

Political Economy – a Theoretical and Methodological Framework for Identifying Main Trends in Social Entrepreneurship Development



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Abstract. The paper discusses some features of the source of social entrepreneurship as a new form of business organization, aimed at implementing social objectives in the context of strengthening neoliberal trends in economic policy and economic theory, rather than at maximizing the owners' profit. It is demonstrated that, remaining within the framework of the neoliberal ideology which retains its influence in the economic science, it is impossible to create an adequate theory explaining the importance of social entrepreneurship in the context of the process of changing paradigms of economic relations, since under the influence of this ideology false stereotypes are established, which is accompanied by falsification of historical facts. In this context it seems that the methodology of political economy, taking into account the current trends in the transformation of socio-economic relations and the deviation of the trend of social development from the framework of the formally preserved, but declining neoliberal paradigm, is very popular, especially since its problem areas include issues such as the distinction between individual and social forms of production, the relations between the necessary and surplus product, the distribution of surplus value (in case of its occurrence), the issues of individualization and socialization of economic phenomena, the correlation between market and non-market production areas and distribution of the final product, the issue of recognizing the social significance of the result of individual labor. In the present paper these methodological principles are applied for analyzing a complex, contradictory phenomenon of social entrepreneurship. The purpose of the research is to justify the need for a political

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economic approach to studying the main trends in social entrepreneurship development amid limited theoretical and methodological tools available within the neo-liberal economic theory. This will solve the following problems: form a completely objective image of its development, determine the true nature of this phenomenon and identify certain features of production method underlying social entrepreneurship. Since social entrepreneurship is one of the forms of alienation removal, in the context of political economy, assuming the desire for associated social creativity, it can be perceived as one of the tools for transition from the “kingdom of necessity” to the “kingdom of freedom”, according to K. Marx.

Key words: social entrepreneurship, political economy, mainstream, industrial relations.

Introduction

In recent years, the Russia’s social sphere has demonstrated alarming phenomena indicating a gradual weakening of the role of the state as a regulator and a main financial source of social development. Optimization in the social sphere has become a kind of a doctrine of the current Russian Government; its roots should be sought in the nature of the economic policy pursued by the government for more than 25 years. It should be said that there is a great number of publications related to this topic, where the country’s economic policy is strongly criticized, which is based on the neoliberal model of economic development, and therefore it does not make much sense to mention the already known reasons for failures of the Russian reforms, which are, in fact, a consequence of the lessons of the world history of economic development that have not been properly learned. It is only necessary to mark, perhaps, the main feature of the current development of Western Europe and the United States, which, unlike Russia, were quite receptive to such lessons. In fact, the economic models of these countries demonstrate a rather strong shift from the neoliberal competition model between all economic agents towards the model of social consolidation with the strengthening role of the state, the shift from the economy of alienation to the economy of solidarity. Apparently, this is largely due to the awareness of the governments of these countries

after the financial crisis of 2008 that such a policy line is inevitably doomed to outcomes such as constant cyclical crises. This opinion is most clearly and thoroughly expressed in the book of Nobel Prize winner P. Krugman, whose title turned out to be the quintessence of these attitudes – *The Return of Depression Economics and the Crisis of 2008* [1]. Krugman points out that the basis of any economic policy is the corresponding economic theory, which, in fact, is its main engine. After analyzing the background of the Great Depression in the United States and comparing it with the causes of the global economic crisis in 2008, he concluded that the factors that gave rise to both crises are in fact identical – these are factors in increased economic liberalization, or rather, the gradual increase in chaos, the state of deregulation of the economic system, where the system of market management, both in financial and real sector, actually weakens and the markets are constantly under the influence of external factors that from time to time destabilize their operation and thus cause a chain reaction in the economy as a whole. Such weakening of the state’s control positions has already led to the most powerful economic crises twice and, in turn, was the cause of the systemic crisis in the economy manifested in the fact that the failure of one subsystem such as, for example, the social sphere, inevitably leads to similar consequences in other subsystems.

In the 1980s, a Renaissance of neoliberalism was recorded in the United Kingdom and later in the United States. M. Thatcher's coming to power in the UK and R. Reagan's – in the US marked the return of ideals of the neoliberal policy characterized by cuts in social spending and the policy of austerity. This resulted in a rather sharp increase in unemployment and poverty in these countries, also explained by the weakening role of the trade union movement in the society. In this regard, the emergence of social entrepreneurship as a social phenomenon should be seen as a response to such economic policy since the need to survive while reducing budget expenditures required new forms of self-organization and self-employment appropriate for the existing historical realia. On the other hand, as this phenomenon developed, it formed a new paradigm of economic activity that does not fit into the usual framework of a traditional commercial enterprise because it did not aim to maximize profits but was first of all focused on solving social problems with rather strict restrictions on the possibility gaining profit due to the fact that one of the most important conditions for the functioning of a social enterprise was the principle of reinvesting a certain share of income in further social projects. The main object of the impact of social entrepreneurship was initially social categories most affected by the policy of liquidation of social support institutions. These include first of all low-income and low-skilled population groups which have traditionally been subject to massive reductions during crises (precariat), disabled people, socially vulnerable categories in need of social rehabilitation such as former prisoners, street children, homeless people, labor migrants, as well as people subjected to race and ethnic discrimination. But given that in modern conditions the globalization processes are growing, competition and social

