

## Conference proceedings

### Social enterprises and non-market capitals: a path to degrowth?

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## Abstract

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The aim of this paper is to look at the concept of the economy from a broad perspective and to suggest what a degrowth economy should look like. We first re-define the economy as including non-monetised sectors (the core economy and the economy of nature) and discuss the liminal zone of not-for-profit and not-only-for profit organisations. We look at social enterprise definitions and explain why the dimensions of scale, place, environment and provisioning patterns need more space in the social enterprise discourse. We then define non-market capitals as capitals taken out of the market and placed under democratic control and explain their importance in a degrowth economy. We give examples of non-market capitals and suggest a model involving mutual support between primary and secondary social enterprises, illustrating this with a system of mutual support by social enterprises in South West England. Finally, we suggest areas where more research is needed in this emerging field of inquiry.

## Keywords

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social enterprise, degrowth, non-market capitals, United Kingdom, sectoral models, environmental sustainability

# 1 Introduction

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As capitalist market economies need growth, do ecological limits force us to shift to central planning? Not necessarily, but market economies then need profound institutional changes. We must distinguish between capitalism, a scheme of property rights (esp. in production means), and markets, a form of property coordination. The driver of economic growth is capital concentration with the inherent need to increase profits on individual firm level, leading to aggregate growth. Any growth-constrained capitalism would rather lead either to an even more severe concentration of capital with undesirable distributional consequences, or require massive anti-trust interventions creating inhumane competitive pressure. Hence we must free enterprises from the pressure to grow. Current capital intense forms of business (e.g. stock companies) no longer are adequate, but must be replaced by economic organizational forms like cooperatives or foundations which can survive without growth.

Sustainable degrowth, a key goal of the European degrowth/décroissance movement, has been defined as „an equitable downscaling of production and consumption that increases human well-being and enhances ecological conditions at the local and global level“ (Schneider et al., 2010). The very articulation of such a goal flies in the face of mainstream economic and political thinking and invites discussion and a potential re-framing of the current dominant political and economic discourse, increasingly obsolete in the face of the multiple crises facing our societies and the planet today.

However, although academically the degrowth movement builds on a confluence of several respected and robust streams of thinking (Schneider et al., 2010)<sup>1</sup>, it is still in many ways intellectually vulnerable, not least perhaps because it as yet lacks a coherent theory, as Giorgos Kallis has highlighted at the 2nd Conference on Economic Degrowth in Barcelona (March 2010). Crucially, we believe, such a theory would address the key question which springs to mind: How do we get from here to there? Or, in other words: Which assumptions and preconceptions (in our minds) and frameworks and institutions (in our social and economic reality) do we need to relinquish, transform or create in order to change course from „growth“ to „degrowth“?

One step towards answering this question may be for degrowth scholars to engage more closely with (rather than „escape from“<sup>2</sup>) mainstream economic thinking<sup>3</sup> and its hidden assumptions, and with the world of business and finance which this mainstream economic thinking and its hidden assumptions have helped create, and been fostered by. It is here that we must look to understand the mechanisms of economic growth, which now have arguably hardened into a hard-to-budge growth juggernaut (Hoogendijk 1991, Douthwaite 2000). Another step is to describe and discuss existing alternatives to the mainstream which hold the promise of becoming the building blocks of a new economy, more suited to a degrowth (or steady-state) model.

In this paper, we attempt both approaches. In sections 2 to 4, we take a closer look at what constitutes „the economy“ from a mainstream and then from a more holistic perspective, broadening the concept to include „economies“ hitherto largely ignored by mainstream economic textbooks. We pay special attention to the the concept of social enterprise and try to look at it from a degrowth perspective. In

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<sup>1</sup> These include, according to Schneider et al (2010): culturalist critiques of development (e.g. Polanyi, Norberg-Hodge), the quest for democracy (e.g. Illich), environmentalism and ecology (e.g. Odum), voluntary simplicity (e.g. Thoreau) and bioeconomics/ecological economics (e.g. Georgescu-Roegen and many others). With a grain of salt, we might add to this lineage the classical economists (Smith, Ricardo, Malthus and J.S. Mill) who did not expect economic growth to go on forever. Only one of them, however, J.S. Mill, believed that the ensuing steady-state economy would improve the „art of living“ and foster a fairer distribution of wealth and income (Zweig 1979).

<sup>2</sup> As Valerie Fournier (2008) explains, drawing on Homs and Latouche, „sortir de l'économie“, or escaping/exiting from the economy/economics, is a central motif of the degrowth movement. However, while it is important to stop believing and being guided by mainstream economic precepts and (often hidden) values, it is also important, at least in an academic context, to understand, analyse and reconceptualise them in terms of the explicit values of the degrowth movement.

<sup>3</sup> By mainstream or orthodox economic thinking we mean essentially neoclassical and some streams of Keynesian economics, summarised in current textbooks (e.g. by Samuelson and Nordhaus 1991 or Mankiw 2006).

section 5, we discuss briefly another economic concept, „capital“ or „capitals“, and introduce the concept of „non-market capitals“ and „primary“ and „secondary“ social enterprises. Some examples of what we see as non-market capitals are given in section 6. We then suggest a tentative model of an alternative economy, more suited to a degrowth world in section 7 and, in section 8, illustrate the model with brief descriptions of several interlinked social enterprises already in place in South West England which operate on a „non-market capitals“ basis. Finally in section 9, we briefly look at some ambiguities and dangers inherent in the model in a world where mainstream economic structures predominate and pressure to converge with mainstream business practices remains strong.

## 2 What is the economy?

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„The economy“ is an ambiguous term notoriously hard to define, mirroring the equally ambiguous subject which mainstream economic science purports to study. While orthodox economics at first sight appears to describe paths to a material provisioning of society, i. e. approaches to the fulfillment of its material needs, the „markets“ it postulates involve not only material goods, but also living beings (Schumacher 1993/1973), services (which can and often do include e.g. healthcare, childcare, education and culture), human work, finance and land („land“ being a shorthand for nature, see also Daly and Cobb, 1990: 97 - 120). Drawing all these disparate entities into „the market“ means subjecting them to the mainstream economic discourse, with its model of perfect market competition and controversial central concepts such as „economic efficiency“ (defined as the relationship of output and input in money terms, with no place for other less visible inputs and impacts of a transaction). In this discourse, the „economy“ expands to include ever- greater portions of our lives and of our world, subsuming them to a market logic and re-defining them as commodities.

