

# CRESSI Working papers

The CRESSI project explores the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalized and disempowered citizens in society.



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## **Introduction**

By Christopher Houghton Budd, C.W.M. (Ro) Naastepad and Cees van Beers

Chapter 1 of:

Deliverable D1.1: Report on Institutions, Social Innovation & System Dynamics from the Perspective of the Marginalised



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Creating Economic Space for Social Innovation

# Introduction

## *D1.1 Chapter 1*

By Christopher Houghton Budd, C.W.M. (Ro) Naastepad and Cees van Beers

The CRESSI project is about Creating Economic Space for Social Innovation with a view to contributing to the overcoming of marginalisation.<sup>1</sup> It takes its cue from the statement in the EU (2013) FP7 programme call that

“...we lack systematic research about how markets, public sector and institutions (including incentives, norms and legal provisions) work for those groups of society which are marginalised...”<sup>2</sup>

In response to this call, the project is undertaking research into the relationships between marginalisation<sup>3</sup> and markets, the public sector and institutions, and into which social innovations could overcome such marginalisation.

CRESSI's over-arching research objective, therefore, is to develop a novel theoretical framework better to understand the economic underpinnings of marginalisation and social innovation in the European Union.<sup>4</sup> This novel theoretical framework is devised from the work of three main scholars: Jens Beckert, Amartya Sen, and Michael Mann.

In this introduction we briefly introduce the project's research questions (Section 1.1), the project's working terminology (Section 1.2), the three theoretical approaches (Section 1.3), the structure of this report (Section 1.4), and the papers included in this report (Section 1.5).

### **1.1. Research questions**

The CRESSI project investigates the conditions – empirical or theoretical, public or private, economic or non-economic – that engender (or characterise) marginalisation, then, as its acronym reminds us, it enquires into the creation of economic space<sup>5</sup> conducive to social innovation<sup>6</sup> directed at overcoming marginalisation. It does so with the help of the insightful work of Jens Beckert, Amartya Sen, and Michael Mann.

Within this overall frame, Work Package 1 will provide:<sup>7</sup>

- an analysis of the institutions, networks and norms that underpin social innovation, particularly in terms of their impact on the most vulnerable and marginalised populations;

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<sup>1</sup> Further information about the CRESSI project is available at: [www.sbs.ox.ac.uk/cressi](http://www.sbs.ox.ac.uk/cressi)

<sup>2</sup> European Commission (2012) Activity 8.1, SSH.2013.1.1-1 'Economic underpinnings of social innovation' of *FP7 Cooperation Work Programme 2013 Theme 8: Socio-economic sciences and humanities*.

<sup>3</sup> Marginalisation is a key word which, however, people interpret in various ways. Coming to an agreed, shared and clear meaning that the world can also use is one of the project's main challenges.

<sup>4</sup> For a definition of these terms, see Section 1.2: Working terminology.

<sup>5</sup> See CRESSI Grant Agreement, Annex I, Project summary: "The CRESSI project will explore the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalised and disempowered citizens in society."

<sup>6</sup> Social innovation is defined in the CRESSI Grant Agreement, Annex I, Part B (1.1.2, p.5) as: "...the development and delivery of *new* ideas (products, services, models, markets, processes) at different socio-structural levels that intentionally seek to improve human capabilities, social relations, and the processes in which these solutions are carried out."

<sup>7</sup> See Grant Agreement, Annex I, WP1 Work Package description (p. 6).

- an account of the power sources and system dynamics surrounding social innovation with respect to the vulnerable and marginalised;
- a comparative analysis of how the sociological accounts of social innovation developed in this WP deviate from and enhance neo-classical economic models of innovation;
- a comparison of the incentive structures in standard economic analyses of innovation and social innovation addressing the marginalised;
- development of Resilience theory in the context of the economic underpinnings of social innovation.

Taken together, these tasks will provide the conceptual basis for the project as a whole as well as the analytic frameworks with which the empirical data collected in the project will be tested and evaluated. In turn, the results of the data analysis will be reflected back to enhance and extend theory development and to generate concrete policy recommendations.

