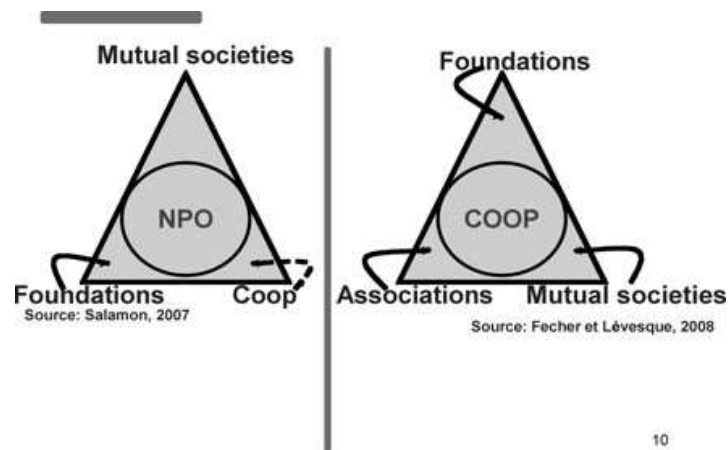
in common, and even less that these movements might be appropriate vehicles for transforming society' (Rocard 2006: 7). The trend reversal did not occur in every European country, nor did it occur everywhere at the same speed (CIRIEC 2006). In Germany, where there is no tradition of collaboration among cooperatives, mutual societies and voluntary associations that provide cultural, social and health services, the expressions 'social economy' and 'third sector' are still largely unknown (Münkner 1994).

## 2.2 Defining the third sector according to social economy and NPO criteria

As indicated, the third sector may be defined on the basis of either social economy or NPO criteria. From the social economy perspective, there are two ways of defining it: the first delimits its field using legal and institutional forms of organization (cooperatives, mutual societies, associations, foundations); the second extends the first definition by including principles and features common to these various statuses. This means including the purpose of services provided to members or the community rather than profit, managerial autonomy, democratic control by its members, and the primacy of individuals and project over capital when distributing surpluses (Defourny 2006). The second definition tends to dominate since different countries define legal status differently. Thus, Italy has its own definition of associations; Belgium, where the legal status is not very restrictive, has its own definition of cooperatives. Then there are Denmark and the United Kingdom, which have no laws concerning cooperatives. All countries have a common problem: the association status does not clearly differentiate between associations that engage in economic activities from those that do not. Lastly, governments, which have recognized the social economy, have adopted institutional definitions that vary according to political influences and conceptions. Ultimately, there is no universally accepted institutional definition of the social economy. Aside from the articles of the pioneers (Desroche 1983, Vienney 1994), CIRIEC's International Commission on the Social Economy initiated a forum for this type of discussion in the early 1990s (Defourny and Monzon 1992). However, since then it has not generated similar discussion, at least not in the *Annals*.

The NPO approach to the third sector, as discussed by Salamon (Salamon et al. 2000) proliferated widely at the international level, particularly due to the creation of satellite accounts for non-profit associations. The latter are defined according to the following principles: organizational formality, managerial autonomy, non-distribution of profits to members, private and nongovernmental in basic structure, voluntary to some meaningful extent, and therefore likely to engage people on the basis of some shared interest or concern. Its most distinctive aspect is 'the constraint of non-distribution of profits'. More specifically, NPOs may be defined as 'coalitions of individuals who associate

to provide themselves and others with goods or services that are not adequately supplied by either for-profit or government organizations' (Ben-Ner and Van Hoomissen 1991: 521). NPOs are primarily organizations in which the principal (donors and managers) directs their services or products toward third parties (beneficiaries). From this perspective, beneficiaries have no control (and are thus passive). Since the emphasis here is placed on NPOs supported through donations, rather than through commercial activities, those who apply to form these associations are those who sponsor the production of consumed goods by other individuals (ibid: 523). Thus, only associations oriented toward meeting the needs of a third party can be categorized as serving the general interest (Gui 1991). Researchers, especially in continental Europe, have raised many criticisms of the NPO-based definition of the third sector (Evers and Laville 2004, Lorendahl 1997, Wijkström 1997).



**Figure 1 – Two frameworks for the third sector: NPO and Social Economy**

While in both instances it is possible to refer to the third sector or even the social economy,<sup>7</sup> there are considerable differences between the two frameworks. First, NPO-based criteria place the non-profit organization at the centre of their field of study, whereas social economy criteria tend to turn the cooperative into an ideal-type relative to the other components, owing to the formalization of its values in institutional rules. Second, the principle corresponding to the general interest is, in the one instance, the constraint of non-distribution of profits and,

<sup>7</sup> In his presentation at the First International CIRIEC Conference on the Social Economy, in Victoria (British Columbia, Canada), Salamon suggested representing the social economy as a triangle, with non-profit associations at the centre, and foundations, cooperatives and mutual societies each occupying a corner (Salamon 2007).

in the other, democratic management and the principle of providing service to members; this refers to different definitions of the non-profit-making status (Desmoustier 2001, Nyssens 2006b). Third, the NPO-based guidelines exclude most cooperative and mutual societies, whereas social economy criteria exclude some associations, particularly those not engaged in economic activity. Fourth, NPO-based criteria are very concerned about dependence on the State (despite the fact that many associations are highly dependent on it), whereas those of the social economy count on 'self help' and are critical of dependence on philanthropy, especially of the type managed by large corporations and churches. Lastly, the contribution of cooperatives is most likely under-estimated in the Anglo-Saxon world, where there is an emphasis on NPO criteria, whereas that of associations would be under-estimated in countries where the social economy is the point of reference (Mertens 1999).

### 2.3 Theoretical approaches to the social economy and NPOs

Even though some of the articles dealt simultaneously with NPOs and the social economy, we will deal first with the approaches based on social economy criteria and then with those of NPOs.

#### *Theoretical approaches mobilized by the social economy and cooperatives*

When broaching the theoretical aspects of the social economy, the works of Vienney (1994 and 1982) are required reading in the French-language literature on the subject. To define the social economy, he draws inspiration from both Marx, regarding its emergence, and Walras, regarding the production function. In Vienney's view, the social economy enterprise is defined as the combination of a group of individuals and an enterprise. It is based on an economic relationship (an enterprise) and a membership relationship (a grouping together of individuals) whose operationalization requires cooperative rules (with the required adaptations for non-profit organizations). Thus, the social economy may be analysed using three major dimensions: (i) more or less dominated actors, (ii) activities that are necessary, but either have not been fulfilled or have been poorly fulfilled by the market or the State, and (iii) rules adapted to the needs of organizations combining the economic relationship with the membership relationship. This framework opens up the scope of the research to both sociological and economic analysis.

Recent theoretical work has been concerned with emerging initiatives viewed as innovative, such as the concept of the solidarity-based economy (Laville 1994) and the social enterprise. Such initiatives have appeared in the journal but are few in number. The solidarity-based economy, whose prime interest has been proximity services (Petrella 2001), takes its inspiration from Polanyi and defines

the economy from a substantive standpoint, that is, in reference to activities associated with the production and consumption of goods or services. Referring to economic sociology by way of the concepts of solidarity and networks (Polanyi and Granovetter), and to political sociology via the concept of the public sphere (Habermas), this theoretical construction reveals both the social and political embeddedness of proximity services (Dacheux and Laville 2003). Similarly, the social enterprise is defined as having two dimensions, an economic dimension and a social dimension. Their criteria in large measure resemble those employed in defining the social economy and NPOs.

Heterodox approaches, too, have been mobilized, especially those that deal with conventions (Boltanski and Thévenot 1991) for characterizing action logics, and organization methods characterizing the social economy and associations (Enjolras 2004 and 1995). For these approaches, most economic activities fall within the remit not only of the market sphere, but also the industrial sphere (efficiency), the civic sphere (the public good) and the domestic sphere (reciprocity). In addition, owing to their forms of governance and ownership, associations and more generally the social economy may be defined 'as a mechanism for compromise designed to manage the tensions among several forms of organization, and involving market, domestic, solidarity-based, administrative and democratic forms of organization' (Enjolras 1994: 94). In this view, the social economy may be analysed employing different disciplines, such as the socio-economic approach (Laville 2003, Michelsen 1994, Enjolras 1995, Spear 2000), management sciences (Bouchard 2005, Chaves and Sajardo-Moreno 2004, Malo and Vézina 2004), institutionalism (Chaves 2002, Bernier, Bouchard and Lévesque 2003), law (Münkner 1994), history (Levasseur and Rousseau 1992) and, of course, economic thought (Demoustier and Rousselière 2005).

In the field of management, several theoretical approaches have been used to explain governance. The authors of a thematic issue on governance in the social economy (Chaves, Cornforth, Schediwy and Spear 2004) mobilized the various theories used in the private sector, but as the same time endeavoured to broaden and enrich them. Thus, Cornforth (2004) examined the principle theoretical approaches for analysing governance (agency theory, stewardship theory, a democratic perspective, stakeholder theory, resource dependency theory and managerial hegemony theory), revealing the dimensions of complexity and the tensions that characterize the organization of the social economy.

Lastly, the journal contains articles employing the neo-classical approach to deal with studies on cooperatives and mutual societies. However, there are no articles employing this approach to deal specifically with the social economy concept. Aside from agency theory (Jensen and Merckling 1976), which we have just discussed, neo-institutionalist theory on transaction costs (Williamson 1985) is often used both to validate the advantage afforded by cooperatives or

mutual societies (such as the reduction in transaction costs based on the trust established by cooperative rules) and to reveal its weak points (transaction costs resulting from property rights and participatory operations). Finally, there are the numerous studies on the performance of cooperatives and mutual societies that make use of econometrics.

### *Theoretical approaches mobilized to study NPOs*

The theoretical approaches employed in analysing NPOs are primarily neo-classical and, less frequently, heterodox. Thus, the dominant research is primarily micro-economic and relies almost exclusively on rational action (Ben-Ner and Van Hoomissen 1991: 521). To explain the existence of non-profit organizations, the analyses resort to market failures (Hansmann 1980), government failures, especially for heterogeneous demands (Weisbrod 1975 and 1977) and philanthropy failures due to limited resources, its specific or local characteristics or its amateurism (Salamon et al. 2000). Neo-classical theory is sometimes modified greatly to account for supply. Thus, to explain the creation of a non-profit organization by a social entrepreneur, or by the individuals making up the membership, some economists refer to rational action, ideological motives and even religious proselytizing (James and Rose-Ackerman 1986). Lastly, a few articles covering NPOs come under management science, especially those dealing with strategic analysis.

The articles on NPOs that draw on neoclassical theory have given rise to critiques identifying its limitations (Evers and Laville 2004). First, critiques outside the paradigm have demonstrated the fact that these analyses are profoundly affected by their Anglo-Saxon environment, especially since the shape of the third sector is greatly influenced by its institutional environment (Nyssens 2006: 625, Wijkstrom 1997). Second, critiques that originate from within these approaches highlight the assumptions made by these approaches, especially the fact that NPOs are analysed almost exclusively on the basis of rational action, the pursuit of individual interest and cost-benefit analysis. To better understand these organizations, 'it is necessary to begin with less simplistic assumptions about the motives of human acts than is usual in theoretical-economic literature' (Gui 1987: 632). Using the concept of relational goods, Gui proposes a transition from an 'exchange paradigm' to an 'interpersonal relation paradigm' which would allow us to consider the possibility of an economic dimension coexisting with a communicative or affective dimension for activities (Gui 2000). Other critiques refer to heterodox approaches, such as that regarding conventions, to extend the concept of rationality towards axiological rationality and take into account the diverse coordination methods employed by associations (Enjolras 2004). Lastly, heterodox approaches seem more open to taking into account institutional environments, and thus resemble certain socio-economic approaches.

## 2.4 Research topics in the social economy and NPOs

In part, the principle research topics are related to economic conditions. Consequently, it seemed appropriate to consider the three periods selected to classify the various articles. The period from 1975 to 1985 was marked by economic crisis and a calling into question of the future of organizations oriented toward the general interest; that from 1986 to 1996 by important changes, including demutualization and the breaking down of boundaries; while that from 1997 to 2007 by an affirmation of new relationships with the State, the market and civil society, as well as the ensuing new forms of governance.

### *The period from 1975 to 1985: economic crisis and a new questioning*

The theme of economic crisis arises more or less explicitly in several articles. Sometimes its dangers are cause for anxiety; sometimes the opportunities it presents revive hope. Where it is associated with workers' cooperatives, the self-management which asserted itself in the 1960s generated more than one third of the articles (37.2%) published in the period from 1975 to 1985. Similarly, the outlook for the future of the social economy is generally analysed in association with the public sector, sometimes from the perspective of a new mixed economy (31.3%). Lastly, a few articles discuss cooperatives in developing countries (13.7%). While these three themes account for nearly 82.2% of all the articles, the others cannot easily be grouped together since they comprise articles on a variety of cooperative sectors or specific questions, such as training or cooperative principles and doctrine.

The first theme, self-management, is analysed primarily in terms of enterprises controlled by workers (Pestieau and Quaden 1978). With the exception of the thematic issue entitled 'Self-management and Cooperation' (1978), the dominant approach is microeconomic. In this view, self-managed enterprises go beyond workers' cooperatives, even though the two types of enterprises have common concerns. Thus, several articles are devoted to challenging the theory of the degeneration of workers' cooperatives (Webb and Webb 1920, Jones 1975). From the standpoint of neo-classical theory, one of the problems with worker-controlled enterprises derives from the fact that they would rather give themselves better remuneration than invest in the enterprise. Vanek advances a theory on general equilibrium in self-management, namely, the feasibility of an equilibrium in which the maximization of the value added per worker replaces profit maximization as the enterprise objective (Steinherr 1978). This conceptualization inspired much research. However, several articles suggested a number of reasons why the results should not be treated as definitive (Hey and Suckling 1980, Hawawini and Michel 1980); at the same time, they invite researchers to get involved in empirical research (Pryor 1983). Lastly, several articles deal either with growth in these enterprises, the financing required



to counter negative forces (Defourny 1983) or special support or coaching provided by local agencies (Cornforth 1984).

The second theme, the outlook for the future of the social and cooperative economy, was to some extent connected to economic crisis. Some authors maintained that the numerous experiments in the United States in the areas of employees' stock ownership, buyouts, and the creation of enterprises by workers, forecast a third stage of development in the American cooperative movement (Woodworth 1984). More generally, the economic crisis led one to suppose that the social economy should expand in step with the problems experienced by capitalism (Quaden 1982). Furthermore, 'rediscovery of the market', went hand in hand with the 'rediscovery that it was perfectly compatible with the public, social and cooperative economy' (Quaden 1978: 388). At the same time, cooperatives, mutual societies and associations in countries such as France and Spain were trying to find a common project they could name 'the social economy' (Moreau 1983, Monzon 1987). In this view, the idea of reconciling economic and social issues was for some 'the minimum that the third sector could contribute to improving the socio-economic environment of our societies' (Marée and Saive 1984). Still, does the idea of a third sector, belonging to neither private interests nor the State not suggest that the transformations will be carried out on the basis of a critique directed almost exclusively at the public economy and public administration (Thiemeyer 1982: 355)? Do the contradictions between, on the one hand, the demands for democracy and worker participation and, on the other hand, economic structures not lead to economic and social disintegration? How should we view the convergence of the private sector with public enterprises and social economy enterprises? Would such convergence make it impossible 'to theorize about a form of management for public enterprises and cooperatives that was structurally and necessarily different than that for private enterprises' (Petrelli 1976: 373)? Clearly, now is the time for raising questions, since there are no pat answers.

The third theme, cooperation in developing countries, is not treated as consistently as the first two. In addition to self-management in certain Latin American countries, articles in the *Annals* have examined cooperatives as development tools (Lucius and Mitchell 1979) or as a means of countering rural-urban migration (Soulas de Russel 1984b) or avoiding famine. They give particular attention to agricultural cooperatives and cooperative banks (Taylor 1975). Given the failures, or results that are often disappointing, they raise questions about conditions for success (Van Dooren 1982), the need for adapted training (Soulas de Russel 1984a), the transfer of western models and the need for new approaches (Platteau 1984, Wignaraja 1985).

*The 1986–1996 period: privatisations and experiments*

Compared to the previous period, there were more than double the number of articles dealing with the third sector (115 versus 51). Four major themes stand out. The first analyses worker-managed enterprises (33.2%), the second discusses cooperatives other than workers' cooperatives (23.8%); the third deals with non-profit organizations (20.8%) and the fourth examines demutualization (9.5%). Among other themes, we find various topics; these deal primarily with cooperatives.

First, the large number of articles on self-managed enterprises may be explained in part by the publication of two thematic issues (Thomas and Defourny 1990, Defourny 1986). The authors examined solutions offered to compensate for the weak points revealed in economic analyses, especially the aversion to investment and the weak management skills of workers. Thus, funds devoted to these enterprises, as well as the coaching provided by specialized agencies appear to have greatly favoured the emergence and growth of these enterprises (Thomas 1990). In this view, the important role played by institutional frameworks and government support would in large measure explain differences among countries. Toward the end of this period, worker cooperatives seemed to lose their vigour, especially where there was an improvement in employment and public policy did not work in their favour (Cornforth and Thomas 1994). Lastly, employee buyouts of enterprises as a means to privatization (using purchase notes), similar to the method employed in the United Kingdom and transition countries, resulted in analyses that were generally favourable. However, these accomplishments were often considered transitory or even reversible (Wright, Thomson and Robie 1989, Filatotchev, Wright and Buck 1995, Ellerman 1990, Ben-Ner 1993).

Second, the articles on cooperatives dealt in most cases with cooperative sectors, the profiles of cooperatives in various countries (Bagar and Michelsen 1994, Lévesque 1989, Monzon 1987), major cooperatives, success stories such as Mondragon in the Basque Country and the Caisse populaires Desjardins in Québec and, lastly, the advantages of cooperativism (Nilsson 1996, Stryjan 1994, Bergeron and Lalancette 1993, Côté 1989). As a whole, research on cooperatives was oriented toward concrete issues such as financing, marketing and the social role of cooperatives (Nilsson 1994). The difficulties encountered by certain cooperative sectors, beginning with consumer cooperatives, were analysed as well (Schediwy 1995). Likewise, there were articles on coalitions, mergers and demutualization. Some demonstrated that isomorphism had become commonplace, whereas others revealed that it could be advantageous to cooperation if external influences were favourable, and especially if members and stakeholders mobilized for this purpose (Bagar 1994, Saxena and Craig 1990). In this view, including cooperatives in primary networks would facilitate the social embedding of economic activity. This is what occurred in the case of social cooperatives that

collaborated with non-profit organizations to create hybrid forms (Borzaga 1996). There is also hybridization with private organizations by way of holdings, allowing us to predict profound transformations in the cooperative formula – though leaders and managers refuse to acknowledge this possibility (Chomel and Vienney 1996). Finally, the articles examine the failures of cooperation in developing countries, especially Africa (Develtere 1993).

Third, associations, which are analysed more frequently on the basis of NPO criteria than on social economy criteria, account for about 20% of the articles for the period 1986–1996. As indicated earlier, the thematic issue on economic analysis with an NPO focus represented the starting point (Ben-Ner and Gui 1991). Aside from a few theoretical analyses, the articles dealt with very concrete issues, such as the motives of donors and volunteers, whether or not government subsidies crowd out the donations (Steinberg 1991), the ability to take on volunteers and the cost of using them (Emanuele 1996), the competition between NPOs and for-profit organizations in commercial markets (Schiff and Weisbrod 1991), performance, employment volume and level (Bellet 1994), and issues related to regulation and to the management of activities (quasi market and government delegation). Lastly, the country profiles for Germany, Italy and the United Kingdom point to common trends regarding the significance of associations and their unequal levels of development (Anheier 1991, Borzaga 1991, Knapp and Kendal 1991).

Fourth, demutualization is a new theme, one that provided the focus for a CIRIEC symposium; the principal articles associated with this symposium were published in the *Annals* (Vol. 62 No. 3 1991). In the financial sector, deregulation and competition require major investments that partly justify this trend. In addition, the high annuities generated by mutual insurance companies make them attractive to private companies. Thus, cases of demutualization and resistance to demutualization are analysed, drawing primarily on the experience of the United Kingdom. The issue of the efficiency of mutual societies, too, was analysed (Donni and Hamende 1993, Buckland and Thion 1991). However, an evaluation of demutualization based on solid and more complete data was not carried out until the following period.

#### *The 1997–2007 period: performance, governance and general interest*

During the third period, articles on the social economy and the third sector numbered 142, an increase of 31% over the previous period. However, the research themes were more fragmented. Enterprise performance and efficiency, especially that of financial cooperatives and mutual societies stood out by far over other organizations (29.5%) and associations (16.2%). The changing boundaries between the third sector and the other sectors within the new mixed economy (15.4%) as well as governance and the institutional framework (14.7%) provided

a focus for other articles. Other themes recurred less frequently. Among the latter, agricultural and rural cooperatives are significant, especially worker-managed enterprises and cooperatives in developing countries. New themes emerged, such as fair trade (Huybrechts 2007), social responsibility (Valor et al. 2007), evaluation (Jegers 2002) and social innovation (Harrisson and Vézina 2006).

First, the performance and efficiency of social economy enterprises accounted for the greatest number of articles. This theme potentially involves all sectors, though mainly financial cooperatives and mutual societies. In France, the profitability for cooperative banks during the 1992–1999 period was better than that for commercial banks (Sifakis-Kapetanakis 2007). In the UK, mutual societies presented users and consumers with savings that surpassed those of private companies by about 5% to 8% (Ashton and Letza 2003). Numerous performance-affecting factors were identified, including human resource management (Arcand et al. 2004) and integration into a relatively centralized network (Desrochers and Fischer 2005). Views on rationalization and groupings of savings and credit cooperatives encouraged research on economies of scale and scope (Leclerc, Fortin and Thivierge 1999, McKillop and Ferguson 1998).

In Anglo-Saxon nations, there was an unprecedented wave of privatization and demutualization. In the United States, Savings & Loans, which accounted for 70% of the assets held by the country's savings sector before 1980, held no more than 25% by the end of 1980, and 10% by the end of 1990 (Chaddad and Cook 2004). While this demutualization generally improved the capitalization of enterprises, in more than one case it met the aims of expropriation rather than those of efficiency, especially where legislation was not favourably disposed as in Australia (Davis 2007: 298).

The issue of performance and efficiency was also raised in the case of other sectors. In the field of agriculture, for example, the use of integrated management to resolve problems related to property rights or horizons improved the performance of Portuguese wine cooperatives (Rebelo, Calda and Teixeira 2002: 113). The performance of associations was also analysed by comparing it to that of other types of organizations. Due to their ownership structure, non-profit organizations working with colleges and schools proved to be more efficient than those in the public and private sectors (Barbetta and Turati 2003).

Second, articles on non-profit associations written from an NPO or social economy perspective sometimes had similar themes, such as evaluation (Jegers 2002, Mook and Quarter 2006) or social innovation (Zimmermann 1999, Bouchard 2006). Most of the articles dealing with non-profit associations based on NPO criteria can be grouped together under two sub-themes, (i) donations and (ii) volunteer work and the compensation of employees. For donations, the influence of tax incentives on the contributions of households to charitable institutions

generated a few articles (Garcia and Marcuello 2001). Similarly, a few articles on volunteerism draw attention to intrinsic motivations, based on relational goods, community contacts and socializing and social capital (Prouteau and Wolff 2004). With regard to the employees of non-profit associations, a few articles dealt with their pay, which, for comparable work, is halfway between public sector and private sector wages (Almond and Kendall 2001). Others discussed non-pecuniary compensations (Mosca, Musella and Pastore 2007).

The funding of managers associations and new cooperatives is examined from the standpoint of the appropriateness of tools used in the areas of solidarity-based financing and micro-financing (Taupin and Glemain 2007, Ferraton and Vallat 2004). Here, financing is included in issues involving the hybridization of market, non-market and non-monetary resources (Nyssens 1997, Laville 2003). Similarly, articles dealing with social services that are based on the social economy are more sympathetic to social integration, enterprise creation and local development than those based on NPOs (Westerdahl and Westlund 1998, Spear and Bidet 2005).

Third, the theme of the shifting boundaries between the third sector and the other sectors tended to dominate during the 1997–2007 period (Ben-Ner 2002, Anheier and Ben-Ner 1997, Monnier and Thiry 1997). Several articles revealed that the social economy decreasingly represented a residual sector and increasingly a full sector. This explains the acceptance of the third sector from all quarters. At the same time, the boundaries between these evolving sectors have proved ever easier to cross, and this has given rise to the concept of the welfare mix (Bode et al. 2003). The new mixed economy differs from the old. In the latter, private enterprise and public enterprise often worked as a duo whose importance resided in engaging in mass production and consumption; this was complemented by a 'welfarism' in which vertical relationships for comparatively standard demands were dominant (Monzon 1997). In the new approach, the social economy, especially its evolving proximity services and non-market sphere, finds itself in a complementary relationship with the public sector. This relationship, which is a partnership, is also one of the themes discussed in the articles (Cafferata 1997, Chaves and Moreno 1997, Lévesque, Malo and Thiry 2001).

Fourth, the theme of governance – at the enterprise and State levels – emerges in the *Annals* as a feature of the plural economy and the new mixed economy (Bouchard 2005, Bernier, Bouchard and Lévesque 2003). Several articles demonstrate that social economy enterprises cannot ignore the issue of governance. This is due to the growing heterogeneity of their membership (and stakeholder recognition of the issue), the diversity of mobilized resources and action logics, and the increasingly strategic role played by managers in highly complex enterprises, frequently operating under extremely competitive

conditions – even in the non-market sphere (Spear, Cornforth, Chaves and Schediwy 2004, Enjolras 2004). Finally, as governments increasingly require various types of enterprise to provide economic and social services of general interest, new structures considering the general interest will follow. The fact that these structures vary by country and even by sector allows us to assume that there are different governance regimes, some placing the emphasis on partnership, others on competition (Monnier and Thiry 1997, Lévesque 2003, Enjolras 2004 and 2008).

## **Conclusion**

What have we learned from the articles in the *Annals* about general interest and transversal issues in the public sector and third sector? In the main, since 1997 many articles have advanced the hypothesis that there is a new paradigm on general interest. Previous analyses had demonstrated that general interest is a social and historical construction, and that methods for considering it had dwindled during the economic crisis of the mid-1970s, especially following liberalization policies. It is also a factor in change, and some articles have revealed the role played by the demands for increased participation and democratization that emerged in the world of work and then within civil society, giving rise to new solidarity perimeters. Thus, there were a growing number of spheres of solidarity delineating the general interest. They considered the local, continental and global levels, but did not neglect the national level. There resulted a multiplicity of definitions characterizing the general interest that needed to fit together, at least on certain issues. With regard to the economic and social services of general interest, the articles in the journal allow us to foresee major changes, mainly as concerns the enterprises and organizations providing these services, and the associated methods of regulation.

The *Annals* reveal, first, that the privatization of many public enterprises, the refocusing of their productive mission and their openness toward external capital meant that the way they differed from capitalist enterprises became less marked. At the same time, new mixed enterprises were initiated, as well as a growing number of public and private partnerships. Furthermore, acknowledging that there was a third sector – located on the periphery of the public and private sectors, according to some authors, or where they intersected, according to others – gave credibility to the plural economy concept. The third sector was shaped by two perspectives: that of the social economy and that of non-profit organizations (NPOs). Each perspective had its own set of criteria or parameters, and one dominated the other depending on whether the countries involved either (i) focussed on the parties assuming direct responsibility for activities of

general interest or (ii) supported the stipulation that profits not be distributed. However, while enterprises and organizations belonging to the three sectors could now assume responsibility for activities supporting the general interest, several studies demonstrated that the boundaries between these sectors were increasingly likely to change, thereby challenging the very idea of sectors evolving separately. This anticipated the possibility of a new mixed economy, one that contrasted with its previous formulation and was based on a partnership between private enterprise and public enterprise. The novelty did not relate only to the number of entities, or to the way they were redefined, but also to the way they related to one another, which was determined by new forms of regulation.

Second, in focussing on their principal mission, governments re-engineered themselves, so to speak. Governments did not take it upon themselves to service the general interest, but instead made sure that the services were provided, and that adapted methods were employed in so doing. While this transformation initially occurred via State withdrawal from the production of services, and was accompanied by a process of deregulation, it opened up new types of regulation in nation-States and continental blocks (based on treaties) as well as in international bodies that were continuously being redefined. The two vehicles for re-defining regulation were (i) opening up to competition, the dominant trend, and (ii) the rise of partnerships and forms of cooperation compatible with this change. For general interest services, especially social services, the structuring continued to be carried out at the national level, which gave form to structures that were quite different from one another. However, since the general interest was not implemented, the systems that referred to it tended toward 'a more or less democratic form of management', as seems to be true too of new forms of governance counting on cooperation and partnership (Lévesque and Thiry 2008).

From this standpoint, the concept of 'architecture of the methods for taking account of the general interest' puts to the fore the idea of a socio-economic combined system with microeconomic and macroeconomic components based on 'the coexistence of diverse organizations which, each in the own way, work towards the general interest, and with their respective solidarity perimeters juxtaposed' (Monnier and Thiry 1997: 326). Depending on the diversity of the structures, the relationships among the various components and organizations may give rise to substitutions as well as to cooperations and partnerships. As a result, it is possible to speak of a new general interest paradigm that simultaneously mobilizes the market, the State and civil society. In addition, since institutional design, too, can vary by activity sector, it is possible for a given sector to speak of governance regimes made up of actors, particularly the various forms of enterprises, the major social compromises and the implementation methods. The dominant characteristic of these regimes may be competitive, partnership-based or even hybrid.

Third, without going back over the themes involving public enterprises and the social economy explicitly, we may nevertheless conclude that the *Annals* have revealed the situation facing major public enterprises and the social economy. This situation has been profoundly changed by the privatization of many public enterprises, the decooperativization or demutualization of several major social economy enterprises, and a significant hybridization of basic forms. This trend has been stronger in some countries than in others, due to legislation and collective preference for privatization, as has been demonstrated in the case of Anglo-Saxon nations. The main reasons generally given are greater efficiency and improved access to capital. However, for social economy enterprises, this trend has been stronger when the members of these enterprises rely on managers for their strategic choices. Assessments of the transformation of enterprises should continue, though the number of articles on the topic is already enough for us to conclude that such manoeuvres are not always effective, and that some of the demutualization and decooperativization resulted in a sort of expropriation of members' assets. While the public sector lost some of its flagship divisions, most of the privatizations were not carried out to the benefit of major social economy enterprises.

On the other hand, the new components of the third sector experienced remarkable growth, especially in proximity services whose needs could generally not be met by the public sector, and in new social issues such as social and occupational integration, solidarity-based financing and fair trade. In some cases, these new third sector enterprises had to meet the challenge of competing with the private sector, though within the framework of non-tutelary relations with the State. On an even broader level, new themes, such as social responsibility, fair trade, and sustainable development could strengthen the idea of a social and solidarity-based economy that would take into consideration not only social and economic issues, but environmental ones as well; not only fairness for citizens within a nation, but also among nations themselves, between the North and the South, and with respect to future generations. These new concerns, which perforce are part of any development paradigm claiming to be geared to the future, could also build new bridges between entrenched and more recent components of the social economy. Furthermore, all enterprises and organizations subscribing to the aims of general interest could be solicited. These new concerns, which do not yet figure prominently in the *Annals*, will doubtlessly be further developed in the future.

Fourth, the journal is still open to most theoretical approaches and disciplines that take an interest in the economy, and especially economic activities oriented toward the general interest. We are witnessing the beginnings of a cross-fertilization of theoretical approaches. For example, the socio-economy has started to take into consideration certain outcomes or concepts that fall within the province of neo-classical theory: asymmetric information, market failures,



government and civil society failures and governance theories that draw on these concepts. Here, economic sociology is not abandoning what gives it its coherence, but is instead adding a level of analysis that until now did not seem to have – at least from its own standpoint – major epistemological relevance. Similarly, some economists are returning to sociological concepts such as social capital, trust, networks, social bonds and cohesion and diverse action logics.

In economics, two trends have made an impact over the last few decades. The first consists in extending neo-classical theory's field of application to all human behaviour, as do human capital theory and other theories. Nevertheless, this broadening is often achieved at the cost of reducing the variety of action logics that motivate individual actors but do not always comply with formal rationality.

This brings us to a second trend, which seems to be favoured by economists interested in the pursuit of general interest, and whose analyses tend to internalize different logics. Seen from the standpoint of this trend, the niche occupied by the journal, especially its special focus on the general interest, could enable it to make a contribution not only to knowledge on public, mixed and social economy enterprises, but also to the theoretical tools that are indispensable to an understanding of economic and social relationships in a world more interdependent and complex than ever.