However, „the economy“ need not be identical with „the market“. Many heterodox economists have grappled with this issue and have tried to define what „the economy“ stands for. Karl Polanyi (2001/1944: 49 - 56), basing his work on ethnological and historical research on non-modern cultures, was one of the first to ascertain that traditionally in human societies most material human needs<sup>4</sup> were met via reciprocity (i.e. mutual gifting), redistribution (those who have share with those who have not) and householding (non-monetised production for own use). The market as we know it today played a marginal role. For Polanyi, the market continues to be subordinate to society („embedded“ is his often quoted expression) even in modern times, and it is imperative for our survival that it continue to do so. As Joseph Stiglitz makes clear in a foreword to the 2001 edition of Polanyi’s *The Great Transformation* (p.xv): „Polanyi saw the market as part of the broader economy, and the broader economy as part of a still broader society“.

In her well-known model of the three-layer cake with icing (Fig. 1), Hazel Henderson echoes Polanyi’s claim of embeddedness of the market economy and makes the point that the private sector is actually dependent on the public sector, and this in turn depends on the sweat-equity or core<sup>5</sup> economy. This sphere includes childcare and care for the elderly in the family, housework, food growing, volunteering, mutual aid among friends and neighbours etc.<sup>6</sup> We can see this layer, placed below and supporting the money economy of the market and the state, as a sphere where Polanyi’s reciprocity, redistribution and householding have been to a large extent relegated: essential for the functioning of the system, predominantly performed by women, and invisible from a mainstream economic perspective. However,

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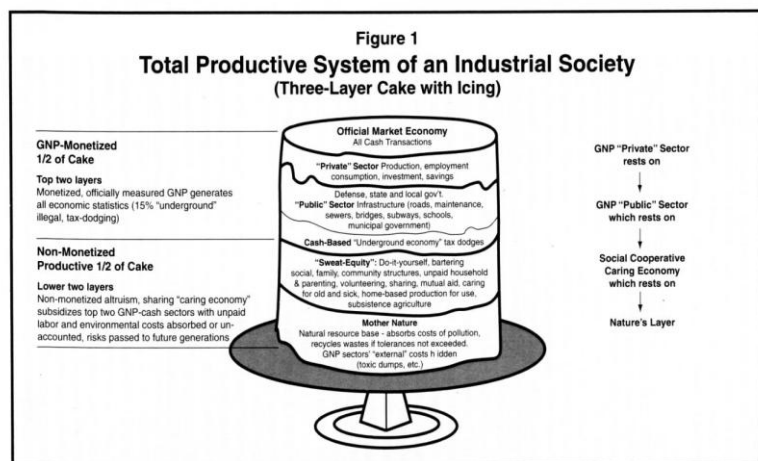
<sup>4</sup> Here we might discuss whether „the economy“ is only about satisfying material human needs. According to the human needs matrix of Manfred Max-Neef (1992), we all have nine basic needs (subsistence, protection, affection, understanding, participation, idleness, creation, identity and freedom), which can be satisfied in various ways (e.g. in being and having modes, by material and non-material means). Max-Neef’s list is thus non-hierarchical and there is no strict dichotomy between „material“ and „non-material“. However, other authors emphasise the primacy and importance of making sure basic material needs (water, food, clothing and energy) are met on a local level in a world faced by instability and declining resource availability (eg. Douthwaite, 1996:47 -51, de Rivero, 2001: 186 -187).

<sup>5</sup> In the sense of Cahn (2004).

<sup>6</sup> A similar point has been made by Gibson-Graham (2003), Vandana Shiva and Mary Mellor and many others, especially those writing from a feminist perspective.

Henderson's three-layer cake with icing model makes the further point that both the market, the public and the core economies are dependent on the economy („products“ and „services“) of nature (Mother Nature Layer)<sup>7</sup>. Nature satisfies our needs directly (via the core economy) and indirectly (via the state and market economy). This level has become slightly more visible from a mainstream economic perspective in recent decades, but efforts to quantify the economy of nature (and thus to bring its „non-market products“ into the orthodox economics field of vision) are meeting with limited success (see e.g. Kutáček 2009). It is our contention that efforts at defining the „shadow prices“ of processes within the core and natural economies will always be problematic and that orthodox economics, rather than subsuming these areas under its „sphere of influence“ via quantification, must explicitly acknowledge their existence, otherness and essential unquantifiability. This will hopefully open the door to a dialogue between orthodox economics and other research/knowledge systems.

**Fig. 1 Hazel Henderson's expanded model of the economy: Three-layer cake with icing (Henderson 1999:11)**



Source: Hazel Henderson, *Paradigms in Progress* (San Francisco: Berrett-Koehler Publishers, 1991). Copyright © 1982 Hazel Henderson.

Returning to the concept of „the economy“, we have now expanded it to include, in addition to the private/market and the public monetised spheres, also the non-monetised layers of the economy of nature and the core economy, and have suggested that the two latter support the former. From this perspective, „the economy“ ceases to be identical both with the market and the monetised sphere, and the non-monetised spheres, instead of being aberrations or externalities which need to be internalised, become entities important in their own right. This chimes in with authors like Ivan Illich, who saw the process of commodification (monetisation)<sup>8</sup> of needs satisfaction as a process whereby scarcity, far from being banished, is actually created (or „manufactured“) as people lose the means and skills to provide for themselves outside the monetised sphere (Illich 1973). It also echoes the calls of contemporary Third World authors like Ashish Kothari (2009), who asks that „non-industrial lifestyles and non-human life forms“ be given respect and space to flourish.

<sup>7</sup> See also the work of Herman Daly, who has linked the insight of the human economy embedded in the ecosystem with the issue of optimum scale of material and energy throughput (e.g. 1996:49).

<sup>8</sup> As an example of commodification creating scarcity, Illich (1973: 42 – 43) gives the example of complex social, legal and economic pressures in Mexico and the USA in the 1960s and 1970s which made self-building of houses by their owners/occupiers much more difficult than previously. As the number of self-build houses fell and dependency on the market sector deepened, scarcity of housing was artificially created.

### 3 For-profits, non-profits or not-only-for-profits?

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Henderson's cake model (Fig. 1) equates the monetised layer principally with the private and public sectors, and leads clear dividing lines between the monetised and non-monetised spheres. However, the reality is not so simple and if we disregard nature's economy for a moment, looking only at the constellation of institutions serving (or not serving, as the case may be) human needs, we might come up, in very broad brush strokes, with the following:

a/public sphere (state)

b/public sphere (village/municipality)

c/for-profit enterprises

d/household/family/self-provisioning

e/non-monetised reciprocity/work outside the family/volunteering

f/not-only-for-profit or not-for-profit organisations (e.g. associations, social enterprises, mutuals, co-operatives)

g/traditional commons regimes and contemporary land trust structures.

Of the seven items listed above, mainstream economics has tended to emphasise the role of for-profit enterprises, producing goods and services for households<sup>9</sup>.