In this light, research takes place within WP1 under the following sub-headings:

- Task 1.1: What are the common institutional factors at play in defining and facilitating the enactment of effective social innovation focused on the marginalised in different contexts?
- Task 1.2: What are the systemic dynamics that delineate the lifecycles and resilience of social innovation?
- Task 1.3: How is power enacted in the key contexts for social innovation?
- Task 1.4: How does an economic sociology of social innovation challenge conventional economic assumptions concerning the role and development of innovation in general?
- Task 1.5: What incentive structures or types of motivation best suit social innovation addressing the marginalised?
- Task 1.6: Synthesis and sharing.

This report has 5 parts.<sup>8</sup> The papers in Part 2, 3 and 4 of this report (*Deliverable 1.1 Chapters 3 to 10*<sup>9</sup>) address the research questions of Tasks 1.1 through 1.3. Part 5, (*D1.1 Chapter 11*), provides a synthesis of the work to date (and as such is part of Task 1.6). Research undertaken under Task 1.4 and 1.5 of WP1 will be the subject of a second report (*Deliverable 1.3*<sup>10</sup>).

## 1.2. Working terminology

The work in the project relates to a set of important concepts. Key terms are, in particular, marginalisation, social innovation, and economic underpinnings. In the present report, these terms are used in the sense of initial and provisional, even loose, formulations, so that their deeper or agreed meanings can be explored as the project unfolds. To this end, an ‘off stage’ work-in-progress spreadsheet is being used to allow all partners to identify these and other key terms and suggest their understanding of them. Such a working terminology serves to give all partners a shared focus, provided, as is the intention, the terms are not regarded as inviolable definitions to which life has to blindly conform or as fixed concepts which may stifle researchers’ intellectual creativity and freedom. In due course the hope is to develop convergence out of diversity.

### 1.2.1. Marginalisation

<sup>8</sup> Houghton Budd, C., Naastepad, R. and van Beers C. (Eds.), *Report on Institutions, Social Innovation & System Dynamics from the Perspective of the Marginalised, CRESSI Project Deliverable D1.1*. Available at: <http://www.sbs.ox.ac.uk/ideas-impact/cressi/publications-0>.

<sup>9</sup> Chapters of this report (D1.1) are available individually on the CRESSI website. See <http://www.sbs.ox.ac.uk/ideas-impact/cressi/publications-0>

<sup>10</sup> This report (Deliverable 1.3) will be published on the CRESSI website in April 2015. See <http://www.sbs.ox.ac.uk/ideas-impact/cressi/publications-0>

The EU has no fixed meaning for ‘marginalisation’ or for ‘vulnerable people’. The connotation is often of poverty and people on the edge of society, but such things as poverty are complex matters, while one also has to think both in terms of those who need help extended to them and those who, were it not for lack of resources, could develop and drive their own overcoming of marginalisation. What marginalisation actually comes to mean in the CRESSI context will therefore depend on the terms of reference and empirical findings of the cases studied.

### 1.2.2. Social innovation

The EU descriptor for social innovation is more concrete. It is understood here as the development and delivery of new ideas and solutions (products, services, models, markets, processes) at different socio-structural levels that intentionally seek to change power relations and improve human capabilities, as well as the processes via which these solutions are carried out.

### 1.2.3. Economic underpinnings

Conventionally, both theoretically and empirically the economic underpinnings of social innovation are understood in terms of “how different actors gain access to the resources needed to innovate in a general context of scarcity”.<sup>11</sup> These resources include “not only financial capital, but also manufactured, social, and cultural capital, and natural resources, depending on the context of the innovation. Access to resources raises questions of efficient and effective allocation, as well as of fair distribution and sustainable use.”<sup>12</sup>

In terms of theory, the question is to what extent concepts and theories, including “the microfoundations of economic theory”,<sup>13</sup> need to be widened beyond the current paradigm, which reduces social life to markets, in order to create space for social innovation.

## 1.3. Three theoretical approaches

The novel theoretical framework to be developed is being devised from the work of three main scholars: Jens Beckert, Amartya Sen and Michael Mann.

