

1. Crisis and Opportunity: The Emerging Solidarity Economy Movement

Emily Kawano

The economic meltdown of 2008 stripped the mainstream economic model of its pretenses: that markets are self-correcting, that the economy will thrive through deregulation and that this model can deliver prosperity, a healthy planet and a healthy society.¹ Despite optimistic sightings of recovery on the horizon, in the U.S. unemployment is close to 10 percent, zombie banks stagger uncertainly along, foreclosures and bankruptcies continue to rise, and a wave of credit card defaults is poised to come crashing down, threatening to trigger yet another financial crisis.² The condescendingly nicknamed PIGS (Portugal, Ireland, Greece and Spain), led by Greece, are wallowing in debt and threatened with bankruptcy. There are fears that if there isn't a bailout to restore confidence, the contagion will spread throughout the world, including to the U.S.

This latest crisis is just the most acute symptom of a chronic illness stemming from the failed model of neoliberalism. If neoliberalism were to have a slogan it would be “markets good, state bad.” The result of 30 years of deregulation, privatization, *laissez faire*, so-called free trade, and public disinvestment has led to stagnant wages, an erosion of benefits, greater underemployment and economic insecurity, and an ever-widening gap between the rich and the poor. These fundamental fault lines of our economy have not gone away and thus we try to rebuild our economy on thoroughly un-solid ground.

A further fault line is the mainstream obsession with economic growth, which is quite simply a death march to the beat of climate change and global warming. Clearly these are scary times. Do or die times.

¹See for example, Paul Krugman, “How did economists get it so wrong?,” New York Times, 9/2/09; “Thought Control in Economics,” Adbusters #85, Sept-Oct. 2009

²This paper will mainly have a U.S. perspective because there is still so little written about the solidarity economy here.

Crisis and Opportunity

This is an alarming picture but also one of opportunity. Crisis brings change. Sometimes the silver lining of a serious crisis is that the ruling economic model is swept away, along with its assumptions and policies, and a new model is crowned king. The credibility of the classical school of thought in economics, which held that markets would correct themselves and that the government should do nothing, was demolished by the Great Depression. The Keynesian model took on the crown of ruling economic model and ushered in an era where government intervention was seen as the antidote for all sorts of “market failures,” such as a languishing economy, poverty, unemployment, irresponsible corporate behavior, and so forth. Then, in the late 1970s, the economy seized up with stagflation (simultaneous high levels of unemployment and inflation, something that took the Keynesians by surprise). This economic crisis led to the ouster of Keynesianism and the crowning of a new economic approach—neoliberalism, or, as it was called at the time, Reaganomics, trickle-down, or supply-side economics. Neoliberalism in many ways was a return to the pre-Great Depression classical school. The lessons learned from the Great Depression have been forgotten and the policy responses to it have been to a great extent undone. Neoliberalism unleashed a wild west of speculation, deregulation, and concentration of power and wealth in the hands of a small corporate and financial elite, which led us to this current economic crisis. Now, the very foundation of the neoliberal model has been shaken to its core—hopefully irreparably. The question is what sort of economic model will wear the crown now?

There are two broad options: the first is to turn to a new and improved Keynesianism that has incorporated the lessons of the 1970s and the second is to push for a fundamentally different economic system. While a return to Keynesianism would be an improvement over neoliberalism, it still means that we have a society in service to the capitalist economy, whereas what we want is an economy that serves society.

We should not accept a system that as a matter of course produces vast inequality of wealth, ownership, power and privilege, and then redistributes just enough to buy off dissent. We should push for a system that creates shared prosperity, ownership, and power in the first place. In other words we don’t want more bread—we want the whole damn bakery. Throughout the world, there is a growing movement to build such an economic system that is called the solidarity economy. In the U.S., as the epicenter of the current crisis and the leading champion of the neoliberal model that lies at its root, it is particularly critical to shift our economic framework and priorities.