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## **Methods and Indicators for Evaluating the Social Economy**

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### **Introduction**

The social economy is a large and growing pole of social utility within a plural economy, positioned between the capitalist sector and the public sector. It includes associations (or nonprofit organizations), cooperatives, mutual societies and foundations, as well as other types of organizations that follow common values and principles<sup>1</sup> and share institutional traits.

As the social economy tends to play a greater role in solving new social problems, the question of how it is evaluated and by who comes to rise. Yet, the social economy is still a relatively under-theorized phenomenon. The evaluation methodologies and indicators specific to the social economy have not yet gained wide recognition, either in political or academic spheres (Bouchard, Bourque and Lévesque, 2001; Rondot and Bouchard, 2003). There is no consensus about what methodologies or indicators can take into account the specific characters of the social economy. This undermines its position and reduces its capacity to take part in the great debates of society.

One of the reasons for this is that the social economy is a complex and diversified field in terms of the forms of the organizations and their functioning, of the types of activities it develops and how, and of the way it relates to public institutions and to for-profit agents. The social economy is composed of

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<sup>1</sup> For example in Europe, see the *Charter of Principles of the Social Economy* promoted by the European Standing Conference of Co-operatives, Mutual Societies, Associations and Foundations (CEP-CMAF).



a “large and diverse group of free, voluntary microeconomic entities created by civil society to meet and solve the needs of individuals, households and families rather than remunerate or provide cover to investors or capitalist companies [...], and is involved in a varied spectrum of activities, market and non-market, of mutual interest or of general interest” (Chaves and Monzón Campos, 2006). This complicates the evaluation work that applies to them. Another factor that contributes to the difficult recognition of a methodology for evaluating the social economy is the variety of conceptions that underlie the exercise of evaluation.

The CIRIEC Working Group’s common framework for tackling the issue of how the social economy is now being evaluated in different national contexts is presented in this chapter. Rather than propose a theoretical background from which to deduce generalities about the observed phenomena, this framework aims at providing a set of common concepts which can be used to conduct empirical research.

We first expose the rich complexity of the social economy. Next, we develop some comments about the importance of the context in which the questions relating to its evaluation need to be situated. Finally, we present some landmarks for reflecting upon the various types of evaluation practices, and about the approaches and paradigms that underlie their conception.

### **The Rich Complexity of the Social Economy**

Given its distinctive organizational features and institutional rules, as well as its special relationship with the State, and the market, the social economy constitutes a special sector that merits recognition and should be differentiated from other sectors (Defourny and Monzón Campos, 1992). However, it is a polysemic term, since the definitions and practices that claim to adhere to it are highly varied (Lévesque and Mendell, 2004; Chaves and Monzón Campos, 2006). Indeed, the social economy consists of various legal statuses, broad spectrum of economic activities (in the primary, secondary and tertiary sectors) and diverse social missions (either of mutual or of general interest), etc.

While complex and composed of a rich diversity, there is still a great unity inside the social economy “family”. The following remarks primarily aim at assisting the formulation of hypotheses towards the differentiation of performance criteria that apply to different types of organizations, different types of activities and in different institutional contexts.

A first comment is that various *definitions* of this field coexist:

Marie J. Bouchard (2009)

- social economy (Chaves and Monzón Campos, 2006; Gide, 1890; Desroche, 1983; Lévesque and Malo, 1992; Quarter, *et al.*, 2003b; Vienney, 1980; etc.);
- solidarity-based economy (Eme, 1997; Eme and Laville, 1994; Laville, 1999; Enjolras, 2002; Evers and Laville, 2004; Gardin, 2006; etc.);
- social enterprises (Borzaga and Defourny, 2004; Kerling, 2006; Nyssens, 2006; etc.);
- cooperatives (Angers, 1975; Vienney, 1980; etc.);
- nonprofit or third sector (Anheir and Ben-Ner, 2000; Ben-Ner and Van Hoomissen, 1993; Hansmann, 1980; James, 1983; Salamon and Anheir, 1998; Weisbrod, 1977; etc.).

The definition adopted in the present book intends to be large and inclusive, but bases itself on the general consensus reflected in previous CIRIEC's works (Defourny and Monzón Campos, 1992; Chaves and Monzón Campos, 2006).

Another remark concerns the *forms of organization* adopted by social economy enterprises, which is sometimes formally recognized by special legal frameworks (laws on cooperatives, associations, nonprofit organizations, mutual societies, foundations, etc.), or corresponds to organizational practices that take place within a general legal framework. For some, the social economy also includes certain informal associations.

The *activities* undertaken by these organizations may be primarily economic (as in the case of cooperatives or mutual societies) or primarily social (as in the case of associations providing services to individuals) (Lévesque, 2006). Their mission may include: combating poverty; providing improved services to meet the special needs of a target population (not necessarily economically disadvantaged); providing assistance in the self-organization of workers or producers who seek to create work or a marketing structure for themselves (Weisbrod, 1997). Their production may be meant for a group of members that control the organization (mutualist organization) or be addressed to people or collectivities that are not involved in the governance (altruist organization) (Gui, 1992).

Their *vocation* may derive from a desire to democratize the economy, or as a response to the new or pressing needs of vulnerable groups or territories (Lévesque, 2006).

Their *revenues* may come mainly from market, government or philanthropic sources (Salamon, *et al.*, 1999), or from a mix of them (Eme and Laville, 1994), etc.

In addition, social economy organizations, like all organizations, go through various *stages* in their development: the transition from the informal

to the formal stage (Dussuet and Lauzanas, 2007), diversification of activities (typically, the twinning of non-market and market activities), upstream and downstream integrations (Desforges, 1980), development of subsidiaries, generation of spin-offs, etc.

We have to consider that the above-noted distinctions are often, in reality, not so clear-cut. For example, the social impact of these organizations' activities are often more important than their economic weight would indicate. They frequently have multiple objectives, which may derive not only from unmet or poorly met needs but also from a desire to propose alternatives to market or the public sector. The resources that are mobilized are often combined (subsidies, public contracts, sales, voluntarism), helping to prevent from the dependency to any of them (insolvent demand; insufficiency of voluntarism; centralization of public policies) (Salamon, *et al.*, 1999). It also generates hybridization and compromises among the various types of logic with which each type of resource is associated (redistribution, market, reciprocity) (Eme and Laville, 1994).

### **The Importance of Context**

Social economy enterprises generally emerge in clusters, as the result of socio-economic pressures, and usually during a major economic crisis (Lévesque, 2006). Since crises are never identical, different generations of the social economy have different identities, especially since social economy participants and promoters differ from one generation to the next. In particular, social economy organizations occupy niches that may be very different from one another, depending on the sector to which they belong. Within any given sector, the social economy niche also depends on the niches occupied by the public and private sectors (Weisbrod, 1997). Thus, the supply of public services or competitive market services, as well as the State regulation, may limit the space occupied by the social economy. Hence, the place and role of the social economy will vary from country to country, or from region to region – each of which has its distinct institutional environment – and will change according to transformations in their environment.

With the beginning of this new century, growing privatization and merchandization of social services introduce competition in fields of activities so far withdrawn from market influence. Services which were traditionally public services appear as new markets for social and collective entrepreneurs. Relocations and shutdowns of large enterprises bring forth the issue of re-developing regions on the basis of activities that are anchored into the local space while still being linked to the global market. This also leads to wondering about the requirements of a more sustainable development. Those trends converge to give to the social economy an important role to play between the Market and

Marie J. Bouchard (2009)

the State, within a new plural economy where the Civil Society is asking to have a larger say.

The powers and responsibilities of the State, of the business enterprises and of civil society tend to be reorganized in new institutional and organizational arrangements. On the one hand, public authorities are turning to partnerships with the private sector – namely social economy organizations – for the production and provision of social and health services, but also concerning the responsibility for local and regional development. On the other hand, societal concern for ecology and a more “fair” development brings corporate businesses into showing more signs of being socially and environmentally responsible, of having positive impacts on communities, etc. This doesn’t go without questioning the specificity of the social economy.

The boundaries between the social economy, the public economy and the capitalist economy are permeable. The social economy develops service contracts with public authorities to provide social and health services of general interest (Enjolras, 2002). The field is evolving: there is a new legal status for cooperatives that develop services of general interest (solidarity or social cooperatives); associations are increasingly availing themselves of market-based revenues and there is a growing demand for external capital; some federations of cooperatives take the form of holdings (Côté, 2000); there are new governance structures without legal status (such as the *Centres financiers aux entreprises* Desjardins) (St-Pierre and Bouchard, 2005); etc. A “competition” also exists on the specificity of the social economy via social balance-sheet and audit activities and by social certification actions of capitalist enterprises (Bouchard and Rondeau, 2003), entraining a risk of bastardization of the social economy to the profit of the discourse and practices of social responsibility of capitalist enterprises (Zadek, Pruzan and Evans, 1997). But only the organizations of the social economy mix together the social and the economic at institutional level (laws, rules, conventions) (Demoustier, 2001; Vienney, 1980), rather than a simple organizational and discretionary (ergo variable and unstable) response (Gendron, 2000).

Evaluation is tied up inside a force field where the State, the Corporate World and Civil Society reciprocally define their area of competences, at the different scales of the society’s architecture. The growing complexity of how the general interest is being assured, engaging a variety of socioeconomic actors (public, private, social economy), imply the growing complexity of the criteria for evaluating activities which are susceptible to contribute to its achievement. The multiple stakeholders do not come to a consensus over what should be evaluated or how. In general, the identities of economic and social actors are in the process of redefining themselves: “Strategic State”, “Corporate Citizen”, “Organized Civil Society”. The notion of new governance carries the idea that responsibilities

that used to be those of the State are progressively in the hands of social actors and, by way of consequence, decentralized. Governance is there to arbitrate between two contradictory forces, one being the demands for autonomy coming from social actors, the other being the need for a better coordination between policies that cross about the frontiers of ministries and public agencies. At each level concerned, the principle of subsidiarity asks for the subordination of each party to the general will of society. The actors to which responsibilities are being bestowed become accountable. Autonomy of management is challenged by the dependency to public funds, in the case of non-market services, and to public opinion, as it is more often the case of market goods and services.

This explains why evaluation of the social economy cannot come from anything but a complex proposition. It has to refer to the specificity of the social economy and of its contribution. It also raises the question of which paradigm of the development is the social economy expected to contribute to, and how.

## **A Working Framework**

Evaluation is never neutral. Different approaches and different methodologies should reveal the interests shown for the social economy in different ways. As mentioned previously, the reality of the social economy is not independent of the transformations of the market or of the State, the social economy enterprises being a sort of laboratory for social innovations *vis-à-vis* the for-profit and the public sector. The institutional arrangements vary from one country to another. We pose here that evaluation methods and indicators of the social economy refer to the development models and to their transformations, revealing the expected role of the social economy in the process.

The following notes aim at sharing common markers for a comparison of methods and indicators of evaluation in different institutional contexts.

### ***Methods and Indicators***

As to methods, evaluation may find expression in national accounts (macro), the sectoral or regional portrait (meso), program analysis (objectives, process, results, impacts) or balance-sheet and organizational functioning (micro). It may consider the standardization of norms (audit, certification, ISO), conformity to program (summative evaluation) or improvement of practices (formative evaluation). It may be based on quantitative or on qualitative information or combine the two. It may be done by an external assessor or produced in participative manner with the players (negotiated evaluation) (Bouchard and Dumais, 2001; Rondot and Bouchard, 2003). In the context of this Working Group, we propose to concentrate our observations on evaluation of enterprises and

Marie J. Bouchard (2009)

organizations of the social economy (EOSE) and their sectors of activity. Hence, the evaluation under study will be of *organizational* (micro) or *sector-based* (meso) reach.

As to indicators, the social and economic repercussions are difficult to separate from the methods of functioning of social economy enterprises. We can identify three dimensions, distinct and yet complementary, on which evaluation of the social economy may be based (Bouchard, 2004b; Bouchard, Bourque, Lévesque, 2001; Bouchard and Fontan, 1998):

- the *organizational* dimension, which concerns the particular performance of social economy enterprises in terms of quality, efficiency, productivity etc.;
- the *social utility* dimension, which concerns the impacts such as the reduction of social inequalities or exclusion, the structuring effects on sectors and territories, the mobilization of actors in the environment, the partnerships with other social players, the redistribution effects, etc. (see: Gadrey, 2002 and 2004; the works commissioned by DIES in France);
- the *institutional* dimension, which concerns the social innovations *vis-à-vis* the governance of economic activities at the territorial and sectoral level, the emergence of new rules of the game, the interfaces between the social economy, the public and the commercial economies, etc.

#### **Methods and indicators**

The key research questions that the Working Group considers concerning the methods and social indicators of the social economy are the following:

- What *methods* are used to evaluate the SE in terms of scale (macro, meso, micro), of objectives (accountancy, conformity, quality), of approach (national statistics, program evaluation, social balance-sheet, etc.).
- What are the *advantages* and *limits* of those approaches?
- What are the *indicators* of the performance and impacts of the SE as regards:
  - a) the organizational dimension of enterprises;
  - b) the social utility dimension of their activities;
  - c) the institutional dimension of relations between the SE and the State and between the SE and the market?
- What are the *criteria* for performance and social impact according to type of organization, type of activities, the institutional context in which they are set?
- What are the *links* between the organizational performance, social utility and institutional contribution of the SE?

#### **Evaluative Approaches and Paradigms**

Evaluation poses the question of the type of judgement of performance and the forms of justification used in analysis. No judgement of social utility or

otherwise can escape the social relations in which the activities take place (Zarifian, 2002). In this sense, each evaluative action implies an epistemological position that is rarely explicit among evaluate subjects and the parties requiring evaluation (where they are not the subjects themselves). Demands for evaluation of the social economy are subtended by “visions” of the role that the social economy plays in the economy and in society, themselves informed by contrasting theories or paradigms.

The relevant conceptual categories for evaluating the specific contribution of the social economy are varied and reflect the various conceptions of the social economy, and indeed the social utility of its evaluation. Different *notions* are used, such as social cost-effectiveness, social wealth, social return on investment (Aeron-Thomas, *et al.*, 2004), social accountancy (Quarter, *et al.*, 2003a), social utility (see Gadrey, 2004, and the works in France commissioned by DIES), social innovation (see Bouchard, 2004a and the works of CRISES), added value (Mengin and Pascal, 2002), outcomes or externalities (Fraisie, Gardin and Laville, 2000), collective benefits (Gadrey, 2002), etc.

The interests of evaluation of the social economy will be perceived in different ways according to the different *underlying approaches*.

- By way of examples, in a *managerial and strategic* perspective largely inspired by a rational choice approach, evaluation refers above all to internal and external accountancy, social balance sheet, social and environmental reporting, social audits, etc. Given their nature, the enterprises of the social economy must have a good social organizational performance in the dimensions measured by the social balance sheet (Mugarra Elorriaga, 2001). To the extent that the practice of the social balance sheet in social economy enterprises might even reverse the burden of proof towards private enterprises (Fraisie, 2001). However, the tools sprung from theories of management and standard economy are unwieldy as regards the organizational dimension of the social economy, particularly for taking account of just what makes these enterprises good performers, among other things the “social” factor.
- The *neo-institutionalist economy* inspires evaluative studies of the social economy in terms of capacity to fill in gaps in the market and public action (Weisbrod, 1977) and to assess the specific performance of the nonprofit organizations (Ben Ner, 2006). This perspective helps governments identifying those organizations that can introduce competitiveness in providing some social services, in respect of the principle of subsidiarity. Now, history shows, for one thing, that the social economy precedes the creation of public services (Salamon and Anheier, 1998) and, for another thing, that it succeeds in becoming profitable without thereby

being absorbed by the commercial economy, as witness the example of Mondragon. Nevertheless, a “competitive regime of governance” also brings new challenges to the social economy as more for-profit enterprises are also penetrating the field of social and health services, as the previous CIRIEC Working Group has demonstrated (Enjolras, 2008).

- Looking at it from a *cognitive approach*, evaluation of public policies is seen as a social construction or as a collective action (Perret, 2001). In this sense, public policies are not the result of rational decisions made by a centralized and sovereign actor. Rather, it is the result of social interactions within a system of actors. Those interactions give way to the production of ideas, representations and common values that enable the collective actions. Taken from such a constructivist perspective, evaluation can be seen as a tool helping to optimize the interaction and knowledge processes that “produce” collective actions.
- In the perspective of *institutionalist sociology*, the demands for evaluation exceed the only sector of the social economy but concern every organizational body within plural or mixed economies. Evaluation takes a greater importance as concern and weariness about the economy needs are growing within the civil society. Evaluation reviews the social or societal contribution of the social economy to the democratization of the development model (Lévesque, 2006), to the renewal of public action (Salamon *et al.*, 1999), to the creation of middle paths between the economic and the social (Piore, 2001), of public spaces for debate (Eme and Laville, 1994), to the creation of mixes of instruments and public intervention in other instruments of the private sector and the social economy (Monnier, 1999; Bernier, Bouchard and Lévesque, 2003). However, evaluation of this type of contribution poses the problem of isolating the effects proper to the intervention of the changes that will have occurred independent of the action of the latter (Perret, 2001).

To evaluate means to measure, to compare, to judge. These different meanings have evolved with time. Since the end of the 19<sup>th</sup> century, at least four *generations of evaluation* have been observed (Guba and Lincoln, 1989). They respectively consist in:

1. Measuring the gaps between objectives and results;
2. Describing what is being evaluated to explain the gaps;
3. Appreciating the relative efficiency accordingly to the values and merits of the evaluated object;
4. Inviting the concerned actors to participate and negotiate the meaning of their action in a pluralist perspective of evaluation.



These forms have not evolved in a linear fashion since different generations of evaluation can coexist and that elements from one generation may be present in the next. Some call upon a fifth generation, more political, that consists in:

5. Creating a space for deliberation about the values and the social relevancy of the object being evaluated (Bouchard and Fontan, 1998).

Any indicator thus conveys an implicit message. Not exposing the motives that govern the choice of indicators cannot give the evaluation report more than a veneer of neutrality. On the other hand an evaluation based solely on the subjectivity of the players concerned, if it serves the purposes of self-evaluation, does not allow account to be taken of the collective choices that direct the action of the group or organization. Evaluation must therefore necessarily arbitrate between a (false) posture of scientific neutrality and radical constructivism (Zúñiga, 2001).

We note different *types of indicators* associated with different postures of evaluation in relation to different modalities of the democratic decision making:

- *Deterministic* indicators, that are deduced from a program's objectives and may be connected to representative democracy that speaks in the name of the general will;
- *Experimental* indicators, that come from the co-production of the demand and of the offer by the users and the producers, and may be associated with direct democracy;
- *Alternative* indicators, that may be produced in a context of co-production of public policy by a plurality of social actors – being representatives of the civil society, of the business interests, of the workers or of government – that may take place in deliberative democracy and eventually rise to collective players participating to in social democracy.

The objective of the CIRIEC international Working Group is to analyze the various contributions expected of the social economy according to the different *theoretical and methodological fields or approaches*. This aims at a critical assessment and fuelling the debate on what is expected from the social economy.

#### ***Approaches and paradigms***

The main research questions that we now address concerning the approaches and paradigms underlying the evaluation of the SE are the following:

- What are the relevant *conceptual categories* for evaluation of the SE?
- What are the different *approaches* to the SE that underlie evaluative actions? What are the advantages and limits of those approaches?
- What are the different relevant *paradigms* of evaluation for the SE in its organizational, social utility and institutional dimensions?
- In what way do the evaluation practices participate in the actual *construction of the field* of the SE?

***Some Relevant Data for Describing and Analyzing  
Evaluation Practices of the Social Economy***

The studies are conducted on the basis of review of empirical research (evaluative sectoral research, evaluation tools in force in the social economy, surveys of evaluation needs, etc.). They may contain elements such as:

- *Querents and methods of evaluation.* Evaluations may be requested by different types of querents and for different reasons. It is a matter of identifying the principal clients (public administrations, sectors of the social economy, social movements, other) and the main interests connected with these evaluations (taxation, public contracts, financing of activities, external recognition, compliance with values, internal functioning, etc.). Evaluation may proceed in various ways, including or disregarding social and economic dimensions, qualitative and quantitative dimensions and short-term or long-term effects. The evaluation framework may be imposed by an outside authority, developed by the players themselves, or negotiated. What are the main trends in evaluation method? What interests are involved? Might these evaluations have a standardizing effect on the sectors (certification, labelling, etc.) or on organizations (adaptation of mission in order to comply)? Or, on the contrary, might they have structuring effects (recognition, reinforcement of autonomy, awareness-raising and mobilization of the movement, legislative adaptations)?
- *Evaluation objectives.* This is a matter of identifying the primary objectives of evaluation that depend on the position of the social economy in varied national situations. The integration of continental Europe raises questions in terms of competition and general interest. The French speak of social utility. In Quebec and in Canada, solidarist financiers raise the question in terms of co-dependence between the viability of the enterprise and that of the association. The international cooperative movement seeks to prove its contribution to an equitable, more even-handed globalization (fair globalization). In Central America and in Quebec they are developing audits of conformity with cooperative values. What sense are we to assign to these choices? What development dynamic do they reveal? What are the links between the organizational performance, social utility and institutional contribution of the social economy?
- *Evaluation indicators.* This concerns identifying the indicators of performance and impacts of the social economy as regards: a) the organizational dimension of enterprises; b) the dimension of social utility of their activities; c) the institutional dimension of relations between the social economy and the State and between the social economy and the market.

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## **The 2008 Economic Crisis and the Rebirth of Public Enterprises**

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### **Introduction**

Economic policy is not what it used to be. Countries that appeared until 2008 to have solved their past economic misfortunes are now seeking new solutions to move out of the economic crisis. Ireland celebrated as the Celtic Tiger is no longer given as an example of what to do. Spain, where half of the new jobs of the Euro zone were created in 2006 has lost 1.3 million jobs over the last year and has an unemployment rate of 18%.<sup>1</sup> Iceland faced bankruptcy. What had appeared to work for the last decades does not anymore. Deregulation, privatization and other policy instruments inherited of almost thirty years of neo-liberalism have come to an end. Keynesianism is making a comeback. Could lessons from a further past be useful for the future?

Following the election of Margaret Thatcher in 1979, privatization has been more popular than nationalization. Governments around the world sold their public enterprises.<sup>2</sup> Entire economic sectors such as telecommunications were transferred to the private sector. Until September 2001, privatized airline companies, British Airways as the primary example, were seen as proofs that the private sector is better than the public to manage large enterprises. The “Washington consensus” was that bureaucrats should not be in business.

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<sup>1</sup> From Turenne, Martine, “La fiesta est bel et bien finie en Espagne”, *Les Affaires*, 4 juillet 2009. p. 14.

<sup>2</sup> In this paper, public enterprises, state-owned enterprises or Crowns as they are known in Canada are used as synonyms.



The World Bank published books, articles and working papers celebrating the virtues of privatization. A vast body of literature has concluded that privatization was a good idea (Meggison, Netter, 2001).

And then in 2009, after years of poor management, General Motor (GM) became, at least temporarily, a state-owned enterprise (SOE). And in order to change the organization from the top, the president of the United States asked the president of the enterprise to resign and got the resignation. Once owned by the state, GM even made profits! With some of the most respected banks, the symbol of American and global capitalism was suddenly publicly owned. Who has not heard "What is good for GM is good for America"? If it was true and if it is still true, then a brave new world is ahead of us if even the United States nationalize. Stanton (2009) suggests that Fannie Mae and Freddie Mac should become state-owned instead of government-sponsored enterprises.<sup>3</sup> Public enterprises are again policy instruments used to face the economic crisis, create jobs and fix the problems of private companies. There are the recent nationalizations but there are also the emerging sovereign wealth funds that are becoming increasingly an important phenomenon.

As it has been the case in Europe from the end of the XIX<sup>th</sup> century until 1980, governments around the world do not currently inherit profitable enterprises. As it has been the case with previous waves of nationalizations, it could be said that governments in developed countries are rather saving capitalism than socializing their economies despite the rhetoric heard in some media. In the current economic crisis, governments were pushed to act quickly before the collapse of the financial system. Banks and insurance companies have been bought once on the verge of bankruptcy. Governments were trying to avoid the economic meltdown of the Great Depression. After years of deregulation, more safeguards seem necessary and stricter regulations are contemplated and even implemented. Nationalizations are not the only solution used.

For recent nationalizations, the Swedish management of the bank system has been given as an example (Went, 2009). The Swedish government in the 1990s, facing the collapse of private banks, decided to nationalize them. A decade later, it has been able to sell them back to the private sector. The lesson would be that nationalizations should be temporary measures. And indeed, no one expects the American government to be the principal stockholder of GM or Chrysler for

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<sup>3</sup> Devine suggests almost the same thing for banks and Cohen proposes that the United States should follow the French example of nationalizations. See Cohen, P. (2010), "Lessons from the Nationalization Nation", *Dissent*, Winter, p. 15-20 and Devine, R.P. (2010), "Multi State Public Controlled Banking: quasi-governmental corporations", Midwest Political Science Annual Meeting, Chicago, April 23.

*Luc Bernier (2011)*

a long period. Some banks have already reimbursed the state hoping to avoid some controls. The idea of temporary public ownership has been used to make nationalization more palatable. Time will tell how long temporary means.

This chapter wants to suggest three things about the wave of nationalizations to face the economic crisis. First, what have we learned with the nationalizations in Western Europe and the use of state-owned enterprises over the XX<sup>th</sup> century and from, second, the wave of privatizations of the 1980s until basically last year? Could it teach us the possibilities and limits of the current government involvement in the economy? From these contradictory movements that have been well studied, some sort of thesis and antithesis, can we find third a synthesis of the use of state-owned enterprises (SOEs) as policy instruments? Is our science of the use of public enterprises sophisticated enough so that governments could know when to buy and when to sell their assets? What are the things we think we know that could be helpful for managing economic policies over the coming years, to move beyond the current crisis?

### **What Is Currently Happening?**

As illustrated by the table at the end of this chapter, the United States, Canada, the United Kingdom, France, Germany, Belgium, the Netherlands, Austria, Ireland, Iceland and Portugal have all nationalized banks in part or entirely since the beginning of the crisis. Insurance companies, mortgage companies and, as already mentioned, carmakers have been taken over by governments or subsidized. But also, newspapers have been subsidized in the Netherlands to hire new journalists. In Bolivia, the electricity companies have been nationalized from foreign companies. In Venezuela, in addition to the nationalization of the Banco de Venezuela, of a steel mill and a mining enterprise, the food group Monaca, a subsidiary of a Mexican company has been also nationalized to better answer the needs of the population according to government documents. In short, the state replaces the private sector in many industries. The formulas used by states vary. The capital invested in six French banks does not lead to ownership as it has been the case in Belgium for Dexia.

This is not the first time it happens. The French government nationalized railways before 1939, and later several enterprises after the end of the Second World War (Andrieu, Prost, 1987). In the United Kingdom, several nationalizations had occurred between 1919 and 1939 (Middleton, 1997, p. 342). Following the British model, the Canadian federal government but also the provinces have based their economic development policy on public enterprises (Roberts, 2002). Airlines, railways, telecommunications were domains where states were involved in several countries in addition to postal services or energy. In the United States, where state ownership has been less frequent,

the Tennessee Valley Authority was presented by F. D. Roosevelt as “a corporation clothed with the power of government, but possessed of the initiative and flexibility of a private enterprise” (Walsh, 1978, p. 27). In Latin America, in Europe, in Africa, the state had become an entrepreneur.

Most of the recent nationalizations have occurred in the financial world. This will accelerate the changing nature of public enterprises over the last decades as Lévesque (2003) suggested. Over the years, SOEs that were made in natural resources such as mining or car-making, airlines, etc. have increasingly been replaced by financial instruments. States have become less involved directly but participate to projects in partnership with the private sector. It is true in Quebec (Bernier, Simard, 2007) and also at the federal level in Canada. In most developed countries, manufacturing is not what it used to be and government intervention over the last year is in the financial sector.

Katzenstein (1978) has explained how the availability of different instruments leads countries to different answers to the same problems posed by the world economy. It is interesting to note that under the same crisis, this time, responses have been rather similar. Globalization has increased and integrated more closely the national economies. The European Union makes it far more difficult for national governments to work alone. Ireland, as France, has been criticized because of its protectionist measures for banks and the car industry. Globalization might indeed increase the problem for some of the financial institutions in trouble. For example the Belgian bank KBC is in difficulty because of its investments in Ireland and in Eastern Europe.

And now, as already mentioned, there is also General Motors. For 77 years, GM was the largest car maker in the world. It is now out of the Dow Jones index after being for a long time a blue chip. There is certainly an over capacity in the industry and particular problems for the American car industry in decline for decades. A solution could have been to let them go bankrupt. Governments were nervous about the effect that could have had. But still, who would have imagined even a year before that GM and Chrysler would be publicly owned and that workers would also own a part of them? Will the government be able to sell them if they don't become profitable again? It will be difficult for the governments to close them down after owning them (Aharoni, 1986). Was it such a good idea to get in the business? As for the Americans, the answer of the French government was yes. French car makers also received 7.8 billion euros and the companies accepting the money cannot delocalize their production.<sup>4</sup> Lamont (1979)

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<sup>4</sup> Le Forestier, Yacine, “Protectionnisme: l'Europe critique la France”, *Le Devoir*, Montréal, 11 février 2009, p. B-3 and Rioux, Christian, “La mondialisation en panne”, *Le Devoir*, Montréal, 28 mai 2009, p. 1.

complained that foreign public enterprises were a threat to the American free enterprise. Now, the largest of them is also a public enterprise.

This is also an interesting turn of event. The initial American response was to inject vast sums of money into the private sector. With time passing by, as in Europe, the government has taken control of the firms. And the Canadian government (and the province of Ontario) has had to follow Washington's lead to make sure that the remaining manufacturing capacity in Ontario would continue to exist. The German government also invested money to save Opel. GM is supposed to launch new hybrid models in an effort encouraged by the US government to be more environmentally oriented. The concern for environmental issues discussed in other chapters of the book is taken into account in this case.

The US government has decided to maintain GM alive to avoid more turbulence but has also said that they would not manage GM.<sup>5</sup> Investment in some cases is also very limited. For example, in Chrysler, the US government only has 12% of the shares. Four of the nine members of the new Chrysler board will be from the US government.<sup>6</sup> The new relation with Fiat will make possible to re-center the product line on smaller cars. As for GM, will it be enough to lure consumers? The car sector is an interesting example. The production overcapacity might explain why the Swedish government is not interested in investing in SAAB and even the Japanese companies have had problems. Nevertheless, as the story of Ford illustrates, under the same conditions, it is possible to remain in business. What governments in North America are buying are companies that went wrong.

Today, public enterprises live in a very different world than what existed after 1945. World trade has become more important: European Union rules and NAFTA<sup>7</sup> in North America. The current economic crisis might also last longer than expected. Governments saw an improvement early in 2010 but some trends are not clear. Some countries might go back into another episode of recession. Greece, Spain, Portugal, Hungary, Finland, Ireland have indicated that they are back in a recession in 2010 or not out of the 2008-2009 one. Stock markets have rebounded but unemployment continues to rise. Getting out of it might take time and economic growth could be slow.<sup>8</sup>

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<sup>5</sup> Bergeron, Maxime, "Nouveau départ", *La Presse*, Montréal, p. A-1, 2 juin 2009.

<sup>6</sup> Bergeron, Maxime, "L'accord entre Fiat et Chrysler est conclu", *La Presse*, pages A2 et 3, 11 juin 2009.

<sup>7</sup> North American Free Trade Agreement.

<sup>8</sup> See Dupuis, François, "La reprise véritable tardera", *Les Affaires*, Montréal, 27 juin 2009, p. 14.

## **What Can We Learn From Previous Nationalizations?**

In practice, government control, public enterprises managers, strategic behavior and goal concentration have historically been weakly correlated (Zif, 1983). The strategic role of public enterprises in the economy could change importantly. In France, although explanations differ, the need to offer a service to the population justified initially the involvement of the state in railways. Secondary lines were built and subsidized although they could not be profitable. Later, military reasons explained part of the development toward the borders. Under the Front Populaire, political reasons explained nationalizations. The involvement of the state in Air France followed a related path. In the Compagnie Générale Transatlantique, loans were transformed into shares. Later, banks were nationalized as well as Gaz de France. In some cases such as electricity, nationalization avoided a private monopoly when private enterprises were bought or merged by the dominant company.

Some of these nationalized companies were profitable but not always. Often, the State bought private companies that were at the end of their profitability cycle (Anastassopoulos, 1980). Some of these enterprises, in coal for example, were in ageing industries that had to be restructured more efficiently (Delion, Durupty, 1982). Later, these public enterprises were important for the competitiveness of the French economy (Delion, Durupty, 1982). In France, various formulas were used to create boards that would be in part made of users, employees and the State (Delion, Durupty, 1982, pp. 165-166) and the banks, once nationalized, continued to behave as private banks (Anastassopoulos, 1980). Political ideologies certainly played a role in France but one can argue that there were pragmatic reasons to nationalize enterprises.