A for-profit enterprise, however, competing in an increasingly deregulated market environment, is risky from a degrowth perspective. While small, locally-owned and locally-based for-profit enterprises (such as a small farm or a local shop) perform valuable services for the community, meet local standards and pay local taxes, the deregulated market mechanism favours large, ever-growing and ever-merging shareholder-owned companies, which are able to evade local standards and taxes (via e.g. outsourcing and tax havens). These companies, obliged to maximise shareholder profits, usually have no choice but to pander to (and create via advertising) „effective demand“ for spurious products, thus often missing real and basic needs in communities, especially those unbacked by purchasing power. At the same time, they squander resources and cripple communities by operating world-wide and externalising their costs (Korten 1995, Klein 2000). Thus growth continues while basic needs go unmet and the have/have-not divide deepens, fostering calls for more economic growth.

An important part of the degrowth research agenda therefore is an analysis of the available alternatives to only-for-profit enterprises, mostly ignored by mainstream economic science. Researchers writing from feminist, marxian, post-development and radical ecological perspectives have in the past decades attempted to make visible the core or sweat equity economy mentioned above (Fig 1.), which in the list above I have categorised as d/household/family/self-provisioning and e/non-monetised reciprocity/work outside the family/volunteering (See e.g. Trainer 1995: 96, Robertson 1990: 35 -36, and the very helpful overview in Williams 2005:Chapter 12).

However, items f/not-only-for-profit or not-for-profit organisations and g/traditional commons regimes

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<sup>9</sup> This model of „the economy“ is encapsulated in the „two-sector model“, found in most economics textbooks (e.g. Samuelson and Nordhaus, 1991: Chapter 3, Fig. 3-1). It envisions households as obtaining goods and services from, and selling their labour and other capitals to the enterprises. For a critique of the model from a broader degrowth perspective, see Daly (1996: Chapter2 )



and contemporary land trust structures (see list above) have been accorded less attention from these more radical streams of thought. For example, while there is a large literature on the social economy, social enterprise and third sector (see e.g. Borzaga and Defourny, 2001, Borzaga et al. 2008) these are often seen from a mainstream economics perspective as stop-gap measures fixing social problems created by market failure rather than as alternatives to a prevailing unsustainable economic system (see also Johanisova 2007: 77 – 87 and 2008). Even texts which do acknowledge this tension (such as Laville et al. 1999) fall short of envisioning a fuller role for not-only-for profit enterprises in a new economy, more attuned to both environmental and social equity concerns.

#### 4 Focusing on the liminal zone: what is a social enterprise?

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Returning to the Henderson cake model, we might contend that there is a liminal sphere between her monetised and non-monetised zones, identifiable largely with items f/not-only-for-profit or not-for-profit organisations from the list above, but to some extent linked up with all seven. Some of these organisations in a European context, for instance, may be close to the community/voluntary sector (e.g. a village transport system or a local food network based mainly on volunteer work), others may be linked to a government or municipal institution (such as a workshop providing work for people with mental health problems), and still others may be close to the for-profit sector in the sense of being fully professionally staffed and financially self-sustaining (e.g. an ethical bank or large consumer co-operative).<sup>10</sup> In the global South, other liminal institutions such as commons regimes, village seed banks, burial societies or ROSCAS (Rotating savings and credit associations), continue to exist, even harder to place and still unfortunately at the periphery of research interest.

In Europe and North America, efforts spearheaded by the EMES European Research Network and by the John Hopkins University in Maryland<sup>11</sup> have brought some definitions of this liminal zone, summarised e.g. in Borzaga and Defourny (2001:Introduction, p. 1 – 28) and Borzaga et al. (2008:15 -33). Essentially, they equate the terms „social economy“ (originating in Europe) and „third sector“ (originating in the U.S.A.) and see them as including both the non-profit sector (which involves legal frameworks such as voluntary associations, charities and associations, foundations and trusts) and the not-only for profit sector (with legal frameworks such as co-operatives, mutual aid societies, and non-profit organisations with trading arms). The term „social enterprise“ in this understanding is narrower and is defined (Borzaga et al. 2008: 31 – 32) as participating to some extent in the market, having a degree of autonomy from public authorities, with a commitment toward job creation, an explicit aim to benefit the community or a specific group of people, decision-making power not based on capital ownership (democratic ownership structure), and exclusion of the profit maximising principle (e.g. recycling part or all of the surplus/profits back into the organisation rather than paying dividends to members/shareholders). The Pestoff sectoral model (Fig. 2), adapted by Hunčová (2004) and used widely in the European social enterprise literature (e.g.Borzaga et al. 2008: 20) attempts to express in graphic form the liminal zone of not-for-profit and not-only-for-profit enterprises.

While the European social enterprise discourse including the Pestoff model has been successful in legitimising this important sphere of the economy and bringing it to policy-makers' attention, we might discuss the artificiality of dividing the liminal zone into sectors, and think about what has been left out. For example, there exist liminal institutions without a formal legal structure (e.g. the micro-social enterprises of MacGillivray et al., 2001, or many local currency systems). In addition, the model leaves out

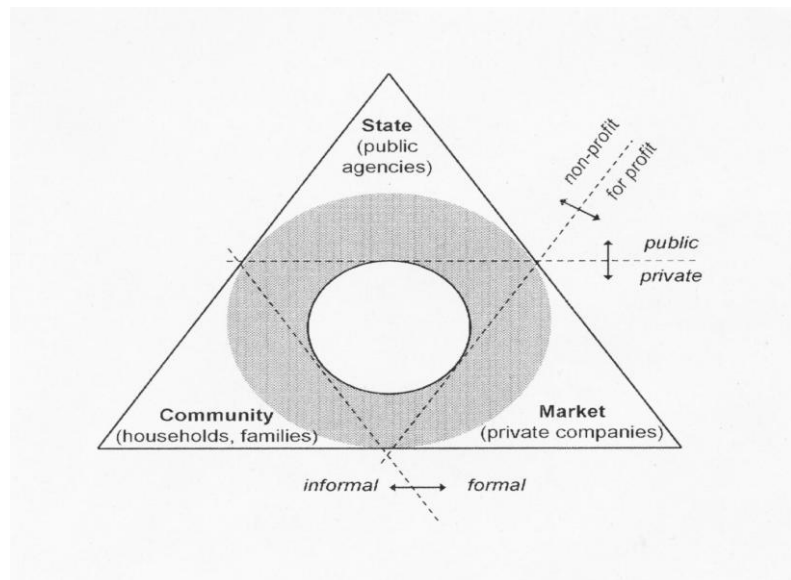
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<sup>10</sup> See Johanisova (2005, 2007) for further descriptions of various social enterprises with different affinities in Great Britain and the Czech Republic.

<sup>11</sup> Especially Lester Salamon and his colleagues, see e.g. Salamon and Anheier (1997)

links and networks, umbrella groups and the secondary and tertiary social enterprises as discussed below, and, importantly, does not distinguish between the public sector as state and the public sector as village councils/municipalities.

