

# THEORIZING THE POTENTIAL OF POLITICAL ECONOMY AND SOCIAL ECONOMY APPROACHES IN STUDYING THE STRUCTURE OF ETHNIC ECONOMIES

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## ABSTRACT

### **Theorizing the Potential of Political Economy and Social Economy Approaches in Studying the Structure of Ethnic Economies**

The main goal of the present paper is to identify commonalities and differences in the structure of ethnic economies in Canada and Slovenia. Keeping in mind the theoretical and practical differences between the North American and European approaches to ethnic economies, we show the wider significance of the concept in the light of some important findings from Canadian political economy theory and praxis, Horvat's political economy approach and approaches common to various views in the social economy literature. Consequently, the evaluation of state integration in ethnic economies is also considered.

KEY WORDS: ethnic economy, comparative political economy, social economy, capitalism, transformation, Slovenia, Canada

## IZVLEČEK

### **Razprava o potencialu politične in socialne ekonomije v raziskovanju strukture etnične ekonomije**

Glavni cilj omenjega dela je prikazati skupne značilnosti in razlike v strukturi etnične ekonomije v Kanadi in Sloveniji. Upošteevajoč teoretične in praktične razlike med severnoamerškimi in evropskimi definicijami etnične ekonomije pokažemo širši pomen koncepta v soočenju z drugimi pristopi: teorijo in prakso kanadske šole politične ekonomije in politično ekonomijo Branka Horvata ter pristopom k socialni ekonomiji. Posledično je ovrednotena tudi vloga države v konceptu etnične ekonomije.

KLJUČNE BESEDE: etnična ekonomija, primerjalna politična ekonomija, socialna ekonomija, kapitalizem, transformacija, Slovenija, Kanada

## PROLOGUE

We believe that the methodological and theoretical gap between the North American and traditional European approaches to the study of ethnic economies has to be somehow overcome (for a valuable theoretical debate see Vah Jevšnik and Lukšič Hacin 2011). Moreover, the introduction of some kind

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of “open system methodology” or “pluralist approach” to methodology (see Dow 2007 and 2008)<sup>1</sup> to the field of ethnic economy will be an important issue of research in the near future. At this point, we are starting a debate and a basic comparison which we strongly hope will provoke further efforts in developing various new approaches to ethnic economies. Comparing Slovenian and Canadian ethnic economies, we evaluate the role of heterodox political economy in supporting ethnic economy studies, and specifically how social economy approaches may be interrelated with the operation of ethnic economies.

The value of using the new Canadian political economy approach is twofold. Firstly, it offers two different angles on the structures of contemporary ethnic economies: the immigrant and the Aboriginal economic system. The settlers’ economy and various forms of native economies have historically been two distinct economic worlds, although they have been closely associated throughout the Canadian history. Recognizing that the internal dynamics of small economies may operate differently vis à vis dominant capitalist production is an important additional recognition in the field of ethnic studies. Furthermore, it opens up a debate which may lead to possible new understandings concerning the development of disadvantaged communities in Slovenia. In fact, showing the internal dynamics of a small economy may provoke the criticism that marginalized economies operate in isolation from the mainstream economy. We have to deny this assertion at the very beginning, showing later on that the logic of different dynamics is a matter of preserving and not isolating marginalized communities. Intensive contacts with the dominant economic system are at the centre of investigation in the context of contemporary development models.

Horvat’s<sup>2</sup> political economy approach, similarly to its Canadian counterpart, may offer ethnic economy studies a reasonable explanation of transition processes in mainstream economies as happened in Eastern/Central European countries, the significance of class and property rights, and a critical evaluation and possible alternatives to the capitalist mode of production.

In addition to a heterodox political economy approach, important findings from the social economy approach are also needed to highlight new theoretical and practical views concerning ethnic economies. Commonalities are particularly evident with regard to the fact that many “alternative” models are focused on improving the lives of a particular community or group, depending on the angle from which the specific problem is approached: ethnicity, community, migration, race, etc. In some sense, as is the case with the political economy approach, we want to exclude dualism in theory and practice and show that all contemporary alternatives, even sometimes more radical ones, have to be open going forward and allow possible integration with the mainstream economy.

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1 Dow’s vision of open systems, as we will see later on, is applied to the development of methodological and theoretical issues concerning heterodox economics.

2 Although Horvat’s political-economic thought has many opponents, it also has many followers. Whether or not we agree with his specific approach to political economy, it is evident that he offered many alternatives to complex economic everyday reality. As an eminent economist he was well trained in several other academic disciplines such as political science, sociology, and philosophy. In economic terms, Horvat mainly dealt with “economic growth, economic cycles, theory of the labour-managed firm, political economy of modern societies, and ‘pure’ economic theory (Uvalič and Franičević 2000: xxii).” Nowadays specifically, his vision of the labour-managed firm is useful in studying cooperative movements such as Mondragon and others. In sum, he acted as a true heterodox economist seeking everywhere a more balanced model of development and a more just society as a whole. A unique combination of political and economic theory, Horvat carried on further into unified social theory (Horvat 1982). On the basis of his seminal work *The Political Economy of Socialism* (1982) the American Society of Economists nominated him for the Nobel Prize.