The same about declining enterprises could be said in Quebec for Hydro-Québec. When the nationalization took place in the 1960s, the need to rationalize the sector was important and the private companies had not invested for years. Political reasons existed, the nationalist rhetoric of the time illustrates this, but at the same time, the nationalization was necessary to modernize electricity production, transport and distribution. In the neighboring province of Ontario, the similar process of creating Ontario Hydro had been completed in 1907 and had been important for economic development.

The same could be said for asbestos mining. At the time of nationalization, the product was losing popularity for health reasons. Again, the same was true for SIDBEC, the public enterprise in the steel industry. An obsolete company, the Dominion Steel was bought and would remain unprofitable for years. The Société Générale de Financement also initially constituted its conglomerate by the acquisitions of declining businesses and would take years to reinvent itself. Only

Hydro-Québec would be able to transform the ageing 12 private enterprises nationalized and quickly become a modern giant. Two explanations can be given. One generally forgotten is that a partial nationalization took place in 1944 and there was a small basis for the development in the 1960s. The second explanation could be that the 12 companies nationalized were very small compared to the new projects that would redefine Hydro-Québec, so that they were rapidly irrelevant.

In the United Kingdom, Millward (2005) offers a similar explanation. In his book that continues his previous work on the political economy of nationalization, he explains that the ideological factor has been generally exaggerated in Great-Britain and that often more efficiency was gained through nationalization. The British State also bought enterprises in poor shape or in declining industries. Until 1980, the State became involved in several rescue acts for manufacturing firms and the nationalization of coal, steel, airlines and the network utilities. In Italy also, the origins of public enterprise could be found in problems of finance and entrepreneurship which emerged in the 1930s (Millward, 2010, pp. 2-3).

One important lesson could be drawn from these examples. A problem with nationalization that does not exist with the creation of new public enterprises is the necessary transformation of enterprises in difficulty. A lot has been written about the lack of efficiency of the public sector over the last three decades but it should also be taken into account that the State has often relieved the private sector of its declining enterprises. It should also be remembered that if the private enterprises currently saved by the State had been more efficient, many of them would not have had to be rescued. In nationalized enterprises, the know-how already exists but the organizational culture might be problematic. It would be interesting to differentiate in studies that compare the efficiency of public and private enterprises between the new public enterprises and the nationalizations. And the overall economic performance of SOEs has not been bad compared to American private companies (Millward, 2010, p. 16; Bernier, Hafsi, 2005).

State-owned enterprises follow a cycle in their relation with the state. Thus, they are economic policy instruments only for parts of the cycle. Hafsi and Koenig (1989) have explained that the relation between the state and the SOE follows a pattern. Initially, there is cooperation. The objectives are shared by the managers and the people in the public sector who worked together to create the new organization. Then, a more conflicting relation develops. People in government still want the SOE to be a policy instrument but increasingly the managers of the SOE are concerned by the technological core of the organization. An airline company whether public or private has to operate according to the particularities of its sector. If the technology is complex enough or if the SOE does not need the financial support of the government, it is possible that it will become more autonomous. Although it is possible to reaffirm the control of government,

the difficulties of control have convinced many scholars that the solution was privatization as debated in the next section. At the same time, it is possible that creating and maintaining the SOE is the objective. Having the territory well covered by a railway system was the objective of the French government. Later have come other possibilities of fostering, among other things, the development of the TGV (fast speed train).

Public enterprises travel along the life cycle at a speed that is directly related to the power of the firm and inversely related to the characteristics of the institutional setting. The phase of adversarial relations between the state and the public enterprise develops when the latter tries to protect its technical core from outside interference (Thompson, 1967). The cycle studied by Hafsi has to be integrated in a longer time frame that includes the initial crisis where public enterprises are initiated and ends with the second crisis which recreates some liability of newness. Privatization of other public enterprises creates such conditions and push managers to cooperate with the State (Bernier, 1989). In this model, the cycle is not deterministic: the stability of the cycle varies with the nature and state of the outside coalition and the degree of resource dependence of the public enterprise. An element to consider is the entrepreneurship of the managers of these organizations (Lewis, 1980). Autonomy without capacity and entrepreneurship is useless. With the assurance that internal administrative tasks are reliably performed, public entrepreneurs can comfortably negotiate with the environment (Marmor, Fellman, 1986, p. 240).

So, in this way of looking at governance, we have to study the interactions between a public enterprise and its institutional environment. Special position and isolation in some particular apparatus of the state allow some state officials more autonomy than others. Public enterprises could be such organizations. Even in weak states, there are islands of autonomy (Krasner, 1978; Skocpol, Finegold, 1982). Another issue is capacity. Ikenberry (1988) suggests that flexibility, the ability to redeploy resources, is a crucial attribute of state capacity. Creating public enterprises makes possible within the state apparatus to manage without as much pressure from politics as in departments headed by ministers.

When these public enterprises are in competition with the private sector, they perform reasonably well (Aharoni, 1986). They have to receive clear signals about what is expected from them. Nonetheless, there have been cases where huge amounts of money have been lost. It has been in the past more difficult for governments to close money-losing public enterprises than for private companies. Also, the political pressure to maintain jobs in the country owning the firm is more important on public enterprises. Public enterprises are used concurrently with other means: instruments are not substituted for each other, but rather public ownership is more frequently added to an array of existing instruments that have been tried and found wanting (Laux, Molot, 1988).

*Luc Bernier (2011)*

So, in summary, public enterprises are not always the expected policy instruments. Such assessments have lead governments to consider that they could be privatized.

Nevertheless, public enterprises have been used for various purposes: regional development, military infrastructures and equipment, to foster research and development, to reconstruct after the Second World War. In France, for example, it is interesting to see that much has been accomplished by public enterprises (Anastassopoulos, 1980).

### **What Can We Learn From Privatizations?**

Privatization in the United Kingdom, it is said, has made possible for the government to collect tax revenues from privatized enterprises instead of spending the same amount to subsidize public enterprises. When Margaret Thatcher took power, the British economy was in a desperate shape that has been improved vastly over the 1980s. Moreover, for years in the United Kingdom, privatization allowed the Thatcher government to receive between 5 and 10 billion pounds of revenues every year. The British example has been celebrated around the world by the advocates of privatization.

As Meggison and Netter (2001) have summarized, the literature usually concludes that privatization of public enterprises has lead to gains of productivity, efficiency, profitability, etc. A minority of scholars have nevertheless argued that privatization studies, if considered as quasi-experiments, were too often constructed in ways that should be debated. When there is an improvement in performance, the cause is not necessarily the change of ownership. Competition rather than ownership might explain the gain. Moreover, reforming public enterprises is an efficient method to improve their performance (Bernier and Hafsi, 2005 based on Cook and Campbell, 1979). Is it possible to reform public enterprises when privatization does not lie ahead? In the United Kingdom, reform usually preceded sale. Meggison and Netter (1994) consider that privatization leads to more profits while Martin and Parker (1995) conclude to the contrary. Bhattacharyya *et al.* (1994) argue that public water utilities are more efficient than private ones. Prizzia (2001) considers that the social benefits of privatization are often mixed and uneven. For Bishop and Kay (1988), growth and profitability lead to privatization and not privatization causing them. Yarrow (1989) identifies only three success stories out of seven enterprises he studied. Hartley *et al.* (1991) did not find that privatization guarantee an improved performance. Haskel and Szymanski (1993) studied 12 public enterprises over a 16 years period and found that competition is more important than ownership and that privatization does not raise productivity. The precise impact of privatization is drowned in an ocean of potential intervening variables.



Privatization theory has been based on studies that tend to promote the idea that public enterprises are more efficient than the public sector. It could be argued that the state of the research on the topic does not allow concluding so affirmatively that privatization has a positive impact (Bernier, Hafsi, 2005).

It could nevertheless also be said that if no policy objective is pursued, there is no point for a government to maintain a public enterprise. Managing modern states is complex enough without large portfolios of enterprises in sectors where there is no strategic issue for the State (Molz, Hafsi, 1997). Privatizations are a way to correct the involvement of the State in economic sectors where it should not have gone or where it should not be anymore. Several investments by the State have been done in decaying industries. GM might be today what the coal industry or steel were in the United Kingdom or asbestos was in Canada.

We know also that SOEs do not have to be privatized. They can be reformed as Bernier and Simard (2007) have suggested using three examples from the Canadian province of Quebec. Transformations in the institutional environment have forced public enterprises to change. One important change in the governance of Hydro-Québec has been the creation in 1997 of an autonomous regulatory body, the Régie de l'Énergie, that authorizes the strategic planning of Hydro-Québec and the rates it can charge to its various customers, encourages citizens' participation in debates and builds a counter-expertise. In 2000, the mission of the Régie was modified. Production of electricity was deregulated, only transportation and distribution remain regulated in order to adapt to the deregulation of electricity in North America that allows for competition. The new rules of the game imply for Hydro-Québec a restructuring of its activities in three semi-independent entities. At the same time, Hydro-Québec has been able to reach an agreement with the aboriginal tribes that live in Northern Quebec where the future projects will be built. The changes in the governance of Hydro-Québec have been sufficient, so that there is no public support for the privatization of the public enterprise although elsewhere in North America and in particular in other Canadian provinces such as neighboring Ontario, privatizations have occurred. So, Quebec has maintained a public ownership over a strategic resource, but the governance of this public enterprise has been changed drastically.

The Caisse de Dépôt et Placement was also a huge success for many years. At its peak in 2008 before it lost 40 billion, the Caisse de Dépôt et Placement managed 250 billion Canadian dollars. This public enterprise manages the pension money for all Quebecers and various pension plans for public employees. It always had a dual mandate of managing the assets and of economic development (McRoberts, 1993, p. 135). It has had over the years an excellent record on returns on investment on the assets it managed. This, until the technology bubble ended and September 11, 2001 created turmoil on the market. It undertook then

Luc Bernier (2011)

a review of its governance, seriously considering changing the length of the mandate of its CEO and who is nominated to its board. Its law has been changed to reform its governance and its board responsibility but the turmoil is not over yet. It has returned to profitability. In the third case, a new strategic plan has been developed at the Société Générale de Financement. These are three dimensions of governance that can be reformed or adapted.

## **A Brave New World**

Although issues could and have been raised about the advantages of privatization, it has been the dominant trend. Ownership is only one part of a more complex explanation of performance. Another way of looking at the same issue or a part of a larger explanation is to study the governance of these complex organizations. The implementation of policy objectives poses a dilemma: the policy-maker either relinquishes control over the direction of policy to other groups involved in the process, or courts a breakdown in the process if the original initiative must remain intact (Linder, Peters, 1987, p. 469). Implementation entails the choice and deployment of policy instruments. Policy choices are made considering the instruments available for implementation. Governments could be prevented from adopting a policy by the absence of any means to implement that policy (Hall, 1986, p. 232). The choice of an instrument to implement a policy cannot be seen as a mere *technical* question. The adoption of a program by a legislature becomes endowed with separate meaning and force when an agency is established to deal with it. But an agency has a life of its own that can limitedly implement the planned policy. Can the public enterprises remaining play a useful role and prove that they should not be privatized? They remain policy instruments that could be useful, if they can improve their legitimacy in their environment by integrating in their governance mechanisms to be permeated by various influences as discussed in other chapters. The new public enterprises are not yet policy instruments, they are accidents after the deregulated world economy went wrong.

What we can presume is that the governance of the newly nationalized companies is not going to be easy. Transforming the organizational culture of companies such as General Motors can take years, if possible. Among difficulties already known in changing the culture of the nationalized firms is the system of bonuses that has existed for decades. What is the normal salary when taxpayers are the owners? The culture of car making is not the culture of the public sector. But as a car maker, such an enterprise has to transform itself drastically. Consequently, the best solution might perhaps be to keep it only temporary. It is also possible that GM will not regain enough market share to survive. How long will tax payers agree to subsidize it? As long as British tax payers did historically with their national car industry?

As Meggison and Netter (2001) suggest in their literature review on privatization, it is likely that reforms of public enterprises are more effective when coupled with privatization. We have not interviewed managers of public enterprises who considered that being privatized was a good idea. The possibility of privatization generates a willingness to cooperate with the State. Also as Meggison and Netter noted, new entrepreneurial management makes a difference. Privatization alone does not generate an improvement in performance but competition and reform also do.

It is likely that the governments that have nationalized banks and other companies will sell them rather quickly for another reason. They face huge deficits and will need money to diminish them. Selling enterprises could generate revenues. Some of the privatizations in the UK were done below the market price. Will it be the same this time? Only in GM, the American government invested or spent 30.1 billion US\$ and the Canadian and Ontario an additional 9.5 billion US\$.<sup>9</sup> Hundreds of billions have been put in the financial industry. Consequently, at some point, governments will need money to hope to balance their budgets. As it was the case in the United Kingdom, privatizing what could be sold will be tempting.

What has not been learned either from nationalization nor privatization is to develop an economic policy. Governments in the current economic crisis were reacting. The development of states is not a story of steady expansion. It is punctuated by crisis and experimentation. In the USA, the New Deal was such a time. In Canada, the two World Wars forced to create a modern state apparatus (Roberts, 2002). Nationalizations in the past or the creation from scratch have also been reactions rather than careful planning (Andrieu and Prost, 1987, pp. 250-266; Parenteau, 1980). But once the world economy will have recovered, what is the strategic plan to maintain or sell these enterprises?

For ideological reasons, some governments might consider that business is not the business of the State. In other cases, the criterion should be in terms of economic policy. When a public enterprise does not have a policy purpose, there is no reason to keep it in public hands. Once the crisis over, strategic planning can surface. But SOEs are islands of autonomy that could have the capacity to pursue goals of general interest. Once the need to react to the crisis is passed, perhaps some of these nationalizations should be maintained. For example, if the private banks are unable to auto-regulate themselves or are unwilling to invest in some ventures, publicly-owned banks could have another point of view. The Italian involvement in the 1930s was to partially compensate the lack of

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<sup>9</sup> Bergeron, Maxime, "La chute d'un géant", *La Presse*, Montréal, 1<sup>er</sup> juin 2009, p. A-8.

*Luc Bernier (2011)*

private entrepreneurship (Millward, 2010). Similarly, the network of financial institutions of the government of Quebec compensate for the conservatism of the Canadian banks. The crisis could be an opportunity to rethink economic policy and consequently the use of public enterprises.

## **Conclusion**

As in the past, SOEs are not instruments used alone. Regulation of financial markets has to be improved. Various measures have already been adopted by governments. Budgetary deficits will also have an impact in the near future. The crisis has been expensive for the States in the Western world. With the decline of the stock of many companies, pension funds and citizens individually as well have been affected. It is possible that retirement will come later than sooner for many. Protectionism is on the rise. In many countries, Spain for example, on the long run, the solution might be better training of the workforce. The use of multiple policy instruments makes difficult to know what will have been the impact of government ownership. It would be interesting to have access for instance to the minutes of the board meeting of Chrysler to see whether the board members nominated by the government behave differently from the ones stemming from the private sector. Who is defending the general interest on the boards of the recently nationalized enterprises? An entrepreneurial culture, as discussed earlier, has also to be developed.

At the height of the crisis in the 1990s, the Swedish government owned 22% of the assets of the banking system. Two banks were nationalized in 1992, and by 1996 the government support was ended (Went, 2009). It would be a mistake to keep the newly SOEs in the public sector for a long time. It is unlikely that they will develop a culture of public interest or public value.

Some banks such as Goldman Sachs and Morgan Stanley have asked to reimburse quickly in order to escape part of the regulations imposed on them when the state rescued them. It is possible that their behavior after the crisis will be similar to the one before, and that bonuses and other habits will be back.

It might be the beginning of a new era where the United States will have a lesser role in the world economy (Jacobs, King, 2009). China, where public enterprises remain important, might emerge from the crisis on a stronger foot. Also, the current crisis has temporarily maintained energy costs low but the energy crisis is only starting with important choices to be made about nuclear energy and climate change. And with the return of more interventionist states, temporary public enterprises might be the formula of the future. But new public enterprises also emerge about which we know very little: the sovereign wealth funds with hundreds of billions of dollars to invest. These financial organizations

might be more the future of public enterprises than the unregulated financial companies of the developed world that had to be saved from their excesses by state governments. But as discussed in this chapter, governments have to have a vision of the purpose of maintaining networks of public enterprises, an economic policy to implement. If not, privatization might be indeed a good idea.

For now three decades, arguments have been made about the problems associated with public enterprises. However, as Thiemeyer already argued at the 12<sup>th</sup> CIRIEC congress in 1978, public enterprises can be many things. They are highly adaptable organizations. The economic crisis might have pushed to reconsider them differently. Instead of privatizing them, it is possible to reorganize and rejuvenate the governance of public enterprises. Means have also to be found to transform the management and operations of the nationalized businesses. States around the world have nationalized companies in difficulty. They might not be the future of public enterprise. May be the future is more in the creation of new public enterprises that are not crippled at birth with the defects and obsolescence of the private companies in trouble. As it happened early in the XX<sup>th</sup> century, public enterprises could be used for general interest purposes that are not the responsibility of private owners. The interest of the Obama government for greener cars could be seen as one of the positive impact of the financial crisis. And as in the past, the strategic objectives of these public enterprises have to be crafted after nationalizations in many cases.

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Luc Bernier (2011)

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**Table of Businesses Nationalized 2008-2010**

<b>Countries</b>	<b>Banks and enterprises</b>	<b>Date</b>	<b>Type of nationalization</b>
Austria	Kommunalkredit Austria (KA)	October 27, 2008	Nationalization
Austria	Hypo Groupe Alpe Adria (HGAA)	December 14, 2009	Nationalization
Belgium	KBC	May 2008	Partial nationalization
Belgium Luxembourg Netherlands	Fortis	September 28, 2008	Partial nationalization
Belgium France Luxembourg	Dexia	September 29, 2008	Nationalization
Bolivia	Corani	May 1, 2010	Nationalization
Bolivia	Guaracachi	May 1, 2010	Nationalization
Bolivia	Valle Hermoso	May 1, 2010	Nationalization
France	BNB Paribas	October 20, 2008	Partial nationalization
France	Caisse d'Épargne	October 20, 2008	Partial nationalization
France	La Banque Populaire	October 20, 2008	Partial nationalization
France	La Société Générale	October 20, 2008	Partial nationalization
France	Le Crédit Agricole	October 20, 2008	Partial nationalization
France	Le Crédit Mutuel	October 20, 2008	Partial nationalization
France	Renault et PSA Peugeot Citroën	February 9, 2009	Partial nationalization
France	Caisse d'Épargne et Banque Populaire	February 2009	Partial nationalization
Germany	KB Deutsche Industriebank	February 13, 2008	Partial nationalization
Germany	Commerzbank	January 8, 2009	Partial nationalization
Germany	Hypo Real Estate (HRE)	October 5, 2009	Nationalization
Iceland	Glitnir	October 9, 2008	Nationalization
Iceland	Kaupthing	October 9, 2008	Nationalization
Iceland	Landsbanki	October 9, 2008	Nationalization
Ireland	Anglo Irish Bank	January 2009	Nationalization
Ireland	Allied Irish Bank	March 2010	Nationalization
Ireland	Bank of Ireland	March 2010	Partial nationalization
Portugal	Banco Portugues de Negocios	November 2008	Nationalization
Spain	Caja Castilla la Mancha	March 2009	Partial nationalization
Spain	Cajasur	May 2010	Partial nationalization
Switzerland	Le Crédit Suisse	October 16, 2008	Partial nationalization
Switzerland	UBS	October 16, 2008	Partial nationalization
United Kingdom	Northern Rock	February 17, 2008	Nationalization
United Kingdom	Bradford & Bingley	September 29, 2008	Nationalization
United Kingdom	Abbeys, Barclays, HBOS, HSBC, Nationwide Building Society, RBS, Standard Chartered	October 8, 2008	Partial nationalization
United Kingdom	Royal Bank of Scotland (RBS)	February 2009	Partial nationalization
United Kingdom	Lloyds	March 7, 2009	Partial nationalization
United States	Indymac	July 2008	Partial nationalization



Countries	Banks and enterprises	Date	Type of nationalization
United States	Fannie Mae	September 7, 2008	Nationalization
United States	Freddie Mac	September 7, 2008	Nationalization
United States	AIG	September 16, 2008	Partial nationalization
United States	Bank of America <sup>10</sup>	October 28, 2008	Partial nationalization
United States	Goldman Sachs Group <sup>11</sup>	October 28, 2008	Partial nationalization
United States	JP Morgan Chase <sup>12</sup>	October 28, 2008	Partial nationalization
United States	Well Fargo <sup>13</sup>	October 28, 2008	Partial nationalization
United States	Citigroup <sup>14</sup>	February 2009	Partial nationalization
United States	General Motors	May-June 2009	Partial nationalization
Venezuela	Cemex (Mexico)	August 19, 2008	Nationalization
Venezuela	Holcim (Switzerland)	August 19, 2008	Nationalization
Venezuela	Lafarge (France)	August 19, 2008	Nationalization
Venezuela	Banco de Venezuela	July 19, 2009	Nationalization
Venezuela	Banco Universal	July 2009	Nationalization
Venezuela	Fama de América	November 2009	Nationalization
Venezuela	Conservas Alimenticias La Gaviota	December 2009	Nationalization
Venezuela	Monaca	May 14, 2010	Partial nationalization
Venezuela	NorPro	May 16, 2010	Nationalization

The list was collected using the internet newspapers data banks available at ÉNAP: Eureka.cc, Repère, Canadian Newsstand. The key words used in French were nationalization, bank, enterprise and government in the first wave. In the second wave, we used the specific name of the companies or banks. We also used the web sites of *Le Monde* and *Courrier international*. Research on Google completed the search. The research was done by Geneviève Blouin, research assistant at ÉNAP, Patrick Gauthier and Mathieu Faucher.

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CIRIEC, P.I.E. PETER LANG S.A. Éditions scientifiques internationales, Brussels, 2011

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<sup>10</sup> Bank of America returned the government's funds in November 2009.

<sup>11</sup> Goldman Sachs Group returned the government's funds in June 2009.

<sup>12</sup> JP Morgan Chase returned the government's funds in June 2009.

<sup>13</sup> Well Fargo returned the government's funds in December 2009.

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**LOCAL PUBLIC SERVICES IN EUROPEAN COUNTRIES:  
MAIN RESULTS OF A RESEARCH PROJECT BY CIRIEC  
INTERNATIONAL**

by

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**ABSTRACT:** *The present article is meant as an introduction to the three contributions on local public transport, water services and waste management resulting from a research of CIRIEC International Scientific Commission on ‘Public Services / Public Enterprises’, launched in 2008. The main purpose of the research was to produce a cross section description of essential and widely used local public services in different countries and to investigate their evolution over the last two or three decades.*

*We give here a transversal overview of general common trends in the three analyzed sectors. We explain the increasing autonomy and separation of decision levels in planning and governance processes, describe the changing role and nature of the provider of public services, depict some peculiarities of the structure*

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\* We would like to acknowledge valuable comments by two anonymous referees.

*and the process of regulation, and deal finally with some remarks on funding policies. We show that unquestionably EU directives and regulations did have a definite impact on the way the services were supplied; however this has not produced a prevailing 'European model' in all member States. Our research shows clearly that as of now the EU area offers very different models of local public services. The variety of solutions adopted is impressive. Each concrete choice regarding regulation, market governance, planning and provision depends in the end on a negotiation between the central state, local authorities, bureaucracy, trade unions, pressure groups such as private enterprises and users of the service. The existence of different solutions adopted by different countries and within the same sector could mean that a compulsory policy towards a uniform solution, as frequently favoured by the EU, is not convincing and should not be supported. Since there is no evidence that the different solutions produce different degrees of efficiency and effectiveness, they could represent appropriate forms of adaptation to national overall characteristics and changing citizens' needs.*

### **Los servicios públicos locales en los países europeos**

*Este artículo sirve de introducción a tres contribuciones sobre el transporte público local, el agua y la gestión de residuos, producto de una investigación levada a cabo por la Comisión Científica Internacional del CIRIEC "Servicios públicos /empresas públicas" promovida en 2008. El objeto principal de esta investigación era proporcionar una descripción intersectorial de servicios públicos locales esenciales y ampliamente utilizados en diferentes países y observar su evolución en el transcurso de los últimos dos o tres decenios.*

*Los autores proporcionan una visión de las tendencias generales comunes a los tres sectores analizados. Explican la autonomía creciente y la separación de los niveles de decisión en los procesos de planificación y de gobierno, describen el papel y la naturaleza de los cambios en los proveedores de servicios públicos y presentan algunas particularidades de la estructura y de los procesos de regulación; terminan ofreciendo algunas notas sobre las políticas de financiación.*

*Los autores ponen de manifiesto que las directivas europeas y las reglamentos han tenido, indudablemente, un impacto significativo sobre el modo de provisión de los servicios. Sin embargo, ello no ha conducido a un "modelo europeo" vigente en todos los Estados miembros. La investigación indica claramente que la Unión Europea presenta actualmente modelos muy diferentes de servicios públicos locales. La variedad de las soluciones adoptadas es impresionante. Cada elección concreta relativa a la regulación, a la gobernanza de los mercados, a la planificación y al modo de provisión dependen finalmente de una negociación entre el Estado central, las autoridades locales, la administración, los sindicatos y grupos de presión tales como las empresas privadas y*

*los utilizadores del servicio. La existencia de soluciones diferentes adoptadas por diversos países, en el seno de un mismo sector de actividad, podría querer decir que una política impuesta a favor de una solución uniforme – lo que la UE privilegia a menudo –, no es convincente y no debería ser impulsada. Partiendo de la base de que no hay pruebas de que las diferentes soluciones produzcan distintos grados de éxito y de eficiencia, las opciones elegidas podrían representar formas apropiadas de adaptación a las características nacionales y a las necesidades evolutivas de los ciudadanos.*

### **Lokale öffentliche Dienstleistungen in europäischen Ländern**

*Der vorliegende Artikel versteht sich als eine Einführung zu den drei Beiträgen über lokale öffentliche Verkehrsdienstleistungen, Wasserdienstleistungen und Dienstleistungen der Abfallwirtschaft. Die Arbeiten sind im Zuge eines im Jahr 2008 gestarteten Forschungsprojekts der Internationalen Wissenschaftlichen Kommission 'Öffentliche Dienstleistungen / Öffentliche Unternehmen' von CIRIEC entstanden. Das Hauptziel der Forschung war eine deskriptive Querschnittsanalyse von wichtigen und weithin verwendeten lokalen öffentlichen Dienstleistungen in verschiedenen Ländern zu liefern und ihre Entwicklung im Laufe der letzten zwei oder drei Jahrzehnte zu untersuchen. Wir vermitteln hier aus einer transversalen Perspektive einen Überblick über gemeinsame generelle Tendenzen in den drei analysierten Sektoren. Wir erläutern die zunehmende Autonomie und Trennung der Entscheidungsebenen hinsichtlich der Planungs- und Steuerungsprozesse, beschreiben die sich ändernde Rolle und Natur des Erbringers von öffentlichen Dienstleistungen, skizzieren einige Besonderheiten der Struktur und des Prozesses der Regulierung und machen anschließend Anmerkungen zur Finanzierungspolitik. Wir zeigen, dass Richtlinien und Verordnungen der EU ohne Zweifel einen bestimmenden Einfluss darauf haben, wie öffentliche Dienstleistungen bereitgestellt werden. Jedoch ist daraus kein in allen Mitgliedstaaten vorherrschendes "Europäisches Modell" entstanden. Unsere Forschungen zeigen klar, dass bis heute in den EU-Ländern lokale öffentliche Dienstleistungen in sehr unterschiedlichen Organisationsformen bereitgestellt werden. Die Vielfalt an implementierten Lösungen ist eindrucksvoll. Jede konkrete Entscheidung bezüglich der Regulierung, Marktsteuerung, Planung und Bereitstellung hängt letztlich ab von Verhandlungen zwischen Zentralstaat, lokalen Instanzen, Verwaltungen, Gewerkschaften, Interessenverbänden wie etwa privaten Unternehmen und Nutzern bzw. Konsumenten der Dienstleistungen. Die Existenz von unterschiedlichen Lösungen in verschiedenen Ländern und innerhalb desselben Sektors könnte bedeuten, dass eine obligatorische Politik hinsichtlich einer gleichartigen Lösung, wie sie häufig von der EU gefordert wird, nicht überzeugend ist und daher nicht unterstützt werden sollte. Da es keine empirische Evidenz gibt, dass die verschiedenen Lösungen zu unterschiedlichen Graden der Wirtschaftlichkeit und Wirksamkeit führen, könnte es sein, dass die beobachteten Modelle geeignete Formen*

*der Anpassung an generelle nationale Charakteristika und die sich ändernden Bedürfnisse der Bürger und Konsumenten darstellen.*

### **Les services publics locaux dans les pays européens**

*Cet article sert d'introduction à trois contributions sur le transport public local, l'eau et la gestion des déchets issus d'une recherche menée par la Commission scientifique internationale du CIRIEC «Services publics/Entreprises publiques» lancée en 2008. L'objet principal de cette recherche était de produire une description trans-sectorielle de services publics locaux essentiels et largement utilisés dans différents pays et d'en observer l'évolution au cours des 2–3 dernières décades.*

*Les auteurs donnent un aperçu des tendances générales communes aux trois secteurs analysés. Ils expliquent l'autonomie grandissante et la séparation des niveaux de décision dans les processus de planification et de gouvernance, décrivent le rôle et la nature changeants du fournisseur de services publics et présentent certaines particularités de la structure et du processus de régulation; ils terminent par quelques remarques sur les politiques de financement.*

*Les auteurs font apparaître que les directives européennes et les réglementations ont indubitablement eu un impact significatif sur le mode de fourniture des services. Cela n'a cependant pas conduit à un «modèle européen» prévalant dans tous les Etats membres. La recherche indique clairement que l'Union européenne présente actuellement des modèles très divers de services publics locaux. La variété des solutions adoptées est impressionnante. Chaque choix concret relatif à la régulation, à la gouvernance des marchés, à la planification et au mode de fourniture dépend finalement d'une négociation entre l'Etat central, les autorités locales, l'administration, les syndicats et les groupes de pression tels que les entreprises privées et les utilisateurs du service. L'existence de solutions différentes adoptées par divers pays et au sein d'un même secteur (d'activité) pourrait vouloir dire qu'une politique imposée en faveur d'une solution uniforme, – ce que l'UE privilégie souvent –, n'est pas convaincante et ne devrait être pas encouragée. Etant donné qu'il n'y a pas de preuves que différentes solutions produisent différents degrés de performance et d'efficience, les solutions choisies pourraient représenter des formes appropriées d'adaptation à des caractéristiques nationales et à des besoins évolutifs des citoyens.*

## **1 Introduction**

### **1.1 Purpose and focus of the research**

The CIRIEC International Scientific Commission on 'Public Services/Public Enterprises' launched a new research project on local public services in 2008. The main purpose of the research was to produce a cross section description of essential and widely used local public services in different countries and to investigate their evolution over the last two or three decades.

The three sectors chosen for study are local public transport, water services and waste management; all are basic infrastructure services of public interest for many citizens. In the last years they were and probably will be in the future subject to (EU and national) regulation and economic policy measures. An abundance of data and studies exists on specific services in specific countries, or on special issues; a comprehensive and comparative understanding of what is happening in Europe is however difficult because of the lack of a uniform design in collecting and analyzing the available information.<sup>1</sup>

In order to allow a comparative view on the empirical observations and to identify major trends in the provision of the services the Scientific Commission decided to apply an elaborated common research structure and developed an analytical grid for the detailed study of the provision of the selected services. Our guiding analytical grid was focussed on four points – planning and governance of the service, the provider of the service, the process of regulation and finally the method of funding. This structure represents the main features of public service systems and should help to identify significant changes in the development of the provision of local public services in the observed period.

The research carried out offers at the same time a cross section comparison and a view of the evolution and changes of the services considered during the last decades. The analysis has been conducted mainly trying to catch differences of quality in the way services are supplied rather than differences in quantity. We did not in any case focus our attention on comparing through econometric analysis

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<sup>1</sup> An exception to be mentioned is a recently published study dealing with local public services in Europe by Wollmann and Marcou (2010). Contributions cover different economic and social services on the local level in Italy, France and Germany; for some services UK and Norway were also included. The selected economic services are water supply, waste management and electricity. As far as the analyzed countries and services are the same the findings are in general supportive of the empirical evidence of our own research.

different levels of efficiency or efficacy; that would have implied a much greater use of resources than we could afford. Still we believe that even a predominantly qualitative analysis has been very useful and has given us the possibility to arrive at some relevant conclusions in each sector.