**Fig. 2 Sectoral economic model according to Pestoff, adapted by Hunčová (2004:104-105), based on Pestoff (1995) and Laville et al. (1999:7, Table 4), distinguishes a core non-profit sector, indicated by the white circle, and surrounds this with a grey area. The white circle (non-profit groups) and the grey area ("hybrid" groups, including social enterprise) together form the social economy.**



Looking at the social enterprise definition above (in this section) from a degrowth perspective, the de-emphasis on profit maximisation is obviously valuable, since profit maximisation is intimately linked to economic growth.<sup>12</sup> Similarly, the democratic ownership structure is a positive aspect, fostering economic democracy via member participation. Thinking further about what a social enterprise in a degrowth world might look like, we might also like to think about the dimensions of scale, place, the environment, and provisioning patterns which have been left out in the definition. As regards scale and place: as discussed in section 3<sup>13</sup>, there is a huge difference between a small, locally rooted enterprise, albeit a for-profit one, and a large corporation. In addition to the advantages mentioned in section 3, a small, locally-rooted enterprise can be seen as producing positive externalities<sup>14</sup>, including stable and long-term employment (Douthwaite 1996: 35 -37). If such a local enterprise satisfies the real and basic needs of a community, and uses - as much as possible - local resources and products, aspiring to localised provisioning patterns, we can see it as being truly efficient: not in the narrow financial sense mentioned in section 2, but, instead, efficient in materials and energy use, an important aspect in a degrowth society. Our emphasis on local basic needs satisfaction in a degrowth economy is also fueled by a concern that communities provide for themselves in the face of possible energy supply and financial system discontinuities or collapses, which may well occur in the future (Douthwaite 1996:47 -51). Last but not least, we believe that the environmental dimension in the social enterprise ethos is just as important as the social aspect. Besides the emphasis on local provisioning patterns, this may take any number of forms (from organic farming to building insulation, depending on the activities of the enterprise, see also Johanisova 2008).

For the purposes of this paper, then, we define social enterprises loosely as organisations involved at least to some extent in the market, with a clear social, cultural and/or environmental purpose, rooted in and serving primarily the local community an ideally having a local and/or democratic ownership structure (one-member-one-vote rather than one-euro-one-vote). Where a social enterprise serves another social

<sup>12</sup> In a research of 71 social enterprises in the United Kingdom and the Czech Republic, over one half of those interviewed explicitly stated that they had no wish to grow beyond their current size (which was usually small), some however expressed a wish to be replicated by others (Johanisova 2005:84, 2007: 151 – 152).

<sup>13</sup> See also Schumacher (1993/1973)

<sup>14</sup> „Externality“ is a mainstream economic term describing an impact (positive or negative) of an economic transaction on a third party, which/who has not taken part in the transaction. In the neoclassical economic model, „externalities“ need to be „internalised“, i.e. their financial value needs to be quantified and the parties to the transaction need to pay (negative externalities) or receive (positive externalities) compensation. This is the logic behind the effort to create shadow prices in the spheres of core and natural economies discussed in section 2.



enterprise rather than serving the needs of the public/customers/clients directly, we suggest the term “secondary social enterprise”. Social enterprises supporting such secondary social enterprises may be called “tertiary social enterprises”. We will return to these concepts in section 7.

## 5 Non-market capitals: beyond capitals as commodities

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In section 2, we have tried to broaden the mainstream economic concept of „the economy“ to include the non-monetised (core) sphere of human activity (which would comprise items d/, e/ and in part also items f/ and g/) and the „economy of nature“ which we then abstracted from in section 3. However, in reality, as in the Henderson cake model, nature satisfies our material needs directly (via subsistence in the core economy) and indirectly (via the monetised economy). Nature also satisfies many of our non-material needs. Therefore, it is important, from a de-growth economics perspective, to keep all the three layers, the monetised, core and nature economies, continually in mind.

The process called „economic development“ in the South, (or „progress“ in the West, see Norberg-Hodge 1991) is in practice often identical with the process of commodification discussed by Ivan Illich (1973), Williams (2005) and others. This process entails the shift of needs satisfaction from the core economy to the monetised/market layer of the cake, and is intimately linked to economic growth. For example, when self-build from local materials is made illegal or difficult, as the example in note 8, taken from Illich, describes, the scale of the core economy dwindles (less houses are built manually by their prospective owners) and the scale of the monetised economy (and thus the GDP) expands (more houses are built in exchange for money by professional builders: they have become commodities). A similar commodification process happens when child-care is delegated to paid childminders, home cooking makes way for professional catering institutions, etc.

In the mainstream economic tradition, the commodification process is taken for granted and linked to specialisation, efficiency, wealth creation and usually viewed as unambiguously positive.<sup>15</sup> Critics such as Illich (1973), Norberg-Hodge (1991) or Williams (2005) are more concerned with its seamy side, involving de-skilling, social exclusion, loss of cultural diversity and the artificial creation of scarcity. From the perspective of these critics and of the Henderson cake model, we may see the commodification process as expanding the monetised cake layer but diminishing the core (reciprocity and subsistence) layer and often contributing to a shrinking of the nature economy layer as well. We might contend that the commodification process creates wealth (at least for some) in the monetised sector (top cake layers) while at the same time fostering poverty in the non-monetised sectors (bottom cake layers)<sup>16</sup>. A critical approach towards the commodification process is espoused also by the degrowth movement (Fournier 2008).

In an important contribution to the commodification discussion, Karl Polanyi (2001/1944: Chapter 6) has criticised the commodification of the factors of production in economic theory and practice: the creation of markets for financial capital, human labour and land. He calls these the fictitious commodities:

...They could, of course, not really be transformed into commodities, as actually they were not produced for sale on the market. But the fiction of their being so produced became an organising principle of society. Of the three, one stands out: labour is the technical term used for human beings...All along the line, human society has become an accessory of the economic system“. (Polanyi 2001: 79)