The primary framework is the social grid of Beckert, the essence of which is that no single social structure has a primary role *ex ante*. On the contrary, different social structures are likely to be at play contemporaneously, which means that their interconnections need to be taken seriously. For Beckert there are three main and irreducible social forces: cognitive frames, social networks and instructions (see *DI.1 Chapters 2 and 4*).

The value and validity of such a grid will be explored by way of Amartya Sen’s ‘capabilities approach’, whereby individuals alone and/or collectively transform their ‘endowments into ‘achieved functionings’ (see *DI.1 Chapters 3 and 5*).

Such a process, along with its success *vis-à-vis* the real world, will be conceived and evaluated in terms of Mann’s account of social powers, namely, ideology, economic, military, political and, by extension, artefactual and natural (see *DI.1 Chapters 9 to 11*).

The detail of what is here given in condensed expression is found in the papers included in this report. Naturally, as the project we will further elaborate on the proposed theoretical frameworks and propositions in this report which at this stage are necessarily hypothetical and will be subject

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<sup>11</sup> Grant Agreement, Annex 1, Part B, p. 8.

<sup>12</sup> *Ibid.*

<sup>13</sup> Grant Agreement, Annex 1, Part B, p. 9.

to empirical examination.

While the overall conceptual framework for the project as a whole will be devised from the work of these three scholars, these are not the only theoretical approaches considered in the project. Where relevant and needed, the framework is supplemented with insights from other theoretical approaches, such as Resilience Theory (*DI.1 Chapters 6 and 8*).

## 1.4. Structure of the report

This report (*DI.1*) has 5 parts.

Part 1 comprises this Introduction, (*DI.1 Chapter 1*), and a stage-setting paper – “An Extended social Grid Model for the Study of Marginalisation Processes and Social Innovation”, (*DI.1 Chapter 2*) – that outlines CRESSI’s general aims and terms of reference.

Parts 2 to 4 of this report is comprised of the various papers under the heading of Task 1.1, Task 1.2 and Task 1.3 described above (Section 1.1).

Part 5, comprising Task 1.6, provides a synthesis of the work to date and frames the research challenges that will be taken up and how these might be addressed. Its main aim is to envisage a common theoretical framework which can guide the case studies, measurement and analysis to be undertaken later in the project. To that end, it describes the common theoretical framework that emerges from the eight papers in this report and their subsequent review by all partners.

## 1.5. Synopses of the papers

The papers in this report come under three headings, defined by Tasks 1.1, 1.2 and 1.3 of Work Package 1. This section provides synopses of the papers showing how the papers address these tasks, and how they relate to the three scholars Beckert, Sen and Mann.

### **Task 1.1 – What are the common institutional factors at play in defining and facilitating the enactment of effective social innovation focused on the marginalised in different contexts?**

In their paper “How can Sen’s ‘Capabilities Approach’ contribute to understanding the role for social innovations for the marginalised”, (*DI.1 Chapter 3*), Enrica Chiappero-Martinetti and Nadia von Jacoby describe how, in addition to personal traits (emphasised in the ‘Capabilities Approach’) the degree to which a human being realises his development potential depends on contextual factors, which includes Beckert’s ‘social forces’ (institutions, networks, and cognitive frames). Social innovation can provoke a virtuous cumulative process of change in which improvement of contextual factors and changing individual behaviour mutually reinforce each other. Marginalisation can be reduced by altering contextual factors by means of social innovations consisting of either top-down policy decisions or bottom-up, citizen-induced collective action.

In the paper “Beckert, Sen and finance: A response to marginalisation mindful of today’s prevailing monetary and financial environment”, (*DI.1 Chapter 4*), Christopher Houghton Budd and C.W.M. (Ro) Naastepad address the question how institutions and cognitive frames create marginalisation and can be reformed by social innovation to become enablers of emancipation and social inclusion. Focussing on cultural institutions (science, education, concepts, theories, ‘narratives’, norms, ‘cognitive frames’), the paper identifies ‘economic imperialism’ as an obstacle to social innovation directed at overcoming marginalisation, and rejection of ‘field supremacy’ (à la Beckert) as a necessary condition for social innovations in finance aiming at

overcoming marginalisation. It brings forward Open Access Credit as institutional entrepreneurship that may reshape finance so as to permit it to become emancipatory in terms of individual capabilities.