insecurity is increasing and there is unrestrained enrichment of large capital with reducing social guarantees, we can say that mass reductions are becoming quite typical, especially due to the constant growth of companies' mergers and acquisitions and optimization of enterprises' costs. Due to these circumstances, the social framework of this phenomenon is beginning to expand rapidly. The rapid growth in the number of such categories has put on the agenda the need to develop social entrepreneurship as one of the few yet affordable ways to ensure employment in a rapidly shrinking public sector in the economy.

Taking into account the fact that currently there is no unified theoretical and methodological framework for characterizing such a complex phenomenon of social entrepreneurship in the economic science, the purpose of the present research is to make an attempt to justify the need to introduce a political economic approach to studying the main trends in social entrepreneurship development amid limited theoretical and methodological tools available to the neoliberal economic theory.

To achieve this goal it is necessary to address the following objectives:

- prove the limited nature of the approach used by modern researchers working in line with the neoliberal economic theory, through analyzing the compliance of the theory of social entrepreneurship with the facts reflecting the real trends of its development.
- identify the main forms of social entrepreneurship in the modern world in recent decades;
- determine the level of financial stability of social enterprises and degree of their dependence on external financial sources;
- identify the production mode underlying the activities of social enterprises and try to

determine whether it meets the criteria of an ordinary business enterprise operating under the traditional market capitalist system;

- determine the nature of surplus value distribution in social enterprises.

Research methodology

One of the reasons for the relevance of political economy as a theoretical and methodological framework in the present paper is an attempt to consider this phenomenon in a broader aspect beyond the framework of the neoclassical economic theory. In contrast to the mainstream focusing only on the commercial component of social entrepreneurship, it is possible within the framework of political economy to consider the dialectics of this phenomenon, to see its other sides, in particular, the signs of post-market economic relations noted in the social entrepreneurship by modern political economists A.V. Buzgalin and A.I. Kolganov [2]. However, they did not deliberately consider this phenomenon, they only made this remark. Therefore there is an opportunity to study it as a political economic phenomenon in detail. One of the most important principles of political economy distinguished by O.Yu. Mamedov, is the principle of objectivity which means that each generation can carry out its activities only within the framework of existing production prerequisites [3] depending on specific historical conditions. This is how social entrepreneurship is considered in this work: in the context of objective laws of the socio-economic development. Another reason for turning to political economy as a theoretical and methodological framework is the fact that social entrepreneurship actually belongs to the new emerging integrated society where elements of capitalism and socialism will be balanced, as pointed out by G.N. Tsagolov [4], and the values of solidarity and active role of the state

as an economic subject will play a much more significant role than in market conditions. The best way to understand the development laws of such a society can be possible only within the framework of political economy because only political economy helps analyze the degree of interaction of elements in different economic formations in their dialectical development.

If we trace the trends in social entrepreneurship development over the past three decades, we can fully agree with the researchers who believe that it does not fit into the framework of the traditional neoliberal paradigm but serves as an element of the so-called “economy of solidarity” emerging in the world at the present time [5], a new form of economic relations where the trend to compete characteristic of the usual market relations is replaced by the trend to cooperate, when the world gradually becomes aware of the destructive consequences of the neoliberal ideology leading to increased social inequality, aggravation of class contradictions and increased alienation in all spheres of social life, which may eventually lead to a split of the society as a single system. In this regard, the rapidly growing interest in political economy which arose in the period after the financial crisis of 2008, is quite reasonable: the suspicion that the underlying crisis mechanisms revealed by K. Marx [6] caused the need to reconsider the attitude of the society to political economy and again study these mechanisms, as evidenced by the growing popularity of “*Capital*” which became a bestseller in the first years after the crisis. In this regard, it seems that the methodology of political economy, taking into account the current trends in the transformation of the socio-economic relations and deviation of the trend in social development from the framework of the formally preserved but declining neoliberal

paradigm, is very popular. In this sense, the methodology of political economy is much broader than the methodology of neoliberal economic theory since it concerns issues such as distinction between individual and social forms of production, the ratio between necessary and surplus product, surplus value distribution if it takes place, the problem of individualization and socialization of economic phenomena, the relations between market and non-market production spheres, distribution of the final product, and the problem of recognizing the social significance of the result of individual labor [7, pp. 10-13], identification of economic contradictions in each studied phenomenon, its dialectical nature, the problem of freedom of entrepreneurship, the issue of the role of the state in the economy, the relations between efficiency and justice which in the mainstream is solved in a quite peculiar way through absolutizing efficiency in all its manifestations; as well as the issue of whether there are alternatives to the criterion of market equilibrium, – all these represent the subject of research into political economy and at the same time determine the methodology of political economic analysis based on the principles of dialectical logic and the study of any phenomenon under consideration in the development of its basic properties and in interaction with the external environment. In the current paper, these methodological principles are applied to analysis of a complex contradictory phenomenon of social entrepreneurship. This will form a completely objective image to further determine the true nature of this phenomenon and identify the basic principles of the formation of state policy in the field of social entrepreneurship to improve its development.