Into the Light: Seeing the Solidarity Economy

The solidarity economy (SE) movement in the United States is very young, yet it builds on a strong foundation of real practices, institutions and policies. This foundation, however, is cloaked and practically invisible in the shadow of the mainstream economy. In addition to strengthening these practices, part of the work of SE activists and participants is simply to bring these elements into the light, to demonstrate that there are many alternative ways of producing, distributing, consuming, and living that are elements of the SE. In addition to making these alternatives visible to the general public and policymakers, it is equally important to raise awareness and linkages amongst solidarity economy practitioners.

There are numerous examples of mapping the solidarity economy in order to do just this. The most advanced example has been carried out by the Brazilian Forum on the Solidarity Economy which is now in its third round of mapping the more than 22,000 solidarity economy enterprises throughout the country. The map³ is searchable geographically by goods and services produced and needed. It is linked to another internet platform that facilitates exchanges. Thus solidarity economy enterprises can find each other, source inputs and sell their products, thereby building what are called solidarity economy chains or supply chains. This sort of economic integration is critical to strengthening, diversifying and scaling up the solidarity economy.

Defining the Solidarity Economy in the U.S.

As a relatively new framework in the U.S. and as a concept that is committed to pluralism, it is natural that there are different definitions of the solidarity economy. Nonetheless, there is a discernable core set of principles. In the U.S., we based our definition on the principles that were common to practically all of the definitions from around the world: solidarity, sustainability, equity in all dimensions, participatory democracy and pluralism.

We understand that there are many different paths that serve to uphold these principles. The solidarity economy approach rejects the need for a vanguard, a blueprint or rigid ideology. Rather it builds organically on existing and emergent practices, informed by principle as well as theory. It is a humble project that does not presume to have all the answers and that claims this humility as a strength, not as a weakness. This pluralistic approach is in resonance with the spirit of building, in the words of the Zapatistas, “a world where many worlds fit.” At the same time, although the

³ Brazilian Forum on the Solidarity Economy website : <http://www.fb.es.org.br/>

SE is a very big tent, it does not include everything. Through experience, research, analysis, and theory, we will continue to develop an understanding of which practices, policies, and institutions are more in tune with the solidarity economy than others. We return to the discussion of definition after considering new framing and specific examples of the solidarity economy.

The Way Forward: A New Story

Homo economicus

The bankruptcy of neoliberalism opens up an opportunity to tell a new story. For despite its pretenses, economics is not a science. It is a story. If we want to transform the economy, we need a new story with a new main character. The protagonist of the mainstream neoliberal story is *homo economicus* or economic man. Homo economicus is a rational, calculating, self interested fellow who seeks the greatest payoff for the least amount of effort or cost. His calculations are made from the perspective of himself as an individual, not on the basis of the larger community, environment, nation, or world. An economy fashioned around such a self centered character is bound to result in exactly the kind of economic meltdown that the world is currently reeling from. Thousands of bankers, investment brokers, Wall Street traders, mortgage lenders, realtors, and developers pushed their activities to the brink of legality and in some cases beyond. To a great extent, they were doing just what they were supposed to be doing—pursuing the greatest payoff for the least amount of effort. Thus it was more profitable to engage in ever more complex and ‘exotic’ financial speculation, fueled by the housing bubble and high risk lending.

Eventually, it had to collapse. The subsequent meltdown was not the result of some rogue element, but was a predictable outcome of a system built around the assumptions of homo economicus. Capitalism is systemically prone to crises, and economic models built around the assumptions of homo economicus not only create a blind spot with respect to oncoming crises, but contribute to them as well.⁴

Homo economicus has never been considered an adequate characterization of human nature by anyone but neo-classical economists. Rather he was plucked out of his more complex self for the purpose of modeling economics. There is a wealth of evidence that people, as often as not, do not behave like homo economicus, but rather like *homo solidaricus*—humans in solidarity.

⁴ “Goodbye, Homo Economicus,” Kaletsky, Anatole, Prospect Magazine, 3/28/09 <http://www.countercurrents.org/kaletsky280309.htm>

Altruism, reciprocity, solidarity, cooperation, heroism, love, social norms and status—these are all motivators that are just as powerful, if not more so, than material, individual gain.