The design of the project (inter alia matters of methodology, selection of countries and services, invitation of experts) was discussed in several meetings of the Scientific Commission; the empirical research started in late 2008. Most of the country studies on local public services were presented by the researchers at an international workshop in Pavia, held in summer 2009. A second seminar in 2010, again in Pavia, was devoted to a review of the results of comparative 'horizontal' studies on each sector and an evaluation of the findings, followed by a discussion of possible policy conclusions. Participants and discussants in this meeting were external experts from research institutions and experienced practitioners. The main purpose of the three studies was to compare the observations and empirical findings for each sector separately. Based on the evidence and insights we finally applied a 'transversal' comparative analysis to identify common trends and patterns of the provision in all three sectors.

More than 30 researchers from twelve countries contributed to our project. The research yielded 22 studies covering 6 to 8 countries for each sector. Detailed empirical evidence is available for Austria, Belgium, France, Germany, Italy, Spain and Sweden. Local public service provision was also analyzed in two non-European countries; studies were provided for local public transport, water services and waste management in Japan, and for water services in Algeria. Each country has been studied by a native researcher in order to ensure an understanding of the institutional setting and the actual working of the system, trying to avoid basing the analysis only on the statutory system. All studies on countries and the three horizontal sector reports have already been published in the CIRIEC working paper series.<sup>2</sup>

## 1.2 Structure of the paper

In this volume of APCE four articles are dedicated to this research project, focusing on the evidence collected for European countries, all member States of the EU. The present article is meant as an introduction to the three following sector-related contributions on local public transport, water services and waste management. In our paper we examine the main observations and findings on the three sectors. We focus especially on a comparative view of common trends and patterns with regard to planning and governance, provider ownership, the process of regulation and the principles of financing of the services.

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<sup>2</sup> [http://www.ciriec.ulg.ac.be/en/pages/6\\_2working\\_papers.htm](http://www.ciriec.ulg.ac.be/en/pages/6_2working_papers.htm)

Panning out across the empirical findings in the three sectors we try to identify similar trends and developments in all areas of the analyzed local public services and to discuss certain development patterns and structures that likewise typify all three sectors. We will address selected empirical results from the sector studies whereby idiomatic, per-sector expression of general trends might be explained. But we do not intend to present details of empirical findings and assessments of the three horizontal sector analyses. Reference here is made to the three articles in this issue (and in some cases to the more elaborated working papers<sup>3</sup>) contributed by Andrea Zatti on local public transport, Pierre Bauby on water services, and Barbara Antonioli and Antonio Massarutto on waste management.

Our paper is divided into four parts. The first part outlines the organization, purpose and focus of our research. In part 2 we present some preliminary considerations on important determinants of the development of local public services in the last years, in particular on the general economic and political background, the state of public finance, the position and policy of the EU, and the relevance of structural changes in technology. Part 3 provides a transversal overview of general common trends in the three analyzed sectors. We show the increasing autonomy and separation of decision levels in planning and governance processes, describe the changing role and nature of the provider of public services, characterize some peculiarities of the structure and the process of regulation, and deal finally with the evidence on funding policies. In the last part we offer some concluding remarks and recommendations for the direction of the policy of the EU towards the future of public services at a local level.

## **2 Preliminary considerations**

Before presenting what are in our view the main trends emerging from our research, it may be useful to offer a few preliminary considerations. The last decades have seen radical changes, concerning both the way public services are organized and the environment in which public services operate. Several factors have been at the origin of this process.

### **2.1 General economic and political background**

First there has been, beginning from the eighties, a political and a theoretical critique of how public services were then provided, that is usually by a statutory monopolistic vertically integrated public firm. The main driving forces

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<sup>3</sup> Zatti (2011), Bauby (2011), Antonioli and Massarutto (2011).



against this state of affairs were coming on the one hand from a political motivation – the desire to shrink and contain the size of the public sector which had been expanding continuously from the beginning of the twentieth century – and on the other hand from an economic justification, based on the assertion that public enterprises were intrinsically less efficient than private enterprises.<sup>4</sup> In line with the last point it was claimed that private enterprise could offer, by virtue of the operating of market forces, better solutions in terms of efficiency even in the field of public services. The discussion on the alleged inferiority of public enterprise in terms of efficiency has not yet ended; so far no definitive answer has been given, and empirical evidence has not supported the assertion of a univocal superiority of private enterprise over public enterprise. Many empirical studies, although they present methodological weaknesses and should therefore be received with caution, display mixed results: private firms are sometimes superior in term of efficiency but on the other hand show sometimes worse results than public firms.<sup>5</sup>

In time debate has moved from the mere antithesis of public versus private enterprises to the search for the conditions which make public or private enterprise the best or preferred solution. In any case most of the literature now agrees that results depend more on the strength of competition than on the type of ownership: the simple substitution of public enterprise with a private one operating as a monopoly does not assure better results. Private firms maximizing profits (according to the usual assumption), operating under conditions of imperfect competition and asymmetric information, do not guarantee optimal solutions; services supplied can fall short of the optimal quantity and quality if the private firm is not properly regulated and monitored. The general feeling regarding privatization is now more balanced since the substitution with private enterprise and liberalization as such has not produced clear positive improvements; on the contrary sometimes, due to unsatisfactory results obtained by the private sector, we have seen some cases of a return to public enterprise or the introduction of more stringent regulation (see the case of railways in the UK and of local public transport outside London). Of course, there are some other factors which could be relevant for the efficiency of public service provision, e.g., the incentives the regulatory environment imposes on operators and managers.

On the whole the attention given to these general issues has spurred the research of new ways to offer public services with good outcomes.<sup>6</sup>

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<sup>4</sup> The literature on this topic is large: just to give an example of recent works on the comparative performance between private and public enterprises see Bel et al. (2010), Millward (2011). Their conclusion is not unfavourable to public enterprises.

<sup>5</sup> Bognetti and Obermann (2008).

<sup>6</sup> For a review of arguments see eg. Florio and Fecher (2011) and Bernier (2011).

## 2.2 Public finances

A second factor, not always explicitly mentioned, has been the state of public finance both at central government and local level. The period we are considering has been characterized by the increasing need to fulfil the obligations coming from the ever growing demands of a modern welfare state which has to face (at least in European countries) demographic changes and the aging of population, with more than proportional spending increases for health and pensions; in the more advanced countries the public budget, including local governments, represents on average more than 40% of GNP. The level of taxation is very high and any increase is politically difficult, so it was difficult to maintain a balanced budget (even before the present financial crisis). Given this state of affairs (public services being in competition with other types of public expenditures) governments were and are inclined to give less money to (local) public services. This has favoured the demise of some public services, the lowering of subsidies to local public services and the attempt, through privatization, to raise money and to limit the already burgeoning public deficits and debt.

## 2.3 EU Position and policy

The position taken in the last twenty years by EU Authorities is a third factor leading to change the public services sector in Europe. After pronouncements by the European Court of Justice and the approval of the *Single Act*, the so called excluded sectors were submitted, although with a specific statute, to the application of the treaties. Rules were specified on the admissibility of state aids, requiring specific conditions which did not exclude financial help to public services but, in some cases, limited *de facto* transfers from the public authorities to firms and frequently had an impact on the financing of public services suppliers. The Commission clearly indicated through directives, regulations and position papers that even public services had to be submitted to the rule of competition, although with limitations due to the specificity of public services. The underlying idea was the formation of a level field to favour the creation of a more fully integrated internal market. During the nineties several directives were approved which asked for a change in the sector. For national services (energy, mail, telecommunications) the break up of the vertically integrated public sector took place in varying degrees; on the whole the change in their structure has been radical and traditional public enterprise in those sectors has changed its nature fundamentally, being forced to operate side by side with private enterprises, when not disappearing altogether as in the case of telecommunications in some countries.

The impact on local public services was of a different nature because there was no general rule forcing the local authority to dismiss its own public enterprise and liberalize the market, or in every case to open a public tendering procedure, although this was in principle the solution preferred by EU Authorities. Similarly,

these directives did not push explicitly for a privatization of public enterprises. The European Commission always maintained explicit neutrality as far as ownership was concerned, but showed a clear preference for the liberalization of the services, which obviously implies a greater role for private enterprises. In particular the ideal system for the European Commission was, wherever possible, competition *in* the market and, when this was not feasible because of the existence of natural monopoly, competition *for* the market through public tendering. The directives of European Authorities on local public services was not limited to the liberalization issue but touched several other issues, such as characteristics of the service offered (for instance water purity), the sustainability of the process (waste), the affordability, and the drive for social cohesion. On these aspects European Authorities ask for a minimum standard to be achieved from member States.

From this general scenario one would expect to observe several changes in local public services among the member States in recent years. This is in fact what we found in the three sectors examined. Nevertheless the influence of the European directives and regulations did not succeed in creating a unified model of local public services in Europe. In fact different models are present in each sector; in local public transport Zatti identifies at least four models.<sup>7</sup> Even in the same country we have different models; see the case of Germany where regulation for the water sector is much more public oriented than the waste sector. All in all it is evident that the competent institutions have considerable room for manoeuvre as regards choice between competition-oriented strategies and provision by public operators (e.g. in-house solutions).

#### 2.4 Structural changes in technology

A fourth influence of change was the structural transformation that occurred in some of the local public services in the period considered. Such structural change can be attributed to two causes; one is a different perception of what are the general interests involved in the sector. Typical is the case of the service of public transport that has become more and more constrained by the changes of the urban environment and by the ever increasing need of urban mobility to satisfy increasingly complex economic and social relationships. The increase in the use of private cars has produced relevant externalities: congestion and pollution require closer coordination between public and private transport, parking space and new ways to control and monitor them. The EU has also contributed to the definition of general interest imposing, for instance limits to air and noise pollution for urban conglomeration. For water general interest

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<sup>7</sup> Zatti (2012: 543).

has somewhat shifted, giving more attention to sanitation considerations and sustainability.

A second powerful drive in structural change comes from changes in the nature of the service provided and the corresponding changes in technologies; in the waste sector, for instance, attention has shifted from the mere collection to the disposal and recycling phase, transforming the general interest which 'is not confined to the dimension of urban propriety and public health, but is concerned with much more far reaching sustainability issues' (Antonioli and Massarutto 2011: 5). 'The focus of policies changes from simple removal of waste to planning of disposal and managing the material flow, with an associated shift in terms of key actors, key words and managing solutions' (Antonioli and Massarutto 2011: 5). Here the technological scenario in which the sector operates has transformed the entire scenario creating new actors and a new relationship between the role of the private and the public sector.

### **3 An overview of general common trends**

The empirical analyses reveal that the autonomous room for manoeuvre of the member States as regards the structuring of public services remains relatively high in all three of the examined sectors. The exertion of influence by the EU through directives and objectives for the local public services is pronounced to varying degrees in the examined areas. All in all it is evident that the competent institutions and service providers have considerable discretion in choosing between competition-oriented strategies (e.g., outsourcing) and provision by public operators (e.g., in-house solutions) and this has brought about clearly differentiated outcomes. Moreover each sector presents different development paths which demand specific solutions. In this paper, which is meant as an introduction to the sector reports, we will try to identify the trends which are in our opinion common to the three sectors.

Obviously it would be desirable to present here all relevant observations in a comprehensive table in order to overview and compare the findings for all countries in each of the three sectors. Due to considerable difficulties preventing easy comparisons (especially country related peculiarities in the three sectors, but also lack of sufficient information) the authors of the sector studies have not provided unified summarizing tables showing on a horizontal level the findings on ownership structure, regulatory regimes and financing for each country.<sup>8</sup>

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<sup>8</sup> But see the comparative presentations of selected results on important features of local public transport by Zatti (2012) and of waste by Antonioli and Massarutto (2012).

### 3.1 Planning and governance: increasing horizontal and vertical coordination

A sort of ‘multilayer governance’ is frequently present in the three sectors, albeit to different degrees. This has to do with the (joint) responsibility for the supply of local services, which is spread across different (federal) levels and institutions. Multilayer governance concerns both legal competence and participation in the organization and financing of specific services.<sup>9</sup>

The role of planning has changed in the period considered since the services supplied have become more complex and have acquired greater spatial and longer-term time dimensions. In the three sectors greater horizontal and vertical coordination has been needed (Antonioli and Massarutto 2012: 525, Bauby 2012: 569). In the local public transport, for instance, there has been a clear increase in institutionalized and non-formally regulated cooperation and coordination between different institutions or authorities and suppliers or providers; new governance structures were created mainly in terms of specialization and territorial integration (Zatti 2011: 33) and regional authorities have been increasingly charged with the task of supervision and coordination of the local passenger transport (Zatti 2011: 28).

The increase of intercommunal cooperation and mergers has a consequence for the efforts of the local authorities, who expand their geographical supply areas and/or range of provided services in search of economies of scale and scope. As for the waste sector there has been a change while planning plays a fundamental role in the infancy phases of the disposal industry (coordinating the transition from landfill to more modern solutions) ‘the more mature the market becomes and the more professional management is needed, the more planning leaves space to operator-based integrated systems, with planning mainly limited to the definition of targets, regulation and, eventually, provision of last resort solutions when emergencies occur. This development is clearly correlated to the increase – both dimensional and in the scope of activity – of the role of the private sector’ (Antonioli and Massarutto 2011: 12).

### 3.2 The role and nature of the provider

Two points are in our view relevant. The first is the increasing autonomy given to the providers of public services, in the hope of achieving an increase in efficiency. As the subsidies coming from the government at different levels were decreasing, concerns on the possible inefficiency of the provider were growing. An answer was found in distinguishing more clearly the entity that

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<sup>9</sup> See Bauby (2011: 7). For a comparative descriptive view on multi-level institutional setting in Germany, Italy and France see also Wollmann and Marcou (2010: ch. 2).

makes strategic decisions from the entity taking operative decisions (Zatti 2012: 536). This separation does not only happen where public services providers are privatized, which obviously creates an immediate duality, but also when the provider is owned in some way by the public administration itself. In this second case the purpose is to create a division between the political body and the provider so as to avoid too close a relationship with the pressure groups which, acting through political institutions, could interfere with the regular management of the firm, which is supposedly more efficiency oriented when it is at least formally independent.

One outcome of this strategy has been the trend of corporatization (Zatti 2012: 553 and 555), which in many cases was simply a change in the juridical form without any modification in ownership, which remained public, and the increasing trend of the transferring of services to separated publicly owned legal entities under the same commercial law as private firms.

Another indication of the increasing attention to efficiency is represented by the several cases of mergers and cooperation among different local public utilities in search of economies of scale and of better services through close coordination of activities. Similar motivations explain the creation of several public-private-partnerships, with the objective to take advantage of good management and the creation of several multiutilities in search of economies of scope. The end of a close relationship between the unit providing the service and the municipality favoured the transformation of some of the traditional local public enterprises to firms which operate in several districts and sometimes also at the international level, producing more market oriented behaviours (Zatti 2011: 28). The diffusion of international providers, as well as of providers operating outside their own geographical area, has been primarily observed in the water sector and in the waste sector; the same phenomenon can be observed to a lesser extent in local public transport. In some countries and sectors there is evidence of increased mergers among public providers. The economic reasons seem to differ among countries and sectors.

The second change in the nature of providers is the involvement of the private sector, which has included a wide range of solutions, from outsourcing and delegation to open markets, from public-private-partnerships to project financing. As a general trend, we can say that the increased role of the private sector, often favoured by liberalization, is a common feature observed in all three sectors.<sup>10</sup>

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<sup>10</sup> Antonioli and Massarutto (2012: 525), Bauby (2012: 566), Zatti (2012: 553).

The share of private enterprise operating in the local public services is surprisingly very different in different countries, showing that the way the same public service can be supplied varies significantly among countries, apparently not depending greatly on mere ideological positions or from notable differences in the level of efficiency and efficacy. Moreover even in the same country we have different shares of private companies among different parts of the same service. Evidence of this is found in the table reproduced in the paper by Antonioli and Massarutto (2011:14), showing that in waste collection private companies contribute 100% of activity in Finland and only around 30% in the Netherlands, while in disposal private enterprises in Finland cover less than 5% of activity and more than 90% in Spain (incidentally, while Finland is the first in collection, it is the last in disposal).

The present share of private enterprises, however, is not always the result of recent changes: in several cases it predates the period we have considered and reflects a traditional institutional story, as is the case of the massive presence in the water sector in France. On the contrary, the share of private enterprises contributing to services in this sector is low or medium in Austria, Germany, Belgium, Italy, Spain, and Sweden.

To evaluate precisely the role and influence of the private sector at least we should make some remarks. In several cases firms are classified in official reports or statistics as privatized even when there is only a mere juridical change. It is necessary to distinguish between formal privatization (corporatization) on one side and material privatization with change in ownership on the other. Corporatization is a clear trend in some areas of local public services.<sup>11</sup> Likewise in several instances ownership has changed only partially, leaving the control of the firm with the public sector. In this case the role of the private partner can be relegated to the mere financing of the project; alternatively the private partner could be the *de facto* manager and be the real leader. The mere data of official statistics (on ownership) do not always give a real picture of the importance of the private sector.

Moreover it must be stressed that the weight and the importance of the role of private enterprises varies considerably, largely depending on their position and function in the chain of production of the local public services. While in some cases (e.g. the Belgium local transport system)<sup>12</sup> private units are limited to very narrow tasks, operating through subcontracting with very restricted autonomy,

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<sup>11</sup> See examples in local public transport in Zatti (2012: 553–555); more on different organizational forms in local public service provision in Wollmann and Marcou (2010:ch. 9).

<sup>12</sup> Zatti (2012: 543).

in other cases the discretionary power assigned to the private enterprise is large, sometimes including the task of designing the service (Antonioli and Massarutto 2011: 9). Therefore the simple figure of the share of the service owned by private enterprises does not meaningfully represent the effective role played by them. It all depends on the relationship between the public authorities and the private enterprises, and precisely on the existing nature of regulation.

All in all there are very few instances where liberalization has been complete and where the private enterprise is operating with very few restrictions on its decisions and in a regime of almost free competition with few strings attached. This has occurred mainly in the UK, where the water sector (Bauby 2011: 6) and the local public transport outside London have been totally privatized but – especially in the transport sector – the constraints set by public authorities have recently increased (Zatti 2012: 544). When network infrastructures are present it is difficult to avoid a rather strict regulation while when they are absent a much lighter control is possible as is the case of the recycling industry (Antonioli and Massarutto 2011).

### 3.3 Structure and process of regulation: regulation experience and issues

In the past two decades the organization and regulation of markets for local public services has undergone a considerable change.

The public sector, through regulation or direct public ownership, has still maintained a very strong role in the supply of local public services. Not only has public control and engagement not decreased in the period under consideration but it has on the whole increased and become more complex. When a fully integrated public enterprise prevailed, explicit control by the public authorities was usually limited to decisions regarding only the level of tariffs. Even when a delegation was given to private enterprises regulation was limited in a rather static environment, frequently allowing private enterprises to exert their economic power on feeble municipalities. In France, where many local transport services were delegated to private enterprises, the Sapin law had to be introduced to establish a more stable and less asymmetric relationship between strong private enterprises and weak local authorities.

It can also be observed that the introduction of alternative models of local public services with separation between the planning unit, or in any case the commanding unit, and the operating unit brings in asymmetries of information, and this has immediately raised a series of issues. When the service is supplied by a unit independent from the political authority a principal-agent relationship is created; this is true even when the operating unit is public, provided it has some kind of autonomy. Therefore once it has been accepted that there is a general interest in the supply of a service which cannot be satisfied through



a competitive solution because of market failure, of externalities or of some other distributive or socio-political reason, public control is needed in the form of external regulation, exercised either on (a) public enterprise(s) or on (b) delegated private enterprise(s). And when – as is often the case – the general interest cannot be identified in a simple index, regulation and monitoring become a complex task; when strong asymmetries of information and high transaction costs are present the attainment of a satisfactory solution is difficult (Zatti 2011: 73).

In order to have appropriate regulation the general interest must be clearly defined and pursued with adequate means. In the past implicit or internal regulation was the prevalent organizational model in the provision of (local) public services. One public organization or enterprise was responsible for both designing the service and its provision. The economic and political responsibility lies in the hands of (only) one authority which was accountable for the result against users and citizens. The definitions of general interests determined by the public authorities are now more articulated but not easily expressed in simply measurable quantities. The task of the regulator is to scrutinize and control the quality, reliability, sustainability and affordability of the services to ensure the general interest, as defined, at least in principle, by the political body eventually integrated by the directives and regulations of the European Commission.

Frequently regulation cannot be limited to the mere supply of the service. The effectiveness of local public services depends not only on its quality taken in isolation but on a series of factors: for instance for local public transport the overall design of urban mobility is involved and measures regarding private traffic, the policy of dedicated routes and parking spaces are very important for the actual functioning of local public transport. A set of incentives and penalties must be created to obtain the right behaviour by the agent. Then the choice of contracts becomes important, as illustrated by the sector reports, where the allocations of operating and commercial risks must be specified.

Moreover whenever a process of liberalization, introducing competition *in* the market, is started decisions regarding the configuration of competition, the conditions of entry, the limitations of predatory behaviour etc. must be taken into account to prevent the market power of one or of more firms prevailing which might force solutions in favour of the leader(s) of the market. When the entire organization of the market is under scrutiny the overall procedure of regulation must be rather sophisticated, as is well illustrated by Antonioli and Massarutto in the waste sector.

Different sets of problems must be faced when what has to be regulated is competition *for* the market (when competition *in* the market is not feasible because of unavoidable increasing returns, a common case in local public services). Collusion must be avoided, opposition must be exercised against

the strong power of big private enterprises, sometimes multinationals, who can overwhelm the capacity of control of a single municipality, especially if small and/or inexperienced in tendering demanding services (Obermann 2007). The complex process of tendering needs to be managed with care and cannot be confined to mere cost considerations. The choice of the length of the concession, of the ownership of the network, of the contract assigning risks to the contractor or to the counterpart, and of the type of tender that should not favour the incumbent is certainly a difficult one. The greater are the difficulties in managing the regulation, the higher the risks that results will not be entirely satisfactory from the viewpoint of general interest. In the transport sector there is clear evidence that in major conurbations and metropolitan areas public transport is under public control and ownership: ‘... LPT services are complex services, for which outsourcing is not easy and transaction costs can be relevant, thus preventing or at least discouraging ampler steps towards external regulation (and provision of services by private firms)’ (Zatti 2011: 73).

The design of the process of regulation is very important for good results, but one cannot disregard the fact that behind the institution of regulation there is a political background which shapes concretely the general interest and which is crucial to achieve ‘good results’. The political background is a combination of the characteristics of the political body (with its own permeability to pressure groups), of the relationship between this entity and the regulatory board, of the quality and capacity of the public administration. Also very important is the identity of the controlled actor which, with its economic and political power, can become very influential in shaping the concrete solutions, bringing about the so called capture of the regulator.

From the sector reports, and in particular from some national studies, we know that the structure and assignment of political responsibility for the organization and provision of public services on local level differs in many respects and details. This observation is relevant for both dimensions of governance: the micro dimension which ‘is more concerned with issues such as accountability, corporate governance, transparency etc. But the wider issue is more “macro” or systemic, and is related to the broader design of the mission, and purpose, of these organizations in the policy perspective, (Florio and Fecher 2011: 365).<sup>13</sup>

Obviously, in reality the relationship between transparency and accountability is often very complex and difficult to perceive.<sup>14</sup> As this issue was neither explicitly addressed in the country studies nor in the summarizing sector reports

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<sup>13</sup> See more on the two dimensions of governance in Bernier (2011) and in Del Bo and Florio (2011).

<sup>14</sup> Monfardini (2010), Dubnick and Frederickson (2011).

we are not able to provide here a horizontal comparison and discuss possible explanations.

### 3.4 Funding policies

There are several ways to fund local public services: service charges and tariffs, taxes, and transfers. The evidence reveals that there is no uniform pattern. Each country has its own way to finance the services in the three sectors: national and sector-specific peculiarities favour 'individual' pragmatic solutions.

As a general trend, however, flow of funds coming from higher level of governments was reduced given the general situation of distress of public finance. This obviously had the consequence generally to raise tariffs to compensate the decrease of transfers. On the other hand EU policy was independently favouring this trend; the directives of the water sector require consumers to cover the costs (e.g., in the water sector by the Community Framework Directive 2000);<sup>15</sup> the same approach applies in the waste sector since the rule is that 'polluter pays', i.e. costs should be paid by the user that causes the waste). The overall trend is found also in the transport sector, where mostly the share of revenues by tariffs on costs have increased; the picture however is not homogeneous in this sector since we find some local authorities that have pursued a policy of very low tariffs to answer the need to favour public transport with a redistributive objective (Flemish and UK). The decrease of funds has had, according to Zatti (2011: 9), a negative influence on the ability of the local authorities to comply with the public task, particularly limiting investment activity.

Does this mean that an overall operation of regressive redistribution has been performed? In principle any undesired distributional consequences of the application of cost-covering charges could be compensated by appropriate economic-policy measures, such as a progressive tariff structure. However, in practice it could be difficult to establish workable solutions in competitive markets. Empirically one cannot give a clear answer to this question. More data should be available to analyze the new structure of the tariffs which could favour particularly people with lower income, leaving tariffs for them at a lower level even though the average tariff has increased. Moreover it should be known whether and in what degree the general taxation system which financed the deficits was progressive or regressive.

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<sup>15</sup> On the implementation of this directive see European Commission (2007).

#### **4 Concluding remarks and policy conclusions**

It should be mentioned that satisfaction of consumers with respect to price and quality of local public services was not explicitly investigated in the country studies.<sup>16</sup> Although there are Eurobarometer surveys and a few other evaluations of various public services available on the subject<sup>17</sup> the knowledge about citizens' satisfaction with specific services is modest and the methodology of the surveys needs more research.

Clifton and Diaz-Fuentes (2010) emphasize in a recent review of the evaluation of public services that 'relatively little scholarly attention has been paid to analyzing satisfaction' (p. 293). Their analysis of the Eurobarometer surveys since 1997 shows in detail that 'the Eurobarometer surveys on citizen or consumer satisfaction with SGI have undergone shifts in terms of the survey focus, questions posed, inclusion/exclusion of those surveyed, and survey outcomes' (p. 302). With respect to the findings on consumer satisfaction they conclude that 'EU citizens surveyed revealed very different results on service quality depending on the sector in question: ....Generally speaking, perception of satisfaction seems to be associated both to sector and nation ....' (p. 295).<sup>18</sup>

Another survey, recently provided by the PIQUE group, covering six European countries and using an alternative approach to extend available Eurobarometer findings, summarized the overall conclusion as follows: 'From a satisfaction perspective, one can conclude that citizens are generally satisfied with the quality of services. However, the level of satisfaction can vary substantially by sector and country, leaving substantial room for improvement' (van Gyues et al. 2009: 9).<sup>19</sup>

Considering the overall picture on consumer satisfaction and sector specific empirical evidence from different sources it seems reasonable to assume that – grosso modo – the provision of local public services in the three sectors works satisfactorily or at least 'on average' without serious problems and complaints.

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<sup>16</sup> However, some relevant information on water services is provided in Bauby (2012: 574–576).

<sup>17</sup> See for example a comprehensive review of Eurobarometer surveys and other evaluations of public services by Clifton and Diaz-Fuentes (2010).

<sup>18</sup> This statement is supported by findings of other studies investigating different sectors and determinants in more detail. Studies focus inter alia on potential effects of specific organizational models of provision on the satisfaction of users. See e.g. Fiorio et al. (2007) on consumer satisfaction in local public transport, and Fiorio et al. (2011) on consumer attitudes on services of general interest, using Eurobarometer data.

<sup>19</sup> See e.g. European Commission (2003).

Consumers seem to be partly aware of quality aspects and the development of services; their demand to improve services has to be articulated via the political process. This should be kept in mind when the question of the future course of the EU-policy is discussed.

The empirical evidence presented in the CIRIEC-studies on local public services in the three sectors allows the following concluding statements.

On the one hand, the general picture emerging from the details of the analyzed sectors is fairly heterogeneous. Some reasons for this – anticipated – outcome have already been mentioned while others are obvious. The mode of provision of local services in all three sectors displays in many aspects different characteristics and changes because of different structural conditions, different technical evolution and different production functions. This results in (more or less) different national developments and solutions for regulation, market governance, programming, provision and financing. Even within the same sector national solutions vary, e.g., different degrees of public ownership.

On the other hand, reviewing the empirical findings in the three sectors, we can clearly observe similar trends and developments in all areas of the analyzed local public services. This seems an important outcome of our research. A number of conclusions for economic policy decisions may be drawn from these observations and assessments.

What emerges clearly from the different papers, and especially from the three sector reports, is that unquestionably EU directives and regulations did have a definite impact on the way the services were supplied; however this has not produced a prevailing ‘European model’ in all member States. Our research shows clearly that as of now the EU area offers very different models of local public services. The variety of solutions adopted is impressive. Zatti in his report shows that in the transport sector we have at least four different models; similar conclusions are reached by Antonioli and Massarutto for waste and by Bauby for water. In other words, not only does each sector present its peculiar solutions so that they differ from each other, but even the differences within each sector are remarkable. The possible convergence that could have come from European directives and regulations did not occur, or if so, only weakly. Changes took place but they were the result of a very complex set of forces in which the European directives and regulations had only a limited influence. The outcome has been the result of interplay between the technological characteristics of the sector, its evolution and the political actors. Each concrete choice regarding regulation, market governance, planning and provision depends in the end on a negotiation between the central state, local authorities, bureaucracy, trade unions, pressure groups such as private enterprises and users of the service.

The study by Wollmann and Marcou (2010) on local public services in selected European countries arrived at very similar conclusions. 'Taking up the volume's guiding question as to whether the developments have been convergent or divergent from sector to sector and country to country, they (Wollmann and Marcou) argue that the chapters of the book invite ambivalent, if not contradictory conclusions. On the one hand, the (advanced welfare state-typical) public/municipal sector-centred model of public service delivery has been profoundly impacted by the combined onslaught of neo-liberal concepts ('lean government'), NPM tenets ('marketization') and EU policy ('market liberalization'). Hence, on the one hand, a (convergent) 'mega-trend' is apparent from public sector based service to 'privatized' service provision, be it through 'formal' ('organizational'), privatization ('corporatization'), or wholesale ('material', asset) privatization. On the other hand, within and notwithstanding these general trends, there is a significant divergence between the countries under study in developments on the 'micro' scale due to country-specific historical, institutional and political factors and particularities (Wollmann and Marcou 2010: 13).

The existence of different solutions adopted by different countries and within the same sector could mean that a (compulsory) policy towards a uniform solution, as frequently favoured by the EU, is not convincing and should not be supported. Germany and France, for instance, show different solutions in the water sector. Since there is no evidence that they are not more or less equally efficient and effective, they could represent appropriate forms of adaptation to national overall characteristics and changing citizens' needs.

There are convincing observations in all three sectors indicating that the realized institutional arrangements for the provision of local public services in each sector and country are to a considerable degree determined by the political and personal resources, capacity and expertise available to the authorities and actors involved in the process of planning, monitoring and delivery of specific services. Obviously, the prevailing historical, political and economic preconditions and especially individual experience of the member States in successfully organizing, managing and adapting the complex provision of local public services to the needs of the citizens in a changing world is different in the countries and sectors examined in our research. This should be kept in mind when thinking about (new) strategies or reform plans related to public services in the EU.

Florio and Fecher (2011) draw a similar conclusion with reference to a recent study by Warner (2011) on municipalities in the USA. 'Perhaps the most important lesson to be learned from this analysis is that it is mistaken to force local governments to adopt the same framework of solutions, for any service and under any circumstances. EU legislators, who often tend to impose similar reforms across Member States through directives, should consider that in the USA the majority of municipalities are not constrained in their options on service delivery,

and in two thirds of the cases surveyed had adopted either direct public provision, or inter-municipal co-operation, with contracting out a more limited and decreasing policy option' (Florio and Fecher 2011: 368).

With respect to recommendations on the policy of the EU we can address another important aspect. The interest in accessibility and affordability of essential public services like public transport, water, or waste management at local level prompts the question of the rationale of a Community definition of 'local public services of general interest'. This question must remain open but there are sound arguments to leave as much discretion as possible to the member States. Especially for public services at the local level it seems reasonable and convincing to assign the responsibility for defining the public interest in specific services (or universal services) to the member States and their authorities. Considering the national legal and administrative structures and resources, they should have as far as possible freedom in choosing proper organization models and providers for these important services. As the evidence shows the key challenge could be simply to let the member States experiment on their own relying on individual experience in order to realize solutions best compatible to country-specific political and economic requirements. Of course, such a 'liberal' policy needs to be accompanied by some European guidelines to preserve minimum standards and by the establishment of some sort of effective abuse control to prevent unfair practices or discriminating policies against private providers.