# POLITICAL ECONOMY AS A MULTIDIMENSIONAL PRINCIPLE

## The “New” Canadian Political Economy

The first of the important traditions in the context of Canadian political economy is that of Harold Innis. Following Innis, the *staple thesis* focuses on the production of raw materials and their export base (see Innis 1956). The most important point of the Innisian tradition is the formation of the argument that Canada “was developed to exploit a series of raw materials for more industrially developed countries” (Clement and Williams 1989: 7). As Watkins (1989: 18) has noted, the export of a particular staple may have “potential spread effects or linkages” with other sectors in the home country or in larger metropolitan areas outside the home country.

Pentland (1981) and Macpherson (1953: 1985), on the other hand, represent the Marxist tradition. Pentland saw important systemic changes in Canadian development as changes in the labour market (in capital accumulation, importation and investment), but as Phillips (1981: vii) points out, he was not a conventional “Marxist” but mainly a scholar who was affected by the European and even American Marxist tradition. Perhaps Macpherson’s most important contribution is his academic work on theories of rights, democracy and property (Clement and Williams 1989: 9). As Watkins (1997: 25) states, “the new political economy is arguably a marriage of Innis and Marx, of staples and class. The staples bias affects the capitalist class /.../ it also affects the rest of the class structure.” Panitch (1981) is critical of this kind of marriage, pointing out the shortcomings of the dependency approach within the Innisian staple thesis, which is supposedly weak in analyzing class structure and relations between classes. Additionally, and similarly to Panitch, McNally (1981) rejects the potential of the Innis and Marx fusion, showing that Innis in fact largely adopts ideas from Smithian classical political economy, to which Marx was an opponent.

Following Loxley (2010: 143), the economy in northern Canada has remained largely a resource economy even to the present day. It is clear that the Innisian intellectual tradition is still relevant for contemporary investigation of development in the North. On the other hand, Loxley (1981: 163) points out from a class analysis point of view that the main reason for Aboriginal poverty in northern Manitoba was the penetration of capitalist economy in the North:

the burden of poverty /.../ is borne, not by capital but, as Marx emphasised, by ‘the working class and the lower middle class’. In Northern Manitoba these classes are predominantly white, relatively better off than their counterparts elsewhere in Manitoba, and frequently racist. The white proletariat does not generally recognize the common roots of its own exploitation and of native poverty, tending, instead, to see native people as a burden upon them through taxation. This /.../ has important implications for the forging of political alliances between these different segments of northern society (ibid.).

## The Legacy of Horvatism

Horvat’s vision of market socialism is not a pure negation of market functions but their regulation. One of the main goals of this approach is to minimize uncertainty on the market. On the other hand, as Horvat states, in capitalist economies “...production is subject to business cycles, many people are unemployed, monopolies and advertisement distort price and output structures, and economic welfare obviously is substantially lower than it could be otherwise (Horvat 1982: 329).”

Besides lowering the level of uncertainty within the economic system, another important development principle is that of *equity*. Regarding the mainstream mode of production which is mainly affiliated with the needs of a free market, and where the equity between producers and consumers in terms of capitalist development is not the main interest of development planners, the logic of operation in the

economy has to be oriented towards establishing more equal positions between producers and consumers. Equity among producers, in short, “implies equal access to the productive capital of the society.” (Horvat 1982: 229) Shaping the legitimacy of Horvatism on the macroeconomic level, capital is socially owned instead of state ownership. Each producer, according to self-management principles, has to be included in decision-making. Equity among consumers is related to even distribution of income (Horvat 1982: 330). Following the equity principle, Horvat additionally also recognizes equity among citizens, referring to the equal distribution of power and reasonable political participation (1982: 331).

Horvat equates the concept of property relations with that of production relations (Horvat 1982: 336). In his critique of private productive property he states that “the means of production are owned and controlled by a property-owning class who use that ownership and control to appropriate economic surplus. Capitalists receive a disproportionate share of income not for what they do or contribute but for what they *own*” (Phillips and Ferfila 1992: 25) (italics ours). Furthermore, capitalist property creates authoritarian relations in work organizations. In fact, the workforce is isolated from decision-making in organizations, from creating production processes etc. Additionally, ownership is separated from management in those organizations (ibid.). As Horvat (1982: 236) explains, “private property generates capitalism, and *state property* generates etatism – both of which are class systems” (italics ours). In the context of *social property*, in Horvat’s (1982: 236) view, nobody has to be excluded from using it, and moreover, it is a matter of equal access to the means of production. In fact, social property is somewhere between private and state property (ibid.). Social property rights are more a matter of a social relationship with regard to the means of production (Phillips and Ferfila 1992: 23). In economic terms, social property cannot be appropriated either from private bodies or collective counterparts (Horvat 1982: 237). In some sense, this is a “classless” (ibid.) theory of property.<sup>3</sup>