Speaking of the nature of social entrepreneurship as a special phenomenon, it is

necessary to take into account that it emerged at the time when the consequences of using the neoliberal paradigm as a system that forms priorities of economic policy, involving a significant reduction of the public sector, which is necessary, ostensibly, for the sake of ensuring the conditions of economic growth, became particularly acute. As a matter of fact, based on the name itself it becomes clear that social entrepreneurship is a way of successfully combining non-profit activities and elements of entrepreneurial practice used to ensure a greater degree of enterprise financial stability. Unfortunately, the economic science is currently predominated by the representatives of the right-liberal direction, experts of the Higher School of Economics [8] in the evaluation of social entrepreneurship as a new actor in the modern economy; they seek to highlight the commercial component in the system of social entrepreneurship, ignoring the fact that it has a number of individual features and is often not self-supporting and commercially viable. In this regard, if the representatives of the “mainstream” see only what they want to see, political economy contains much more opportunities for adequate analysis: it helps consider this phenomenon in a complex dialectical interaction of opposite elements such as commercial and non-commercial activity, and consider it in the context of elements forming the essence of the capitalist production mode; as well as understand whether it corresponds to them and to what extent or is the origin of a new, original production mode. Using the method of scientific abstraction which is in fact the basis for political economic analysis, an attempt is made to generalize the idea of social entrepreneurship as a new type of industrial relations, identify the degree of its correlation with the capitalist way in which it originated,

and determine the trend of its evolution as an independent socio-economic phenomenon.

Variety of forms of social entrepreneurship in the modern world

Since the concept of social entrepreneurship is still little known to the general public, especially in Russia, it is necessary to present the main trends in its development in order to have a more or less clear image of this phenomenon. According to the definition presented in Wikipedia, it is an entrepreneurial activity aimed at mitigating or solving social problems, which is allegedly characterized by features such as social impact, financial stability and self-sufficiency, and an entrepreneurial approach that assumes the ability of an entrepreneur to find opportunities and accumulate resources [9]. It should be noted that this definition is based on a quite clear ideological implication due to the significant influence of the neoliberal school, creating a certain image contrary to the real one, which clearly differs from this definition; one can provide evidence to refute this characteristic. The signs of disagreement of behavior of social entrepreneurs with the common behavior of market actors was marked by C. Leadbeater in his article *Mainstreaming of the Mavericks* [10]. A less harsh definition without an emphasis on self-sufficiency is given by E.S. Petrenko, Y.A. Kot, S.G. Klimova, and E.V. Bogomolova. They note that the nature of social entrepreneurship is in the initial focus on solving or significantly mitigating the severity of a specific social problem, which is provided through combining a business approach and social innovation [11]. One of the features distinguishing social enterprises from ordinary commercial ones is the fact that not all existing social enterprises can call themselves fully self-sufficient and financially sustainable (rather, they are financially vulnerable since they constantly

resort to various forms of external support, including state, to maintain their lifecycle). For example, E.N. Rudyk speaking about a typical form of social enterprise such as a production cooperative, notes that in the world about 90% of such cooperatives are “non-profitable” by law, and 10% have the right to make a choice whether to be “non-profitable” or “profitable” [12, p. 264]. Second, the business approach as such is not always a distinctive feature of social entrepreneurship. Recently, there have been cases in the world where people engaged in political activities that can have a long-term positive effect on the growth of entrepreneurial activity among the poorest population groups and thus give them a chance to improve their well-being and quality of life, became to call themselves social entrepreneurs. In fact, this is one of the areas of social and business impact, which can be described as the integration of certain population groups in the civil society (civic engagement), and some social enterprises have this area present among their main activities. One of the variants of such political activity is the action of the deputy of the Greek Parliament E. Panaritis who started the initiative to reform property rights in Peru in the late 1990, which significantly improved the situation of migrant workers in the country. In this regard, in her numerous interviews she called herself a social entrepreneur [13] which seems quite reasonable.

K. Alter, a well-known America public figure, in order to present the breadth of social entrepreneurship on the example of the history of development of specific companies, gives an overview of a number of models of manifestations of this phenomenon, which appeared at different time and played a different role in its development. These include cooperatives, civil society organizations, fair trade agreements, corporations of local

community development, social enterprises (the so-called affirmative business), microenterprises, government programs to support private social initiatives, organizations of Base of the Pyramid (BoP), venture philanthropy, and “philanthropreneurship” [14].