To sum up, this research project describes and points to important features of and differences in the provision of local public services in the three analyzed sectors in different European countries. It offers some insights into the structure of governance, ownership, and regulation and highlights major trends in the development of the services; furthermore, it helps us to draw preliminary conclusions and to formulate first policy recommendations. Nevertheless, it is evident that we need much more empirical research and in-depth analyses of case studies in different countries in order to understand and explain the economic determinants of the choice of particular modes of the provision of public services at the local level.

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## **Social Economy and Public Policies**

### **Elements for Analysis**

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#### **1. Introduction**

Explicit policies promoting the Social Economy, understood as a third large institutional sector, emerged during the 1980s in pioneer countries such as France and Spain and have spread throughout the last decade to other European and American countries.

This phenomenon has not been an isolated one but rather has been backed by international institutions, such as the General Assembly of the United Nations, with a report of the Secretary General, which in 2001 adopted a Resolution on the recognition of the role of cooperatives in social development which urges governments to put in place promotion policies; the International Labour Organization, which in 2002 adopted a Recommendation on the promotion of cooperatives (Recommendation 193/2002); the European Commission issued in 2004 a noteworthy Communication to the Council, to the European Parliament, to the European Economic and Social Committee and to the Committee of Regions on the Promotion of co-operative societies in Europe (23 February 2004, COM(2003)18); the European Parliament adopted a report on the Social Economy, the Toia report, which also urged governments to deploy policies on the matter; finally, in other latitudes other international organisations, such as MERCOSUR, have adopted similar positions.

In recent years the interest in the Social Economy by governments seems to have increased in the context of the crisis, given the need to bring about new policies aimed at tackling the crisis and implementing a new model of sustainable and sustained development. Notwithstanding the aforesaid, it is true that

the inclusion into public policies of different types of enterprises in the Social Economy has been a widespread practice in developed countries for decades. This latter fact has been more visible in sectorial policies, such as agricultural and rural development policies which have incorporated farming cooperatives and other agricultural associations, active employment policies that have included workers' cooperatives, employment enterprises, social enterprises and other Social Economy organisations regulating imbalances in the labour market, housing policies, lending policies and those combating financial exclusion as well as social policies and social welfare service policies.

This study is an attempt to introduce a framework of theoretical elements for the analysis of the Social Economy in public policy processes and for the emergence of specific Social Economy policies.

## **2. The Drafting Process of Economic Policy and the Emergence of Social Economy Policies**

In the classical view of the drafting process of economic policy (Kirschen, 1969; Lindblom, 1991; Arias, 1996; Cuadrado, 1997) several stages are distinguished:

1. Knowledge and recognition of the economic problems to be tackled by those centrally and peripherally responsible for establishing public policies, the so-called *policy makers*, until these problems are included on the public agenda;
2. Analysis – diagnosis of previous problems. This analysis is carried out on two levels, on the one hand, that of the perception or reading that the *policy makers* make of these problematic realities and on the other, that of the assessment of that reading in relation to the desirable situation of that problematic socio-economic reality. This cognitive exercise requires a theoretical model for understanding the working of social reality and is influenced by *policy makers'* values, beliefs and ideology. The result of this analysis is the possible justification for public intervention and setting of intervention objectives;
3. Once the need for intervention has been justified, the next stage is to choose and design the economic policy instruments or measures to enable the problem to be tackled. The choice of these measures is not neutral and generally is the subject of consultation with the peripheral *policy makers*;
4. The fourth stage is the application or execution of these measures on the economic reality, in which private parties may also be involved;

5. The fifth stage is the assessment of the efficacy of the economic policy, by evaluating the degree of achievement of the aims pursued in accordance with the means employed.

The introduction of many socio-economic players in the process, the central *policy makers*, such as politicians and public administration personnel, and the peripheral ones, such as social interlocutors, experts and pressure groups, with their respective behavioural logics, interests, ideology and views of reality, significantly increases the degree of complexity and potentially tensions and disputes within the process.

From this classical economic policy perspective, the existence of a particular public policy requires four basic elements to come together:

1. A visible *social or economic reality* and one conceived as the subject of public intervention,
2. A *public administration responsible* for economic action aimed at said social or economic reality,
3. *Objectives* to be achieved by said administration in respect of said reality to be acted upon,
4. A catalogue of *instruments* by means of which public policy may be put into operation.

We understand that there is no particular public policy when any of these for elements are missing. In this sense, for Social Economy public policies to be deemed to exist it is not enough for this social reality to be a live reality but rather that the authorities perceive and recognise it as such and include it in their political agenda, allocating to it authorized and resourced members of their administrative apparatus, and establishing the corresponding objectives and instruments. In this sense, in many developed countries the very existence of Social Economy policies may at present be questioned because in the main there is no consensus yet on the specific definition and functionality of the Social Economy in the system, which leads to its half-hearted recognition by the Administration as well as the scant articulation of specific policies. The non-existence of an agreed view of the field of the Social Economy on a social level, either academic or among public administrations with authority on the matter, hinders in that respect the construction of Social Economy policies. The amount of attention paid to actions aimed at certain 'territories' or families in the Social Economy which, if their action limits are defined, such as cooperatives in general, farming cooperatives in particular within the framework of the agricultural policy, or the Mutual Provident Societies within the mutual insurance services policy, is a different matter.

Studies by CIRIEC International (2000) and Chaves (2002) present, in this sense, an important classification of public policies and Social Economy of

great interest for this research project. These policies, depending on whether they are aimed at the Social Economy in its entirety or in part, recognise families within them. In this way *cross-cutting policies* may be distinguished as those policies aimed at the whole of the sector of the Social Economy. These are the central subjects of this collective study. Conversely, *sectorial policies* may be identified as those aimed at subfields of the Social Economy, whether they are large families or subsectors, e.g. non-profit institutions or workers' cooperatives, or some of their institutional forms (e.g. cooperatives).

The sectorial nature of these latter policies are closely related, on the one hand, with *sectorial policies whose sectorial nature is understood in the sense of the branches of economic activity*, such as farming policy, industrial policy or services policy, and on the other hand with more horizontal structural policies such as local and regional development policy, RDI policy, environmental policy or competition policy. Indeed, certain types of Social Economy organisations are especially important within the framework of certain sectorial policies (economic), logically the one most closely linked to problems in that economic sector, for example farming cooperatives in relation to the agricultural policy, housing cooperatives within the framework of housing policy or development NGOs within the framework of development cooperation policy. This latter fact is not surprising because, at the end of the day, these latter sectorial policies make up the responses of the Public Sector to the multiple demands or substantive problems of its benchmark socioeconomic system, similar to the fact that the appearance of multiple forms of Social Economy are the spontaneous responses of organised civil society to similar problems in the absence of an effective response both by the Public Sector and the traditional Private Sector. In many cases the initiatives of the Social Economy precede the action of the Public Sector when resolving problems, creatively proposing solutions, thus revealing a strong capacity for social innovation. Only later these solutions arising from civil society are assimilated and taken on by the Public Sector, which thus sees its scope of public action widened, both regarding objectives and instruments.

Two spheres have become keys in the implementation processes of Social Economy policies. Both correspond to two successive stages of the aforementioned political process:

The first sphere is that of convincing *policy makers* of the need to put in place policies of this kind, and consequently to include the Social Economy on political agendas. In this respect, putting forward high calibre arguments which justify these policies becomes crucial. This is the objective of the first part of this chapter. The scope of these arguments will determine the extent and structure of the policies deployed. In turn, these arguments will constitute the definition of the objectives of the policies promoting the Social Economy.

Once a pro-active vision of the Social Economy has been achieved by the *policy makers*, the next key sphere is that of the identification and choice of the most appropriate promotion instruments. In this context it becomes necessary to have a general theoretical framework of the available instruments. The provisions finally applied will be technical and political realizations of such instruments adapted to the national, sectorial and territorial realities.

### **3. The Justification of Public Intervention in the Sphere of the Social Economy**

From the perspective of economic policy, the authorities perform three basic tasks, namely, first, to establish the institutional framework in which the public and private players will operate, second, to actively intervene in the economic process in order to correct failures in the functioning of the market, and third, to reach the general aim of systematically satisfying in the most effective and efficient way social needs and to achieve the maximum economic and social welfare for the whole population.

From this perspective, there are three spheres from which public intervention on the Social Economy may be justified: the institutional framework, the market failures one and the maximization of the level of social and economic welfare.

#### ***The Justification from the Perspective of the Institutional Framework***

In the developed economies, the authorities must establish the country's regulatory institutional framework, setting their collective aims as a nation as well as the scope of action of the public and private players.

In this context there are three ways to justify special attention to the Social Economy by the authorities: one generic, linked to the collective aims of the nation, a specific one of explicit constitutional support to these kinds of enterprises and a third one ensuring equal opportunities in the private sphere.

The institutional framework presents as a first support the constitution of the States or the Constitutional Treaties of the Unions, in which the major collective aims of the Nation or the Union of countries are set out. Currently developed countries comprise social States, in the sense of contemplating as key constitutional objectives progress and social equity and urging the authorities to act in accordance with said objectives. Spain and the European Union are representative examples in this respect. Articles 1.1 and 9.2 of the

Spanish Constitution<sup>1</sup> establish that the State has an aim to achieve social equality, to promote social and economic participation and to guarantee fundamental social rights. Similarly, the first paragraph of article 2 of the Treaty of the European Union establishes:

The Union shall set itself the following objectives: to promote economic and social progress which is balanced and sustainable, in particular through the creation of an area without internal frontiers, through the strengthening of economic and social cohesion and through the establishment of economic and monetary union, ultimately including a single currency in accordance with the provisions of this Treaty.

If the public administrations, using their own resources, are incapable of providing satisfactory responses to these collective objectives, they are entitled to seek support and promote those social sectors, such as the enterprises of the Social Economy, that are capable of meeting such objectives.

This inclusion of the Social Economy in public policies may be realised on two levels, one the structural-constitutional and the other the programmatic.

On the structural-constitutional level, inclusion of the Social Economy in policies is realised at its highest legal level, that of the Constitution or Treaty of Union. As has been pointed out above, the major collective aims of a country or union of countries are made explicit in these Constitutions; they may also make explicit the positive contribution of the Social Economy (and its internal families) to that end as well as the mandate for promoting it. The constitutional framework, in this context, may make reference to the fact that certain social sectors are especially effective for achieving these collective aims. It is in this context that explicit constitutional mandates of recognition and support for the different kinds of Social Economy enterprises and organisations, such as cooperatives, appear. Thus, Art. 129.2 of the Spanish Constitution urges the authorities to promote co-operatives and access by workers to the means of production. This mandate is reproduced in the Statutes of several Spanish Autonomous Regions such as Catalonia, Andalusia or the Valencian Community. In Art. 80.4. of the latter the following is established: "The Generalitat shall promote ways in which workers may participate in the means of production and shall promote participation in

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<sup>1</sup> Art. 1.1. 1978 Spanish Constitution: "Spain is hereby established as a social and democratic State, subject to the rule of law, which advocates freedom, justice, *equality* and political pluralism as the highest values of its legal system".

Art. 9.2. 1978 Spanish Constitution: "It is the responsibility of the public authorities to promote conditions ensuring that freedom and equality of individuals and of the groups to which they belong are real and effective; *to remove the obstacles preventing or hindering their full enjoyment, and to facilitate the participation of all citizens in political, economic, cultural and social life*".

business and the creation of cooperative societies and other legal figures of the *Social Economy*".

At the programmatic level, inclusion of the Social Economy in policies is carried out within the framework of medium-term public policies, generally implemented throughout the term, within the framework, for example, of national reform plans or regional development plans, headed by a government (supra-state, state or regional) in cooperation with other political forces and social partners. If the social utility of the Social Economy is recognised by these public and private *policy makers* within the framework of the collective aims of those plans, the space conferred on this social sector will be extensive and explicit.

Thirdly, the authorities must establish an institutional framework to ensure competition between enterprises in the markets. In this context, they must guarantee equality of opportunities for the different kinds of entrepreneurship and thus ensure the terms of *economic pluralism*. Thus, the institutional framework must, firstly, legally recognise the different forms of economic entrepreneurship, secondly, it must guarantee equality of opportunities among them, and thirdly, it must remove all kinds of legal obstacles from the operation of the different kinds of enterprise in any sector of the economy.

Equal opportunities in the different kinds of enterprises must be ensured at two moments, at the start of the entrepreneurial activity, offsetting the major relative costs that some present on start-up, and in business development and consolidation by placing opportunities in the markets on an equal footing. All this in order to achieve real economic pluralism based on a variety of entrepreneurial forms, as contained in the recently adopted Opinion of the European Economic and Social Committee on the 'Diverse forms of enterprise' ((2009/C 318/05, OJEC 23.12.2009).

The legal framework must recognise the specificity of the kinds of business of the Social Economy by providing for the principle of democratic decision and the limitations in the distribution of surpluses and profits which characterise them. These microeconomic specificities define a particular *modus operandi* which is not neutral: it gives rise to greater operational loads on economic subjects who opt for these legal statutes. Indeed, these legal forms of Social Economy internalize the social costs they entail, costs linked to said democratic decision-making process, to the means of distribution and the nature of the goods and services they produce and provide, generally preferential goods. Contrarily, profit-making private companies tend to externalize different types of private costs. The result of this situation is that, from cost-benefit calculations, where possibilities, advantages and disadvantages are assessed, economic subjects (entrepreneurs) tend to be discouraged from using these legal statutes in the interest of other business forms, identifying optional legal economies. From the perspective of guaranteeing



equal opportunities between the different organisational kinds, the authorities must correct these imbalances using the institutional framework, by establishing measures to compensate the higher relative costs of Social Economy enterprises.

### ***Justification from the Perspective of Market Failures and Institutional Failures***

The second sphere of justification for public intervention in matters of the Social Economy is that of correcting multiple market failures and “institutional failures”. The failures which public intervention must tackle are of different kinds: they are the ones relating to information imbalances of the economic agents, imbalances in financing, problems linked to the training of human capital, problems of resource allocation of in technological and organisational innovation processes and problems of access to public and international markets (Fonfría, 2006). The majority of market failures in SMEs are also those in Social Economy enterprises, given that the latter are usually small. However, their institutional nature, based on democratic decision-making processes and a means of distribution of surpluses and specific profits, bring added difficulties, a source of institutional failures which must be corrected by public intervention.

Public intervention should correct the following list of failures:

- These social companies find added information imbalances regarding business and legal information and advice, due to their legal specificity.
- For its part human capital require in these enterprises additional training in organisation and decision-making aspects due to their greater structural involvement in business organisation and management.
- To the typical difficulties of SMEs of access to financing, basically linked to the greater relative cost of access to this financing and to the guarantees and terms demanded for obtaining it, is to be added the lesser incentive of capitalist investors to invest in Social Economy enterprises. This latter is justified by the restricted access to business decision-making processes that the capital factor and capture of benefits finds in proportion to their investments.
- Regarding technological innovations and access to public and foreign markets, similarly, to their own difficulties linked to their capacity of SMEs are to be added those linked to their very business behaviour logic, more prone to valuing the work factor in the technological and organisational change processes – to the detriment of labour/saving innovations – and in relocation or decentralization of production processes. The consequences are its tendency to opt for business strategies closely linked to satisfying the demands of the territory of origin and

fewer expectations of growth, to the detriment of strategies which could be more economically profitable.

***Justification from the Perspective of Micro and Macroeconomic Benefits of the Social Economy and its Contribution to the Achievement of Collective Aims***

In the generation of micro and macroeconomic benefits by the Social Economy, public intervention finds its third sphere of economic foundation in this field (Chaves and Monzón, 2012).

Economic theory of externalities is a strong referent in this respect. Pigou, in the 2000s, defended public intervention over the externality issuer, levying taxes on it if the externality was negative and subsidising it or compensating it if the externality was positive. In this way the externalities generated by each private player in the economies were internalized, by taxation or subsidy. If, as is the case of the Social Economy, externalities, or macroeconomic benefits are positive, it must be subsidised.

In this context, comparative analysis between the two private institutional sectors, the traditional capitalist one and the Social Economy, is appropriate. The scientific literature has shown that the former, although economically efficient, generates *welfare market failures*, or negative externalities, such as the growing inequality in the distribution of wealth, imbalances in the labour and social welfare service markets, as well as inefficiencies in the allocation of resources in contexts of poor social demands. This contrasts with the behaviour of Social Economy enterprises, generating lots of positive externalities (Fraisie *et al.*, 2001; Greffe, 2007).

The main spheres where social benefits or positive externalities have been seen by Social Economy enterprises are, from an economic aspect, in the correction of the various labour market imbalances, in the production of preferential goods, in local development and territorial autonomy, in social cohesion and in combating poverty and exclusion, in social innovation, in the democratisation of business and in the contribution to a more equitable distribution of income and wealth, from the political aspect, in the improvement of the efficacy of public policies, in widening democracy and citizen involvement, and finally from the social aspect, in the ability to generate and maintain social capital and the social fabric as well as generate and develop civic values (Berger and Newhaus, 1977; Chaves and Monzón, 2008; Enjolras, 2010). The following table summarizes in schematic form these functions of the Social Economy.

**Table 1 – Functions of the Social Economy**

<b>Functions</b>	<b>Content</b>
<i>economic</i>	<ul style="list-style-type: none"> <li>– Correction of failures in the provision of goods and services (private and public goods)</li> <li>– A more equitable distribution of income and wealth and combating poverty</li> <li>– Correction of failures in the provision of resources (capital, labour, entrepreneurial function)</li> <li>– Regulation of economic cycles</li> <li>– Combating restrictive practices in competition and monopolies</li> <li>– Correction of the unequal distribution of growth in local space and development</li> <li>– Generation of positive externalities and internalization of negative externalities</li> <li>– Correction of failures linked to technological and production change (innovation, restructuring of production sectors and business fabric)</li> </ul>
<i>political</i>	<ul style="list-style-type: none"> <li>– Improvement of democracy (extensive and qualitative) and of active citizenship <ul style="list-style-type: none"> <li>. enables expression and representation of under-represented interests</li> <li>. generates public spaces for deliberation</li> <li>. they are spaces for acquiring competencies and public virtues – schools for democracy –</li> </ul> </li> <li>– Improvement of the efficacy of public policies</li> </ul>
<i>social</i>	<ul style="list-style-type: none"> <li>– Generation and maintenance of relational and social capital</li> <li>– Generation of social cohesion as opposed to social, consumer and financial exclusion</li> <li>– Generation of commitment, voluntary nature and social cooperation</li> <li>– Generation and preservation of social values based on reciprocity, social equity, collective responsibility, commitment and solidarity</li> </ul>

#### **4. Instruments of Policies Promoting the Social Economy**

What range of Social Economy promotion instruments may be used by *policy makers*? Which have proved to be most effective and efficient in relation to certain final and intermediate objectives?

The Social Economy is a different business sector in economies. Because of its macroeconomic operating characteristics and its macroeconomic effects it may be considered by *policy makers* in two ways, on the one hand, as a collective aim in itself, in the sense of constituting the materialization of a socially and economically desirable model. On the other hand, it may be understood as a suitable instrument for achieving great collective aims such as territorial development, social cohesion, the correction of labour market imbalances, financial inclusion and social innovation. In both cases, development of this business sector is a public aim, the final in the first case, and an intermediate one in the second. How can we promote the development of this business sector?

The economic literature identifies two large spheres of public economic action in relation to business promotion: on the one hand, the business environment and on the other, entrepreneurial competitiveness.

The creation and development of enterprises requires favourable external conditions, that is, an environmental, institutional and cultural framework which favours their emergence. Seminal works such as those of Gnyawali and Fogel (1994), Gibb (1993) and Shapero and Sokel (1982) have highlighted the importance of the environment on the promotion of entrepreneurship, emphasising the first five dimensions:

1. public policies and regulations, such as for example legislation on the economic sector where the enterprises are going to operate,
2. the socioeconomic conditions, among which are included the social attitudes to entrepreneurship and recognition of its social value,
3. entrepreneurial skills, including the existence in the environment of information centres and training for entrepreneurs,
4. financial support for entrepreneurs,
5. non-financial support for entrepreneurs, such as consultancy, technical assistance, support for research and the articulation of business networks.

When these factors cooperate among each other and they feedback into territories, integrating public and private actors, environments especially suitable for entrepreneurial dynamism are created which have received attention from the scientific community with concepts such as dynamic entrepreneurial ecosystems and territorial systems of innovation. These environments motivate and teach entrepreneurs to take advantage of the opportunities that the environment itself provides them with.

Such theoretical elements require adaptation to the institutional and economic reality of the Social Economy. Following Chaves (2002 and 2010), two large groups of promotion policies of the Social Economy may be distinguished: on the one hand *soft policies*, those aimed at establishing a favourable environment in which these types of enterprise emerge, operate and develop, and on the other *hard policies*, aimed at the enterprises themselves in their capacity of business units.

*“Soft policies”*, aimed at creating a favourable environment for the creation and development of Social Economy enterprises, may be subdivided into two groups, institutional policies and cognitive policies. They correspond, and go beyond, the first three kinds of classification by Gnyawali and Fogel (1994).

Institutional policies are aimed at institutionalising the Social Economy in the legal and economic system on several planes:

- firstly, legally recognising the different identity of the Social Economy and its internal families (for example, with a Framework Law of Social Economy, Social Economy “label”, or cooperative or

social enterprise laws). This recognition evidently presents implications for the social visibility of the sector.

- secondly, recognising the ability of these enterprises to operate in any economic activity sector, and therefore, removing any regulatory obstacles to the establishment of Social Economy enterprises existing in certain economic sectors,
- thirdly, to recognise the co-protagonist capacity of the Social Economy in the public policy drafting and implementation processes, which entails its representative organisations be included in the different participation bodies, institutionalised ones such as economic and social councils or not such as the social dialogue roundtables.
- fourthly, to establish bodies at the heart of the public administration itself specializing in overseeing and promoting the Social Economy.

Cognitive policies are intended to influence the cultural environment, ideas. On the one hand, they operate on the general visibility of the Social Economy and on the receptiveness and social acceptance of entrepreneurship in the Social Economy. The measures used are dissemination of generic and specialized information to focus groups (such as promotion groups, consultancies, etc.). On the other hand, they operate on training and specialist research on the Social Economy. Examples of measures are the inclusion of Social Economy matters in university degree programmes or the creation of specialist training centres on the matter, as well as research into technologies typical of democratic cooperative government, into participatory leadership, comparative taxation and accounting, etc.

*Hard policies* are aimed at intervening in the economic process of Social Economy enterprises with incentives, both from the supply side, promoting its economic competitiveness in the different business roles in the value chain, and from the demand side, improving access of these social enterprises into public markets and international markets.

Table 2 summarizes this category of measures.

Depending on the real situation of the reference territory and the degree of development of its Social Economy, the authorities must prioritize some kinds of policies over others. Thus, in regions with a scant deployment of Social Economy enterprises, through ignorance or the meagre value placed on them or even discredit of these forms of enterprise, it is reasonable that at first stress is laid on cognitive policies. In realities where the Social Economy is more consolidated, the main stumbling blocks to development of the Social Economy may be found in the institutional framework. This is the case of France and Spain, who for years have tried to implement Framework Laws on the Social Economy that legally recognise

this form of social entrepreneurship and recognise it as a major social interlocutor in the drafting processes of public policies of various kinds. To date only Spain has achieved it<sup>2</sup>.

**Table 2 – Typology of policies promoting Social Economy enterprises**

<p><b>1. “Soft” policies. Policies aimed at creating a favourable environment for enterprises</b></p> <p><i>1.1. Institutional measures</i></p> <ul style="list-style-type: none"><li>- measures aimed at the legal form as a Private Player</li><li>- measures aimed at recognising the ability to operate Social Economy enterprises in the whole economic activity sector, removing any obstacle there may be</li><li>- measures aimed at recognising Social Economy enterprises as Political Player, an interlocutor in the drafting and implementation of public policies</li><li>- public organisations promoting Social Economy enterprises</li></ul> <p><i>1.2. Measures of a cognitive kind</i></p> <ul style="list-style-type: none"><li>- Measures for disseminating and knowledge of Social Economy enterprises by society</li><li>- Measures for promoting training in Social Economy enterprises</li><li>- Measures promoting research into the Social Economy</li></ul> <p><b>2. “Hard” policies. Economic policies promoting enterprises</b></p> <p><i>2.1. Supply measures, aimed at improving competitiveness among Social Economy enterprises</i></p> <ul style="list-style-type: none"><li>- They are implemented with budgetary, fiscal and other financial support measures, technical and training, support measures, etc.</li><li>- They are distinguished according to the life cycle of the enterprise (depending on the creation or stage of development of the business)</li><li>- They are distinguished according to the business role to be strengthened (financing, consultancy/advice, training, employment and human resources management, cooperation and networks, R&amp;D and innovation, quality, new computing and communication technologies, physical space, etc.)</li></ul> <p><i>2.2. Demand measures, aimed at the level of activity of Social Economy enterprises</i></p> <ul style="list-style-type: none"><li>- Measures aimed at providing ease of access to foreign markets and public markets (such as social clauses)</li></ul>
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Source: Adapted from Chaves (2010: 164).

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<sup>2</sup> Law 5/2011, of 29 March, of Social Economy, Spain.

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Rafael Chaves (2013)

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## INTRODUCTION

# **The Future of Public Enterprise**

## **Another Look at an Old Idea**

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### **Introduction**

Despite the large-scale privatisations over the last three decades (Bognetti and Obermann, 2008), Governments, either at national or local level, still own or partly-own a wide range of organisations providing public services (and of course other functions). They have also created new ones. For several reasons, privatisation policies have left under the control of Government a core of public enterprises. The question arises: how should Governments define the missions, the performance criteria, and the governance mechanisms of the old and newer public enterprises in a changing environment?

CIRIEC's International Scientific Commission on Public Services/ Public Enterprises has launched an international research project to revive the subject of public enterprise as an important field of analysis in the perspective of public economics and of social sciences in general. Special issues of *Journal of Economic Policy Reform* (2014) and of the *Annals of Public and Cooperative Economics* (2015) have been published or will be in the near future in relation to this book that is an essential part of this project. The book includes fifteen cases studies

that have been presented at the Milan European Economy Workshop in June 2013 that has been co-financed by the funds of the Jean Monnet Chair of European Union Industrial Policy and CIRIEC.

This introduction presents the context, rationales, concepts, scope of the analysis, methodology of the project that have lead to these cases studies that are presented in the following chapters. At the end of the book, a general conclusion presents the lessons learned.

## **Context**

According to Christiansen (2011), who reports the results of a wide data collection exercise, State-owned or partly State-owned enterprises (SOE) in the OECD Members States employ more than 9 million people, are worth USD 3 trillions in terms of net assets, and are mostly concentrated in the network industries and the financial sectors. In absolute terms, countries as diverse as the USA, Japan, France, Italy, UK, Poland, Turkey, Canada, just to mention some, stand out as the hosts of important SOEs. These include mostly public utilities, but – following the recent global crisis – also temporarily, for example, a major car manufacturer in the USA (General Motors), one of the biggest banks of the world (Royal Bank of Scotland), and other entities as well as insurance companies.

The OECD survey is incomplete in terms of country coverage, and of type of firms. For example, the very large number of municipally-owned utilities in Germany or in the Scandinavian countries are not covered. Some information at country level is provided by CEEP (2010), which focuses, however, on the different issue of mapping the provision of services of general interest in Europe. Thus, the exact definition and statistical information on contemporary public enterprises are relatively un-surveyed.

Nevertheless, it is beyond doubt that Governments in Europe and elsewhere (fully or partly) own a large number of organisations providing public services. These include inter alia electricity and gas supply, telecommunications, postal services, water and sewage, waste collection, local transport, railways, ports and airports, and several others. In many countries, core financial players are under the control of Governments, including major banks, insurance companies, pension funds, etc. Social services, such as health, education, childcare, vocational training, etc. are still widely supplied by public organizations, in some cases as trusts, public corporations, public-private-partnerships (PPPs).

In this book, we shall refer to “public enterprises”, in the broad meaning of organisations (a) directly producing public services, either through liberalized market arrangements or under franchised monopoly, (b) ultimately owned or de facto controlled by public sector entities, (c) with a public mission that

can be identified in legislation, regulation, statutes, etc., (d) whose ownership in principle can be shifted to the private sector.

This definition excludes from our scope of research several other organisations:

- manufacturing companies owned directly or indirectly by the public sector;
- departments or agencies, which deliver core government functions (defence, law and order, etc.);
- companies which have been put temporarily under Government control following a bankruptcy, or for other reasons, but for which no public mission can be identified (more on this below).

In this perspective, Governments still own substantial productive assets, recruit managers and employees, and accumulate human capital in the public sector, in activities where private investors actually or potentially operate as well. Is this fact a remnant of past history, due to delays in the privatisation agenda, or is it a symptom that public enterprises will remain with us in the future? And, if the latter holds, how can we explain and forecast the survival of these organizations? The case studies presented here illustrate how varied the experience of public enterprises can be and how they can adapt to changing environments in different parts of the world.

## **Conceptual Framework**

### ***Public Mission – Definition***

Given our definition of public enterprises, it is important to distinguish two different issues related to public missions of the organizations to be considered: missions of general interest, and public service missions (CEEP-CIRIEC 2000).

#### *General Interest Goals*

Governments always have some broad objectives in terms of macroeconomic and other national policy goals. These include for example policies related to employment, containment of inflation, promotion of research and development, of human capital, of fixed capital accumulation, competition and industrial policies. The internalisation of these objectives from public and private enterprises depends upon laws and other forms of regulation. Historically, public enterprises have been involved in these general interest goals in several ways: for example, they had to sustain public investment, to employ labour in certain regions; they were not allowed to increase their tariffs in times of high inflation, etc. Market opening clearly constrains the potential commitment of

public enterprises in these areas of Government intervention. And via regulation, the European Union for example also subjects state aid to scrutiny.

### *The Public Service Mission*

Under a more direct mechanism of control, public enterprises are required to perform certain specific tasks. Here Government ownership may act through hierarchical linkages. While issues of principal-agent relations and of asymmetric information have been discussed in the context of any regulated organisation, public enterprises are closer to the public principal, and hierarchy is a more effective mechanism than under private ownership. Specific forms of universal service obligations, in principle, can be applied to any service provider, including the private ones, but the direct linkage between Ministries, regional Governments, Mayors and public service providers is a powerful internalisation mechanism.

### **Research Object and Proposed Methodological Approach**

The traditional normative theory of public enterprise started often from a set of assumptions, such as statutory monopoly at national or local level, the direct relationship between public planning and service provision, symmetric information between principals and agents, departmental regulation of prices, etc. These assumptions are less realistic today. In contrast, contemporary public enterprises are often operating in the context of mixed oligopoly, exposure to international markets, regulation by independent authorities, information asymmetries, and a less close relationship with public policy making. In many cases the legal arrangements for public enterprises have changed as well, from public sector entities subject to administrative law toward corporate entities subject to civil law, applicable in similar ways to privately owned organisations.

If public enterprises are to survive in the next decades, what kind of predictions and prescriptions can be distilled by modern public economics theory, and by the advancement of other social sciences, in order to improve their efficiency and effectiveness? Can we learn from privatisation and re-nationalisation? This book offers a few answers that will have to be completed by future research.

One possible approach to look at these two broad questions (actual missions and normative theory) is to focus on *case studies of contemporary public enterprises*. In an evolutionary perspective, organisations which have been able to adapt themselves to the new post-privatisation/ liberalisation environment may suggest lessons to be learned, drawing from their resilience and change in the new context. There is also something to learn from failures in the adaptation process and of mixed results.

The most promising candidate case studies have been selected based on a call for proposals. The number of selected organizations does not always need to be high. Albert Hirschman built his seminal book “Development Projects Observed” around eleven case histories. Elinor Ostrom also used a limited number of case histories in her work on common goods. There are several other examples in social sciences of influential research based on limited, but well-chosen and carefully analysed case studies, and we should be inspired by former research based on this approach.<sup>1</sup> The fifteen case studies presented here can also be supplemented by recent work built in similar fashion (see Lethbridge, 2014; Macdonald, 2014).

The case studies focus on a set of specific themes including at least the six following ones.

#### *Public Mission Market Opening, and Performance*

Under market opening, a plurality of actors enter the arena of public services provision, from multinationals to NGOs, from public-private partnerships (PPPs) to municipally or State-owned enterprises, and compete in some way. They have different performance criteria: financial profitability for private investors, social welfare for public enterprises, or combined criteria for PPPs. Competition can take the form of competition in the market, or for the market (à la Demsetz). How can missions of general interest, and specific public service missions, be accommodated in this environment? Does this plurality of players lead to stable equilibria? Under which conditions does public ownership welfare-dominate other arrangements? Is market opening desirable *per se* or is it wasteful in some cases? Models of mixed oligopoly have tried to answer the questions, and some empirical studies have been carried out in this area. There is however less evidence on the adaptation necessary to the public enterprise to survive the change. Is in fact the adaptation destroying the public missions of the organisation? Or can the general interest and public service missions be preserved within the new environments and strategies? What can we learn from case studies of contemporary and past arrangements under market opening?