## Heterodox vs. Orthodox Tradition

Dow (2008: 18) argues that the heterodox approach is an “open-system ontology” allowing various interpretations of realities. Advocating methodological (structured) pluralism, he states that there is no concept of pure pluralism but they are some “temporal” categories which allow communication and the establishing of reference points (Dow 2007: 42). In fact, Dow’s argument refers to the notion that orthodox economics is largely determined by method and its axiomatic nature but, as is shown in Dow’s (ibid.: 43) final model, there are still possibilities for “communication” between orthodox and heterodox economics. Furthermore, O’Hara (2008: 269) sees heterodox political economy as a balancing act where “most heterodox economists /.../ simply see the need for a balance between capital and labour; industry and finance; men and women; ethnic groups; competition and monopoly; market and state; and durable fixed capital and the environment.”

Horvat’s approach to political economy was also largely heterodox, representing several valuable dimensions of his work, especially his idiosyncratic approach to Marxism (and consequently the well-known Wardian designation Marxism–Horvatism), his unusual critique of neoclassical economics and his multidisciplinary approach (Uvalić and Franičević (2000: xxii). On the other hand, with respect to Horvat’s critical stance towards the neoclassical position in economics, Bockman (2011: 88) has argued that he also “demonstrated an extensive knowledge of the neoclassical economic literature, especially

<sup>3</sup> In fact, the subject of the political economy of property is a distinction between various types of property rights: private, state (public), communal and social property. Unlike private and social, state property may be directly administrated and owned by the government or its bodies (and departments), such as a school board, for example. In Canada, the term Crown corporation denotes organizations which are structured similarly to private companies but whose ownership is in the hands of different levels of government (Phillips and Ferfila 1992: 22). Communal property may be referred as a right of “enjoyment”, or the “doctrine of ‘use rights’”, for example, in the case of the use of water (Phillips and Ferfila 1992: 24).

neoclassical discussions of socialism, as well as the current Western economic theories of price, interest, investment and planning.”

Originally, the orthodox/heterodox debate within Canadian political economy started with Innisian criticism of the neo-classical orthodox paradigm, largely based on Smithian and Veblenian political economy and Mackintosh's (as the “co-founder” of Canadian political economy) neo-classical approach to the discipline (Clement and Williams 1989: 7).

## BASICS OF ETHNIC ECONOMIES

Starting with Light and Gold's (2000: 4) basic explanation, an ethnic economy “consists of coethnic self-employed and employers and their coethnic employees.” The rest of the workforce, which is not part of the ethnic economy, is part of the general labour market. As the authors point out, the concept of an ethnic economy is based on three different traditions: firstly, the European tradition in historical sociology where Marx, Weber and Sombart recognized that modern capitalism has its origins in its ethnic, primitive counterpart (ibid.); secondly, the middleman minority theory relating to “old-fashioned” capitalism, which had not been penetrated by the modern one (ibid.: 7); thirdly, African American economic thinkers such as e.g. Booker T. Washington, who largely advocated the importance of economic power instead of political power in the sense that black people would much more easily achieve social and political equality on the basis of economic power (ibid.: 8).

Light and Gold (2000) draw a distinction between an *ethnic ownership economy*, an *ethnic enclave economy* and an *ethnic-controlled economy*. The first “exists whenever any immigrant or ethnic group maintains a private economic sector in which it has a controlling ownership stake” (Light and Gold 2000: 9). Business owners may be supported by family members as unpaid assistants, may have their own employees, or be self-employed. According to Light and Gold, the larger the size of the business, the more important it is; specifically, this type of ethnic economy refers to small and medium sized companies (ibid.: 25–27). In this sense, questions of ownership and property rights are of central importance. However, the ethnic-controlled economy instead of ownership places the parameter of control at the centre of investigation. In this case, coethnics express widespread economic power through the ethnic economy on the general labour market. In fact, coethnic employees exercise power through controlling significant parts of public administration jobs or private companies, for example, in order to secure better positions for their coethnic counterparts (Light and Gold 2000). The third example, the ethnic enclave economy, is in fact an ethnic ownership economy that “is clustered around a territorial core” (Light and Gold 2000: 24).

Valuable insight in terms of overcoming the gap between the North-American and European definitions is provided by Vah Jevšnik and Lukšič Hacin (2011), theorizing immigrant and ethnic entrepreneurship in the context of a welfare state background: (neo)liberalism in the United States and (neo)corporatism as accepted in Europe. In fact, according to the authors, it is crucial to take welfare regimes, generally categorised as corporative, social-democratic and liberal, into account (Vah Jevšnik and Lukšič Hacin 2011: 250). The (neo)liberal policy environment in North America also produces different views concerning the European definitions and views on the concept of social entrepreneurship. Even more specifically, and applying to Canada, there are important differences in defining the environments regarding Aboriginal peoples and the rest of the immigrant/ethnic communities. Of course, there is a general distinction between North-American and European definitions with respect to American (neo)liberal market principles and European social regulatory mechanisms, which are even more specifically divided into corporatism and social democratic models (see Vah Jevšnik and Lukšič Hacin 2011).

