

The background of the entire page is a close-up photograph of blue water with numerous concentric ripples, creating a textured, circular pattern. The text is overlaid on this background.

REVISITING ASSOCIATIVE DEMOCRACY:

how to get more co-operation,
co-ordination and collaboration
into our economy, our democracy,
our public services, and our lives

Edited by Andrea Westall

Revisiting Associative Democracy draws together the ideas and thoughts of a group of people who met, discussed and developed Paul Hirst's views of Associative Democracy. Overall, there was a strong sense that our lives, our economy, democracy and public sector have for a long time been limited by an individualised, abstract and largely economic set of beliefs and practices. We need to think about and develop more collaborative, effective and human ways of working and making decisions.

As with Edward de Bono's thinking hats – designed to promote creativity – in order to generate new ideas (or rethink old ones) and move on, sometimes you have to deeply enter one way of thinking, one frame, and then grapple with it (possibly at this point the hat feels more like one of Terry Pratchett's, with a mind of its own). The world is too complex and our brains too limited to do otherwise. Paul Hirst's Associational Democracy is one such hat. Try it on and see. And use it as your own starting point to break out of any lurking habitual ways of thinking. You might be surprised to find some resonances, a bit of useful language, or some practical ideas. Or you might not. 'For us, there is only the trying.'

Revisiting Associative Democracy: how to get more co-operation, co-ordination and collaboration into our economy, our democracy, our public services, and our lives

Edited by Andrea Westall

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Introduction and overview

Andrea Westall

Revisiting Associative Democracy is a process and not an endpoint. It started in a seminar, is now an edited book, and might continue in other ways. That's partly up to you.

The initial idea was simple, and a bit risky. To take Paul Hirst's *Associative Democracy: new models of economic and social governance* – which, we thought, had much to offer in thinking about contemporary dilemmas; bring together a fairly diverse set of people to discuss it; and see what happens when you use that starting point to think through ideas and practices in welfare, economics and democracy.¹

In fact it turned out that some of the people we invited to our seminar in October 2010 had already been thinking about the same, or similar, ideas in different contexts. Others had been considering the potential and implications of increased co-operation and mutuality, or the need to pay more attention to relationships in life. Yet others found resonances during the meeting, but needed more time to think through the implications. As Penny Woolley, Paul Hirst's widow, said: 'Paul is still bringing people together'.

Why? The chapters in this book, the discussion at the meeting, as well as the analysis in Paul's book, share similar themes and concerns. The basic question Paul raises is how to develop more associational forms of democracy and wider decision-making to re-balance the centralisation of the state and the dominance of big business. His analysis draws attention to:

- the implications of a centralised and distant politics – as recognised and responded to, albeit partially, in the ongoing

debate and recent political changes towards more ‘localism’ and a Big Society;

- the need to be able to respond to diversity and the tensions between people in Britain;
- the difficulty of maintaining, developing, and organising valued, but personally relevant and collectively funded, public services;
- the challenges of an economy, disembedded from society and the environment, which struggles to meet need, respond to crises, provide resilience and create widespread prosperity and wellbeing;
- the dominance of an economic and business language which has reduced the importance and recognition of alternatives and limited our ways of speaking, thinking, and acting;
- developments in society which have over-individualised people’s concerns and options.

And an additional concern was added by some seminar participants – one that was largely undeveloped in Paul Hirst’s writings:

- the search for democratic approaches that involve the future, the environment and the wider public interest beyond particular stakeholders or interest groups.

The continuing relevance of Paul Hirst's work

Much of Paul’s analysis of the problems in our society, politics and economy still resonates today, as do some of the practical solutions he offered. Paul argued that our forms of democracy and decision-making have become too remote and centralised, and that ‘modern representative democracy offers low levels of governmental accountability to citizens and of public influence on decision-making’. It cannot understand or meet plural and diverse needs (for example, in public services), or coordinate and regulate a complex economic system.

Paul's economic insights and predictions were also prescient. For example, he thought that a narrow form of economic discourse had become too powerful, along with widespread assumptions such as 'the large scale is more efficient'. He warned against the dangers of an economy based on excessive credit, and was concerned about economic imbalances such as reduced levels of manufacturing. He also had thoughtful insights into how and why regional and local economic differences perpetuate.

Rather than simply advocating more deliberative and participative democracy, Paul proposed widely distributed and diverse forms of economic and social governance – from more local and regional decision-making, to the primary role of associations in co-ordinating or delivering policy and practice (associations here are simply groups of similar or different people, sometimes representing specific groups).

Examples of associative governance in the economy could be cross-sectoral partnerships (which include government) to create collective services for more localised industry; or multi-stakeholder forums which better co-ordinate large-scale R&D, or production patterns and supply chains in, say, energy creation and use. The associative welfare state would be 'decentralised and pluralistic', with provision of services by voluntary self-governing organisations – a partnership between recipients and providers funded predominantly through public means. Collaborative links between associations, as well as framework rules by the state, would create and implement effective standards and common values, and help prevent duplication and fragmentation.