J. Kickal and T. Lyons give the following definition: social entrepreneurship is the application of the mindset, processes, tools and technologies of ordinary entrepreneurship for the benefit of the society and the environment [15]. This definition is quite closely correlated with a rather original area in activities of a social entrepreneurship such as impact investment which implies investing in order to achieve a certain effect of social impact, rather than gain profit. This type of investment once again confirms the fact that social entrepreneurship, in fact, is not a commercially oriented type of business and it cannot be evaluated, limited only by terms such as “self-sufficiency” and “financial stability”. Its impact area is much wider. According to Deputy Chairman of the Social Entrepreneurship Council of the Chamber of Commerce and Industry of the Russian Federation M. Mamuta, impact investors are not those people who want to gain small income from their investment, but those who seek to help achieve the goals social business works for [16].

The experience of the Egyptian company Sekem which is considered a typical example of a social enterprise giving priority to producing medical herbs with the use of new biotechnology in agriculture without using pesticides, slightly expands the understanding of this phenomenon. However, over time, the range of its social policy has expanded due to the fact that it is actively involved in the process of charity activities, in particular, it established the Egyptian Society for Cultural

Development, a non-profit organization supporting a kindergarten, an institute of additional education, a medical center, many other social and cultural activities, as well as assisting in the establishment of a university [17].

These examples force us to abandon the traditional definition of social entrepreneurship and slightly expand its boundaries to include phenomena such as political process and charity. Thus, social entrepreneurship should be understood as a set of different types of social policy aimed at solving specific problems that are implemented both through intervention in the existing institutional structure and through traditional business activities. The word “entrepreneur” in both cases has a special meaning, the question is only at what level this phenomenon is implemented: in the first case, efforts are made that are political in nature, but with very real, tangible social consequences; in the second case, this concept has a traditional meaning as it is the entrepreneur who creates a new enterprise and organizes the entire process of production and distribution, which is nevertheless different from that applied in standard commercial enterprises, and it is political economy and reveals this specific feature since it involves the differentiation of various production modes, in contrast to the closed mainstream concentrating only on one capitalist mode of production and recognizing it as the top of civilization.

Another important aspect of social entrepreneurship is the so-called inclusive development, which implies leveling intense social inequality in the world through using innovative mechanisms. In particular, one of such innovative mechanisms is the system of micro-lending which has been effective in countries such as India and Bangladesh, where local banks granted micro-loans to poor farmers

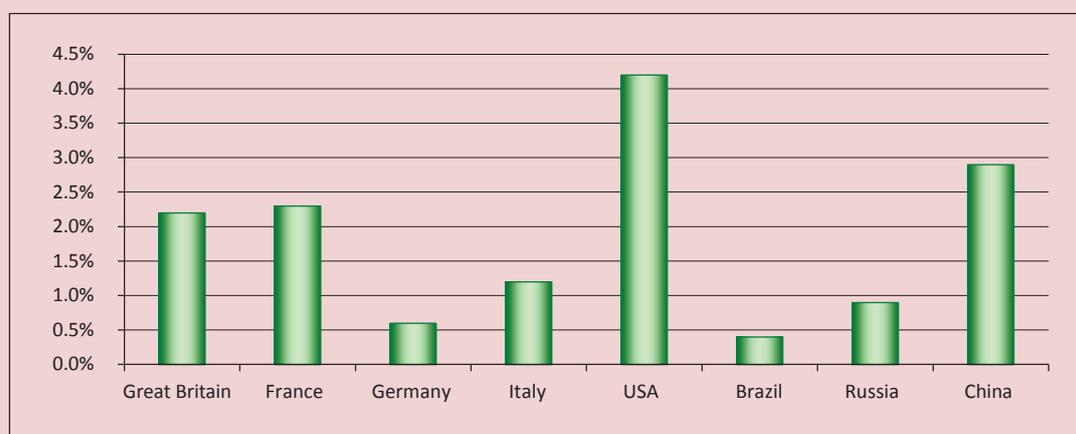
under the sponsorship of the entire community so that farmers could receive real assistance help; the defaults on loans were extremely low [18]. Unfortunately, in Russia the success of micro-lending is not so noticeable due to the underdeveloped institution of micro-lending, in particular, the systems of liabilities and securities.

Conditions for emergence of social entrepreneurship in the world

The first signs of social entrepreneurship as a significant mass phenomenon in the economy date back to the 1980–90s when non-profit organizations (NPO) began to take the initiative to develop the commercial sector in their structures as increased competition in the society required the search for more effective ways to survive amid limited charitable resources. The so-called third sector in the economy, which includes NPOs, had to be more actively involved in the process of solving the problem of poverty and unemployment as the state gradually ceased performing social functions. This process was manifested in a steady reduction of social programs and budget expenditures relying on the powerful “invisible hand of the market” that can provide the best financial situation for the whole society.