At this point, it is necessary to evaluate some additional dimensions concerning ethnic entrepreneurship and ethnic economy concepts. One important question is in what manner the North-American ethnic economy model can be valid in the European context. Vah Jevšnik and Lukšič Hacin (2011:

255) take the position that “when taking into consideration the specifics of the European nation-states and their (neo)corporative characteristics, the US-based approaches have a limited applicability.”

Another inconsistency concerning these two theoretical approaches is the distinction between ethnic economy, ethnic entrepreneurship, and ethnic business. According to authors who reflect the Schumpeterian view, an entrepreneur produces innovative ideas, while a businessman is a part of a production cycle to which he does not necessarily bring innovations. Furthermore, bearing in mind Light and Gold’s (2000) above-mentioned definition of ethnic economy, the concept does not contain development parameters for innovation (Vah Jevšnik and Lukšič Hacin 2011: 256). Again, as already mentioned, it is necessary to distinguish between ethnic and immigrant entrepreneurs (ibid.: 257) as the Canadian example shows. Furthermore, the concept of ethnic economy has to be fleshed out in order to point out the structure of the internal small economy and represent it as a true economic system, and not solely the positions of the individual entrepreneurs in it.

## THE SOCIAL ECONOMY PLATFORM

The social enterprise approach is a quite recent “social” invention related to the uncovering of the potential of various hybrid models of alternative economic concepts. As Defourny and Nyssens (2006: 7) argue, the social enterprise approach is not a substitute for other well-known concepts in the context of the third sector: the social economy, the non-profit sector and the voluntary sector. In fact, it is more a matter of dynamics in terms of operation activities inside the sector itself. Furthermore, it plays an important role as an integrator between these pillars, which serve as foundational elements of the concept. The social enterprise approach considers co-operative practices to be market activities and non-profit organizations as mostly oriented towards non-market operations. Generally speaking, there are two types of orientations: economic and social. In the context of economic activities, social enterprises may largely operate as normal enterprises partially dealing with production of goods and provision of services. Moreover, they possess a high degree of autonomy; for example, they might even receive public funding from public bodies. On the other hand, social functions are mainly oriented towards supporting community and collective action. The decision-making process is not, in contrast to regular enterprises, based on equity, but each member has a right to vote. At any rate, like other similar approaches, the participative nature of social enterprises is important in shaping different stakeholders’ initiatives. Last but not least, the maximization of profit and its total distribution is not the main goal of social enterprises – there are some limitations to profit distribution (ibid.: 6–7).

The social economy concept may generally embrace the following structures: *co-operative-style enterprises, mutual-type organizations and associations*. Co-operatives include agricultural and credit and savings cooperatives, consumer and insurance cooperatives etc. (Defourny 2003: 4). Some of them are quite profitable and competitive with other players on the market. As a part of the third sector, mutual-type organizations largely cover the needs in particular communities, for example, providing insurance services. Associations can be advocacy organizations in their nature, such as Greenpeace, and are recognized as associations, non-profit organizations, non-governmental organizations etc. (ibid.). In fact, the social enterprise approach certainly may also be counted under the mentioned definition. At any rate, social economy organizations follow principles that advocate community orientation instead of solely focusing on profit, autonomous managerial structures, democratic decision-making and a focus on people rather than capital (ibid.: 6).

In Canadian terms, the social economy may be divided, according to Quarter, Mook and Armstrong (2009), into the following components: social economy businesses, community economic development,<sup>4</sup> social enterprises, public sector non-profits, and civil society organizations. The social

4 Community economic development (hereinafter CED), mainly stands between the two options of its potentially

economy functions on the market, but at the same time, its operations are also based on carrying out social goals (Quarter, Mook and Armstrong 2007: 43). More specifically, with regard to market activities, some of them directly compete with private companies, while others operate by accessing gaps (niches). Credit unions and farm-marketing co-operatives compete with private companies in an equal manner (Quarter and Mook 2010: 10–11). CED initiatives also make some of their earnings on the market, but as Quarter and Mook (*ibid.*: 13) point out, they cannot reach such high levels of self-sufficiency as social economy businesses do. The most important organizations within the structure of any CED initiative are non-profit community development corporations established to support disadvantaged communities. As the authors additionally note, the government plays a crucial role in operating CED initiatives through Futures Development Corporations, ensuring funding support for them (*ibid.*: 15). The creation of a social enterprise through the structure of any CED initiative is a type of CED, supposing that organizations operate according to market principles with the goal of supporting their social dimension (*ibid.*: 14). Civil society organizations are oriented towards supporting their members and, on the other hand, operate in the name of the public. These are non-profit mutual associations with a specific focus on supporting economic issues and social principles. Those oriented towards the economic dimension include the following: business associations, unions, professional associations and consumer associations. Business associations are in fact an extension of the private sector and usually carry out work for the government and the public (*ibid.*: 16). Unions also serve their members' interests and are associated with other sectors of the economic system. Together with social movements, the organization's structure is often influenced by various government public policies (*ibid.*: 17). Having in mind a social dimension, religious congregations, as the most widely recognized civil society organizations, in addition to tending to spiritual needs also serve people living in poverty (*ibid.*: 17). Social clubs and socio-political organizations also largely operate in advocating public interests (*ibid.*: 17–18). The last group representing the social economy structure in Canada, public sector non-profits, function largely as “partners” with government agencies; their activities are largely dependent on government funding and its influence (*ibid.*: 15)