Paul's fundamental proposition was that the freedom of individuals is best enabled by association – by working and engaging with others on a democratic and voluntary (freely entered into) basis. And, overall, he believed that this associative approach limits the scope of state administration without reducing social provision, and embeds 'the market system in a social network of coordinative and regulatory institutions'.

Paul argued that this approach would increase trust, accountability, choice, inclusion, security and empowerment; it would also reduce the need for complex top-down regulation; better distribute wealth and security; and offer a potential solution to mistrust and social disintegration within communities. He also argued that associationalism can be linked to individual and group increases in wellbeing, security and feelings of control, which enable us to better respond to change (whether economic, environmental or social). These are strong claims which reinforce the need to revisit this work, as well as spend further time in critical analysis.

And this is not all new. Much associational activity happens already, often by necessity, and has been part of a long tradition of politics and activity. But it is overlooked and ignored, partly because of the dominance of an economic and business language and practice which reinforces and only ‘sees’ individual or competitive behaviour. We seem to have forgotten that economies are both collaborative and competitive, and that politics and democracy require ‘robust discussion’ (as Michael Sandel argued in his 2009 Reith Lectures) and negotiation throughout society and the economy, as well as contest at the top.

Ironically, given the roots of much of this thinking in forms of socialism, it is the Conservative Lib-Dem Coalition that has responded intellectually and practically to current challenges that mirror more associational approaches, particularly through the Big Society, and by Conservative thinkers such as Phillip Blond. Labour has just paid lip-service to such ideas, often seeing their application as only relevant to ‘disadvantaged’ areas or people. But, in spite of the Big Society debate, all main political parties are still in the grip of a simplified economic and business frame which disables them from applying increased forms of co-ordination and collaboration, or indeed any thoughtful debate, to the mainstream economy.

So how does Paul’s approach to associative democracy and governance fare today? What is relevant and what not? What might inspire new ideas, or what might be wrong or impractical? This

book, and the ideas the seminar generated, are not, and were not designed to be, a comprehensive academic reassessment. The point is to send out a few ripples that might resonate with others and contribute to debate, or inspire new language, thinking and practice.

A brief summary of Paul Hirst's Associative Democracy

The starting point for the original seminar and this e-book was Paul Hirst's 1994 book *Associative Democracy: New forms of economic and social governance*. (He also usefully summarised his approach in a 2002 paper.²)

Paul drew on discarded ways of thought that had underpinned forms of associational thinking, and combined these with pluralist ideas. He created both an analysis and a set of prescriptions which could, he argued, be used by all political parties (despite his own preoccupations with the renewal of the left and his particular critique of Fabian statism).

Paul argued that:

- British society had become centralised, unaccountable and incapable of understanding and meeting needs or engaging with diverse citizens. 'Bureaucracy takes away citizen responsibility and numbs their response to the need of others.'
- the economy was inefficient – failing to realise full employment or adequately distribute wealth – and it suffered from a lack of innovation, poor management and poor quality. Large corporates also tended to be overly bureaucratic with centralised decision-making.
- growing unrest and social problems in society were caused by a combination of a lack of work and wealth inequalities, as well as by tensions between diverse ways of living.

His solutions centred on widely distributed (functionally as well as federally) forums and spaces for multi-stakeholder governance, as well as freely chosen and collaborating associations of interests. To underpin this increased power and choice, individuals would have a Guaranteed Minimum Income.

With regards to the economy, he wanted to make corporations more accountable and to encourage the creation of more co-operative and mutual forms – in effect, pluralising the mainstream. The economy would be embedded in society and democracy through ‘coordinative and regulatory institutions’, at local, regional, national and functional (sectoral) levels. As a result, there would be an increased flow of information which would improve accountability and effectiveness.

Paul also believed in more locally-focused and co-ordinated economies, drawing on the widespread interest and research at the time into successful regions in Spain, Italy and Germany, where small firms competed and collaborated. He felt that more localised economies, with appropriate finance and shared institutions, for example in training or R&D, would increase resilience, better distribute wealth, and be more innovative.

He also thought that the way to realise and accommodate diverse ways of living was through the creation of voluntarily-chosen associations which would cater for people’s different needs and aspirations. Such groups would compete for members on the basis of their chosen focus – for example, lifestyle, or religion. He believed that this ‘positive policy of creating the political and social structures for a truly plural society is the only coherent long-term response, and an alternative to the ‘decultured pap’ of multiculturalism.

Paul was not advocating an alternative democratic approach but rather an addition to models of liberal representative and participative democracy. He wanted to empower diverse people in their lives and work, as well as increase co-ordination and collaboration across the economy.

Revisiting associative democracy: the discussion

Democratic reform

Anthony Barnett argues in Chapter 1 that the peculiarly British mix of public values, integrity and service that enabled our liberal democracy to function has gone. The Big Society could be seen as one attempt to re-create shared ethical values and mobilise citizens. However, whilst Anthony sees this approach as responding to a recognisable, although vague, yearning in society, it does not seem to apply to the rich or go far enough. He believes that the concepts of associative democracy might help create ideas and language that derive from mutuality, self-government and citizenship, and enable ‘a transition from a democracy of status and representation to one of contract and association’.