It makes just as much sense to start with the economic actor homo solidaricus as it does to start with homo economicus. In fact these two sides of human nature need to be reunited. We should take our cue not only from the Darwinian notion of survival of the fittest, but just as much so from ecological models of interdependent symbiosis and cooperation. Take for example, the leafcutter ant that grows gardens of fungi for food. They are able to keep this fungus free of a very common and deadly type of disease because of a bacteria that grows on the ant which produces a protective anti-biotic. This three way symbiotic relationship has been working successfully for millions of years, yet rather than patterning our economy on this type of ecological relationship, we have a system that predominantly celebrates the competitive and individualistic side of life.

Metamorphosis

Our new story also needs a fitting metaphor for change. One that is particularly apt is *metamorphosis*. When a caterpillar spins its chrysalis it begins a metamorphosis. Imaginal cells begin to appear. These cells have a different vision of what the caterpillar could be and in fact they are so different from the original cells that they are attacked and killed by the immune system. Still, more and more imaginal cells continue to develop. They begin to find each other and, recognizing each other as part of the same project of metamorphosis, they begin to form clusters. Eventually these clusters of imaginal cells begin to work together, taking on different functions, and building a whole new creature. The body of the caterpillar dissolves into a rich nutrient soup to feed the change. As the imaginal cells specialize into a wing, an eye, a leg, they build a new organism which emerges from the chrysalis as the butterfly.

In the same way, we can think of the many ‘solidaristic’ economic practices as imaginal cells, existing in a hostile environment. These imaginal cells must first recognize each other as part of the same project—an economic metamorphosis into a just and sustainable economy. By coming together, these cells can begin to coordinate and connect in order to form a coherent economic system with all the ‘organs’ that are necessary to survive, such as finance, production, distribution, investment, consumption, and the governance.

The imaginal cells of the solidarity economy are at present fairly isolated, although there are clusters forming at an increasing rate. We have an advan-

tage over the butterfly in that we already have imaginal cells that are differentiated into different areas of economic activity - production, distribution, consumption, financial, etc. Some of these would be considered alternatives, such as complementary currencies, or cooperatives or community supported agriculture. Others are less obvious pieces of the SE because they are part of the mainstream economy, like public education, social security, and some government policies such as health and safety regulations.

Solidarity Economy Solutions to the Crisis

Here are some examples of imaginal cells of the SE in the U.S. They offer pathways to recovery that don't set us up for yet another round of boom and bust. We focus on some successful strategies in three critical areas: housing, finance and jobs. All of these areas played key roles in brewing the crisis: speculation in housing and finance led to the boom and bust, while degradation of jobs and wages left families deep in debt.

Taking the speculation out of housing

Community Land Trusts (CLTs) are non-profit organizations that create permanently affordable homes by taking housing out of the speculative market. Here's how it works: the CLT owns the land and leases it to the homeowner for a nominal sum. The homeowner pays for the home, not the land. The homes in the Champlain Housing Trust in northwestern Vermont are typically *half the price* of a comparable open-market unit. Owners can sell their houses at a fair rate of return, but the selling price is capped in order to maintain permanent affordability.

Community land trusts have been growing rapidly. In the last seven years the number of CLTs doubled from around 100 to 200 throughout the country. And they are successful in other ways as well. A study conducted in December 2008 showed that foreclosure rates among members of 80 housing trusts across the United States were *6 times lower than the national average*.⁵ In the wake of the disastrous boom and bust of the housing market, this is a model whose time has come. We should demand that the government channel public resources in expanding CLTs throughout the country.

⁵ "Community land trusts lower risk of losing homes to foreclosure," National Community Land Trust Network, 3/17/09, <http://www.cltnetwork.org>

Finance for need not greed

Community Development Financial Institutions (CDFI) work for economic development in poor communities that are under-served by traditional banks. CDFIs make loans to people and enterprises that wouldn't qualify for a traditional loan because they would be considered to be too risky. They take these risks in order to nurture community economic development and still outperform traditional financial institutions. For example, among the 200 credit unions in the National Federation of Community Development Credit Unions, which serve predominantly low-income communities, delinquent loans are about 3.1 percent of assets compared to a national delinquency rate on sub-prime loans of 18.7 percent. This impressive track record is due to responsible lending and various kinds of advice and support provided by the credit unions. A credit union is a cooperative financial institution, democratically owned and run by their member/depositors. As democratic institutions that serve the needs of their members and communities, credit unions and in particular, community development credit unions, are a critical piece of the solidarity economy.