That is why social entrepreneurship should be perceived as a reaction to irresponsible behavior of the state as an economic subject in the context of increasing globalization and liberalization and other factors complicating life in a non-stationary system, rather than a phenomenon characteristic of the countries of allegedly defeated socialism, as the research teams of the Higher School of Economics are trying to present [8]. To refute this thesis, it is enough to provide statistics on the performance of social and entrepreneurial activity at an early stage (SEA), an indicator calculated as a share of people actively trying to create a social enterprise and those who manage a social enterprise for less than 3.5 years from the date of establishment at the time of index calculation of the total working-age population of the country. If we consider this indicator as an indicator of activity in social entrepreneurship (*Figure*), we see that the highest degree of activity is demonstrated not by the countries of defeated socialism, but by countries such as the United States, Great Britain, France, where either capitalist traditions remain unshakable for a long time, or socialist and capitalist elements converge in the system of the national economy, as, for example, in China.

Early-stage socio-entrepreneurial activity (SEA), 2009. [19]



The low Russia's position in this ranking can be partly explained by lack of attention from the state, since in other countries, especially in the United States, the state provides support, including financial, to social entrepreneurs. Nevertheless, in recent years Russia has been rather active in this sphere. According to the Perm Fund for Entrepreneurship Development (PFED), the number of social entrepreneurs more than doubled in two years: in 2015 – 250 people, in 2016 – 450. However, the share of small and medium businesses engaged in the social sphere remains insignificant – less than 0.5% of the total number of entrepreneurs. In general, in Russia social entrepreneurs make up 1% of small and medium businesses. In European countries, this figure is at the level of 3–3.5% [20].

The period of emergence of social entrepreneurship in Europe and the United States is a period which in the English literature is quite aptly called social outsourcing, which implied the transfer of state management functions of social institutions to the representatives of the private sector and, as evidenced by the preliminary final studies, this strategy led to truly devastating consequences for the entire social sector as a whole which became commercialized this way [21]. The new owners began to treat these enterprises as their personal property, regardless of the importance of the social functions performed by them, careless of improving the operational quality of these institutions. The term “effectiveness” which they applied in this case – effective management – manifested itself in its most negative and vulgar sense: it was effectiveness in terms of cost savings, in its cruelty comparable to the cruelty of the Nazis of the Third Reich. It is in this sense that this optimization is now observed in the

Russian health care and educational systems and the consequences that we see there are as destructive as in Western countries. Indeed, G. Hegel was right when he argued that history repeats itself twice: the first time as tragedy, the second time as farce. What turned out to be a tragedy for Europe and the United States, was, of course, no less tragic for Russia, however, given the persistent liberal reforms, despite the fact that history has repeatedly proved their disastrous consequences for the economy, we can say that this phenomenon rather looks like ridiculous farce. Speaking of the consequences of social outsourcing in the UK, it is important to mention an egregious case that occurred in Rochdale after the transfer of orphanages to private management. The new “effective” manager immediately relocated these institutions to areas with minimal property prices ignoring the fact that these areas were the most dangerous from the point of view of the criminal situation, and the result was numerous cases of child pedophilia, drug addiction, and other harmful actions against minors [21]. Such a situation of austerity in business costs is very similar to the modern processes to optimize the health care system in Russia. Another result of social outsourcing was a sharp decline in wages of medical personnel in England, when private companies that captured these enterprises, in fact, began to assume a significant share of financial resources, limiting them to unprecedented low rates resulting in high staff turnover and reduced quality of service. In this regard, we should mention a huge scandal that occurred with Emma Harrison, Director General of A4E, who paid herself 8.6 million pounds thereby obtaining a huge surplus value and minimizing payments to employees [22]. It is in this situation that social enterprises have a chance to somehow resist such attempts to capitalize the social sector due

to the fact that their activities involve a socially-oriented approach, rather than satisfaction of private interests of a separate group of owners or managers of the enterprise. In a sense, they can be seen as an instrument of class struggle against the hegemony of large corporations that monopolized the market of social services, in the general movement towards the economy of solidarity, as they represent an alternative approach to solving social issues: they prioritized social efficiency, rather than economic. However, in this struggle the forces are often unequal. Social enterprises that seek to enter this market in order to compete equally with large corporations cannot afford it because their financial capacity to participate in the tender procedure for the transfer of social facilities to private management is very limited, therefore they are forced to remain on the sidelines. If they do participate in this process they often have to be content with the modest role of subcontractors serving large businesses. Nevertheless, their alternative model of behavior, being subordinated to social rather than personal interests, must be studied. For example, the social enterprise *Sandwell* shows us an example of a very high degree of democracy in the management system expressed in the fact that the company practiced a model of a working manager, which excludes the possibility of power abuse and excessive exploitation since everything is subject to staff control, rather than the Board of Directors consisting of external observers as is common for private companies [23]. Another example of management and ownership collectivism is the famous Mondragon network of cooperatives, which is considered a model of social entrepreneurship in Spain. Cooperatives are traditionally considered to be the most democratic enterprises in terms of the management form. Here, this principle