#### *Governance*

This topic has been widely researched for private organisations in recent years, also because of the perceived wide failures of arrangements in such industries as banking, or in large listed companies, etc. Do we have any evidence that some governance mechanisms are more effective for public enterprises? Is the huge literature on corporate governance of large private firms relevant to public enterprises, with citizens as the ultimate owners instead of

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<sup>1</sup> See for example, World Bank, 2005; Flyvbjerg, 2006.

shareholders and consumers? The OECD and the World Bank have occasionally suggested corporate governance principle for public enterprises, when privatisation is unfeasible or undesirable. The New Public Management (NPM) literature has suggested quasi-market mechanisms. There are traditional and new questions in this domain. Who appoints managers? To whom are they accountable? How to pay them? How to measure the performance? Should industrial relations be designed to imitate the private sector? To what extent should employees and consumers be represented in the governance of public enterprises?<sup>2</sup>

### *Regulation*

The relationship between public enterprises, regulators and policy makers is now perhaps more complex than it was in the past. Do independent regulators, which after all are public sector employees, bring an added value when public enterprises are concerned, or do they add to the transactions costs of their management? Do managers tend to capture regulators? How do regulators act when they face a mixed oligopoly? The current regulatory economics literature focuses more on the issue of “incumbents” and asymmetric regulation, but often tends to skip the paradoxes arising from different public sector entities, which interact in the market. It would be important to understand the nature of the relationship between regulators, Ministries, and public enterprise managers, as this is perhaps the most important change in the architecture of government that has changed the role of public enterprises, beyond the Morrisonian tradition of arms’ length control.<sup>3</sup>

### *Finance*

Public enterprises used to be financed in three ways, according to countries and sectors: transfers from the Treasury (i.e. general taxation), bond finance, and tariffs. One core aspect of the traditional doctrine of public enterprise was optimal pricing, e.g. the Ramsey-Boiteux view of the case of budget constrained firms (which is the normal case under EU state aid legislation). In the Laffont-Tirole framework the optimal pricing mechanism has been widely modified by principal-agent issues. In practice, there is limited evidence that price equilibria in regulated mixed oligopoly have converged towards socially efficient pricing of a sort. Which is or should be the pricing strategy, if any, of public enterprises in the current circumstances? This issue is closely related to the next topic. Transfers from the Treasury are now limited by State aid regulations in the EU, but exceptions

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<sup>2</sup> See for example Palcic *et al.*, *On employees’ ownership in the transition from public to private ownership*, 2011.

<sup>3</sup> This is common law term (see e.g. <http://www.duhaime.org/LegalDictionary/A/ArmsLength.aspx>), which needs a careful re-thinking today in our context.

are still possible. Bond finance, assisted or not by guarantees from the state, is also a current opportunity. In some cases, indirect international bond finance is possible (e.g. by the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), World Bank). What should be the optimal financial mix for the future, learning from the experience?

### *Distribution and Social Welfare*

Another core concern of the traditional theory was about distributive issues. Cross-subsidies of tariffs were used to force universal coverage under balanced budget, and other mechanisms were in place to ensure the distributive mission of public enterprises. Do public enterprises still perform a role in redistribution of welfare, or has this role been definitively delegated to taxation/subsidies and other mechanisms? There is considerable literature on these issues,<sup>4</sup> for example related to fuel poverty, but the way social affordability of public services should be achieved is still lacking an adequate frame of analysis.

### *Implementing the General Interest Goals*

Public enterprises, as mentioned, and recently restated by Millward (2011), had also some political functions, related to national or local strategies. This was or still is also a matter of perceptions by users and by decision-makers. Examples are issues of territorial cohesion, security of supply, strategic considerations. Are some of these issues still important today for public enterprises in some sectors?

### *Others*

Additional topics include, for example:

- the consequences for public enterprises when owners or stakeholders are spread over different Government levels and jurisdictions;
- human resources, including education and background of managers, incentive pay, role of trade unions and industrial relations in general;
- corruption and quality of institutions;
- climate change, environmental considerations, sustainable development, etc.

### ***Scope of the analysis***

As mentioned in section 2, in this project we use the label “public enterprise” in a broad meaning. We encompass in the scope of the analysis different levels of Government, including local Government, but in principle also

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<sup>4</sup> See for example Clifton *et al.*, 2011.



inter-governmental agencies which cannot be considered as belonging to the “State”.<sup>5</sup>

Public enterprises analysed in this book cover various sectors such as water, electricity, financing. They are in both Americas and Europe. They also come from very different administrative traditions such as the German and the Italian or the Canadian.

The case studies have been written around a common template which considers the following topics within a unified framework:

- Identification of the enterprise
- History
- Public mission
- Operations
- Performance
- Governance
- Regulation
- Tariffs, Investment, Finance and Distributional Issues with respect to Public Missions
- an Open Section, and
- Conclusions and Lessons Learned.

## **Methodology**

The proposed research approach for the wider project was divided in three. First, critical reviews of literature on the recent advances in the theory and empirical analysis of public enterprise in general (not limited to one sector or country/continent); two, the selection of interesting case studies of contemporary successful or less successful public enterprises, focussing on their internalised public missions, performance and governance, and analysing them according to the annexed template; and synthesis and lessons learned, with a focus on policy implications for the future.

The collection of case studies is the core of the research project and of this book. Participants to the project were asked that each report should focus on the last ten to twenty years of the selected public enterprise, and should achieve a good understanding of the performance of the enterprise,

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<sup>5</sup> See e.g. Warner, *About inter-municipal entities in the US*, 2011; Bernier, *About federal versus provincial public organizations in Canada*, 2011.

its governance mechanisms, relationships with government and regulators, competition issues, pricing and finance, management and principal-agent problems, organisation's role in terms of social identity and cohesion, etc. The case studies, crucially, needed a combination of desk research from a variety of sources (including existing studies, company reports and websites, press, etc.) and of interviews of different stakeholders. In some cases this can be evaluated in terms of social costs and benefits in quantitative terms, but in other cases a more qualitative assessment may be necessary (Del Bo and Florio, 2012). The case studies presented in this book reflect these various possibilities.

## Organisation of the Book

The book is divided in three sections according to the nature of the industries.

In the first section, the five chapters discuss public enterprises in the water and sewage sector. These enterprises are in four different European countries and in Peru. They present an interesting portrait of the transformation of the industry under various administrative traditions and regulatory frameworks. In Paris, it is the return to the State, two cases of renationalisation, a topic that has to be better studied in the future. In other cases, it is the adaptation to changing conditions with the perpetuation of the necessity of offering the basic service to the population.

In the second series of cases studies, we give an overview of some transportation services. From how local transport is organised in Vienna and Brussels, we move to the essential link offered by British Columbia ferries on the west coast of Canada to the as important economic role played by airports in modern Ireland.

In the third section of the book, we look at various public enterprises that also illustrate the possibilities of the formula. Ontario has created a new agency to deal with pressing infrastructure needs. The French postal service has had to face the difficulties acknowledged by all postal systems around the world and found new solutions to a declining industry. The two Italian cases that follow are indicative of the tensions to adapt to the new reality of their economic sector and the need to be more efficient. In Quebec, a financial institution created in the modernisation drive of the 1960s has redefined itself several times to continue its intervention in the economy. Finally, the *Stadtwerke Köln* is an intriguing case of an integrated public conglomerate that offers many services to the population of the city.

The lessons learned from these cases are summarised in the conclusion of the book and are linked to some of the recent development in

the scientific literature on the topic and to the case-study methodology literature. Public enterprises are important in this century as they have been before the privatisation drives that started in the 1980s but they are different from their predecessors, among other things in terms of governance and performance. The cases presented in this book offer a picture from various industries and countries.

As also discussed in the conclusion, although we should not generalise too largely from case studies, important lessons and hypotheses can be drawn from this collective research effort for further studies and public policies of the future.

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## CHAPTER 2

### THE SOCIAL ECONOMY CONCEPT AND THE MAIN THEORETICAL APPROACHES RELATED TO IT

José Luis Monzón Campos, J. L. & Rafael Chaves Ávila

#### 2.1. Present-day identification and institutional recognition of the Social Economy

The previous *Report on the Social Economy* for the EESC<sup>1</sup> included an account of the historical evolution of the concept of the social economy, from its origins in the 19<sup>th</sup> century through to the second half of the 20<sup>th</sup> century.

Identification of the social economy as it is known today began in France, in the 1970s, when the organisations representing the cooperatives, mutual societies and associations created the National Liaison Committee for Mutual, Cooperative and Associative Activities (CNLAMCA). From the end of the Second World War to 1977, the term 'Social Economy' had fallen out of everyday use, even among the 'families' in this sector of economic activity. European conferences of cooperatives, mutual societies and associations were held under the auspices of the European Economic and Social Committee in 1977 and 1979 (EESC, 1986). In June 1980, CNLAMCA published the *Social Economy Charter*, which defines the social economy as the set of organisations that do not belong to the public sector, operate democratically with the members having equal rights and duties and practise a particular regime of ownership and distribution of profits,

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<sup>1</sup> Monzón, J.L. & Chaves, R. (2012). *The Social Economy in the European Union*. Brussels: EESC

employing the surpluses to expand the organisation and improve its services to its members and to society (Économie Sociale, 1981; Monzón, 1987).

These defining features have been widely disseminated in the economics literature and outline a social economy sphere that hinges on three main families, cooperatives, mutual societies and associations, to which foundations have recently been added.

The most recent conceptual definition of the social economy, drawn up by its own members, can be found in the *Charter of Principles of the Social Economy* of Social Economy Europe<sup>2</sup>, the European-level association that represents the social economy. These principles are:

- The primacy of the individual and the social objective over capital
- Voluntary and open membership
- Democratic control by the membership (does not concern foundations as they have no members)
- The combination of the interests of members/users and/or the general interest
- The defence and application of the principle of solidarity and responsibility
- Autonomous management and independence from public authorities
- Most of the surpluses are used in pursuit of sustainable development objectives, services of interest to members or the general interest.

The rise of the social economy has also been recognised in political and legal circles, both in Spain and in Europe. Six European countries have already passed social economy laws: Belgium, Spain, Greece, Portugal, France and Romania. In 1989 the European Commission published a Communication entitled "Businesses in the "Économie Sociale" sector: Europe's frontier-free market" In 1989, 1990, 1992, 1993 and 1995 the Commission promoted European Social Economy Conferences in Paris, Rome, Lisbon, Brussels and Seville. Subsequently, a number of European conferences have been held. In 1997 the Extraordinary European Council meeting in Luxembourg (known as the Luxembourg jobs summit) recognised the part that social economy enterprises play in local development and job creation. The Council of the European Union has adopted a Resolution on 'The promotion of the social economy as a key driver of economic and social development in Europe'<sup>3</sup>.

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<sup>2</sup> In *Declaration finale commune des organisations européennes de l'Économie Sociale*, CEP-CMAF, 20 June 2002.

<sup>3</sup> Council conclusions of 07/12/2015

In the European Parliament too, the parliamentary Social Economy Intergroup has been in operation since 1990. In 2006 the European Parliament called on the Commission “to respect the social economy and to present a communication on this cornerstone of the European social model”<sup>4</sup> and in 2009 it adopted a Report on the Social Economy that recognised the social economy as a social partner and as a key operator for fulfilling the Lisbon Strategy objectives (Toia Report, 2009). The Intergroup has also asked the European Commission to implement an Action Plan for the social economy in 2017.

For its part, the European Economic and Social Committee (EESC) has published numerous reports and opinions on the SE’s contribution to achieving different public policy objectives.

## **2.2. The Social Economy in national accounts systems**

National accounts systems perform a very important function in providing periodic, accurate information on economic activity, as well as in working towards terminological and conceptual harmonisation in economic matters to enable consistent, meaningful international comparisons to be drawn. The two most important national accounts systems currently in force are the *United Nations’ System of National Accounts* (2008 SNA) and the *European System of National and Regional Accounts* (ESA 2010). The 2008 SNA gives national accounting rules for all the countries in the world. ESA 2010 applies to the member states of the European Union and, apart from minor differences, is fully in line with ESA 2008.

The thousands or millions of organisations (*institutional units*) that conduct productive activities in each country are grouped into five mutually exclusive *institutional sectors* which comprise the economy of each country: 1) non-financial corporations (S11); 2) financial corporations (S12); 3) general government (S13); 4) households (as consumers and as entrepreneurs) (S14); 5) non-profit institutions serving households (S15). The organisations that make up the social economy (SE) are spread throughout all these sectors except for general government.

The European commission has prepared a *Manual for drawing up the Satellite Accounts of Companies in the Social Economy (co-operatives and mutual societies)*, and satellite accounts of cooperatives and mutuals based on this manual have already been drawn up in Spain, Belgium, Serbia and Macedonia, in the year 2011. The National Statistical Institute of Portugal periodically prepares satellite accounts of the SE as a whole.

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<sup>4</sup> Report on a European Social Model for the future (2005/2248 (INI))



### 2.3. A definition of the Social Economy that fits in with the national accounts systems

In order to quantify the aggregate data on the SE in an internationally consistent and harmonised fashion and give them visibility, the definition of the SE that is used needs to fit in with the national accounts systems. Such a definition needs to disregard legal and administrative criteria and to centre on analysing the behaviour of SE actors, identifying the resemblances and differences between them and between these and other economic agents. It also needs to incorporate the historical principles and specific values of the social economy and the methodology of the national accounts system in force in order to make it an operative definition that achieves wide political and scholarly consensus.

The definition proposed, as already set out in the 2012 Report, is as follows:

*"The set of private, formally-organised enterprises, with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote, or at all events are decided through democratic, participatory processes. The SE also includes private, formally-organised entities with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them"<sup>5</sup>.*

This definition is absolutely consistent with the conceptual delimitation of the SE reflected in the CEP-CMAF *Charter of Principles of the Social Economy*. In national accounts terms, it comprises two major sub-sectors of the SE: a) the market or business subsector and b) the non-market producers' subsector. This classification is very useful for drawing up reliable statistics and analysing economic activities in accordance with the national accounts systems. Nonetheless, from a socio-economic point of view there is obviously a permeability between the two sub-sectors and close ties between market and non-market in the SE, as a result of

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<sup>5</sup> This definition is based on the criteria established by the European Commission's Manual for drawing up the Satellite Accounts of Companies in the Social Economy and by Barea (1991), Barea and Monzón (1995) and Chaves and Monzón (2000). It concurs both with the delimiting criteria established by the social economy organisations themselves (CNLAMCA charter, 1980; SEE, 2000) and with the definitions formulated in the economics literature, including Desroche (1983), Defourny and Monzón (1992), Defourny et al (1999), Vienney (1994) and Demoustier (2005 and 2006).

a characteristic that all SE organisations share: *they are organisations of people who conduct an activity with the main purpose of meeting the needs of persons rather than remunerating capitalist investors.*

According to the above definition, the *shared features* of these two sub-sectors of the SE are:

- 1) They are private, in other words, they are not part of or controlled by the public sector;
- 2) They are formally-organised, that is to say that they usually have legal identity;
- 3) They have autonomy of decision, meaning that they have full capacity to choose and dismiss their governing bodies and to control and organise all their activities;
- 4) They have freedom of membership, in other words, they have voluntary and open membership;
- 5) Any distribution of profits or surpluses among the user members, should it arise, is not proportional to the capital or to the fees contributed by the members but to their activities or transactions with the organisation;
- 6) They pursue an economic activity in its own right, to meet the needs of persons, households or families. For this reason, SE organisations are said to be *organisations of people, not of capital*. They work with capital and other non-monetary resources, *but not for capital*;
- 7) They are democratic organisations.

A very important characteristic of social economy organisations that is deeply rooted in their history is their democratic nature. The democratic criterion is considered essential for a company to be considered part of the Social Economy, as the *social utility* of these companies is based on their social purpose and on the democratic, participative values that they bring to the running of the company.

However, the working definition of the Social Economy established in this report also accepts the inclusion of voluntary non-profit organisations that are *producers of non-market services for households*, even if they do not possess a democratic structure, as this allows very prominent *social action Third Sector organisations that produce social or merit goods* of unquestionable social utility to be included in the Social Economy.

#### **2.4. The market or business sub-sector of the Social Economy**

The market subsector of the social economy is made up, essentially, of cooperatives, mutual insurance and mutual provident societies, company groups

controlled by social economy organisations and other similar enterprises and certain non-profit institutions at the service of social economy enterprises.

As well as all the features shared by all SE entities, the definition in 2.3 above and in the European Commission Manual emphasises three essential characteristics of market producer SE companies:

- a) *They are created to meet their members' needs through applying the principle of self-help, i.e. they are companies in which the members and the users of the activity in question are usually one and the same.*

The central objective of these companies is to satisfy and solve the needs of their members, who are, basically, individuals or families.

In cooperatives and mutual societies, the members and the users of the activity in question are usually (but not always) one and the same. The principle of self-help is a traditional principle of the cooperative and mutual movement. The main objective of these companies is to carry out a cooperativised or mutualist activity to meet the needs of their typical members (cooperativist or mutualist members) who are mainly individuals, households or families.

It is the cooperativised or mutualist activity that determines the relationship between the user member and the SE company. In a workers' cooperative, the cooperativised activity is employment for its members, in a housing cooperative it is building homes for the members, in a farming cooperative it is marketing the goods produced by the members; in a mutual society, the mutualist activity is to insure the members, etc.

**Table 2.1. Social economy operators by ESA 2010 institutional sector**

ESA 2010 INSTITUTIONAL SECTOR		SE ENTERPRISES AND MICROECONOMIC ORGANISATIONS
MARKET PRODUCERS	Non-financial corporations (S11)	<ul style="list-style-type: none"> <li>• Cooperatives (workers, agrifood, consumers, education, transport, housing, healthcare, social etc.)</li> <li>• Social enterprises</li> <li>• Other association-based enterprises</li> <li>• Other private market producers (some associations and other legal persons)</li> <li>• Non-profit institutions serving social economy non-financial organisations</li> <li>• Non-financial corporations controlled by the SE</li> </ul>
	Financial corporations (S12)	<ul style="list-style-type: none"> <li>• Credit cooperatives</li> <li>• Mutual insurance companies* and mutual provident societies</li> <li>• Insurance cooperatives</li> <li>• Non-profit institutions serving social economy non-financial organisations</li> </ul>
	General government (S13)	—

NON-MARKET PRODUCERS	Households (S14)**	<ul style="list-style-type: none"> <li>• Non-profit institutions serving households that are not very important</li> </ul>
	Non-profit institutions serving households (S15)	<ul style="list-style-type: none"> <li>• Social action associations***</li> <li>• Social action foundations***</li> <li>• Other non-profit organisations serving households (cultural, sports, etc.)</li> </ul>

(\*) Excluding social security system management organisations and, in general, mutual societies of which membership is obligatory and those controlled by non-social economy companies.

(\*\*) The Households sector (S14) includes sole traders and general partnerships without legal personality that are market producers and do not belong to the social economy. It also includes nonprofit organisations of limited size ("not very important") that are non-market producers and do form part of the social economy.

(\*\*\*) Non-profit organisations that are private non-market producers, with voluntary membership and participation and strategic and operative autonomy, and whose purpose consists in achieving social welfare objectives through supplying or providing goods and social or merit services, free of charge or at prices which are not economically significant, to persons or groups of persons that are vulnerable, socially excluded or at risk of exclusion. These organisations make up the *Social Action Third Sector*, which, obviously, forms part of the SE.

Naturally, in order to carry out the cooperativised or mutualist activity to serve the members an instrumental activity needs to be conducted with other, non-member parties on the market. For example, a workers' cooperative sells its goods and services on the market (instrumental activity) in order to create or maintain employment for its members (cooperativised activity).

In the case of cooperatives, the member and user relationship is usual but is not always indispensable. Some classes of 'ancillary members' may contribute to the company without being users of the cooperativised activity. The examples include capital investors or former user members who are no longer users for logical, justified reasons (retirement, among others); even some public bodies may be contributing members of the company. Provided that the SE enterprise characteristics established in the working definition hold true, including democratic control by the user members, the companies that possess these other classes of non-user contributing members will form part of the SE.

There may also be other SE companies, as is the case of social enterprises, where some members may share their objectives without strictly speaking being permanent members, although a transitory association nonetheless exists. This may even include certain volunteer activities.

The beneficiaries of the activities of social economy companies also play a leading role in these companies, which constitute reciprocal solidarity initiatives launched by groups of citizens to meet their needs through the market.

*b) SE companies are market producers*, which means that their output is mainly intended for sale on the market at economically significant prices. The ESA 2010 considers cooperatives, mutual societies, holding companies,

other similar companies and non-profit institutions serving them to be market producers.

- c) *While they may distribute profits or surpluses among their user members, this is not proportional to the capital or to the fees contributed by the members but in accordance with the member's transactions with the organisation.*

The fact that they may distribute profits or surpluses to their members does not mean that they always do so. There are many cases in which cooperatives and mutual societies make it a rule or custom not to distribute surpluses to their members. Here the point is only to emphasise that the principle of not distributing surpluses to members is not an essential trait of social economy companies.

In some countries, certain association-based social economy enterprises take the form of public limited companies or limited companies, founded by workers with the purpose of creating or keeping their jobs or by professionals in order to self-manage the organisation of their provision of services, which are frequently of a public nature.

Other social economy companies that also take a different legal form to a cooperative have been formed to conduct activities to benefit groups that are vulnerable, excluded or at risk of social exclusion. They comprise a wide spectrum of social enterprises that implement participative, democratic processes.

Accordingly, the different groups of agents in the market sub-sector of the social economy, in the financial corporations and non-financial corporations sectors, are as shown in Table 2.1.

## **2.5. The non-market sub-sector of the Social Economy**

The great majority of this sub-sector is made up of associations and foundations, although organisations with other legal forms may also be found. It comprises all the SE organisations that the national accounts criteria consider non-market producers, i.e. those that supply the majority of their output free of charge or at prices that are not economically significant.

As mentioned in 2.3 above, they are *private, formally-organised entities with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them.* In other words, these are

non-profit organisations in the strict sense of the term, since they apply the principle of non-distribution of profits or surpluses (the non-distribution constraint) and, as in all social economy entities, individuals are the true beneficiaries of the services they provide.

The national accounts have a specific institutional sector, S.15, called 'non-profit institutions serving households' (NPISH), to differentiate them from other sectors. ESA 2010 defines this sector as consisting of non-profit institutions which are separate legal entities, which serve households and which are private other non-market producers. Their principal resources, apart from those derived from occasional sales, come from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general governments and from property income.

The NPISH sector includes a variety of organisations, mostly associations, that conduct non-market activities for their members (entities of a mutualist nature) or for groups of non-member citizens (general interest entities). Most of these entities operate democratically and possess the characteristic features of the SE. They include charities, relief and aid organisations, trades unions, professional or learned societies, consumers' associations, political parties, churches or religious societies and social, cultural, recreational and sports clubs.

As stated in section 2.3 above, certain voluntary non-profit organisations that are producers of non-market services for households are included in the SE under the name of *Social Action Third Sector* despite not possessing a democratic structure, because the services they provide free of charge are *social or merit goods* of unquestionable social utility.

NPISH that do not possess legal personality or are not very large, which ESA 2010 places in the Household sector (S.14), also form part of the SE.

Lastly, there may be other private, non-profit institutions (NPI), funded by non-financial corporations or financial corporations, that produce cultural, recreational, social etc. services which they provide free of charge to individuals. Although ESA 2010 conventionally considers these to be serving the non-financial or financial corporations in question and therefore includes them in the respective (market) institutional sectors, they form part of the non-market sub-sector of the SE, always providing they meet the requirements set out in the definition.

NPISH that are market producers engaged in producing non-financial market goods and services, financial intermediation, or auxiliary financial activities are excluded from this group, as are business associations funded by voluntary parafiscal fees paid by non-financial or financial corporations in return for the services they provide.

## **2.6. The Social Economy: pluralism and shared core identity**

The SE has positioned itself in European society as a *pole of social utility* between the capitalist sector and the public sector. It is certainly composed of a great plurality of actors. Old and new social needs all constitute the sphere of action of the SE. These needs can be met by the persons affected through a business operating on the market, where almost all the cooperatives and mutual societies obtain the majority of their resources, or by associations and foundations, almost all of which supply non-market services to individuals, households or families and usually obtain most of their resources from donations, membership fees, subsidies, etc.

It cannot be ignored that the diversity of the SE organisations' resources and agents leads to differences in the dynamics of their behaviour and of their relations with their surroundings. For instance, volunteers are mainly found in the organisations of the non-market sub-sector (mostly associations and foundations), while the market sub-sector of the SE (cooperatives, mutual societies and similar companies) has practically no volunteers except in social enterprises, which are an evident example of a market/non-market hybrid with a wide variety of resources (monetary from the market, public subsidies and voluntary work) and of actors (members, employees, volunteers, companies and public bodies).

This plural SE which is asserting and consolidating its place in a plural society does not signify a hotchpotch with no identity or interpretative value. On the contrary, the shared core identity of the social economy is fortified by a large and diverse group of microeconomic entities based on free, democratic and voluntary and open membership, and created by civil society to meet and solve the needs of individuals, households and families rather than to remunerate or provide cover for investors or capitalist companies. Over the past 200 years, this varied spectrum of organisations (market and non-market, of mutual interest or of general interest) has shaped the Third Sector as identified here through the Social Economy approach.

## **2.7. Main theoretical approaches related to the social economy**

### **2.7.1. The Third Sector as a meeting point**

Although the term 'third sector' has mostly been used in the English-speaking world to describe the private non-profit sector that is largely composed of associations and foundations, 'third sector' is also used in Continental Europe and

in other parts of the world as a synonym for the social economy (SE) described in the previous chapter.

In the United States of America, Levitt (1973) was one of the first to use the expression *third sector*, identifying it with the non-profit sector<sup>6</sup>. In Europe, the same term began to be used a few years later to describe a sector located between the public sector and the capitalist sector, far closer to the concept of the SE<sup>7</sup>.

The Third Sector (TS) has become a meeting point for different concepts, fundamentally the 'non-profit sector' and the 'social economy', which, despite describing spheres with large overlapping areas, do not coincide exactly. Moreover, the theoretical approaches that have been developed from these concepts assign different functions to the TS in the economies of today.

### **2.7.2. The Non-Profit Organisation approach**

#### **The Non-Profit Organisation (NPO) concept**

The main theoretical approach that addresses the TS, apart from the SE approach, is of English-speaking origin, as mentioned above: literature on the *Non-Profit Sector* or *Non-profit Organizations* (NPO) first appeared 40 years ago in the United States. In essence, this approach only covers private organisations which have articles of association forbidding them to distribute surpluses to those who founded them or who control or fund them<sup>8</sup>.

The historical roots of this concept are linked to the philanthropic and charitable ideas that were deeply-rooted in 19th century Britain and in the countries it influenced. The renown of the British *charities* and US *philanthropic* foundations has given rise to terms such as the *charitable sector* and the *voluntary sector*, which are included in the wider concept of the Non-Profit Sector.

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<sup>6</sup> Coinciding with the start of research by the Commission on Private Philanthropy and Public Needs (the Filer Commission) on the economic, social and political importance of the non-profit sector, sponsored by the Rockefeller Foundation, which began in 1973.

<sup>7</sup> It was Jacques Delors who first used it in this sense, in 1979, at the University of Paris–Dauphine. Subsequently, a number of major studies on the SE (Jeantet, 2006) have been conducted under the name of the 'Third Sector' (Defourny and Monzón, 1992) or 'Third System' (CIRIEC, 2000).

<sup>8</sup> See Weisbrod (1975, 1988).



The modern concept of the non-profit sector has been more precisely defined and disseminated widely throughout the world by an international research project which began in the early 1990s, spearheaded by Johns Hopkins University (Baltimore, USA), to discover and quantify its size and structure, analyse its development prospects and evaluate its impact on society<sup>9</sup>.

The organisations that this project examines are those that met the five key criteria in the 'structural-operational definition' (Salamon & Anheier, 1999) of non-profit organisations. They are, therefore:

- a) *Organisations, i.e. they have an institutional structure and presence.* They are usually legal persons.
- b) *Private, i.e. institutionally separate from government, although they may receive public funding and may have public officials on their governing bodies.*
- c) *Self-governing, i.e. able to control their own activities and free to select and dismiss their governing bodies.*
- d) *Non-profit distributing.* Non-profit organisations may make profits but these must be ploughed back into the organisation's main mission and not distributed to the owners, founder members or governing bodies of the organisation.
- e) *With voluntary participation, which means two things: firstly, that membership is not compulsory or legally imposed and secondly, that they must have volunteers participating in their activities or management.*

### **2.7.3. The Solidarity Economy approach**

The concept of the *solidary economy* developed in France and certain Latin American countries during the last quarter of the 20th century, associated to a large degree with the major growth that the TS has experienced in the area of organisations that produce and distribute some of what are known as *social goods or merit goods*. Merit goods are those on which there is a broad social and political consensus that they are essential to a decent life and must therefore be made available to the entire population, irrespective of income or purchasing power. Consequently, it is considered that government should provide for the production and distribution of these goods, whether ensuring that they are provided free of charge or subsidising them so that they may be obtained at well below market prices.

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<sup>9</sup> See Salamon et al (1999).

During the height and consolidation of the Welfare State, universal enjoyment of the most important of these merit goods, such as health services and education, has been guaranteed by the governments of most of the developed societies in Europe. In recent decades, however, *new social needs* have emerged that neither the public sector nor the traditional capitalist sector are solving and which affect numerous groups at risk of social exclusion. These problems are related to the living conditions of elderly people, mass long-term unemployment, immigrants, ethnic minorities, people with handicaps, reintegration of ex-prisoners, abused women's groups, chronically ill people, etc.

It is in these areas that some organisations which are typical of the SE (cooperatives and, above all, associations) have seen considerable expansion. This sector simultaneously brings together a set of new organisations and new fields of action. Compared to the classic SE agents, it presents three distinctive features: a) the social demands it attempts to address, b) the actors behind these initiatives and c) the explicit desire for social change (Favreau & Vaillancourt, 2001).

Based around these three aspects, the concept of the *solidary economy* developed in France from the 1980s onwards. It corresponds to an economy in which the market is one component, possibly the most important, but not the only one. The economy revolves around three poles: the market, the State and reciprocity. These three poles correspond to market, redistribution and reciprocity principles (Polanyi, 1983). The latter refers to a non-monetary exchange in the area of primary sociability that is identified, above all, in associationism (see Laville, 1994).

In short, the economy is plural in nature and cannot be reduced to strictly commercial and monetary terms. The solidary economy approach is an unprecedented attempt to hook up the three poles of the system, so specific solidary economy initiatives constitute forms that are hybrids between the market, non-market and non-monetary economies. They do not fit in with the market stereotype of orthodox economics and their resources, too, have plural origins: market (sales of goods and services), non-market (government subsidies and donations) and non-monetary (volunteers).

As well as this concept of the solidary economy, which has its epicentre in France, another view of the solidary economy with a certain presence in some Latin American countries sees it as a force for social change, the bearer of a project for an alternative society to neo-liberal globalisation. Unlike the European approach, which considers the solidary economy to be compatible with the market and the State, the Latin American perspective is developing this concept as a global alternative to capitalism.

#### 2.7.4. Other approaches

Related to the approach described in the previous paragraph, other theoretical developments directly propose replacing market economies where the means of production are privately-owned with other ways of organising the production system. These approaches include: a) the *alternative economy* (Archimbaud, 1995), with roots in the anti-establishment movements that developed in France after May 1968; and b) the *popular economy*, promoted in various South American countries since 1980 with very similar views to the Latin American version of the solidary economy, so much so that it is also termed the *solidary popular economy*. The popular economy excludes any type of employer/employee relationship and considers labour the main factor of production (see Coraggio, 1995, and Razeto, 1993).

#### 2.7.5. Resemblances and differences between these approaches and the Social Economy concept

Section 2.6 explained how the SE concept established in this report not only sees the SE as being part of a *plural economy* and society but also as itself being composed of a great plurality of actors. From this point of view, it may be asserted not only that the solidary economy approach presents important elements of convergence with the SE approach, but also, from the practical point of view, that absolutely all the organisations that are considered part of the solidary economy are also unquestionably part of the SE. The same may be said of other theory developments such as the *social usefulness third sector* (Lipietz, 2001), *social enterprise* (Borzaga & Defourny, 2001) or *new social economy* (Spear, Defourny et al, 2001). In the same way as most of the associative experiences included in the *alternative economy* or the *popular economy*, all of these constitute partial elements of the same group, certainly multi-faceted but possessing a shared core identity and a personality that differentiates it from the other institutional sectors in the economic system.