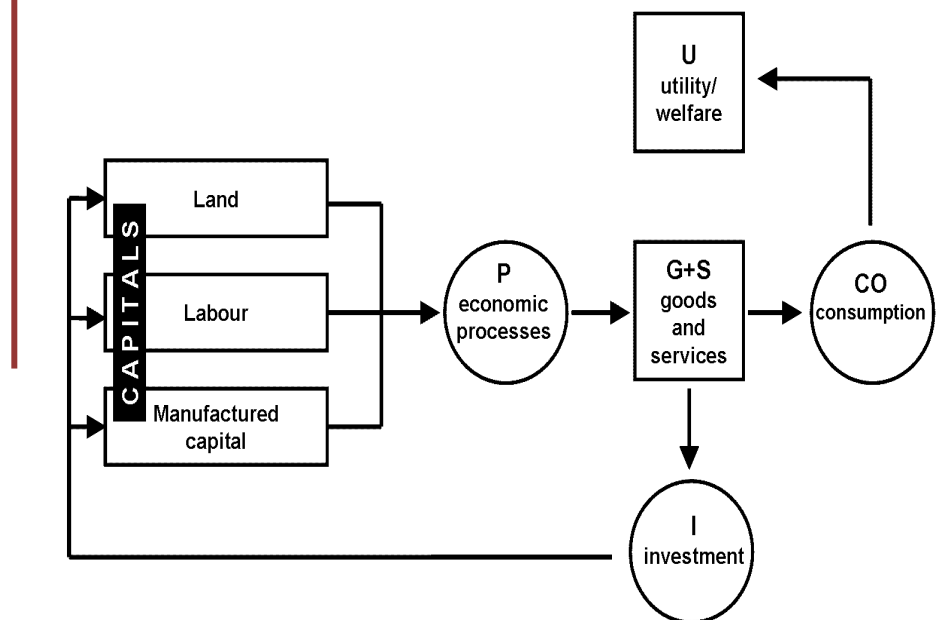
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<sup>15</sup> Modern mainstream economists can take their cue from Adam Smith in his Wealth of nations, who thus dismisses the non-specialised work of „a country weaver, who cultivates a small farm“ : „...the habit of sauntering and of indolent careless application, which is ...acquired by every country workman who is obliged to change his work and his tools every half an hour ... renders him almost always slothful and lazy, and incapable of any vigorous application even on the most pressing occasions.“ (Heilbroner 1986: 165)

<sup>16</sup> This would lead to a discussion on what is wealth and poverty, which is beyond the scope of this article, but see Johannisova 2007:178 – 173.

By „economic system“ Polanyi obviously means the production process postulated by economic theory and encapsulated in the well-known production model (Fig.3)The production model, which has been with us since at least Adam Smith, describes the process of commodity production. To produce a commodity, the producer needs access to land and natural resources, to human labour and to capital (usually subsuming manufactured or fixed capital - machines, buildings, etc. and financial capital: money). These have been called factors of production and, more recently, they have been dubbed capitals.<sup>17</sup>

**Fig. 3 The „production diagram“, found in most mainstream economic textbooks, features land, labour and capital (manufactured and financial) as independent and interchangeable „factors of production“: means towards the end of production of commodities, whose consumption is seen as the sole source of „utility“ (another ambiguous term often equated with satisfaction or happiness).**



Polanyi’s point is that, while there is a certain logic in designating a manufactured product as a commodity, the mainstream economic discourse postulates markets not only for manufactured products, but also for labour, finance and land.<sup>18</sup> However, he emphasises that labour cannot be divided from the human being, and land from nature, and since we cannot manufacture either, it is neither moral nor in practice possible to utilise them as commodities tradeable in a deregulated market. Similarly money cannot be left to a deregulated market without grave dangers to business enterprises and to society. Polanyi’s views on capitals not being true commodities was shared in a sense by Gandhi (Parekh 1991) who, drawing on the Hindu spiritual tradition, was essentially against private ownership of capital assets and land, because they had been handed down to us from the past, as a gift born of co-operation, sharing, mutual concern and self-sacrifice<sup>19</sup>. Conversely, for Gandhi the principle of private property of capitals stressed selfishness, exclusive ownership and narrow individualism (Johanisova 2007: 46). Thus, for Gandhi, it was more appropriate to view land and other capital assets as being held in trust for future generations and to develop their ownership structures accordingly.

<sup>17</sup> The term capital itself has different meanings in different disciplines and discourses. „Human capital“ in mainstream economics has come to describe the financial value of education (and sometimes health) services „consumed“ by a human being, leading to enhanced labour efficiency. In the social sciences, „social capital“ has been defined as the level of trust, mutual aid, shared norms and social networks in a community (Evans and Syrett 2009). In classical and neoclassical economics, as mentioned in the text, it has traditionally been equated with finance needed to start or expand an enterprise and with the premises and tools needed to produce products and services. Ekins (1992: 48 - 61) has reframed the traditional factors of production as ecological capital, human capital, manufactured capital and social/organisational capital, emphasised their intrinsic (as opposed to purely instrumental) value and the fact that all of them need continuous (monetised and non-monetised) investment to keep them viable. In our paper, we are in agreement with this approach but take a more empirical, if restricted view of „capitals“ as any resources needed for human needs satisfaction in the monetised and liminal zones (see section 4).

<sup>18</sup> This is in fact one of the assumptions of the perfect competition model in neoclassical economics.

<sup>19</sup> This view of capitals as handed-down gifts rather than resources ties in with the traditional economic approach of reciprocity, or mutual gift-giving, identified by Polanyi and mentioned in section 2. If we look at our economic relationship with nature in this perspective, we might ask what we are giving back.

Polanyi's and Gandhi's thinking forms a theoretical framework for a new type of institution, the non-market capital, which we would like to describe in this paper. It must be emphasised however that communal ownership of assets for the common good, especially of natural resources, is a very old approach which has been practiced for millenia the world over (see eg. *The Ecologist* 1992, Neeson 1993, Sarukhán and Larson 2001). The non-market capital approach can in this light be seen as a modern incarnation and extension of this ancient type of communal ownership, known as the commons.

The idea of non-market capitals has been pioneered by Bruyn (1992), who was influenced by Polanyi's thinking. He sees them as „restoring the economic base of the community and returning economic controls into the hands of the local people“ and defines them as capitals „taken out of the market and placed under democratic control“. Rather than top-down state control, however, the capitals (such as land, finance, workspace or housing, physical equipment, knowledge, etc.) are to be controlled democratically on a non-profit basis, ideally by the local community. By „taken out of the market“ Bruyn does not necessarily mean that the capitals are accessible to enterprises (or to people) without any cost. However, the costs are withdrawn from the dominance of the (arguably limited) market logic and from an exclusive focus on the monetised sphere. They are subjected instead to local needs as defined by the local community and determined on the basis of a holistic approach, i.e. taking into account equity and environmental sustainability as well as the whole economy as depicted by the Henderson cake model (Fig.1). In the following section, we give several examples of already existing institutional structures which either have been defined, or can be re-defined, as safeguarding and distributing non-market capitals.