is implemented through the governing boards of primary cooperative companies whose members represent the interests of labor collectives. Such boards hire and dismiss the managing director (equivalent to a CEO) of the enterprise, approves profit distribution, and makes other major policy decisions through voting. In general, this system operates in the way that decisions are made by the entire staff of the enterprise twice a year. The council distributes profit and makes strategic decisions. It is elected for 4 years [24, pp. 75–96]. Such enterprises are also known for their collective form of ownership, and in this sense they are truly popular enterprises. This form is provided by the ownership contribution mechanism. For example, within Mondragon there is a rule that each member must make an ownership contribution of 9.000 euros. If the cooperative gains profit the shareholders can earn 7.5% in the form of dividends on ownership contributions thereby increasing incentives to attract new shareholders [25]. Thus, a social enterprise is clearly not a “mainstream” type of an enterprise, therefore the neoliberal approach used by some researchers to characterize it is absolutely inappropriate.

What are the implications of the neoliberal approach for characterizing social entrepreneurship?

Despite the fact that social entrepreneurship is a rather complex and unique phenomenon, a number of researchers are tempted to describe it using the traditional neoliberal approach due to the fact that the influence of pro-bourgeois, commercially oriented ideology has been growing in the public consciousness lately. There is a quite obvious explanation for this: the new scientific and educational elite represented by the Higher School of Economics (HSE) is trying to establish false stereotypes about various phenomena in the

public consciousness, subordinating them to the market paradigm and commercial values the examples of which can be the HSE rankings of cultural institutions efficiency measured by through box office results, or the indicators of greatness of literature works measured through the number of bestsellers. In this sense, this organization definitely is a device necessary to maintain the existing commercially-oriented ideology approved by the current state policy in the field of science and education, and justify the course of reforms; however, invading the scientific sphere, such ideology often blurs the vision of researchers and does not assess the phenomenon under study properly. One of the phenomena affected by this approach is the phenomenon of social entrepreneurship. If we consider it in a broad context, it is a kind of a reaction of the poorest population groups to the global growing neoliberalism trends, and amid passive state it operates according to the principle of “if you need a helping hand, you will find one at the end of your arm”. In this regard, the commercial component is a forced measure, rather than an ultimate goal which should be achieved, and, of course, not the main criterion separating social enterprises from all other human-centered organizations as the representatives of HSE persistently argue. In fact, the range of social entrepreneurship is much more diverse and is not limited to profit-maximizing enterprises. In particular, E.N. Rudyk distinguishes eight types of social enterprises in his work from the point of view of organizational and legal form: state (state budget) enterprise, municipal enterprise, production cooperative, social cooperative, consumer cooperative, other forms of a collective enterprise provided by the legislation and organizational documents of the enterprise, private “non-profit” enterprise, “enterprise of citizens’ self-support” [12]. It has already

been mentioned that only 10% of production cooperatives in the world have an opportunity to become “profitable” organizations, while the rest are “non-profit” organizations by law [12, p. 264]. The desire to narrow down the coverage range of social enterprises to 10% is in fact outright forgery, a falsification caused by the need to create an illusion of absence of contradictions between the dominant ideology and the new phenomenon: hence arise the ultra-liberal attacks of HSE researchers that social entrepreneurship arose in the countries of defeated socialism [8, p. 4] and that its emergence is explained by the low susceptibility of social problems to traditional impact measures used in the public sector in relation to poverty, as well as by the generally paradoxical thesis about the strengthening of liberal social theories regarding the criticism of the Keynesian theory and the welfare state in the 1970s [8, pp. 18–19]. This is absolutely not true since the strengthening of liberalism in the economic policy was not accompanied by the strengthening of the relevant theories in the society. On the contrary, the movement of post-Keynesianism arose, which emphasized the special role of the state in the economy [26].

Thus, this approach to analyzing social entrepreneurship cannot be called appropriate given the authors’ desire to bring this phenomenon under the criteria of the neoliberal paradigm. As a result, we are dealing with quite a large number of distortions that occur at the stage of definition, and which subsequently influence the entire course of reasoning, turning the research work into a falsification because of the desire to see what you want, rather than what you really have. In order to conduct thorough comprehensive research into this phenomenon it is necessary to search for theoretical and methodological foundations of a larger scale, which do not allow such

reductionism, to take into account the specific features of different production methods. In this sense, political economy may be a good example of such an approach.