## **CED, GOVERNMENTAL SUPPORT AND ETHNIC ECONOMIES IN CANADA**

The research ethos concerning the structure of ethnic economies in Canada has to be changed and transformed in at least two dimensions: the impact of transnationalism on the structure of ethnic economies and subordinate constitutive parameters (especially those concerning labour), and the impact of the different nature of ethnic economies, differentiating between the Aboriginal and other immigrant and ethnic economies. Additionally, we want to highlight the importance of external factors influencing the nature of ethnic economies. Ethnic communities are largely affected by globalization processes but,

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relevant views: filling the gap left by a dominant capitalist economy and, potentially, the transformation of the economy and society (Loxley 2007: 9). As Loxley (*ibid.*) points out, the potential of the CED model relating to its first principle lies in its eventual coexistence with capitalism and does not put into question the legitimacy of the state. On the other hand, in its vision of replacing the capitalist mode or establishing an alternative to it, it seems closer to methodological principles pictured by the “new” Canadian political economy, which does not even necessarily have a revolutionary character of transformation. At any rate, the essence of CED is the convergence theory, addressing the relationship between community resource use, community demands and community needs. Though mainly produced for a local/community environment, its outward focus is also present in the sense that a particular community may sell overproduction outside it (Lamb 2007: 64–65). Commonalities between the nature of ethnic economies and CED principles are seen mainly in the subsistence (self-reliance) character of both concepts.

at the same time, it is not possible to evaluate those impacts simply, owing to the fact that, for example, intensification of contacts always provokes changes in ethnic business and in the structure of ethnic economies.

There are two theories which can be used to explain transnational contacts of immigrant communities with the country of origin. As Fong, Cao and Chan (2010: 428) point out, the previously accepted theory of assimilation is now being confronted with the transnational view. The former explains the incremental reduction of socio-economic contacts of immigrant communities with the country of origin when immigrants have lived longer in the new country. On the other hand, the transnational view refers to the fact that immigrants in the modern world usually keep ties with the country of origin even if they have lived in the new one for a significant period of time (ibid.: 428–429). In fact, the social networks which have been established inside the ethnic economies as internal processes of the subsistence economy have been expanded and associated with existing networks on the international level. Fong, Cao and Chan's (2010) research concerning contacts of Chinese people and Asian Indians with their home countries partially negates the potential of the transnational view. This is surprising for at least two reasons: firstly, China and India are two of the most important drivers of the contemporary global economy; secondly, as the authors specifically emphasize, the Chinese and Indian people have widely expressed the potential for establishing social networks (Fong, Cao and Chan 2010: 445).

To continue with the political economy of transformation, there is an important difference in the structure of the immigrant labour force in contemporary Canada. In the past, immigrants came to Canada as a low-educated labour force, as a "reserve army"; nowadays the newcomers are well formally educated and possess expert high-tech knowledge (Satzewich and Wong 2003: 365). Generally speaking, the nature of Canadian capitalism has been changed largely due to the changing structure of the immigrant labour force. With regard to the emerging transnationalism, Light (2007: 6) refers to international social capital as having made transnational business far more sophisticated and less complex. Transnational migrants as the "new elite" are in a much better position in relation to their non-transnational coethnics. The internationalization of social capital, the ability to speak two languages fluently (bilingualism), and the ability to use information technology in communication make them top entrepreneurs in international business.

The Aboriginal economic system is very different to other ethnic economies in Canada. There is a constant clash with Canadian capitalism in terms of the possible integration of the two economic worlds and the nature of these integrative processes. In fact, taking the example of Canadian hydroelectric development, which is perhaps the best illustration of the Aboriginal-Canadian conflict in the modern era, Aboriginal economies have always been in confrontation with the state, province and hydroelectric Crown corporations. The structure of internal small economies largely depended on the power and potential for resistance in hands of state and provincial players and the Aboriginal communities themselves. At least three periods of Canada's hydro development have featured a clash between ethnic Aboriginal economies in relation to dominant capitalist production: the era of subordinate position and assimilation, the era of resistance, and the era of integration with the dominant capitalist production, or better said, the nature of resource extraction for the benefits of capitalist production. In fact, many scholars speak of the "penetration" of capitalism into Aboriginal economic systems, which has resulted in significant changes.