## 6 Some examples of non-market capitals

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As Bruyn (1992) has pointed out, land (or premises) can become a non-market capital via a type of institution pioneered in the United States and called a community land trust<sup>20</sup>. Essentially, community land trusts (in the United Kingdom sometimes designated as community property trusts or development trusts) are democratically governed, locally owned non-profit institutions which have in their ownership land to be used for public benefit. Often this land is used to build affordable housing for local citizens.<sup>21</sup> In other cases, the land is affordably rented to an organic farm to provide food security for the community, or the trust owns workspace which it rents to a social enterprise, as discussed in section 8<sup>22</sup>. A similar approach has been used in the village of Hostetin in Moravia in the Czech Republic, where a foundation (the Veronica Foundation) owns the land and premises of a small fruit-juice plant, built to utilise genetically valuable landraces of fruit in the region (Johanisova 2005, 2008). In a wider sense, in countries like the Czech Republic, where local authorities even in small villages retain some ownership of land and buildings, such local authorities can (and in some cases to a very limited extent do) support local traders, farms, renewable energy and food processing units, pubs, farmers' markets, community groups etc. through renting workspace and land on a non-market basis, e.g. at prices lower than market prices, designated in some cases to cover maintenance only. From a degrowth perspective, the land-and-assets as non-market capitals can facilitate localised production and consumption, the existence of small-scale enterprises and the satisfaction of real and basic needs (see section 8).

As regards money and finance, there are many institutions which can be seen as based on the non-market capital approach. These might include ethical banks and communal currency systems. Bruyn (1992)

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<sup>20</sup> The first community land trust in the United States was established in 1967 by the civil rights movement (Conaty et al. 2005). In the United States there are in addition land trusts which own land in order to protect its natural value and keep it undeveloped.

<sup>21</sup> While the occupier has a legal claim on the house (and may own it or part of it), the land itself remains the property of the trust. When the occupier wishes to sell the house, in some models he must do so to the community land trust at a below-market price designed to balance the interests of the occupier and the trust (Conaty et al. 2005). Thus the issue of rising land prices is avoided and the house remains affordable.

<sup>22</sup> For more on the burgeoning community land trust movement in the United Kingdom, see [www.communitylandtrust.org.uk](http://www.communitylandtrust.org.uk)

suggests a locally operating credit union (credit co-operative) as the prototype non-market source of capital. Credit unions eschew the mainstream economic credit model of a bank as an enterprise „selling“ money (which later however returns to its „seller“, as in fact it was only lent) for profit to a client. Instead, credit unions are built on the model of a group pooling their resources with each having the right to borrow from this pool according to their needs. One benefit of localised credit unions (i.e. operating in a certain region only) is the fact that local savings are re-invested locally. (See also Douthwaite 1996). Another is democratic self-governance and the fact that, with higher reserves and no investment in problematic development projects, credit unions are less involved in the „money must grow“ pressure which is one of the principal drivers of economic growth (Hoogendijk 1991, Douthwaite 2000 ).<sup>23</sup>

In addition to credit unions, a wide array of other ethical banking institutions exist. One of the best-known examples of an ethical bank was (I intentionally use the past tense as the Mondragon system has grown in scale and drifted towards the mainstream in recent decades) the Mondragon bank (Caja Laboral) in Mondragon in the Basque country in Spain (see eg Douthwaite 1996: 160 – 170, 338-341, Mathews 1999). The bank was owned by local producer co-operatives which together with their staff banked with it. The bank in return supported its member co-operatives in various ways, including extension of seed capital, cheap credit and expert advice when the co-operative was in trouble.

Knowledge as a non-market capital was also prominent within the intricate system of umbrella groups in the Czechoslovakian agricultural co-operative movement (which included thousands of village credit unions.) before the 1948 Communist takeover. The umbrella groups, again owned by the member co-operatives, provided access to agricultural expertise for their members and helped new co-operatives start up (Feierabend 1952 ). The system helped small farmers survive, countering the pressure towards land ownership concentration inherent in the capitalist model of agricultural production.

Finally, non-market capital repositories, often unmarked by the mainstream, exist within the core economy in countries of the global South. For instance, in the Bangladeshi Nyakrishi Andolon organic agriculture movement, comprising tens of thousands of households, sophisticated seed-saving knowledge is applied via a three-tiered seed-saving system consisting of households, community seed centres and regional seed-preservation centres. Seeds as capitals very much in the sense of Gandhi (see section 5) go mostly unmarked by mainstream economic thinking, yet their preservation on a non-market basis is crucial for enhancing the independence of traditional communities from the market system (Anonymus 2006)

## **7 Primary and Secondary Social Enterprises: Building Blocks of a New Economy?**

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In sections 5 and 6, we have attempted to introduce the concept of non-market capitals, whereby institutions such as local communities, municipalities, social enterprise umbrella groups, community land trusts and ethical banks take out capitals (such as land, premises, knowledge, seeds, financial capital<sup>24</sup>) from the market and place them under local/member democratic control to serve the common good and hopefully help satisfy basic needs in an equitable and environmentally sustainable manner. While in some cases these institutions serve individuals, households and families (as with most credit unions), in other cases they help support the institutions which we have dubbed „primary social enterprises“ in section 4<sup>25</sup>. In this case, we suggest that they should be called „secondary social enterprises“. Fig. 4 illustrates in

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<sup>23</sup> In the European Union today, thanks to onerous banking regulations, new credit unions and ethical banks are very difficult if not impossible to set up. One of the reasons is the very high capital needed at start-up. Countries like the United Kingdom, Ireland and Poland are only able to maintain their small credit unions because of an exemption from the Second EU Banking Directive (Johanisova 2005).

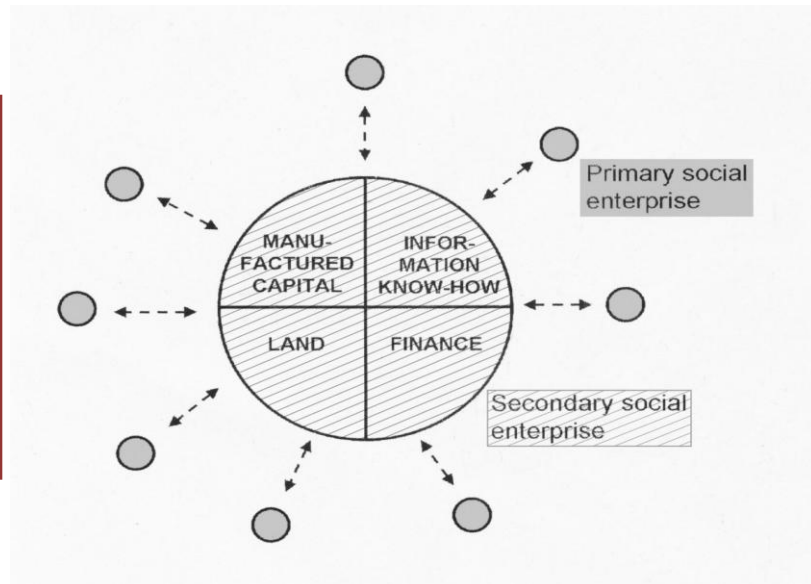
<sup>24</sup> Labour is not mentioned here but we might argue that the staff of co-operatively owned social enterprises would constitute non-market labour, as the workers are at the same time owners of the enterprise. Similarly, we might see volunteering as non-market labour, given as a gift.

<sup>25</sup> I.e. those which provide goods and services directly to individual families, people, households.

simplified form this model of a new degrowth economy.