Debunking the myth of sustainable self-sufficiency of social enterprises

One of the key features of social enterprises that distinguish these entities from NPOs highlighted by the HSE research group is achieving sustainable self-sufficiency. To refute the thesis it is enough to give only a few examples. For example, a well-known social enterprise APOPO in Mozambique specializing in demining territories in numerous combat areas in the country, given the constant escalation of military conflicts in the Middle East, in 2016 had a 95% share of donations and subsidies of the total assets [27] (*Tab. 1*). This in no way means it is self-sufficient.

To enforce our argument, there is another example with the *Benetech* social enterprise. This company, originally called *Arkenstone*, specialized in production of a reading machine with a voicing device for visually impaired people. Its social focus was also manifested in the reduced price for this product to 2.5 thousand dollars, that is four times cheaper than a similar product manufactured by *Xerox*. Subsequently, the company was able to sell the right to produce these products to a commercial distributor and focus on other projects. But even in these conditions of financial well-being it is difficult to call it self-sufficient since, according to data for 2017, the share of donations in the structure of its financial sources amounted to 7%, the rest 93% was earned income [28] (*Tab. 2*).

Table 1. APOPO financial resources in 2016 [27]

Financial resources	Value (euros)
1. Fundraising	727.101
2. Government grants	953.300
3. Income from various funds	1.770.730
4. Grants from international institutions	48.577
5. Corporate grants	261.072
6. Research grants	200.836
7. Other unlimited income sources	63.830
8. Financial income	17.053
Total assets	4.220.030

Table 2. Financial support and income of Benetech in 2017 [28]

Financial support or income	Value (US dollars)
Donations	793.147
Services/products provided	412.078
Payment for engineering and consulting services	5
Income from software sales:	
• Bookshare	9.439.665
• Human Rights	569.102
• Route 66	99
• Benetech Labs	70.059
Interest income	6.413
Rental income	22.392
Total financial support and income	11.312.960

Even if a successful company such as *Benetech*, which can be considered a model of successful social entrepreneurship, is 7% dependent on external financing, how can the principle of sustainable self-sufficiency be established as a fundamental criterion? Apparently, the desire to assert the ideology of market fundamentalism forces its proponents to turn a blind eye to many things including such obvious facts to justify it. As a result we are dealing with mythmaking necessary to manipulate public consciousness.

As a matter of fact, here we should note another feature of social enterprises, which demonstrates that this is not a market phenomenon. A distinctive feature of a social enterprise is that it is not subject to the principle of market equilibrium, that is, the model of establishing a market price at the intersection point of supply and demand curves does not correspond to the pricing system used by typical social enterprises. On the contrary, we are dealing with a deliberate reduction in price of the final product to a certain fixed level, which guarantees only minimum profit for the company. This is the most important feature of social enterprises: a restricted share of profit in the pricing system for the sake of fulfilling the social mission, which in this case is a priority. After all, even the fact that *Benetech* has repeatedly had the opportunity to raise the price to equilibrium due to absence of competitors expect for *Xerox*, suggests that such a commercially-oriented philosophy of behavior is not peculiar to social entrepreneurship, and in this case, this price, which is significantly lower than the equilibrium price on the market, is determined by completely different, non-market criteria. And this deliberate restriction expressed in the policy of lowering the price is also the reason for lack of resources for such an enterprise to become self-sufficient.

What production mode is social entrepreneurship based on?

It is known that if a political economy approach is applied, the concept of “effectiveness” should be defined depending on a specific production mode it is measured in. For example, amid the capitalist production mode efficiency is estimated in terms of creating surplus value, rather than just creating goods and services [29]. The first impression formed even in a superficial study of social entrepreneurship suggests that it is not based on the capitalist production mode since here effectiveness is defined somewhat differently: here, the criteria of social development are prior to creating surplus value. In fact, if we perceive the concept of “surplus value” as a kind of increase in value created by the manufacturer but not distributed in favor of the latter, then this kind of surplus value exists within the framework of social entrepreneurship. However, its main difference from the surplus value created in a traditional commercial enterprise is the following: at a traditional commercial enterprise this type of value is assigned by a capitalist, a top management, or owners of the enterprise, while at a social enterprise this type of surplus value is reinvested in further social projects. For example, *Benetech*, after transferring its core reading machines business to a commercial distributor, switched to implementing new social projects at the expense of the resulting profits, for example, an e-library and various types of software to minimize environmental damage and protect civil rights in developing countries. Thus, the surplus value at social enterprises still exists in the form of income undistributed in favor of employees but invested in its development. However, this indicates that social enterprises are dominated by the socially-oriented distribution of surplus value, while ordinary enterprises assign surplus

value in a private way. Thus, the production mode social enterprises are based on is socially-oriented, rather than capitalist.

