

Book Review

Laurie Mook, John R. Whitman, Jack Quarter and Ann Armstrong (2015). *Understanding the Social Economy of the United States*. Toronto, Canada: University of Toronto Press, 390 pp. ISBN: 9781442645905. \$44.95 paperback

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Over the past several decades, two alternative paradigms have competed as organizing frameworks for the work of scholars of the so-called “third sector”. In the U.S. especially, scholars have focused on the “nonprofit sector” as defined in American law and tradition, and indeed exported this framework to much of the rest of the world. This was always problematic, however, as exemplified in the 1990s by how the Johns Hopkins Comparative Nonprofit Sector Project and the International Society for Third Sector Research (ISTR) struggled for language and criteria that could accommodate the ways that other countries organized the nongovernmental, socially-focused parts of their societies. Indeed, European scholars were generally more comfortable with the notion of the “social economy” which centered on the cooperative form of organization and emphasized how organizations were governed more than whether they strictly abided by a non-distribution of profit constraint. Nowadays the picture has become even more complex with the proliferation of various kinds of hybrid organizations that cross sectoral lines and with the growing foci on social enterprise and social entrepreneurship which have roots in the business sector but tend to blur sector boundaries when it comes to finding ways to innovate and solve social problems.

It is in this context that *Understanding the Social Economy of the United States* comes along to help us make sense of the evermore complex and dynamic landscape of social purpose organizations in a market economy and democratic society. And it does so, very well, on the home turf of nonprofit sector-based study. The key to success of this book is that it presents the Social Economy as an integrating framework that acknowledges the notion of sector, especially the nonprofit sector, but includes all of the various legal forms of organization that prioritize social purposes over economic goals. Moreover, the book focuses on the (evermore fuzzy) borderlines between the sectors to illuminate how the various forms of social purpose organization draw on each of the sectors and how those relationships are changing over time.

From the perspective of *Nonprofit Policy Forum*, this book highlights numerous areas of policy concern. First, by dividing the social economy into four broad categories of social purpose organization – civil society organizations, social economy businesses, local development enterprises and public sector nonprofits – the book implicitly raises the issue of how each of these categories should be addressed with respect to regulation, taxation, governance requirements and other policy dimensions. For example, what role should the non-distribution of profits constraint play in determining the taxation of net operating surpluses or the exemption of donations from personal or corporate income tax liability for each of these types of enterprises? And what differences should there be in the eligibility of each type of organization for various streams of government funding or in allowable participation in the political process? Furthermore, how can the boundaries among categories be defined in a way that clarifies what rules apply to any particular enterprise?

Overall, the book is aimed at students and scholars, as well as managers and leaders of social economy organizations. While public policy is not an explicit focus, policy issues abound. First, each of the types of entities in the social economy presents its own policy issues and challenges. Civil society organizations require autonomy from government and independent sources of financial support. Social economy businesses must be able to compete successfully in the marketplace. Local development enterprises must be able to operate in effective partnerships with governmental organizations through appropriate contractual and governing arrangements. And public sector nonprofits must be governed and financed in a manner that responds to particular public policy goals. By parsing the social economy along these lines, public policy can perhaps be more finely tuned to the requirements of each part.

Second, the book addresses in some detail, a number of broad generic practices of social economy organizations, some of which are clearly interconnected with the public policy process. These include organizational governance, sources of financing, and social accounting. The public policy implications of each of these functions might be clustered under the theme of accountability to the public. Good governance means that an organization is able to effectively address the social goals for which it is sanctioned under public policy. Financing defines the connection between a social economy organization and its responsiveness to the goals of government funding organizations, or indeed the ability to resist conformity and assert autonomy. The chapter on social accounting, based largely on previous path breaking work by the authors, asks how a social economy organization can properly gauge its performance by taking into consideration the social costs and benefits of its actions, over and above its direct revenues and expenses. While the book does not argue for statutory

implementation of a social accounting framework for regulation and accountability of social economy organizations, it certainly provides food for thought along these lines.

Although this book can provide a helpful start for researchers interested in studying many different aspects of the social economy, it seems most useful, and no doubt is intended, as a teaching text. It is full of examples, case studies, and discussion questions that can stimulate rich classroom discussion and student assignments. The book is certainly appropriate as a graduate level text for introductory courses in nonprofit studies and social entrepreneurship programs, and would also serve as a good reference text for practicing managers and leaders, and public officials. While the book does not focus on public policy issues per se, it can serve as a touchstone for broad policy deliberations – especially with respect to issues of tax treatment and regulation. For example, if various legal forms share similar missions and functions, should this be better reflected in tax and regulatory policy? And if the basic criterion for inclusion in the social economy is prioritization of social purpose, how can this be measured and applied in an even handed way across the various parts of the economy for purposes of public policy development?

In summary, the book provides a much needed contemporary picture of what Peter Drucker used to call the “social sector”. In today’s world, focusing exclusively on the nonprofit sector is too confining. The authors of *Understanding the Social Economy of the United States* liberate us to understand that “third” part of the economy much more clearly, not by abandoning the nonprofit sector paradigm, but by building on it and integrating it into an accommodating larger frame of reference.