In this model, primary (local, on-the-ground) social enterprises providing basic goods and services which meet local needs are owners of (or represented on the boards of) secondary social enterprises. These secondary social enterprises provide secondary business services as well as non-market capitals: land/premises/natural resources, manufactured capital, financial capital and knowledge/skills. An important principle here is subsidiarity and democratic governance: the secondary social enterprise does not try to usurp the autonomy of the primary social enterprises, but remains their „servant“. It is also, in

**Fig. 4 Reciprocal social enterprise model according to Tim Crabtree. Inspired by the work of Jules Pretty, the Institute of Community Economics (USA), and by the Mondragon Co-operatives (Spain).**



an ideal case, financially supported by them: the services of the secondary social enterprise are not free, but are carefully calculated to ensure the financial viability of the secondary enterprise. The primary and secondary social enterprises thus support each other. Essentially, this is a mutual aid (or reciprocity) model, with organisations rather than individuals as the main protagonists (Johanisova 2007) . In the following section we will discuss some examples of the primary and secondary social enterprises which have been emerging in South West England over the last decades.

## 8 Examples of social enterprise interlinkages in South West England

In the United Kingdom, a strong social enterprise movement exists, supported by many umbrella organisations (Johanisova 2005, 2007). British social enterprises include development trusts (managing land and building assets on behalf of the community) and community development finance organisations, such as the Wessex Reinvestment Trust mentioned in this section (below) . Most of these may not espouse a commitment to degrowth, though they will tend to profess a commitment to local democracy, community and social inclusion. For complex reasons (see e.g. Amin et al. 2002), South West England is a region where social enterprises especially proliferate.

An important sphere where many new structures are being developed both in South West England and in the whole of the United Kingdom is the local food sector, born out of growing concern about food miles and a wish for fresh, healthy and tasty food. In 1998, a group of people including one of us (T.C.) set up a charity, a development trust called The West Dorset Food and Land Trust, with the goal of promoting both supply and demand for local food. It was based in the small seaside town of Bridport in the district of West Dorset. Working in close partnership with the local college, district council, farmers, and community, the

Trust raised demand for local food by publishing a local food directory, helping schools grow their own food, and organising public local food events. On the supply side, it ran farmers' markets and rented and refurbished an old rope factory to establish non-market premises (The Bridport Local Food Centre ) which include managed workspaces including training and office space, food distribution facilities and commercial kitchens which could be accessed by local producers as non-market capitals. Later, the Trust developed a subsidiary, Local Food Links, which started providing hot lunches to 23 local schools, 4 nurseries and several older people's organisations in the area. The subsidiary, which sources local, Fair Trade and organic food for its operations and co-operates closely with parents in the schools, has been independent since 2007 and has a non-profit co-operative structure<sup>26</sup> which enables staff, beneficiaries and the wider community to participate in its governance. Drawing on the discussion in sections 6 and 7, we can designate Local Food Links as a primary social enterprise.

Local Food Links started its school lunches programme in 2005, after primary schools in West Dorset were mandated by government to provide hot lunches for pupils. As the schools had no kitchens, they were offered the option of warmed-up meals trucked in from factories in London and Germany, owned by an American multinational company. Local Food Links was a response to this alternative. Financially, it has been able to remain competitive thanks to two types of non-market capitals: volunteer labour (the parents of children in the schools help out with dispensing the lunches) and workspace (including the commercial kitchen) in the Bridport Local Food Centre. This workspace has been developed using grant finance, and is available for the school meals service at below-market rates.

The Bridport Local Food Centre was able to access a loan to upgrade its kitchen premises from another social enterprise, the Wessex Reinvestment Trust. The Wessex Reinvestment Trust is a non-profit community development finance organisation set up in 2002 after careful research into the financial and other capital needs of rural small businesses, social enterprises and voluntary organisations in South West England (Conaty et al. 2002). It accesses funds from local government and other sources and offers small loans to rural enterprises and homeowners, typically for housing repairs. In addition, it has pioneered the use of new financial mechanisms which allow capital to be raised from local communities through share issues and made available to primary social enterprises at less than market rates.

Highlighting the organisational complexity of some social enterprises, the Wessex Reinvestment Trust consists of four separate non-profit organisational structures, interlinked in part by overlapping directorships and inter-company agreements. Such a multi-organisational group structure is common in British social enterprises, the goal is to be as clear as possible about issues of governance, conflict of interest and tax treatment.

In terms of the discussion in sections 6 and 7, both the Bridport Local Food Centre and the Wessex Reinvestment Trust function as sources of non-market capital: The Bridport Local Food Centre provides workspace for a primary social enterprise, Local Food Links, at less-than-market rates. The Wessex Reinvest Trust, in turn, provided non-market capital to the Bridport Local Food Centre in the shape of ethical loan finance. Both institutions thus arguably function as secondary social enterprises.

Although we have tried to present our model of a new degrowth economy in clear lines and bright colours, the reality has its shadows and many ambiguities remain. For example, as Smith and Stenning (2005) have pointed out in their research in post-socialist economies, economic power can deform relationships in informal and non-market economic systems and lead to exploitation, black market, corruption and even mafia practices.

Another difficult issue which needs to be discussed in relation to a potential social enterprise future is the tendency of successful alternative economic structures to revert to a mainstream model. Examples abound. We have mentioned the Mondragon co-operatives, which have been criticised for gradually losing

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Industrial and Provident Society for Community Benefit



their ethos in the face of international competition (Johanisova 2007: 70 -71). In the United Kingdom, the best known case is that of the British building societies, which emerged in the 18th century as small workers' savings mutuals and ended up large, successful but mainstream and demutualised in the late 20th century.<sup>27</sup> Even enterprises which retain their democratic structure in the face of success may still, with time, become profit-making institutions with little regard for the products and services being produced and for the sustainability of the production process. How do explicit social and environmental objectives get written into the objects of an enterprise, and take long-term precedence over simple profit maximisation?

Often the gradual usurpation of power by a secondary social enterprise or umbrella group originally set up by the primary social enterprises is part of the problem. Stampfer (2001) describes such a situation in the German and Austrian credit union movement, which has a history dating back to the nineteenth century. As members have stopped identifying with their local credit union and withdrew from the decision-making process, the decision-making power of the local entities was eroded and many have lost their autonomy to the powerful federations.