Green jobs and economic democracy

Creating green jobs is desirable, yes. But we also have an opportunity to create green jobs that are good jobs as well. By good jobs we mean jobs with decent pay and benefits, worker participation and satisfaction, and stability. Research shows that worker ownership improves outcomes on all of these fronts.⁶ Canadian research has shown that coops have much lower rates of failure after ten years than conventional businesses. Worker cooperatives have a built-in commitment to workplace democracy, worker ownership, and support for the welfare of the local community.⁷ Labor and community activists are already pushing to ensure that poor people and people of color are able to access green jobs. The ILO (International Labor Organization) recognizes that cooperatives are particularly well suited for creating green jobs in marginalized communities.⁸ Cooperatives currently provide over 100 million jobs around the world, 20% more than multinational enterprises.

Two recent developments in the U.S. signal a movement of cooperatives

⁶ "Effects of ESOP Adoption and Employee Ownership: Thirty years of Research and Experience," Steven F. Freeman, University of Pennsylvania, <http://repository.upenn.edu/odworkingpapers/2>

⁷ "Statement of Co-operative Principles," International Co-operative Association, <http://www.ica.coop/coop/principles.html>

⁸ See ILO slideshow on Climate Change and the Role of Cooperatives http://www.ilo.org/dyn/media/slideshow.curtainUp?p_lang=en&p_slideshow_id=18

into the mainstream. In a remarkable and historic move, the United Steelworkers, the largest industrial union in N. America, announced a collaboration with Mondragon Cooperative International⁹ to establish manufacturing cooperatives in the U.S. and Canada,¹⁰ Mondragon is the world's largest and most successful industrial workers cooperative, located in the Basque region of Spain, employing almost 100,000 workers in 260 cooperative enterprises that include manufacturing, a bank, housing, a university, R&D, a social security system, and retail shops. This collaboration is enormously significant in that it signals to the labor union movement as well as the wider public that cooperatives are a way of creating "our own jobs." The focus on manufacturing offers the hope of rebuilding communities that have been devastated by plant closings. Rising oil and transportation prices, combined with the falling dollar are creating the conditions for a manufacturing renaissance in the U.S.¹¹ Imagine if this renaissance could be infused with democratic worker ownership.

The second development is Cleveland's Evergreen Cooperative Initiative which recently launched a \$5.8 million state of the art green laundry, a hydroponic greenhouse the size of a football field and a photovoltaic installation company—all of them worker cooperatives. These three cooperatives are planned as the first in a network of local worker cooperatives and were in part inspired by a visit of a Cleveland delegation to Mondragon. The development of this cooperative network is envisioned as a way of creating jobs and revitalizing depressed neighborhoods of Cleveland.

There are but a few of the many examples of solidarity economy practices. The critical next step is for these economic imaginal cells to recognize each other as part of the same transformational project and to work together to achieve metamorphosis.

In summary, there is a vast array of practices and policies upon which to build the solidarity economy. The challenge is to foster self identification and engagement of these elements with the SE framework. This will require an appeal to both principles and practicality.

⁹ Mondragon website: <http://www.mondragon-corporation.com/language/en-US/ENG.aspx>

¹⁰ The full text of the Agreement is available here: http://assets.usw.org/Releases/agree_usw_mondragon.pdf

¹¹ "Can the U.S. Bring Jobs Back from China?" Business Week, 6/19/08 http://www.businessweek.com/magazine/content/08_26/b4090038429655_page_3.htm

Questions and Debates

Drawing the line: what are the boundaries of the solidarity economy?