If we assess the place of social entrepreneurship in the context of the modern transformation of socio-economic development, it is possible to use the periodization of modern history of economic relations suggested by a well-known Marxist D. Leibman. According to this periodization, social entrepreneurship should be referred to the stage which he called “socialism-the forerunner”, which is characterized by the following feature: the opportunities and consciousness of the masses are historically limited since they are imbued with the proprietary-individualistic ideology and practices of the society from which they came out, softened by the experience of cooperation in the process of production, collective struggle, and solidarity – partially, but not completely [30]. All these signs can be found at many social enterprises. Moreover, they introduce the elements of a new system for assessing enterprise efficiency to business practices. It is known that the effectiveness of social enterprises is measured in regards to creating social value social value, rather than economic. In this sense, this system is the forerunner of formation a mechanism such as *Multilevel Democratic Iterative Coordination*, (MDIC), which is the core of a mature socialist society, according to the concept of Leibman, which is the stage following the period of *socialism-the forerunner* [30]. In addition to other important elements of socio-economic process coordination, the system includes criteria characterizing the solution to a number of enterprises’ social objectives: staff development, overcoming the manifestations of gender or race stratification and oppression inherited from the past, achievement of objectives related to the environmental

impact, development of relations with the local community and other enterprises, etc. This entire list is precisely the impact area of social entrepreneurship and, accordingly, the object of assessment, judging by the latest publications in this area [31]. In this regard, being referred to the period of socialism-the forerunner, social entrepreneurship also bears the signs of the emerging next stage – mature socialism – and therefore makes a contribution to its formation. It is likely that production mode that represents social entrepreneurship can be defined as a transition from a capitalist system to a new form of economic relations with the already predominant values of solidarity and a welfare state, rather than individualistic and private-property interests. Time will show whether this stage is called mature socialism or something else. To date, only one thing can be said: the current state of capitalist relations has already reached the stage where in order to preserve this paradigm and eliminate all its contradictions the state has to introduce a lot of unusual elements – elements of planning, development of the social sector, and reduction of a significant level of social tensions caused by the growing inequality. However, over time all these quantitative changes can evolve into qualitative ones, leading to the formation of a new integrated society with a greater role of values of solidarity and cooperation than the values of individualism and competition. The signs of this new technical and economic formation emerging right in front of us are rightly noted in the work by S.D. Bodrunov, who points out that it is characterized by the priority development of high-tech production based on socially-oriented regulated economic development [32]. The most important objective for it is the need to borrow the experience of foreign countries in state regulation and programming market economy.

The active role of the state in supporting the development of social entrepreneurship in the UK and the US suggests that the state actually regulated its development, thus including it in the overall development program, which resulted in a high level of development in these countries.

Conclusion

To sum up, the study established using the political economic approach that social entrepreneurship is a unique phenomenon not only reflecting the signs of a transforming market paradigm, but also leading to certain changes aimed at transforming the society towards the economy of solidarity less focused on values such as profit, competition, individualism, etc., and more focused on solidarity, collectivism, social responsibility, and social creativity. This is the main research novelty and the contribution of the present paper to studying this issue. The limitations of the neoclassical economic theory are noted, the production mode underlying social entrepreneurship is defined as socially oriented and the nature of this phenomenon is defined as an inter-formational transition phenomenon related to the period of “socialism-the forerunner”, according to D. Leibman’s term. In terms of political economy, social entrepreneurship can be represented as an associated social creativity since the transition from the “kingdom of need” to the “kingdom of freedom”, which is described by modern Marxists A. Buzgalin and A.I. Kolganov, occurs in the form of free voluntary association of citizens. The authors also include here various forms of employee participation in management and self-government aimed at overcoming one of the most firmly established foundations of alienation – division of activities by goal-setting [2, p. 463]. There is a good example of such removal of alienation: the model of

management democratization at *Sandwell* social enterprise and *Mondragon* cooperative network. Thus, social entrepreneurship in the context of modern political economy may be perceived as one of the possible forms of transition from the “kingdom of need” to the “kingdom of freedom”, as a way towards a new integrated society based on the principles of overcoming alienation through associated social creativity.

Principles of political economy such as objectivity of economic processes, combination of the historical and the logical, as well as system approach are used in the present research [3]. The latter implies that social entrepreneurship is considered as a systemic economic phenomenon. These principles were developed in the context of transitional, inter-formational processes amid technological renewal of the economy, taking into account the civilizational features of social entrepreneurship. For example, the principle of combining the historical and the logical was used as a historical and formational principle to identify the main trends in social entrepreneurship development. The systemic approach has helped expand the understanding of this phenomenon since it takes into account all the features of its manifestation in various aspects.

The paper presents an attempt to apply a political economic approach to the study of social entrepreneurship; this helps objectively assess the development of this phenomenon. In the future, when developing a strategy of state support for social entrepreneurship, the use of political economy will make it possible to identify acceptable measures of state intervention in the development of this phenomenon to improve its efficiency. However, this is already one of the prospects of this study as it requires separate discussions.

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