In their paper “How does economic sociology enrich the ‘Capabilities Approach’ to social innovation”, (*D1.1 Chapter 5*), Thomas Scheuerle, Gudrun Schimpf and Georg Mildenberger highlight social innovations in social networks (e.g. cooperatives, complementary currency networks), institutions (e.g. new laws) and cognitive frames (e.g. empowerment and education) as potential means for overcoming marginalisation. While individuals are important, overcoming marginalisation requires ‘collective agency’, although institutional entrepreneurs can be critical as catalysts.

### **Task 1.2 – What system dynamics delineate the lifecycles and resilience of social innovation?**

According to Justus Lodemann and Rafael Ziegler, in their paper “How can Resilience Theory inform social innovation for the marginalised”, (*D1.1 Chapter 6*), Resilience Theory is inherently normative. If systems evolve, adapting to circumstances in order to maintain themselves, the existence, in reality, of systems with persistent marginalisation implies that these are sustained by social innovations maintaining marginalisation. Questions of social innovation are, therefore, unavoidably normative. Defining marginalisation in terms of capability deprivations – people being deprived of the rights, space and means needed to turn their (latent) capabilities into real outcomes – social innovation can reduce marginalisation by enhancing the political legitimacy of systems aiming at reducing or preventing marginalisation.

The paper “Resilience and financial literacy”, (*D1.1 Chapter 7*), by Christopher Houghton Budd identifies modern finance as the key delineator of system resilience, and financial literacy as its key driver. Financial literacy begins by giving thought as to the deeper meaning of finance in history – in terms of Beckert: our cognitive frames with respect to finance – and the role finance could play as an enabler or disabler of what societies or individuals want to do. Linking Resilience Theory, Beckert’s social grid, and the ‘Capabilities Approach’, the paper argues how financial literacy – working through economic cognitive frames, institutions and social networks – can enhance individuals’ and communities’ resilience in the face of financial markets, permitting individuals and markets to create economic space for social innovations that are emancipatory in terms of individual capabilities.

### **Task 1.3 – How is power enacted in key contexts for social innovation?**

Risto Heiskala’s paper “Forms of power, European empires and globalisations. Michael Mann’s *The Sources of Social Power* and beyond”, (*D1.1 Chapter 8*), reviews Michael’s Mann’s chief work and places it in historical context. Power is understood as the ability to pursue and attain goals through mastery of one’s environment, in particular one’s social environment. Mann identified four sources of social power: ideological, economic, military and political. In the second part of his paper, RH proposes an extension of Mann’s IEMP model, adding two more sources of power: artefactual and natural. He also alters the names of two others, thus ending up with a NACESP model, where the capital letters stand for, respectively, natural, artefactual, cultural, economic, security-related, and political power.

Justus Lodemann relates Mann to the ‘Capabilities Approach’ in his paper “How does the analysis of Mann enrich the ‘Capabilities Approach’ to social innovation”, (*D1.1 Chapter 9*). While the ‘Capabilities Approach’ emphasises individual agency, Mann reminds us of the constraints imposed by institutionalised social power networks in which the individual must participate. Thus, the actualisation of capabilities depends on one’s position in the social power network, or on changing institutionalised power structures. The Capabilities Approach lacks such a structural

approach. From a CRESSI perspective, the issue is to what extent human development outcomes are the result of personal traits or the collective.

In his second paper, entitled “Relating Mann’s conception to CRESSI”, (*D1.1 Chapter 10*), Risto Heiskala proposes a cross-analysis of Mann’s ‘powers’, Sen’s capabilities approach, and the general topics of the CRESSI project (marginalisation and social innovation). Within this framework marginalisation is the result of individuals’, or social groups’, lack of social power to command control over the six different resources to achieve their life goals. Social innovations can reduce marginalisation by enhancing capabilities.

The CRESSI project explores the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalized and disempowered citizens in society.



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