The definition of the solidarity economy and the identification of its boundaries is an ongoing process, informed through debate, experience, research, organizing and reflection. A question that consistently arises concerns structure versus intent. Are there structures that are inherently consistent with the solidarity economy, even if practitioners of individual enterprises behave in ways that are inconsistent with its principles? For example, what if a worker cooperative engages in environmentally destructive production? Conversely, are there structures that fall outside of the solidarity economy, despite the good intentions of particular firms? For example, is a socially responsible capitalist corporation outside the bounds of the SE by virtue of its class structure in which workers generate the profits, but the owners reap and control it? In the U.S. these are still open questions and this paper does not presume to offer the definitive answer, but some framing guidelines are offered for consideration:

Multi-dimensional: The principles of the solidarity economy are multi-dimensional, and various practices might be aligned in one dimension, but not another. For example, a cooperative is by definition democratically owned and controlled, but may engage in environmentally damaging production. Perfection is not a requirement. Rather, the solidarity economy as a movement works to help all of its constituent parts develop greater alignment with the multiple dimensions of the SE. Social movements struggling for environmental justice and sustainability as well as those fighting for the rights of women, people of color, workers, poor people, immigrants, non-heterosexuals, indigenous peoples, and people with disabilities that join with the SE help to make us all accountable. This is not simply a matter of finger pointing, but rather of helping each other find better ways of working through best practices, training, and mutual support. At the same time, the SE would exclude a particular enterprise or practice that consciously and deliberately violates SE principles.

Spectrum of Alignment: Furthermore there are varying degrees of alignment. For example, a social enterprise, by definition puts social aims at the core of its mission, but may maintain a traditional class structure of owner and worker.

To further complicate matters, there are also differing opinions regarding the meaning of solidarity, democracy, equity or sustainability. For example, social solidarity does not mean the trickle down presumption that ‘what’s

good for General Motors, is good for America' and must go beyond corporate philanthropy. Wal-mart, for example, topped the 2007 list of corporate giving in the U.S. with donations of \$296.2 million, yet no one would argue that Wal-mart should be part of the solidarity economy. There are many other instances where it is not so clear and we must accept that debates about how these principles actually play out on the ground are part of the process of growth and development.

Segments of Operation: Many SE practices have distinct segments of operation, and these too can be aligned to varying degrees with SE principles. For example, fair trade producers may be required to form cooperatives, agree to gender equality and sustainable methods of production, yet distributors such as Nestle's, which has a certified fair trade 'Partners Blend,' engages in questionable practices such as aggressively pushing baby formula in poor countries which can lead to serious health risks, and has been linked to paramilitary death squads in Colombia, and child labor in the harvesting of cocoa beans.

Intent: In the discussion of the various elements of the solidarity economy, a fair question arises as to whether the practitioners consider themselves part of the solidarity economy. The answer is that most of them don't. The reasons are many. The most common reason is that the term and framework of the solidarity economy is still almost unheard of in the U.S. This makes education and raising public awareness, both within and outside of the SE, a top priority. Nonetheless, regardless of the awareness of practitioners about the SE, it is still useful to identify structures that are more SE friendly.

A more serious challenge is that many SE practitioners don't particularly resonate to the goal of fundamental economic transformation. Some practitioners are primarily involved for practical reasons, and are not politically motivated. Others see their enterprise as fitting in and supporting capitalism, albeit a kinder and gentler version than neoliberalism. We hope that many of those who are not politicized will be won over by the vision of a more just and sustainable system, and by the argument that a solidarity economy will create a more supportive environment for their enterprise or initiative. At the same time, individual enterprises may fall outside the boundaries of the SE because they oppose some or all of the core principles.

Relationship to social movements

The solidarity economy movement is part of a broad spectrum of social movements that are working to transform our economy and society. There is a distinction between solidarity economy practices and practitioners and

the movement. For example, solidarity economy enterprises, such as cooperatives, do not make a movement. The solidarity economy movement includes practitioners, organizers and advocates who work to support, build, and connect these practices.

The solidarity economy movement focuses on building alternative practices, institutions and policies, while other social movements have a greater focus on resistance and building power to achieve demands for social and economic justice. These are two ends of a spectrum—groups in between practice a mixture of both—but the important thing is to see the spectrum as one movement that needs to be united in order to achieve justice and transformation.

The fight for justice and dignity—for poor people, workers, people of color, women, indigenous peoples, immigrants, the LGBTQ community, and people with disabilities—is a good in and of itself. Amongst progressives, who could deny the justice of struggles for living wages, good jobs, worker rights, decent and affordable housing, good education, a safety net and a clean environment? Who could deny the justice of fighting against ICE¹² raids, police brutality, human trafficking, homophobia, corporate domination and global warming? All of these struggles can be transformative—of individuals, of communities, the nation and even the world. For example, the civil rights, feminist, and the environmental movements created change on all of these levels. Yet capitalism has been perfectly able to absorb all of this change and grow even more brutal and powerful.