In the context of hydroelectric development in James Bay, Quebec, two projects significantly changed the nature of North-South Quebecois power relations. Firstly, the La Grande project crucially, in a negative manner, affected the life of local Cree and Inuit communities with regard to the ecological, social and economic development parameters. Secondly, the Great Whale project was blocked by a strong network of various players linking the affected Cree communities and their supporters, establishing a strong international coalition. The local Cree acted as transnational policy players in preventing their internal economies. Acting against the provincial government of Quebec and the provincial hydroelectric Crown corporation Hydro-Quebec (and in some sense also against the federal government),



the Cree of James Bay tried to mobilize support in Vermont, Maine and New York. Furthermore, their voice was heard in the European Parliament, the Vatican and the Barcelona Olympic Games, and at United Nations conferences in Rio and Vienna. Additionally, the Cree set up an important alliance with the Brazilian Kayapos who successfully gained the attention of the public concerning the destruction of the Brazilian rainforest (Rousseau 2000).

The Wuskwatim projects in northern Manitoba are one of the latest examples of possible integration of the two economic worlds, perhaps not the best one, but they highlight possible future solutions in terms of cooperation. At any rate, the main issue is the subject of compensation for flooding the territory and consequently destroying the Aboriginal land and more or less traditional way of life. In fact, it is a question of limitation of available resources for the Aboriginal ownership economy. Compensation is, on the other hand, largely a matter of integration into a dominant capitalist economy based on available resources (see Durnik 2009). With regard to new approaches to CED (in the context of sectorized support programs), the Government of Manitoba has decided to offer the First Nations the possibility of ownership of hydro dams constructed by the provincial Crown corporation Manitoba Hydro (Loxley and Simpson 2007: 31). The Nisichawayasihk Cree Nation of Nelson House decided to enter into a development agreement with Manitoba Hydro amounting to \$1.2 billion (a 33 percent share) in the construction of the Wuskwatim hydroelectric generation project (Nisichawayasihk Cree Nation Website 2011). On the basis of compensation, the NCN community established a Development Corporation through which several other companies, local media and restaurants opened their doors (Loxley 2010: 147).<sup>5</sup>

## **GOVERNMENT, SOCIAL ECONOMY INITIATIVES AND ROMA ETHNIC ECONOMY IN SLOVENIA: FORMATION OF THE ROMA UNDERCLASS**

The aim of this section is to hypothetically evaluate the possibilities of the Roma ethnic economy and other development concepts combined into a single development model. Each of them may offer some important additional insights into the complex poverty reality in the Roma community in Slovenia, but none of them is sufficient on its own to establish a truly effective development strategy.

It is largely impossible to investigate the structure and potential of the Roma ethnic economy in Slovenia based on previous analyses because no such investigation has been done yet. Additionally, in comparison with the Canadian Aboriginals, no economic development approaches have been used that might determine the path of Roma development. For this reason, a more thorough evaluation could be done by collecting new data. On the other hand, we can explore some partial findings concerning the Roma economy in Slovenia. Economic activities such as agriculture or gathering, processing and resale of secondary raw materials (paper, plastic, glass and above all metals) are economic activities common to the Roma community (Zupančič 2007: 228). Using state funding for self-employment initiatives, several individuals have employed family members for some period of time. They have been also initiatives which could find a place in future development of the Roma ethnic economy: (1) an idea for establishing companies based largely on employing Roma workers to maintain parks and public surfaces (in cooperation with social enterprises); (2) the possibility of ethnically-based entrepreneurship regarding the management of river embankments and sluiceways (Durnik 2011). Zavrtnik Zimic (2000: 843) points out that there is also an absence of Roma children in schools due to seasonal work.

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<sup>5</sup> Regarding joint ownership, there are two possible visions of the issue. The first one is as mentioned in the case of Wuskwatim; the second one is highlighted in the Peace of the Brave Treaty accepted by the Cree of James Bay and Quebec Government. This treaty offers no joint ownership as a solution but ensures to the Cree ownership of a land, support to traditional hunting, and jobs and supply ventures in hydro development.

According to Light and Gold (2000), even though the informal sector does not correspond to the main definitions of an ethnic economy, it is still a valuable concept for investigation, since they are inseparably interconnected. In fact, the informal sector in some sense supports the operation of ethnic economies. In this sense, especially for future research, it has to be considered in the context of establishing parameters for the Roma ethnic economic system. Another real issue will be how we can measure the size of the informal sector within the Roma community. As Light and Gold (2000: 40) find, the informal sector “consists of marginal and distressed workers and petty merchants.” It is not composed of registered economic activities but, on the other hand, informal business is in constant relation with the registered economy. The majority of workers in the informal sector are self-employed and are therefore engaged in ethnic ownership economy nonregistered structures (ibid.).