Because of their importance, it is worth pausing to examine the main resemblances and differences between the SE approach and concept and that of the NPO approach.

As regards the resemblances between the SE and the NPO approaches, of the five criteria that the NPO approach establishes to distinguish the TS sphere (see 2.7.2.) four are also required by the SE approach (section 2.3): *private, formally organised organisations with autonomy of decision* (self-governing) and *freedom of membership* (voluntary participation).

However, there are three TS delimitation criteria where the NPO and SE approaches clearly differ:

**a) The non-profit criterion**

In the NPO approach, all the organisations that distribute profits, in any way, to the persons or organisations that founded them or that control or fund them are excluded from the TS. In other words, TS organisations must apply the principle of non-distribution of profits or surpluses (the non-distribution constraint) strictly (see section 2.7.2. above). As well as not distributing profits, the NPO approach demands that TS organisations be not-for-profit, in other words, they may not be created primarily to generate profits or obtain financial returns (NPI handbook, paragraph 2.16).

In the SE approach, the non-profit criterion in this sense is not an essential requirement for TS organisations. Obviously, the SE approach considers many organisations which apply this non-profit criterion strictly to belong to the TS: a broad sector of associations, foundations, social enterprises and other non-profit organisations serving persons and families that meet the NPO non-profit criterion and all the SE organisation criteria established in this Report (section 2.3). However, whereas cooperatives and mutual societies constitute a decisive nucleus of the SE, in the NPO approach they are excluded from the TS because most of them distribute part of their surpluses among their members.

**b) The democracy criterion**

A second difference between the NPO approach and the SE approach is the application of the *democracy criterion*. The NPO approach's requirements for considering that an organisation belongs to the TS do not include such a characteristic element of the SE concept as democratic organisation. Consequently, in the NPO approach the TS includes many, very large non-profit organisations that do not meet the democracy criterion and are consequently excluded from the TS by the SE approach. Indeed, many non-profit institutions in the non-financial corporations and financial corporations sectors that sell their services at market prices do not meet the democratic organisation principle. These non-profit organisations, which are considered part of the TS by the NPO approach and not by the SE approach, include certain hospitals, universities, schools, cultural and art bodies and other institutions which do not meet the democracy criterion and which sell their services on the market, while meeting all the criteria required by the NPO approach.

The SE approach generally excludes any non-profit entities that do not operate democratically from the TS although, as pointed out in section 2.3 of this report, it is accepted that voluntary non-profit organisations which provide non-market services to persons or families free of charge or at prices which are not economically significant can be included in the SE. These nonprofit institutions justify their *social utility* by providing merit goods or services free to individuals or families.

### **c) The criterion of serving people**

Finally, a third difference lies in the intended recipients of the services provided by the TS organisations, as their scope and priorities differ between the NPO and the SE approaches. In the SE approach, the main aim of all the organisations is to serve people or other SE organisations. In first tier organisations, most of the beneficiaries of their activities are individuals, households or families, whether as consumers or as individual entrepreneurs or producers. Many of these organisations only accept individuals for membership. On occasion they may also allow legal persons of any type to become members, but in every case the SE's concerns centre on human beings, who are the reason for its existence and the goal of its activities.

The NPO approach, on the other hand, has no criterion that considers service to people a priority objective. Non-profit organisations can be set up both to provide services to persons and to provide them to the corporations that control or fund them (NPI Handbook, paragraph 2.21). First-tier non-profit organisations can even be composed exclusively of capital-based companies, whether financial or non-financial. As a result, the field analysed by the NPO approach is very heterogeneously defined.

In short, the above resemblances and differences between the NPO and SE approaches, together with the existence of a shared space composed of organisations included by both, make it possible to appreciate important conceptual and methodological divergences which prevent the TS from being formed by simply adding together the groups of organisations considered by the two approaches.

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## Conclusion

### **Public - Social and Solidarity Economy Partnerships (PSSEPs) and collective action paradigm**

Philippe BANCE\*

In the double perspective of the analytical renewals created, one, by the recommendations of the UNDP (United Nations Development Programme), stressing the social utility, of the production of global public goods and, two, by the works of the Ostrom School, demonstrating the benefits of governance by the commons, this work places in sharp relief the leading role played by the public and social-economy organisations. These organisations have indeed an essential role in the production of public goods and commons following a logic of theoretical advocacy but also – a phenomenon seldom analysed in the literature and largely underestimated – basing on the dynamics of partnership between these organisations developing coproduction or joint production of commons and public goods. These coproduction and joint production, the convergences of action and the multiplicity of forms of partnership between the public sector and the SSE organisations - which may be called public-social and solidarity economy partnerships (PSSEPs) - are brought to the fore in the various chapters of the work. The illustrations given explain the different facets and operational reach worldwide.

However, this book is not a simple list of the partnerships dynamics between the public sector and the SSE organisations, nor is it an analysis of the opportunities offered by the coproduction or joint production of commons and public goods. It presents the reasons explaining their existence due to the fact of a new collective action paradigm. It underlines the scope of transformations and innovations that may emerge from the cooperation of public and SSE sectors,

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in terms - among other things - of local and regional initiatives; it also analyses the questions that may be raised around behaviours peculiar to the individual players. It also focuses on the benefits offered by the PSSEP for the co-construction of public or collective action. These analyses culminate in questioning the role of these partnerships in the context of what might be called a process of creative destruction of collective action.

## **1. A partnership dynamics that fits in a new paradigm of public action**

After the Washington Consensus of the 1980s, the ways of initiating public action were upset throughout the world. The New Public Management (NPM) led the public authorities to let do by others, rather than to intervene directly in economic activity, in order to produce notably public goods. It was a matter of placing collective action within a logic of results, for the attainment of quantified objectives, stimulation of innovation, flexibility, reduction of public spending, by introducing management tools and methods largely inspired by the private sector (Grefe, 1999). This NPM, carried by the increasing hegemony in economic theory of neo-liberal currents (theories of incentive, contracts, public choice, property rights ...) also reduced the leeway for the States in an international environment marked by a growing interdependence between nations and the downward pressure of the public debt. This led to massive privatisations since the 1990s (privatizationbarometer, 2015-16) and recourse to the public-private partnership (PPP) to produce public goods. These PPPs were deployed worldwide, despite the theoretical misgivings that they aroused given the fact of asymmetry of information, transaction costs and the incomplete character of the contracts burdened with the vaunted theoretical values (Marty, Trosa and Voisin, 2006). The PPPs were also rolled out, despite their high costs over the long term for public finances, as shown by some recent reports that draw up the balance-sheet of the inefficiency and high degree of complexity of the contractual systems characterising those PPPs (National Audit Office, 2010, 2011; Cour des Comptes, 2017)<sup>1</sup>.

The question of successful internalising public missions at low cost for the local or regional authorities, allowing the creation of infrastructures but, more generally, allowing management of public goods over time, has been raised with

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<sup>1</sup> These reports concern in particular the very high long-term costs of PPPs deployed in the United Kingdom and in France. The report from the French State Audit Office (Cour des Comptes) on the Justice sector calls for the discontinuation of the practice of PPPs.

exceptional keenness (Bance, 2015)<sup>2</sup>. The PSSEPs are an opportunity, since the coming of the NPM in the 1980s, in particular in the United Kingdom: meeting the needs of economic and social action by relying on the SSE organisations to make arrangement for the assuming of missions that would formerly have been assigned directly to public authorities or public organisations, and would be insufficiently accounted for by them, given, for example, the urge to reduce the costs of collective action. The partnership dynamics thus activated blurs the boundary between public sector, private sector and SSE: activities that once used to fall within the public sphere are now transferred to other sectors. In the context of the concept that inspired the NPM, particularly from its beginnings in the United Kingdom, the move was in fact made squarely in a logic of substitution, of replacement of action by public institutions or organisations by that of private enterprises or by the SSE, rather than seeking any complementarity with not-for-profit players.

This work does, however, show that the new paradigm of public action has opened real opportunities for complementarity between organisations in response to the expectations of populations within the territories.

## **2. Various institutional systems allowing the production of public goods and innovation to meet expectations within the territories**

As stated by Xabier Itçaina in the conclusion to the work brought out in association with CIRIEC's Scientific Commission "Social and Cooperative Economy" (Itçaina and Richez-Battesti, 2018), the action of SSE organisations allows a transcendence of traditional, historically dated relations between State and Market. It is part, on a meso-economic scale, of a process designed to adapt to economic and social change in response to socio-cultural aspirations and local development. Here we can also see the emergence of new arrangements, institutionalised under the effect of social interactions at local and regional level (Lévesque, 2016). The part played by the SSE organisations in the roll-out of a territory-based collective action will, in any case, assume various forms in the responses given to the expectations of populations with regard to proximity action. It will therefore be differentiated and nuanced in different ways in this work.

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<sup>2</sup> The question of internalising general-interest missions raised in this work with respect to public organisations is thus also raised in a more general way for the organisations of the SSE.

As Shinichi Saito, Munenori Nomura, Fumitoshi Mizutani and Francis Rawlinson say for Japan, this advanced country, concerned by the ageing of its population, has to maintain the provision of socially sustainable public services. Only the public sector is unable to produce sufficiently, by its own resources, public goods or commons the social utility of which is essential in the eyes of populations and public authorities; to do so it must seek support from the SSE and from private enterprises. The chapter by Andrea Salustri and Federica Viganò also shows how, in a country such as Italy, cooperation between non-profit SSE organisations, the public sector and the private sector takes shape via institutional arrangements that allow reduction of social and territorial inequalities. The deployment of PSSEPs is also analysed by Philippe Bance, Jean-Philippe Milésy and Christelle Zagbayou as a many-sided phenomenon of cooperations between public organisations, in particular the public, enterprises, and SSE organisations so as to guarantee the provision of new services. For them, the rise of these PSSEPs means a break with the traditional centralist conception of public action according to the French model.

The benefits of the PSSEPs roll-out are not only those maintaining or preserving the production of public goods. They also allow the expansion of production through the mobilisation of commons. In this respect, Ancuța Vameșu, Cristina Barna and Irina Opincaru show, in the forestry sector in the Romanian context of transition towards the market economy, that the deployment of commons answers some major issues for collective action: those of sustainable development and the mobilisation of players in this perspective.

However, the mobilisation of commons to recast public action does not necessarily proceed in such a way as to meet the essential social needs expressed within territories. This is particularly the case for Colombia; Juan Fernando Álvarez, Miguel Gordo Granados and Hernando Zabala Salazar call our attention to the underproduction of public goods and commons in the health sector. Intensive recourse to market mechanisms, problems of governance and the absence of institutional recognition of SSE organisations deny disadvantaged populations the benefits of health protection, despite the fact that this could be provided for them in a more satisfactory manner by greater recourse to the commons and to the mutualist sector in particular. The finding of opportunities offered by the SSE but not sufficiently turned to good account in the current forms of expression of collective action is also established for Algeria. In point of fact, Malika Ahmed Zaïd shows that the nascent field of the SSE in the Kabyle country could really take off, could embark upon a constructive upward trend assuring the progressive affirmation of networks throughout the territory and trigger a process allowing the involvement of players in the construction of public policies.

*Philippe Bance (2018)*

In the different territories explored in this work, the PSSEPs also constitute a vital source of reworking of collective action through the innovations that they carry and in their contribution to the development of territorial ecosystems. Jean-Claude Boual and Cathy Zadra-Veil show that, in France, the *Sociétés coopératives d'intérêt collectif* and the *Living Labs* are emergent organisational forms that, by their hybrid character, bringing together various stakeholders, public and private alike, place their hopes in participative governance to boost innovation and enterprise at local and regional level. Pascal Glémain, for his part, considers the interest of other forms of SSE organisation through their contribution to sustainable local development: enterprises for social integration through employment. They play an important part in the planning and fitting out of the territory by promoting integration through work, again bringing together the players, public and private alike, to dialogue, to learn and to innovate, so providing tools for action in the service of territorial needs.

All so many innovating devices that show, like the works conducted in Quebec (Bouchard, 2013), the opportunities that might be represented for local or national public authorities armed with a real sense of proactive purpose, mobilising the stakeholders and organisations at local level so as to energise the territorial ecosystems. This can sometimes also be done, by the way, as in Europe, jointly with public authorities at local-to-regional level, in what is called multilevel governance<sup>3</sup> (Bance, 2016). This can be considered as a collective organisation model aimed at meeting the essential needs of the population in the framework of what Jacques Fournier (2013) calls the “economy of needs”.

However, the noticed changes are not without impact on the behaviour of the players.

### **3. Behavioural changes impacting on the PSSEPs, production of public goods and commons**

The changes induced by the new paradigm of collective action have given rise, in recent decades, to analyses about the behaviour of public organisations and the social economy. In the public sphere, beyond the privatisations, seeing the decrease of general-interest or economic policy missions assigned between the end of the war and the 1980s, public enterprises have adopted similar behaviours

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<sup>3</sup> Christiansen (1996) defines multilevel governance as “non-hierarchical systems of negotiation, regulation and administration going beyond the traditional acceptance of the hierarchical sovereign State as the final arena for the taking of decisions and resolution of conflicts”.

to those of private enterprises in the pursuit of viability; in other words, they tend to become largely similar (Bance, 1988), a phenomenon also referred to as behavioural trivialisation. This process of the increasing submission of public enterprises to a logic of market efficiency is the cause of a loss of own identity among public enterprises. Its magnitude was all the greater insofar as the national authorities no longer made public enterprises the instruments of public policy, seeking dividends there to add to their budgets; the States saw themselves obliged, as in Europe, to renounce the specificities of public enterprises under the effect of rigorous controls by the authorities of the Union, mindful of economic integration, which, to that end, to avoid distortions of competition, required enterprises (and Member States) to adopt the “behaviour of an informed investor in a market economy”, save in case of derogations in respect of perfectly defined public service missions financed through the public budget.

The standardisation of SSE organisations was also the subject of a number of studies, many of which draw their inspiration from the concept of “institutional isomorphism” introduced by DiMaggio and Powell (1983), which refers to three general factors of levelling-out of organisations: mimetic, coercive and normative. If these three factors are jointly applied to SSE organisations, their strong dependence as regards direct financing or material support of the public sector increases the significance of coercive standardisation. Under the effect of the NPM and the rationing of public spending, the SSE organisations are led – as was earlier the case for the public enterprises, but according to different modes of operation – to adopt new management norms that may be the cause of advanced loss of identity. The methods assessing the “social impact of social enterprises”, driven for instance in the EU by the European Commission and the lobbying by financial institutions, based partially on return-on-investment indicators (Alix and Baudet, 2014), could make an appreciable contribution in this respect.

As pointed out by Monique Combes-Joret, Laëticia Lethielleux, and Anne Reimat, the process may make the organisations “lose their soul”. The process nevertheless, as things stand, as these authors’ analysis shows, differentiated effects on the capacity of organisations to contribute to the construction of programmes for collective action, given the fact of their greater or lesser scale and own capacities, to sway the attitude of the public authorities in the framework of the relations that they form with them.

However, the behavioural changes of public and SSE organisations do have as a whole profound repercussions for the PSSEPs. The instrumentalisation of organisations by the public authorities is very directly inspired by incentive theory and by the “new public economics”. In this single-centred perspective, based on a top down conception of public action, the State embodies a general interest the frame of reference of which is the market. This conception then leads the public authorities, rather than to seek to co-construct collective action with

*Philippe Bance (2018)*

the partner organisations, to impose on the latter performance criteria largely inspired by private management. On the public enterprises side and, more particularly those with State capital, cooperation with the SSE organisations often also aims to mobilise the partners to guarantee the lowest cost of public service missions whilst meeting the expectations of public responsible authorities eager to increase their budgets through dividends.

The new public action paradigm does not impact only the PSSEPs. It also has considerable repercussions on the conception that the States form of public goods, their production and, consequently, the ways and means of their regulation. As Faruk Ülgen shows for the financial sector, collective action was, and remains, founded on the idea of market efficiency. This was the cause of the crisis of 2008, with resurgence remaining possible with the present form of prudential regulation of financial markets. It would be necessary to eradicate this to place oneself in an extra-commercial perspective that does not position collective action as resulting from the interest of private players on the market but, rather, sets objectives for sustainable economic and human development and sets up public and democratic structures of governance to that end.

As Manuel Belo Moreira explains, however, making the model evolve is an uphill struggle, since the hegemony of the neoliberal ideology and the financialisation of the economy at worldwide level are so far gone that neither the economic crisis of 2008 nor the most unwelcome effects of the model sparked any real questions, any more than did the deployment of for-profit conceptions of the action of commercial public or social-economy organisations.

The PSSEPs nonetheless offer advantages of a kind likely to initiate the reworking of collective action.

#### **4. The benefits of PSSEPs for the co-construction of collective action**

The involvement of SSE organisations in the development of public policies is an area of study that has attracted growing interest for some years now (Barbier, 2017). Judging by the analyses in this work, the PSSEPs appear to be more generally major opportunities for the co-construction of collective action, giving it foundations so that it can break free of centralist, hierarchical conceptions, by permitting a complementarity of contributions.

Inspired by pragmatism, Alexandrine Lapoutte thus considers that the mobilisation of commons and SSE organisations is likely to transform collective action through the specificities of governance that they carry and through the interactions that they trigger between concerned parties. The resultant participative approach

is analysed as a promising way of renewal for public policies around an increasing involvement of the concerned parties via production of public goods and commons.

Indeed, here we can see, adopting Bernard Paranque's conception, an ideal type of search for solutions negotiated by the players, a taking into account social aspirations of populations and a cocreation of what he calls a common patrimony. By allowing the stakeholders to find a form of expression of their own, is created a sense of confidence around a shared vision within the framework of deliberating processes. For this to happen, the action requires the mobilisation of adapted methods and tools of governance.

However, care must be taken to avoid the co-construction of collective action being hampered by conflicts between the stakeholders, preventing the development of partnerships and, by extension, the joint production of public goods and commons via the PSSEPs. As Yves Vaillancourt (2008) demonstrates in Quebec, a democratic co-construction would allow the development of partnerships so that collective action could be mobilised in a balanced way among the various stakeholders so as to promote the general interest.

Against this backdrop, Pierre Bauby maps the forms of governance likely to found collective action on the basis of partnership mechanisms. To meet the economic and social needs and expectations of populations, the democratic debate is necessary with all the stakeholders (citizens, users, organisations of the civil society and representatives of economic, social and cultural activities). The co-construction of collective action should therefore follow a logic of confrontation of alternative projects or solutions, set in a democratic framework, whilst pursuing an action that is ascending rather than hierarchical. It is a matter of prerequisites allowing the correct expression of the expectations of populations and satisfaction of the needs that constantly evolve. In his opinion, however, there is no single solution in the matter that can be applied everywhere and in all circumstances. The particular conditions of implementing collective action governance depend on the specific cultures that are those of different territories. The democratic debate takes on highly diverse forms in apprehending the needs (public consultation and debate, complaints, elections of users' committees, ...). It may proceed according to modes of participation, which are themselves also variable (meetings, referendums, on-line expression, public meetings, ...).

Seen thus, the PSSEPs set up on the scale of the territory are tools for the reconstruction of public action on the basis of democratic debate, and this for several reasons. First of all, they allow the expression of needs by association with the stakeholders and by allowing public authorities, hybrid organisations, public and SSE, to debate their apprehension on these territories. They, therefore, constitute vectors of formalisation of those needs by confronting

*Philippe Bance (2018)*

divergent points of view to lead on to the production of public goods or commons. They offer responses to the expectations of populations by their co-production or joint production, often allowing a guarantee of expansion of provision of public services. These partnerships also place in synergy the players in the territories, as shown in various chapters of this work, by bringing extra energy to the territorial ecosystems through the innovations that they often carry.

These advantages and the involvement of the civil society in the PSSEPs do not exempt them from evaluation to appreciate the relevance of the solutions that they bring to the implementation of collective action. They are, in actual fact, the product of sometimes contradictory interests that may lead to recommendations or to implementations that are, at the end of the day, out of alignment with the social needs. The evaluation methods, inspired by standard economic analysis, for example contingent evaluation, are not to be dismissed out of hand as long as they bring an exterior view based on the criteria of a scientific methodology, but with three main provisos: maintaining a critical distance with regard to the frame of reference of market and monetisation of the advantages that founds those methods; apprehending them only as tools among others that must be crossed with participative and pluralist methods so as to appreciate their real scope (Bance and Chassy, 2017); steering clear of approaches driven by lobbying and a doctrinaire vision of collective action that, in fine, yields to the interests of all-powerful public players or decision-makers.

Finally, we must analyse the role played by the PSSEPs with regard to the transformation of public action.

## **5. The PSSEPs in the process of creative destruction of collective action**

To analyse the role of the PSSEPs it is helpful, following the lead of Joseph Schumpeter (1943), to introduce at this point a new concept: the creative destruction of collective action. This is understood as a process of disappearance and creation over time of forms of intervention by public authorities that might lead to a radical modification of collective action, known as paradigm change. In the light of that concept, we shall try to describe the situation of the PSSEPs in the current transformations of forms of action in order to specify their place as a component of a collective action paradigm.

Before the 1980s, collective action was dominated by the figure of sovereign States embodying the general will. They had extensive room for manoeuvre to pursue their economic policies, both in terms of monetary, budget and industrial policy and in terms of instruments of direct action to produce public goods and serve as instruments for collective action. Institutional forms may vary



from one country to the next, ranging from the Nation State to a multiplicity of institutions exercising the public prerogatives, but the collective action paradigm leaves little room for other organisations to promote the general interest. The SSE organisations, therefore, see themselves eclipsed, not appearing at all as any important vector of collective action, and this quite particularly in the more centralist countries.

The incapacity of States, and their instruments of action, to remedy the economic and social crisis that the advanced economic experienced for several decades, the growing economic interdependence due to the globalisation of markets and the preponderant rule of neoliberalism have proved the undoing of the earlier paradigm. The process of destruction of preexisting forms of collective action and the coming of new forms thereof has birthed the present collective action paradigm worldwide. The transformations under way, however, are not uniform, and national traditions may yet explain the persistence of differences. As shown by Bernard Enjolras, Benoît Lévesque and Bernard Thiry (2008), Yves Vaillancourt (2008), there are systems of governance and modes of construction of public policy that differentiate one country from another. In that respect this takes us back to the wisdom of the theory of the variety of capitalism (Amable, 2005). There are now only two main lines of force that characterise the current world process of the creative destruction of public or collective action.

The most fundamental one is the affirmation of a commercial conception of the general interest that tends, on the worldwide scale, to standardise collective action against the yardstick of markets in connection with their globalisation. This finds expression in a sizeable withdrawal as regards direct public intervention and in the deployment of forms of self-regulation, the market fundamentalism in the finance sector being the most radical form, posing a thorny problem for the regulation of this world public asset after the devastating effects of the crisis of 2008. Mention may also be made in this connection of the falling-back on the PPPs and widespread reliance on patterns of public behaviour standardised by the private sector characterising, in its central corpus, the NPM and the standardisation or levelling-down of organisations mobilised by the public authorities via, among other things, new regulation norms and performance criteria inspired by private management.

The second line of force starts out from the installation of new forms of collective action, completing those of the States, which have lost much in the way of capability.

This dimension now has two essential aspects. The first has to do with creating other levels of collective action, in particular through the agency of supranational or infranational authorities (e.g., the regions), by jointly conducting collective action in connection with the form of governance known as multilevel (Bance,

*Philippe Bance (2018)*

2016). The second concerns support from the SSE organisations as a form of expression of the general interest on the basis of their own perimeters for implementation. This involves a complex architecture of nesting of various levels of taking account of the general interest within different “perimeters of solidarity” (Monnier and Thiry, 1997). This spurs the development of economies called plural, in which partnership relations are complex and based on the placing of the players in complementarity whilst also following, as explained earlier, a logic of substitution given the fact of the retreat of direct public action.

In this paradigm the PSSEPs allow, as the analyses in this work reveal, the production of public goods and commons, a modulated implementation of collective action in the service of the general interest, drawing support from the expression of variable-geometry social solidarities, bringing innovation at local and regional level to develop territorial ecosystems and trying out the co-construction of collective action. So we might then “mobilise both registers of solidarity by combining redistributive solidarity and a more reciprocal solidarity in order to boost society’s capacity for self-organisation” (Laville, 2004, p. 191).

The first logic of commercial standardisation, which is inherent in the current public or collective action paradigm, does, however, press towards the instrumentalisation of organisations in a near-commercial perspective. It brings about the loss of identity of public or social economy organisations and players. It also tends to sow the seeds of doubt as to the benefits of a collective, pluralist management of public goods or commons and to hamper the roll-out of co-construction of collective action.

The PSSEPs have their seeds too – thanks in particular to experiences with the co-construction of collective action and social innovation in the territories that they carry – to the emergence of a change of collective action paradigm. This latter should then be able to draw on a deep citizen involvement in the development and implementation of public or collective action, finding support in the public and SSE organisations, in order to facilitate the participative expression and specification of social needs in the context of an expanded production of public goods and commons.

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## **Chapter 1: Conceptual framework for statistics on cooperatives**

**Marie J. Bouchard, Madeg Le Guernic and Damien Rousselière**

### **1.1. Introduction**

Cooperatives share some of the characteristics of conventional enterprises such as conducting economic market activities on a commercial basis, but they also have special organizational features, such as aiming at serving the needs of user-members who jointly own and democratically control the organization. Cooperatives also adopt specific strategic behaviours, such as providing their services “at cost” to member-clients, buying their inputs at a fair price from member-producers, or creating jobs and offering good work conditions to member-workers, all of this in priority to generating profits.

Cooperatives can play a crucial role in the economy, contributing to the stabilization of markets by addressing market failures, countervailing concentrated market powers, internalizing social costs, reducing information asymmetries, or producing collective or trust goods and services (see Royer, 2014). Cooperatives are said to be more resilient in times of crisis (Sanchez Bajo and Roelants, 2011). They are also considered important for society, as they can contribute to strengthen democracy, encouraging civil society to take an active role in economic, social and political affairs (Brown, 1997).

Such statements can so far only be based on ad hoc surveys (e.g. Dave Grace and Associates, 2014), studies that cover a limited set of industries (ILO, 2013a) or countries (e.g. CICOPA, 2017), or for the largest cooperatives (e.g. EURICSE and ICA, 2016). To verify these at a larger scale and on a more recurrent basis, quantitative evidence that cover the whole of the economy for a large number of countries would be needed. Data on cooperatives around the world had been so far collected in different ways, without a harmonized statistical definition of cooperative, without referring to comparable classifications of types of

cooperatives. This meant that it was hard to aggregate or compare statistics on cooperatives from one country to another.

In view of preparing the 2018 ILO *Guidelines* (now in usage as can be seen in the 2019 issue of the World Cooperative Monitor<sup>5</sup>), a conceptual framework was developed. This chapter summarizes parts of the *Conceptual Framework for the Purpose of Measurement of Cooperatives and its Operationalization* (ILO, 2017a)<sup>6</sup> which consists one of the founding pieces on which the following chapters are based. We recall here the conceptual framework for defining and classifying cooperatives for measurement purposes. Based on existing international definitions and on a theorization of the cooperative, it is suggested a set of four structural-operational qualification criteria to identify cooperatives. The chapter also examines typologies for classifying cooperatives based on a cooperative characteristic, namely the member's interest and the cooperative's specific economic function in relation to its members. This classification framework has been tested with various national classifications of cooperatives in order to propose a simple classification, which is presented in chapter 2 of this book. The framework also helped pointing to the relative difficulty in measuring the economic contribution of cooperatives referring to their added-value, as will be seen in chapter 4.

## 1.2. Definitions in usage at international level

A first element that needs to be looked at when comparing data on cooperatives is the definition used. The existing internationally recognized definition of cooperative used for legal purposes by the ICA and the ILO (ILO 2002 Recommendation No. 193) can be considered the first and only instrument of universal applicability on cooperative policy and law adopted by an international organization. It is a legal definition of a cooperative. However widely recognized, this definition is not meant to be used for statistical purposes. In fact, there is a lack of a single "legal" definition of cooperatives in some countries (e.g. UK, Australia and Japan) or of an operational definition in others (Galhardi, 2016, pp. 6).

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<sup>5</sup> See: <https://monitor.coop/sites/default/files/publication-files/wcm2019-final-1671449250.pdf>

<sup>6</sup> This is a summarized version of the conceptual framework developed by M.J. Bouchard, M. Le Guernic and D. Rousselière, adopted in 2017 by the ILO (ILO, 2017a). The full version is available at [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/--coop/documents/publication/wcms\\_578683.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/--coop/documents/publication/wcms_578683.pdf). The production of the framework has been made possible through a financial contribution of the Committee for the Promotion and Advancement of Cooperatives (COPAC).

On the other hand, there is a statistical definition of cooperative provided in the System of national accounts (2008 SNA), a system of international accounting techniques for preparing national accounts (UN *et al.*, 2008). The 2008 SNA consists of an integrated, compatible and consistent set of accounts, balance sheets and tables based on definitions and concepts, classifications and accounting rules agreed at international level. A definition of cooperative is provided in the SNA through various articles. Overall, the 2008 SNA definition identifies cooperatives but does not cover all types of cooperatives, namely leaving out worker cooperatives.

Academic researchers have also tackled the issue of the need for a statistical definition of the cooperative, such as the *Manual for Drawing up the Satellite Accounts of Companies in the Social Economy* commissioned to J. Barea and J.-L. Monzón (CIRIEC, 2006), as well as two reports commissioned by the ILO based on a mapping exercise (Galhardi, 2016) and cases studies (Eum, 2016b; Carini *et al.*, 2017).

Comparing these definitions led to identify a set of criteria that seemed consensual. Table 1 sums up the different common-core criteria found in the above mentioned definitions.

**Table 1: Common core criteria proposed or found in international definitions of the cooperative**

	ICA/ILO (2002)	SNA (2008)	CIRIEC (2006)	Eum (2016b)	Carini <i>et al.</i> (2017)
Private and legal/formally-organized entity/institutional unit with legal status	X	X	X	X	X
Created to meet members' needs through the market	X	X	X	X	X
Distribution of surplus according to the members' transactions		X	X	X	X
Members must also be customers, employees or suppliers or be otherwise involved in the activities of the cooperative.		X	X		
Democratic-governance principle, one member-one vote	X	X	X	X	X
Voluntary/Freedom of membership	X	X	X	X	X
Self-governing entity with autonomy of decision	X		X	X	
Limited interest on share and loan capital			X	X	
Voting rights of investor members, if allowed, must be limited so that control remains vested in the user members			X	X	
In the event of winding-up, net assets and reserves must be distributed according to the principle of disinterested distribution			X		



These criteria identify a cooperative as a private institutional unit with a legal status. Four criteria seem to be consensual or nearly consensual to distinguish it from other institutional units: a cooperative is created on the basis of voluntary and freedom of membership, to meet members' needs through the market, following the democratic governance principle, in which the distribution of surplus is made according to the members' transactions or usage.

### **1.3. Conceptual framework for defining a cooperative**

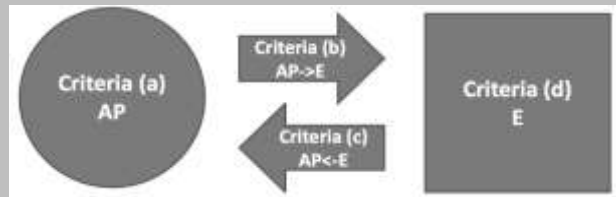
Now, taking from SNA, ICA, CIRIEC and current measurement practices of cooperatives, the definition of a cooperative appears to be based on three general premises, coherent with the previously identified criteria. The first is that a cooperative is an organization with a legal identity that functions according to specific principles. The second is that a cooperative is a member-based organization, which implies the shared identity of members-users. The third is that a cooperative has specific objectives and functions related to its members-users' needs. These premises will be reviewed below.

We first present a conceptual representation of a cooperative and of its qualification criteria. This representation also points to the identification of hybrids. As will be seen, it also helps understand that the definition of cooperative is intrinsically linked to the classification of cooperatives. It will in the end provide grounds for the operationalization of a statistical definition of a cooperative for statistical measurement purposes, as shown in the *Guidelines concerning statistics on cooperatives* (ILO, 2018a) presented in Annex 2 of this book.

#### **1.3.1. Formal organization with a specific set of principles**

A cooperative can be schematically represented as the combination of an association of persons (AP) and of an enterprise (E) (Fauquet, 1935; Vienney, 1980a), reciprocally linked to each other by a set of principles. It is this set of principles that characterizes the cooperative and distinguishes it from other entities. A structural analysis of the cooperative leads to identify the need for a minimum of four characteristics that distinguish the cooperative from other entities: one for each of the components of the combination AP and E, and one for each of the two relations linking AP to E and E to AP. A socioeconomic analysis of cooperative organisations and their evolution in various types of economies (Vienney, 1981) indicates that these common characteristics of a cooperative are what keep the cooperative from losing its distinctiveness from other forms of associations and of enterprises when pressures from social, political or economic environment are exerted on the cooperatives.