If we are to transform capitalism we need to unite these struggles for equity, democracy, and sustainability with the solidarity economy movement to build concrete alternatives to profit and market driven business, finance, money, trade, budgeting, agriculture, housing, and energy. We need to take seriously the endeavor to *build our own economy*. In doing so we build not only a viable alternative economic system, and the know-how to run it, but we also build power by developing economic assets—businesses, banks, money, trade systems, jobs, technology and so forth. *Resist and build* are, or should be, two sides of the same coin and there is much work to do to bring them together.

Role of the state —autonomista vs state engagement

There is a debate with the SE movement about the role of the state. At one end of the spectrum are movements that eschew state involvement such as

¹²ICE - Immigration and Customs Enforcement

the autonomista or horizontalism movements¹³ and at the other end of the spectrum are examples where the state is in full play and support of the solidarity economy, such as Brazil and Venezuela. In between are countries where the government is engaged to a partial extent, for example in Canada and in many parts of Europe.

While some definitions of solidarity economy focus on those activities that are located within neither states nor markets, our definition sees the SE as an alternative economic system and thus includes both the state and the market. Some fellow travelers argue that the SE should reject markets entirely because they inherently create inequitable class relations.¹⁴ Some argue that the SE should not engage with the state, either because it is inherently oppressive, or because it is at present too much at odds with the SE. Others argue that we need to use markets in a way that supports the welfare of people and planets and that the state is critical in negotiating local, regional, national and international rules and relationships. Even those who would welcome the withering away of the state as well as the market would have to accept that neither are likely to disappear anytime soon and therefore figuring out how to harness markets and the state for the common good is an important part of building the solidarity economy.

The present reality of the economic crisis demands that, at the very least, we need to take defensive action against the harm done by unfettered markets and state policies that undermine the solidarity economy. For example, agricultural regulations and subsidies overwhelmingly favor large-scale corporate agriculture. Open source culture is obstructed by laws that actually make it hard to give ideas away for free. U.S. pension law makes it nearly illegal to use union pension funds for progressive investment. We need to at least create a level playing field that doesn't disadvantage SE initiatives. Better yet, we should tilt the playing field in favor of the SE on the grounds that it fulfills social, economic and environmental needs.

As a framework that is committed to pluralism, the SE movement welcomes lively and constructive debate on these issues. Different paths will make sense in different places, cultures and times.

¹³ Wallerstein, "New Revolts Against the System"; Marie Kennedy & Chris Tilley, "Making Sense of Latin America's Third Left," *New Politics*, #44, <http://www.wpunj.edu/newpol/issue44/Kennedy-Tilly44.htm>; Sixth Declaration of the Lacandon Jungle, Zapatista Army of National Liberation (EZLN) <http://www.inmotionmagazine.com/autoseiva6.html>

¹⁴ *Parecon: Life After Capitalism*, Michael Albert, Verso, 2003. see also resources on the ZNet website: <http://www.zmag.org/znet/places/Parecon>

Conclusion

Clearly there is a tremendous wealth of practices, policies and institutions upon which to build the solidarity economy. At present the many elements of the SE that exist in the U.S. are like the imaginal cells in the earliest stages of metamorphosis—isolated from each other and perceived and sometimes attacked by the dominant system as ‘alien.’ We stand at a crossroad in a nutrient rich environment created by the current economic crisis. The challenge is for these many imaginal cells to recognize themselves in each other, and come together in a common process of metamorphosis to a more just and sustainable world.

About the Author

Emily Kawano is the Director of the Center for Popular Economics and the U.S. Solidarity Economy Network. She received her Ph.D in economics from the University of Massachusetts, Amherst. While working in N. Ireland, she served on the N.I. Social Economy Network Working Group and worked with two Belfast Community Development Agencies to develop and deliver a social economy training program for community groups seeking to start up social enterprises.