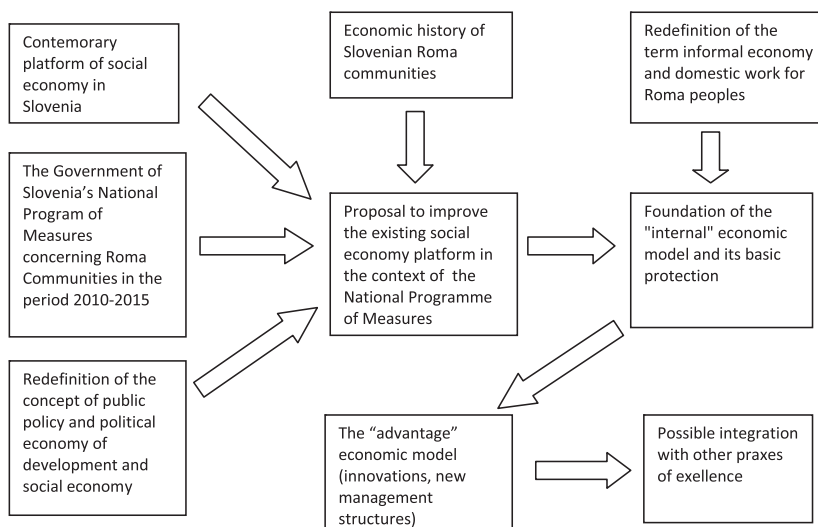
A fundamental transformation for the Roma economy occurred after the collapse of the communist states in East Central Europe and their entering the new economic model. Szélényi and Ladányi (2003: 6) express these fundamental changes in the context of Romany poverty in Csenyété (north-eastern Hungary): “During socialism almost all Romany men, and many women too, were employed. They were employed in the least desirable jobs, nevertheless they had jobs, a permanent flow of weekly or bi-weekly income as well as interaction at their workplace with non-Roma.” During the following decade, unemployment in the village of Csenyété was “total” (ibid.). The authors (as a consequence of de-industrialization in Hungary) noticed a turn in class formation from a “lower class’ of unskilled labourers in mining, steel and construction industry (rarely in agriculture)” (ibid.) to what they define as “underclass” formation (ibid.). The following parameters shape those people seen as underclass: (1) the underclass is homogenous, separated from the mainstream society; (2) members are seen as “useless” to society; (3) children are possible inheritors of poverty. As Szélényi and Ladányi’s (2003) work is of crucial importance for Roma in Hungary, Horvat’s heterodox political economy may have an impact on the understanding of the historical and economic conditions in the Slovenian transition and how the impact of transition has influenced the Slovenian Roma community. Moreover, Horvat (1982) (as a defender of social property) was an important critic of state socialism as it was practised in Hungary.

Above all, it is also necessary to evaluate the value of the social economy context for the development of the Roma ethnic economy. The Government of the Republic of Slovenia through the National Programme of Measures for Roma in the period 2010–2015 addresses many development problems in the Roma community, not solely the economic ones. Specifically, under the strategic goal of “reducing unemployment and increasing social inclusion and access to the labour market”, funding is specifically directed to support the development of social entrepreneurship and development projects (National Programme of Measures 2010). According to the report by Spear et al. (2010), the social economy platform in Slovenia faces several important shortcomings: (1) the state is too strongly involved in producing public goods; (2) the role of the social sector is not properly recognized by the state; (3) the overall contribution of the social economy to the national GDP is weak etc. Furthermore, social economy organizations do not have proper network support from the state agencies and individually.

Following the theory of ethnic economies in the US, and especially models of social economy and political economy in Canada, investigating the economic history of the country as specifically oriented towards that of ethnic groups may be a foundational element in investigating the potential and nature of ethnic economies in general. For example, all contemporary debates concerning the possible integration of small economies in Canada cannot be correctly understood without serious research into Canadian economic history. In addition to the other above-mentioned parameter, economic history is another issue which has to be considered in the future exploration of the ethnic economies approach in Slovenia.

In 2011, the International Labour Organization adopted the Convention on Domestic Workers, focusing on the rights of domestic workers who take the responsibility for the survival of their family members and households. One of the main benefits for domestic workers is recognition of their rights, which have to be equated with that of basic workers’ rights: clear rules of employment, the right to par-

ticipate in collective bargaining organizations such as trade unions (Convention on Domestic Workers 2011). This policy development has to be recognized as fundamental for the Roma community in Slovenia because it widens the existing employment platform for the Roma's overall future development and ethnic economy.



**Figure 1:** Hypothetical long-term model of development for Roma communities in Slovenia  
**Source:** Durnik (2011: 9).

## SYNTHESIS AND EPILOGUE

First of all, there are two important conclusions in mapping the differences between the Canadian and Slovenian cases. Canada expresses two radically different faces of the ethnic economy platform: the historically determined Aboriginal economic system and the immigrant ethnic economies which are strongly interrelated but also very distinct in their patterns. In Slovenia, there are differences in the structure of immigrant ethnic economies (especially workers from the countries of former Yugoslavia), for example, with respect to the Roma community. The latter, as we have seen, cannot be counted as an ethnic economic system, but we can speak about separate principles on which it could be based in the near future. We have consciously chosen the example of the Roma due to the fact that the Roma ethnic economy cannot be established and function without state intervention policies and a strong interrelationship with the social economy platform in Slovenia. Furthermore, when dealing with Roma poverty issues it is necessary to bring the discipline of political economy back to mainstream economics. Additionally, the poorly operational potential of the social economy platform has to be radically improved due to its necessary role for the economic development of the Roma community.