Another issue is that the system of mutual support institutions described in sections 6 – 8 may be accused of unfair economic practice. In the mainstream economic discourse, nurtured by the perfect competition model, there is a pressure to minimise all subsidies (as well as taxes, transfer payments, etc.) in order to mitigate alleged market deformations. Enterprises are expected to compete on a level playing field with the best – i. e. most efficient – and to win in this competition by delivering the cheapest products and service to the consumer. From a degrowth perspective, it should again be emphasised that efficiency, as mentioned above, cannot be measured solely in money terms as the relationship between inputs and outputs. Such an approach misses the many positive externalities which a business appearing less efficient may bring, such as stable and local employment, social capital, or food security. Similarly, effective production in financial terms may hide negative externalities, such as worker exploitation, environmental pollution or food miles (see also section 4). In reality, there never has been a level playing field because of varying social and environmental conditions and different scales and aims of the players. The perfect competition model is an abstraction which may be useful but must remain one policy tool among many.

## 9 Some ambiguities and issues for further research

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Although we have tried to present our model of a new degrowth economy in clear lines and bright colours, the reality has its shadows and many ambiguities remain. For example, as Smith and Stenning (2005) have pointed out in their research in post-socialist economies, economic power can deform relationships in informal and non-market economic systems and lead to exploitation, black market, corruption and even mafia practices.

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Non-market capitals in the shape of cheaper rent for workspace, a cheap loan, or access to business advice, may, however, be seen as unfair competition not only by market purists, but by enterprises who for some reason do not have access to or are barred from accessing them. Who will benefit and who will not? Here it will be important to explicitly discuss the issues of public interest vs. private interest and develop clear guidelines and transparent organisational structures to ensure that undue benefit is not being gained by primary social enterprises with the ability to access non-market capitals from a second or third tier organisation.

## 10 Conclusions

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In this paper, we have first tried to provide a framework for discussing „the economy“ from a degrowth perspective. In particular, we have tried to de-link the term from its usual connotations of market and money economy and, building on the previous work of various authors, have expanded it to include the non-monetised layer of the economy of nature and the core economy. Further, we have emphasised the existence of economic sectors in the liminal zone between the monetised and non-monetised economies and have suggested that an analysis of this zone is an important part of the degrowth research agenda. We have focused especially on the concept of social enterprise which has emerged in the last few decades and we contend that the dimensions of scale, place, the environment and provisioning patterns should be accorded more importance in the social enterprise discourse from a degrowth perspective.

Based on the work of Polanyi, Gandhi, Bruyn and others, we have then defined non-market capitals as capitals taken out of the market and placed under democratic control. We call institutions using such capital for community benefit secondary social enterprises and see them as crucial in a future degrowth economic scenario. This is because non-market capitals (such as accessible small loans or lower-than-market rent for premises) can be an important survival strategy for primary social enterprises, which, due to their production of positive externalities, could not otherwise compete in a globalised market. We

suggest that community land trusts, credit unions, co-operative umbrella groups and village seed banks are all instances of institutions safeguarding non-market capital. In a future degrowth economy, primary and secondary social enterprises might mutually support each other, as is already partly happening with several social enterprises in South West England.

To move forward, we need more research on the reasons why social enterprises, especially secondary social enterprises, have failed in the past. We also need to clearly define the line between public and private interest in order to develop clear guidelines and transparent organisational structures of future social enterprises.

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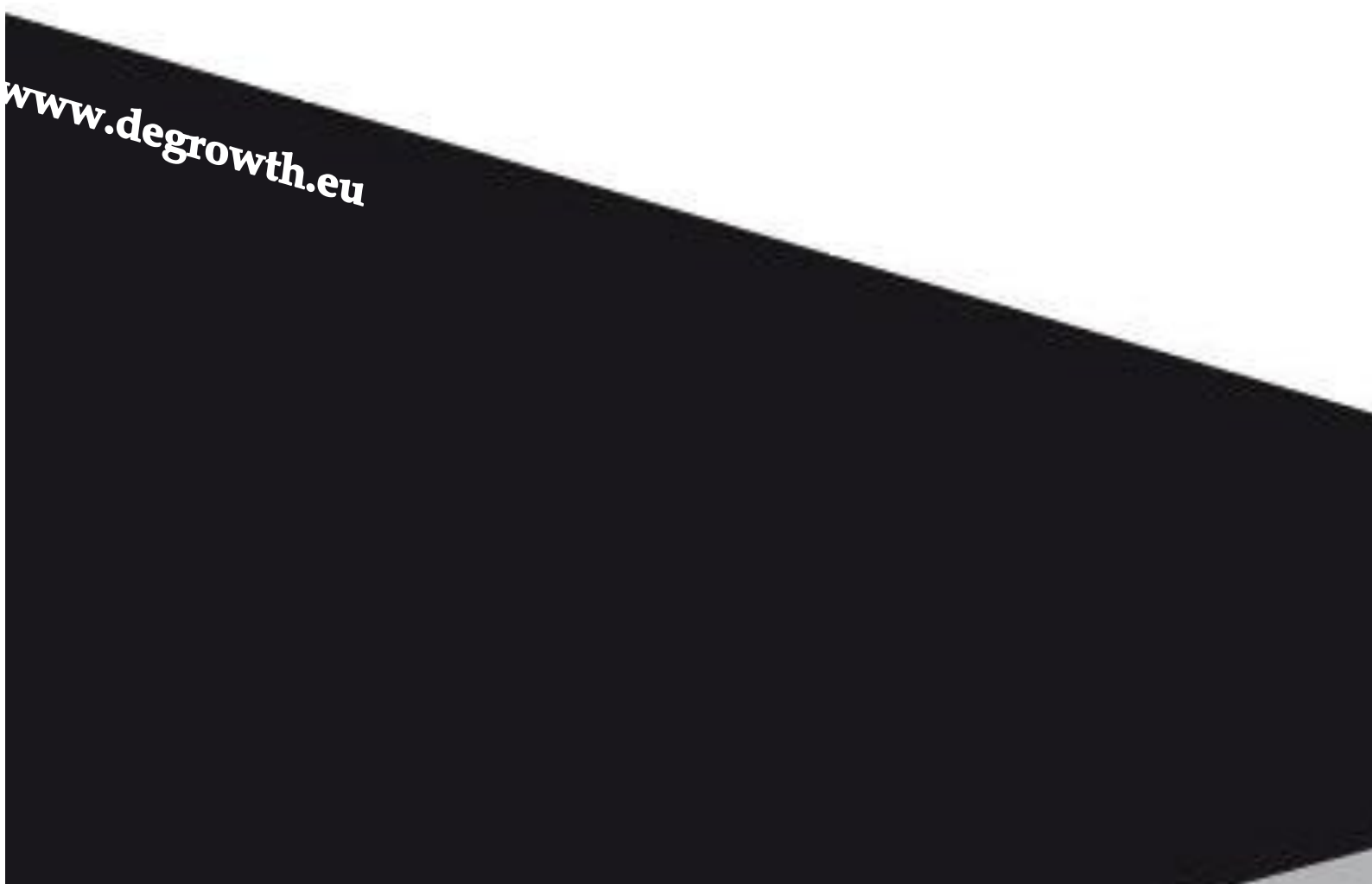
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