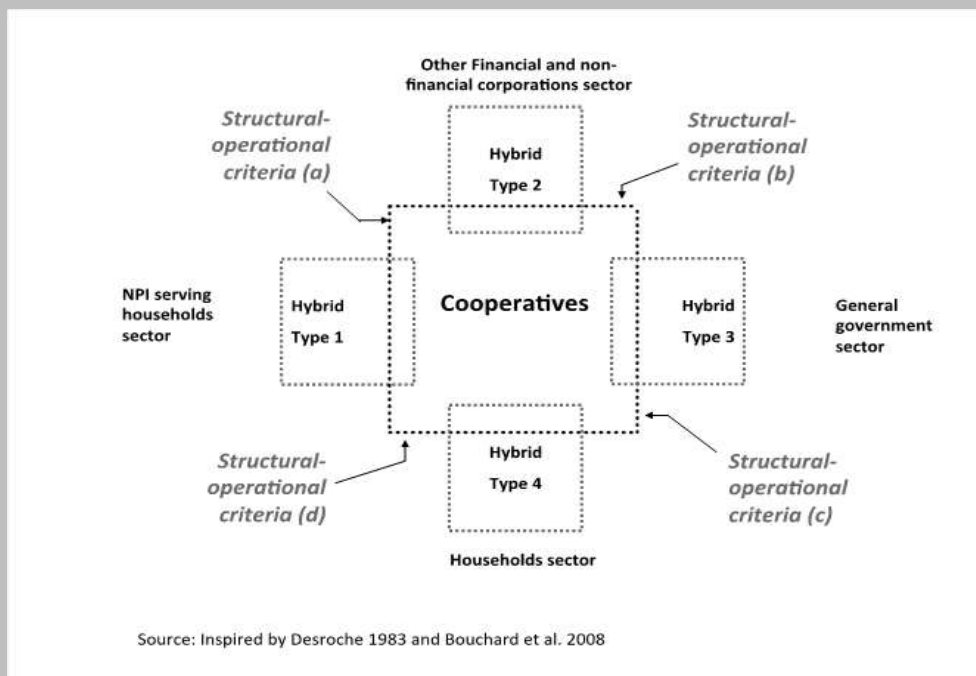
**Figure 1: Conceptual definition of cooperative**



Source: The authors, adapted from Fauquet, 1935 and Vienney, 1980a.

This schematic conceptualization of a cooperative helps to represent the cooperative and hybrid forms as ideal-types. Some organizations are similar to cooperatives as they share some of these features but not all of them. Figure 2 illustrates the core of the cooperative identity and examples of the hybrid forms – or “uncertain” forms, to follow Desroche’s (1983) reasoning – that share some of the cooperative characteristics without meeting all of them. This figure also points the institutional sector of the SNA to which these organisations might be associated.

**Figure 2: Qualifying cooperatives and hybrids**



Source: Inspired by Desroche 1983 and Bouchard et al. 2008

### 1.3.2. Shared identity of members-users

The dual nature of the cooperative is reflected in the shared identity of members as both owners and users of the cooperative. Through the ownership linkage (economic participation and voting rights), the members jointly (through their association) own the cooperative. The usage linkage means that the cooperatives' activities serve members' needs and aspirations, and that members are able to make use of these activities. There can be a minimum threshold for number of members in order for an enterprise to be counted as a cooperative.

**Figure 3: Share identity of cooperative members**

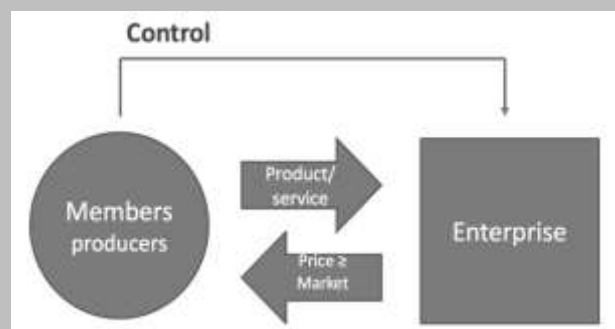


Source: The authors, adapted from Fauquet, 1935 and Vienney, 1980a.

Malo (1980) identifies three general types of member-relations to their cooperative. Other types of member-relations to their cooperative exist, as we will see further on. We present those identified by Malo to illustrate how membership and usage define the economic objective function of the cooperative:

- 1) The provider (or producer) cooperative marketizes its members' production (e.g. farmers products) or inputs (e.g. savings). Members expect to receive through their cooperative a price that will be higher if not equal to the market price. A representation of a providers' relation to the cooperative is shown in Figure 4.

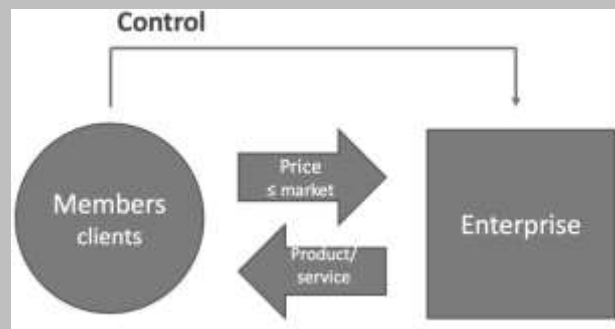
**Figure 4: Member-providers relation to the cooperative**



Source: The authors, adapted from Malo, 1980.

- 2) The consumers (or clients) cooperative offer to its members' products (e.g. food) or services (e.g. homecare) for their own usage or that of their production unit (e.g. farm). Members expect to access those products and services through their cooperative at a price that will be lower if not equal to the market price. A representation of a consumer (or client) cooperative is shown in Figure 5.

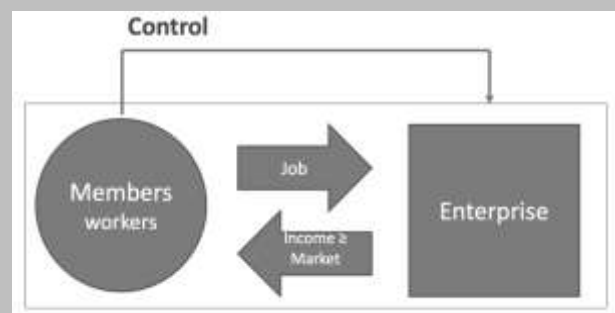
**Figure 5: Members-clients relation to the cooperative**



Source: The authors, adapted from Malo, 1980.

- 3) The workers' cooperative provides jobs to its members as well as control over the cooperative's activities and what results from it. A representation of a workers' cooperative is shown in Figure 6.

**Figure 6: Member-workers relation to the cooperative**



Source: The authors, adapted from Malo, 1980.

### **1.3.3. Organization with specific economic objective functions**

The status of an organization cannot always be inferred from its name, and it is necessary to examine its objectives and functions. As explained by J. Barea and J.-L. Monzón (CIRIEC, 2006), cooperatives have different objective functions than other types of corporations. The objective function of a corporation is determined by the character and behaviour of those within it who control the decision-making process and appropriate the surplus.

In traditional companies, the dominant and beneficiary categories are made up of capitalist investors, for whom the value generated by the group stands for capital gains and who attempt to achieve the greatest possible returns on their investment. In the case of social economy companies [including cooperatives], if there is any distribution of surpluses it is not directly linked to the capital subscribed by each member and neither is decision-making, which takes place democratically, so the dominant and beneficiary categories are not made up of capitalist investors. [...] [T]he objective function of these companies is geared to increasing the value of other types of assets. (CIRIEC, 2006, pp. 21)

In this perspective, members join a cooperative to benefit from the usage or transactions they have with it. For example, this benefit comes from: maximizing the value of members' products, services, or savings (suppliers of the cooperative's inputs); maximizing employment and working conditions of members (workers of the cooperative); minimizing the intermediation costs for members' purchases of products, services or loans (consumers or clients of the cooperative's outputs); insuring the availability and reducing the risk to members-users of managed resources or held assets such as equipment, machinery, real estate properties or network platforms (users of the cooperative's assets). Community members can also join a multi-stakeholder cooperative to contribute their expertise or funding (supporters of the cooperative's activities).

### **1.4. Analytical framework of cooperatives' classifications**

The different types of usage or transaction members have with their cooperative, taken into consideration alongside with the different economic objectives and functions of the cooperative, help complement the understanding of the classification of cooperatives.

Cooperatives are generally classified by their main economic activity, enabling to compare them to the rest of the economy, and by a second classification, used to differentiate types of cooperatives. The proposed analytical framework of

cooperatives' classification summarizes different types of categories that can be used to classify cooperatives, other than their economic activity.<sup>7</sup>

This framework takes from three sources. One concerns the classifications of cooperatives that were currently in use before the adoption of the ILO *Guidelines*. The second is the view of the cooperative as a member-based organization. The third is the identification of different objective functions of cooperatives. Taking from these three sources, a framework can be developed that combines and organizes a number of dimensions and groups them into categories or types that are compatible with existing frameworks for producing labour statistics: main objective of the cooperative (ILO, 2013a); members' interest (Lund, 2011); members' usage linkage to the cooperative (Vienney, 1980b; Malo, 1980); economic objective function of the cooperative; and types of cooperatives. It is to be noted that the later presents examples coming from various classifications and is not intended to be exhaustive.

**Table 2: Analytical framework of cooperatives' classifications<sup>8</sup>**

Main objective (ILO, 2013a)	Members interest (Lund, 2011)	Members usage linkage (Vienney, 1980b; Malo, 1980)	Economic objective function of the cooperative (CIRIEC, 2006)	Type of cooperative (example)
Service the production of goods and services, or workers	Short term: production costs covered Long term: reduced risk, sustainable source of income, market development	Providers of the cooperative's inputs	Assist members in bringing their products to the market	Producer marketing cooperative
			Maximize the value of inputs (products, savings) members provide to the cooperative	Producer processing cooperative Savings cooperative
			Workers self-employed and self-managed in the cooperative	Worker cooperative Social cooperative
	Short term: reliable work, fair wage Long term: safe, respectful, gainful employment	Work placement of members	Increase the capacity of members to negotiate for decent work Exerting pressure on labour market	Labour cooperative
			Workers offered a double status of entrepreneur and employee	Employment and activity cooperative

<sup>7</sup> The next chapter of this book presents a proposed classification after testing this framework with existing cooperative classifications in different countries.

<sup>8</sup> ILO 2017a, table 5, pp. 37.

Service persons as consumers	Short term: Accessible location and price Long term: Access to specialized goods or services, predictable pricing, supply	Final consumers of the products and services of the cooperative	Minimize the intermediation costs for members-consumers of the cooperative's outputs (products, services, savings, loans) Mutualize risk Provide service to members Ethical supply-chain	Consumer cooperative Mutual insurance cooperative Utility cooperative Rental (housing) cooperative Organic or fair-trade
	Short term: Existence of resource in community Long term: healthy and vibrant economy	Multiple member usage linkages (including volunteers and supporting community members)	Arbitrate two or more of the above mentioned objective functions	Social or multi-stakeholder cooperative

Source: The authors

One should note that cooperatives may have more than one objective function (e.g. a producer cooperative may do both, purchase members' goods in order to marketize them, and as well sell to members services or inputs for their own production activity). The similar issue is met in any other classifications of organizations, hence the simple, yet somehow reductionist identification of the "main activity" of a business facility, in order to classify it in one – and only one – industry sector. Some cooperatives have more than just a single member usage linkage (e.g. a multi-stakeholder cooperative may be comprised of members who are consumers, workers, of support members of the cooperative). The 2018 ILO *Guidelines* considers as multi-stakeholder cooperatives those for which "more than one type of member is represented in the governance structure of the cooperative"; and where "no type of member has a dominant position through a majority of votes in the governing body or an exclusive veto over decisions" (ILO, 2018a, article 16).

Testing this framework with existing national classifications, as we will see in chapter 2, enables to propose a simple, clear-cut, mutually-exclusive set of categories to classify cooperatives. This is the classification that was retained in the ILO *Guidelines*.

## 1.5. Conclusive remarks to the conceptual framework

Many challenges need to be addressed and choices need to be made in order to produce robust, relevant and harmonized statistical data about cooperatives in the world. The particular nature of the cooperative is the main reason explaining the measurement challenges this chapter has outlined. The conceptual framework aims at showing how these particularities may orient the statistical definition and classification of cooperatives.

This conceptual framework shows that for defining cooperatives, not one criterion suffices. A set of a minimum of four criteria is necessary. Filtering entities by these criteria will establish the perimeter and qualify in-scope entities and those that are at the boundaries of the cooperative core perimeter. The *Guidelines* concerning statistics of cooperatives (ILO, 2018a) have incorporated these criteria as well as identified the institutional units in which cooperatives are present within the System of national accounts (2008 SNA) (see the guidelines in Annex 2).

For classifying, a single classifying system does not suffice. Cooperatives need to be classified by two systems, one referring to its main economic activity, as all enterprises, and the second one to a cooperative feature. The framework presented in this chapter has been tested with existing classifications (see chapter 2) leading to a simple clear-cut mutually-exclusive set of 4 types of cooperatives based on member's interest (see the guidelines in Annex 2).

Many of the challenges in producing statistics on cooperatives have to do with the variety of organizational forms, legal frameworks and cultural environments in which cooperatives develop. Of course, this can be also said of other types of entities, namely of non-profit institutions. But because cooperatives are vested by social values and aspirations, which are periodically re-affirmed by cooperators in their everyday life as well as by apex and international organizations representing them, and because cooperatives play very specific roles in the economy, it is important to represent them adequately in official statistics. It is only through harmonized, coherent and comparable data on cooperatives that we will be able to adequately measure their contribution.

Aside from the usual arbitration between cost and quality of the collected information, measuring cooperatives also implies using the appropriate sources and the adequate measurement tools. These need to be sophisticated enough to capture the specific features of the cooperative, but also sufficiently standardized to make the work feasible at the national statistical organizations' level. This could seem like trying to square the circle. A solid understanding by national statistical offices of what a cooperative is, and better knowledge by cooperative



stakeholders of how statistics are constructed, are the keys to overcoming such obstacles.

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SPECIAL ISSUE

## **The increasing role and the diversity forms of Commons for production and preservation of essential goods and services**

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The theme of the commons is meeting a growing interest in the economics and management literature as well as other disciplines such as sociology and philosophy (Dardot & Laval, 2014, for example). This interest can be explained by theoretical advances but also by the development of multifaceted practices that aim not only to initiate new forms of governance but also the deployment of activities making it possible to offer open and shared access to common goods. With its long tradition of studying organizations and forms of governance serving the collective interest in the field of public economy and social economy, CIRIEC is part of this process of promoting theoretical and practices advances that can contribute to a beneficial deployment of the commons and public goods. A book on the joint production of public goods and commons (CIRIEC, Bance, 2018), and the CIRIEC research conference on social economy held in Bucharest in 2019 conducted recently such analyses. This special issue of APCE is a continuation of this research by focusing in particular on the question of the variety of commons dedicated to open and shared access to essential goods and services.

## **1 | THE GROWING IMPORTANCE OF THE TOPIC OF THE COMMONS**

According to Coriat (2020), the SARS-Cov2 pandemic is not just any pandemic, a rare event in the image of the famous “black swan” or those crises which, as we are told, only occur once a century. On the contrary, it confirms that we are entering a new era, the Anthropocene, in which health crises and climate change will become part of the daily life of humanity.

Considered by some economists as an exogenous shock, these pandemics actually appear to be endogenous to our economy. Indeed, humans are penetrating further and further into the heart of forests, coming into contact with wildlife viruses. By destroying biodiversity and the variety of species and by favoring monocultures, mono and factory farming (plant or animal species specially selected for large-scale production), we are destroying what constitutes a natural barrier to the spread of these different viruses (Epstein, 2001; Rodo et al., 2013; Wu et al., 2016). And globalization, linking all areas of the planet, via rail, sea and air routes, accentuates these effects (Coriat, 2020).

Today, the major challenge is—while persevering in the fight against the rise of social inequalities in income and economic assets (Piketty, 2013, 2019) caused by the new public management as well as the affirmation of the owner ideology, persistent and multiple that characterize our societies—to protect our great common goods, the forests, the seas, biodiversity, the poles..., in the face of the extractivism that organizes their destruction. This will protect us because by destroying nature, we shall run straight into the wall, through climate change and now through the generation of epidemics and pandemics (Botzen et al., 2020; Epstein, 1999; Manzenedo & Manning, 2020).

It is therefore now a question of transforming these great common goods into what Elinor Ostrom calls “Commons”, namely common reservoirs of resources endowed with governance that ensures their permanence and integrity.

Indeed, the theory of the Commons developed with the work of Elinor Ostrom (1990) and her disciples has shown the relevance of governance as well as the social utility of the production of shared and jointly managed goods. They radically challenged Hardin’s common goods curse thesis and took the opposite view to the property rights theory initiated by Alchian and Demsetz (1972). In this sense, the criteria of rivalry (the consumption of the good by one individual negatively impacts the consumption of the good by another individual) and exclusion (concerning the question of access to the resource) take on a completely different dimension insofar as rules and governance of Commons are precisely aimed at reconciling use and preservation of the resource. As Coriat (2015) shows, however, exclusive and

private access to resources has increased in recent decades, particularly on knowledge and technology; the most tangible manifestation being the rise of patents in the life sciences or software. The growing importance of exclusive private rights over productive resources and essential goods and services leads to the term “Tragedy of the AntiCommons” according to Heller (1998). To preserve the collective interest, it is necessary to guarantee and develop open and shared access for essential goods and resources, in particular through the public domain or production by the Commons.

Various forms of production of common goods have been deployed in recent decades to offer alternatives to exclusive property rights and to allow open and shared access. This is particularly the case with open technology and free software. The joint production of public goods by public and social and solidarity economy (SSE) organizations is another way of expressing the pooling of resources to produce public goods (CIRIEC, 2018). The historical activities of SSE organizations, implemented in various ways throughout the world, also allow making productive resources and/or goods and services available to a greater or lesser number of beneficiaries.

The deployment of Commons leads to an analysis of their characteristics and the ways in which stakeholders are involved in the work, explaining how they contribute or can contribute for open and shared access to resources or goods and services, particularly if they are essential. It also leads to the clarification of the forms of governance at work in order to grasp their contributions and potentialities in terms of the expanded production of public or common goods. This also leads to the clarification of the characteristics of new organizational forms that make it possible to involve stakeholders jointly and more broadly in governance. It is also a question of examining the economic repercussions and the future prospects of resource joint management practices. Finally, it is useful to explain the contributive capacity of these governances on the emergence of new paradigms of collective action, in particular through collaborations between or with public authorities.

Over the last ten years or so, since Elinor Ostrom was awarded the Nobel Prize in Economics in 2009, the notion of Commons has given rise to a rapidly growing literature. In this special issue, the seven research papers contribute to highlight the new deployment of Commons in various forms and their modalities. Indeed, they show that the governance of different kind of resources (food, natural, labour or monetary) by the Commons is definitely a new approach to public management, which favors the involvement of the actors directly concerned.

## **2 | VALUES AND VARIETY OF COMPLEMENTARY FORMS OF COMMONS: A NECESSITY FOR PRODUCTION AND PRESERVATION OF AN OPENED AND SHARED ACCESS TO ESSENTIAL PUBLIC GOODS**

The different studies and illustrative cases presented in this special issue prove that the capacity of (local) actors to self-organize to “govern” a variety of common resources forms by producing the system of rules adapted to the local context allows to ensure sustainable exploitation, which neither the State nor the Market can ensure

### **2.1 | Context and links of Commons with the social and solidarity economy**

The first two papers recall the historical, geographical, economic and legal principles of the principle of “Commons” as well as the return to prominence of this theme in current research. Both researches establish a link between the practices and institutions specific to the Social and Solidarity Economy and the properties of common goods. Following in the footsteps of Federici (2012), Fournier (2013), Linebaugh (2009) and Bollier (2016), the two authors of the first and second papers of this special issue believe that commons can be drivers of societal transformation. The politically strategic term “communing” gives to the governance of common-pool resources the meaning of a social adaptive process (trials and errors) that can potentially challenge the dominant profit logic of capitalism.

In the paper of Salustri, *Social and solidarity economy and social solidarity commons: Towards the (re)discovery of an ethic of the common good?*, the author demonstrates the dynamics of the Commons and their multifaceted nature through an overview of the recent and older literature and reminds how they have often been co-owned and co-governed according to shared rules and norms. The author then introduces the concept of Social and Solidarity Commons (SSC), defined as “all those relational practices that contribute to the accumulation and regeneration of human and social (as well of other types of) critical capital”. Due to the intangible character and the hardly quantifiable nature of these SSC, he notes that there is a risk that self-interested choices could be detrimental to their realization (because of the intrinsic fragility of collective interests due to free riding opportunities, asymmetries of information and lack of coercion for instance). To counter this possibility and restore a fair and generative fruition of the SSC, he stresses the potential role of SSE institutions. He thinks mainly about cooperatives that may be “entitled to their communal ownership and may charge for violating community-owned rights over the resources third-party activities that may limit or damage the communally owned SSC”. But the non-profit organizations are also in the equation. Indeed,

the paper ends by giving some Italian examples where SSE organizations play a fundamental role in anchoring communing practices to people's basic and daily needs, focusing on solidarity actions and their importance for their continuity. He concludes that even if SSE institutions are necessary to foster an ethic of the common good, they could be however not sufficient: self-interested individuals could not participate in communing practices, as they could not be able to fully internalize the benefits achieved (for instance for binding constraints).

The second paper written by Guttman, *Commons and cooperatives: A new governance of collective action*, starts by noting that environmental and inequity challenges remain unresolved despite the growth of the SSE sector. They even continue to intensify. Confronted with this observation, the author believes that it is possible, through a clearly defined system of governance, to allow collective choices that are more effective/efficient than those obtained by the capitalism's profit logic. These communitarian responses through which social actors can band together as third force between market and state can lead to better defense of the public interest and social justice. This second paper provides an answer to the question of how the forms of governance being deployed with the Commons make it possible to broaden cooperation between actors or between organizations in order to transform the society. To this end, the author analyzes the complementarity between Ostrom's eight "design principles" and the seven cooperation principles of the International Cooperative Alliance (ICA) in order to call for new forms of governance in an organization. This combinatorial approach brings a new form of commons and thus governance in the sharing of essential resources, goods and services. The idea of combining common goods and cooperatives (despite differences in terms of purpose and in their respective *modus operandi*) as a means of strengthening the *Third Way* between the market and the state is the main added value of this second paper. Three case studies of actual experiments in forming such alliances shed more light on the potential such alliances carry for their engaged participants as complementary modes of anti-capitalist organization.

## 2.2 | In-depth studies on the deployment of different types of Commons

The next four papers are illustrations of the deployment of new forms of commons. Three qualitative and one quantitative research studies demonstrate the resilience of these new forms of organizations. Whether in the management of labor, food, natural or financial resources, each paper demonstrates that the capacity of (local) actors to self-organize to "govern" these common resources by producing the system of rules adapted to the local context allows to ensure sustainable exploitation.



The third paper written by Charmettant and Renou, *Cooperative conversion and communalization: Closely observed interactions between the material and the mental*, reminds that various authors, including Elinor Ostrom but also more recently Nyssens and Petrella (2015), have shown that the legal form of cooperative has many of the characteristics of a Common. The research is particularly interesting because it highlights Cooperative Conversion (CC), whereby conventional enterprises become employee-managed enterprises (LMFs), and views it dynamically as a process of communalization. After having provided overall data that allows us to understand the (relative) importance of the phenomenon in France, the three types of conversion are presented (takeover of a SA in liquidation, CC of a SARL handed over by a former CEO and conversion of a NPO in a LMF after the development of a commercial business) although in the field survey carried out over six firms involved in CC, only the first two cases are met. These in-depth and detailed studies of the different communalization processes (in terms of ownership of assets, decision-making bodies, forms of management, and modalities of pay/reward, among others) make the originality and the added value of this third contribution. Obstacles to these conversions exist and the importance of the ethical nature of collective action is apparent. Authors also point out that beyond the cooperatives in conversion, all collective organizations face questions about their collective becoming and the individual's position in the collective. It is only exacerbated in the CC processes. One of the key findings of this research is that "a Common can be successfully created if the constituent processes are consistent with the overall goal". The road is as important as the destination.

Lapoutte explores a new kind organization is the fourth paper *Résilience d'une métaorganisation: le cas d'un commun de l'alimentation*. The paper deals with the food issue as a common good. The author discusses the concept of meta-organization (MO: organizations or associations whose members are themselves organizations) and their role in the governance of sustainable innovation. By studying a local food policy council located on the territory of the City of Lyon, the author tries to verify the resilience capacity of an MO carrying a food Commons project. Indeed, the issue of sustainable food and, as a corollary, the food governance of territories has become a major challenge for groups bringing together public and private partners, generally of the civil society type. The particular interest of this research is double. Firstly, the author presents results from a qualitative study of a form of organization rarely analysed in the literature. Secondly and starting from the theory of Weick (1993) and the grounded theory, the author discusses the relationship between MO resilience and social transformation. The analysis shows that the context in which Lyon's MO operates implies contrasting forms of resilience: a good capacity to absorb external shocks, a good renewal of activities but still limited appropriation. Limited because the formalization of the MO is extremely flexible in order to allow freedom of action, it does however not really allow the association actors to situate themselves and collective governance to take place. This paper contributes thus to the knowledge of this "policy-shaper" type of MO, that is, to the elaboration of public policies. Finally, the research concludes by demonstrating how SSE and public authorities

come together around this Common of food, highlighting the institutional diversity in the development of the Commons.

The fifth paper deals with a more classical object in the theory of commons, concerning the problematic of natural resources, in this case Romanian forests and pastures. In *Elements of the institutionalization process of the forest and pasture commons in Romania as particular forms of social economy*, Opincaru studies the transition and the difficulties of these goods (historical natural commons) which returned to be private property of newly established associative forms (Common's institutionalization process) after the fall of the communist regime. In the case of the Romanian forest and pasture commons, the potential main issue for the resource itself is the lack of clarity and coherence of the legal framework governing the resource's management and property rights. By deepening the economic research on the basis of the comparison made by Nyssens and Petrella (2015) on SSE and Commons, the author reminds that Romanian Commons are organized as associations, which can obtain high revenues through economic activities. By emphasizing the possibility of making profits but placing them after service to group members, the author proposes a link with SSE principles. Other similarities exist, such as the distribution of benefits to the community, relative autonomy from the state, and the decision-making process (even if it is not always one person-one vote). The author points out the principle of open membership as the great difference between SSE and the Commons (especially those Romanian natural ones). Based on the combination of a detailed reading of various legal texts and the analysis of 328 interviews applied to board members of Commons in the country, the paper contributes to the understanding of how policy, politics and public authorities affect local practices of natural resource management. Overexploitation of resources is unlikely because, with the collective property, is trying to preserve the resource of members for the future. However, the author concludes unequivocally on the slow progress of the process: given the unclear legal framework and a lack of understanding of the authorities regarding the Commons, they remain vulnerable to outsiders who may lead to sell the Common, and by a lacking capacity to introduce legal changes that might affect them.

In the sixth paper titled *Do socially motivated self-help groups perform better? Exploring determinants of micro-credit groups' performance in Eastern India*, Pal and Singh address the issue of financial commons and in particular group-based micro-credit initiatives in developing economies. Self-Help Groups (SHGs) are specific forms of microfinance organizations in India. The paper's objective, which is to apply the Data Envelopment Approach (DEA) to SHGs in order to assess the performance of Indian SHGs, is innovative for two reasons. On the one hand because the causal role of the group's motivation towards pursuing social objectives has not been explored previously, on the other hand because the interlinkages between efficiency and intrinsic motivation are explored via an original two-stage double bootstrapped DEA approach. Indeed, most of the work on the mobilization of the DEA method

has focused on microfinance institutions, which are large structures comparable to micro-banks or even microfinance banks. SHGs are groups of 15 to 20 people operating in total autonomy, the majority of whose members are women. These groups manage the income and savings of the members and grant loans only to the members of the group. Apart from pursuing their economic directive, SHGs seek to transform their respective communities systematically, by implementing different social welfare schemes and raising awareness regarding social issues. The paper also highlights the continuous evolution of the number of SHGs and the importance of the refinancing that the banks bring to them. The data was collected from 51 SHGs located in Eastern India. The empirical results highlight a weak financial performance, but compensated by a good social performance, where motivation plays a significant and positive role. It is on this dimension that the article differs from the work published on the issue. Authors bring a real added value by arguing that “micro-credit groups cannot contribute sustainably as a viable alternative to traditional means of access to credit if it merely offers innovative forms of financing and consumption”. They point their need to be socially aligned to serve the community better and to contribute to the group’s overall performance and galvanise community-based resource management.

The last chapter of this special issue addresses one of the essential paradigms of collective action: the regulation and stability of the financial system. Ülgen presents here financial regulation as a thematic placed on the border of the research of Public and Common goods. Such a reflection is quite valuable for making the nexus of Ostromian thought and public economics of financial markets. The author develops on two main themes that are, each separately, fundamental and very broad economic issues: (1) financial instability; (2) public action on public goods. Starting from the observation that public financial regulation has given way since the 1980s to self-regulation and the proliferation of financial innovations (leading to multiple instabilities but also to the crisis of 2007–8), the author begins by recalling that financial stability, a necessary condition to the continuity of financial relations, should be considered a problem of collective action. There is indeed a lot of debate about the social efficiency of financial markets and the idea of “too much finance” is widely referred as well as the idea of the fallacy of self-regulation. He therefore proposes to consider it under the lens of the literature on the Commons and public goods, highlighting the non-exclusive and non-rival character of financial stability. He points out the ambivalence of the current monetary economy where coexist the private debtfinancing decisions that provokes money creation and related financial operations and the need for supra-individual mechanisms to allow money to flow through society. That leads to a classical opposition “private vs public”. However, because of the endogenous limits of individual actions and the systemic nature of instabilities they provoke, that calls for a collective action that requests a public supervision framework through an extra-market macro-regulation in order to let economy work in a viable way. Ülgen concludes that must be created an ability of the public organization and supervision of markets dressing a bridge between individuals

and society. The author evokes to this end the macro-prudential and preventive policies that could be developed as coherent alternatives in the quest for greater systemic stability.

To conclude, we will insist that variety of Commons, and the utility of their governance for collective action, open and shared access to productive resources and essential goods and services, described in this special issue, are not limited to the themes that have been presented. Other sectors were considered as object of study, in particular health or digital, when the call for submissions was issued. With the pandemic and the search for vaccines, voices have been heard calling for a nationalization of the pharmaceutical sector. It is an option to limit the growing influence of what is today called “big pharma” and its unbridled thirst for profit which turns its back on the production of global public goods. However, the goal is first to make it a “common” one. In other words, it is a question of ensuring that the direction of research and means is decided collectively, by users, scientists, public authorities and producers in a form of shared ownership that ensures access for all, especially the poorest, to the goods produced.

This already exists in other areas, such as digital commons, which refers to a category of goods or resources that differ fundamentally from the seminal category of natural or land commons, if only because they relate to intangible, immaterial resources to which the original classifications of commons have little or no application. The Internet would not work very differently without a lot of free software that is “common”. Today, with the confinement, Zoom has doubled its turnover and quadrupled the number of user companies, but using dozens of free software made in the world of commons. The development of Linux is also financed by large private companies such as Dell, Microsoft, Google who have understood that in order to make money, they need a common base, sophisticated, rich which can only be developed in common.

However, we agree with Alix et al. (2021) that today, the tendency is to include an unduly broad set of activities in this term of Commons, most often confusing it with the so-called collaborative or participatory economy. This is particularly glaring in the field of digital platforms. They take an increasingly important place in our way of consuming, producing, moving and exchanging... while excluding a consistent share of population from the benefits of the new economy. Therefore, if human rights are not enforced and basic needs are not satisfied, a wide share of individuals may not have access to the benefits offered by these “digital commons”.

Despite the deployment of a diversity of Commons, the growing influence of lucrative activities (on the net and elsewhere) in the context of the globalization of markets and the decline in the economic intervention capacities of States, a strong mobilization of society civil society seems necessary in order to preserve and promote open and shared access to common resources. From this perspective, it would be

fundamentally useful to set up participatory democracy bodies such as citizen councils (Bance & Chassy, 2018), to evaluate the importance of such Commons. They would reflect the expectations of the populations (as in the context of the citizens' conference for the climate which held in France in 2020) by making recommendations to be respected by the public authorities.

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*Philippe Bance & Jérôme Schoenmaeckers (2021)*

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