Logan, Alba and McNulty (1994: 693) state that the ethnic economy could be seen as an activity which assures some kind of economic advantage for co-ethnics. In our view, the advantage and secure position mainly have to be guaranteed in relation to the dominant system of production. Here, the nature of the welfare regimes (see Vah Jevšnik and Lukšič Hacin 2011) around the "ethnic" base largely determines the internal operation of ethnic economies. In fact, there are important differences within the European and North-American contexts. As we have seen, the Hungarian transition (although according to Lavigne (1999) a gradual one) – shock therapy in 1995 when the social-liberal coalition seized power and shifted from communism to neo-liberalism – influenced the socio-economic life of the Roma. On the basis of their investigation of socio-economic changes in the village of Csenyété,

Szelényi and Ladányi (2003) introduced the term *underclass* to illustrate the total exclusion of the Roma from the mainstream economy and society. Slovenia has chosen a different path of transition from Hungary's and has preserved some important social values incorporated in the new political economic systems. But the current socio-economic position of many Roma in Slovenia is close to the definition of an underclass – they are radically excluded from the mainstream political economic system. Furthermore, as a response to the global economic crisis it seems that governmental decisions are in recent years much closer to narrow previously gained social welfare gains. Above all, there are some differences and commonalities in the welfare regimes between Canada and the US. Light and Gold's analysis (2000) is based on the US liberal welfare regime which guarantees fewer barriers to ethnic entrepreneurship in comparison with European models (Vah Jevšnik and Lukšič Hacin 2011: 251). Canada too belongs in the liberal camp, investing less in social schemes in the fifty years after the Second World War than any other OECD country except the US. The Canadian social network is largely determined by the market, guaranteeing a low level of benefits to citizens (Brody 2003: 9). At any rate, as Brody (*ibid.*: 10) points out, "Canadians have prided themselves on their postwar social programs, especially universal health care, as a mark of Canadian citizenship, and as a defining public policy, which distinguishes them from their American neighbors." On the other hand, federal and especially provincial government intervention is important in supporting the social economy platform, which seems very strong in fighting poverty (see for example Loxley 2007, 2010; Loxley and Simpson 2007). Experts in Slovenia may find some useful knowledge in the functioning of the Canadian social economy platform.

Finally, with regard to the Roma in Slovenia it is worthwhile to speak about future development incentives which would stimulate the establishment of a new structure of the ethnic economy serving community economic development needs. There is open space for a pluralist approach combining various development models. As we have shown in Figure 1, the current Programme of Measures (2010) would be merely a starting point for future development of the Roma community, even though it has been planned broadly. We are witness to the fact that the state response to the current economic crisis in Slovenia is moving towards narrowing the gains of the welfare state. For this reason, thinking about alternative economic models for marginal groups will be an increasingly important issue.

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## POVZETEK

### **RAZPRAVA O POTENCIALU POLITIČNE IN SOCIALNE EKONOMIJE V RAZISKOVANJU STRUKTURE ETNIČNE EKONOMIJE**

Mitja DURNIK

Jure GOMBAČ

Avtorja v članku pokažeta, da je obravnavanje fenomena etnične ekonomije lahko veliko več kot le gola deskripcija strukture in razmerij znotraj nje. Z uporabo političnoekonomskega pristopa dodatno osvehlita odnos etničnega gospodarjenja do prevladujočega ekonomskega sistema ter znova postavita v ospredje nekatere parametre ekonomske misli, ki jih slednja v zadnjih letih zapostavlja: na primer vprašanje razredne strukture in lastninskih pravic. Poskus dodatne sinteze s koncepti socialne ekonomije pa ponuja možen razmislek o prihodnji vlogi etnične ekonomije v poskusih revitalizacije malih (lokalnih) ekonomskih sistemov. Primera Kanade in Slovenije kažeta na to, da je treba vsekakor nujno upoštevati tudi vlogo države v obravnavanju etnične ekonomije. V študiji primera Kanade avtorja izpostavita dve izrazito različni pojmovanji etničnega gospodarjenja: staroselskega, ki je nastajal stoletja (ločeno tudi tisočletja) in je do neke mere še vedno v konfliktu z državo in njenim kapitalističnim razvojem, ter prise-ljenskega, ki je bolj kompatibilen z njenimi smernicami razvoja. Bolj podroben vzpogled v razvoj romske skupnosti v Sloveniji pa pokaže, da ne moremo govoriti o celostni strukturi etnične ekonomije, temveč le o nekaterih njenih zametkih. Avtorja se strinjata, da gospodarjenje na etnični zasnovi vsekakor upošteva prevladujoči način produkcije v družbenem sistemu in se mu do neke mere tudi podreja oziroma z njim kohabitira.