Our seminar, understandably given its timing, focused heavily on the potential and reality of the Big Society. There was general agreement that the term had resonance (particularly in encouraging more positive relationships between people) but might also fail because of opposing and centralising tendencies – whether from big business and government, lack of attention to the economy and to richer people, too narrow a focus on public services, or an unfunded and unsupported push for locally-led social activities. On the other hand, Robin Murray saw a challenge in the Big Society to self-organise, and a need to extend the concept to local and distributed economic activity. Halina Ward also felt that an unintended side-effect of the Big Society was likely to be a more engaged and agitated democracy.

Local democracy – local governance

Ian Christie sets a profound challenge in Chapter 2 to all the main political parties. He argues that, despite Red Tory attempts, neither the left nor the right has come to terms with, and fully understood, what has gone wrong in society and the economy.³ The left has yet to recognise the ‘the ill-effects of the otherwise essential and welcome

cultural and social liberalism of the 1960s', develop 'a coherent response to cultural pluralism' or recognise the limits of economic liberalism. And the right has 'an inability to admit fully to the social disasters wrought by neoliberal experiments in the 1980s and 1990s' or to 'recognise "brokenness" at the top of the social pile'.

Ian sees associative democracy as a realistic way to do what is being missed by the Coalition – to connect citizenship and democratic renewal using practical institutional innovation. One example would be to build on the seeds of existing associational forums – such as Local Strategic Partnerships (LSPs) or the developing Local Enterprise Partnerships (LEPs) – and to create, in effect, a second associational chamber for local government, which could also link with direct citizen participation. Examples like this could 'offer a corrective to a narrow vision of governance and common good, and complement the re-empowerment of local councils and local citizens'.

But Ian also points out that the 'language and policies of three decades of neoliberalism' have gone so deep within our politicians, our local government, and our own behaviour, that change will not be easy.⁴

Su Maddock (Chapter 3) argues that local governance could be a way to 'transcend the division between public and private, and agency and institutional policy-led action versus people organising themselves'. She thinks that we need to link democracy and the economy (through, for example, the idea of 'connected economies') and build on trends towards cross-sectoral partnerships at appropriate geographical levels. We also need to better understand how to create environments which enable people to truly come together and engage in practical and appropriate solutions to local needs, and better link up businesses, civil society, people and local government.

In discussion, Iain Tuckett felt that the way we segment the 'public', the 'private' and the 'third sector' is problematic. In reality, individuals cross boundaries – there is much in common between

an SME and a community organisation, for example. It is important to bring people together at local level and bridge these distinctions, since agendas tend to be shared.

Other participants, whilst welcoming the Coalition's focus on decentralisation, also expressed reservations, and particularly pointed to countervailing trends. Sam Mauger pointed out, for example, that Local Authorities tendering together to realise economies of scale, mean that smaller organisations cannot engage. Dan Leighton also noted that larger businesses are more likely to win contracts, but are not as able to respond to local requirements or incorporate future needs.

The significance of the nature of the public sector commissioning process in determining whether or not SMEs and community action are supported was also highlighted by Stephen Yeo. He felt that it is possible to specify procurement in ways which do not support a mono-culture of large business, but instead prefer and support diversity and mutuality where appropriate and more suitable.

Robin Murray advocated a role for social-public partnerships and mini-trusts as guarantors of performance and purpose in public service delivery, to get over the limitations of distant contracts and to incorporate wider public and environmental interests.

Sam Mauger asked: 'How do you give expertise and knowledge to those who could make a difference?' – in recognition that whilst there are opportunities for widening participation and control, for example in the use of community assets such as buildings, there is also a need to support this activity, with knowledge and advice.

The potential and problems of pluralism

Rosemary Bechler in Chapter 4 discusses Paul's highlighting of the creeping authoritarianism of liberal democracy, which she believes has worsened as the government responds to terrorism. Paul's prescription for this tendency – which could, he thought, also address increasing social fragmentation and division – was not to try

and impose a vague Britishness, or to adopt multiculturalism, but to enable competing and different associations, each with their own conceptions of the good life.

This approach to pluralism was seen by some as one of the more difficult areas of Paul Hirst's work. Whilst there was a recognition of the need to move away from simple assumptions and categorisations about people's lives, there was also the need to develop or recognise a common good to underpin forms of solidarity and collective action.

In Chapter 5 Stuart White directly tackles the challenge and limits of pluralism in relation to welfare. Whilst recognising that there are legitimate differences in how needs should be met, he believes that too much pluralism could have a negative impact on social justice and democratic citizenship – for example it could detract from securing equality of opportunity for employment, could undermine children's rights (as opposed to those of their parents or schools), and hinder the assertion of common citizens' interests.

Grahame Thompson argued that we also need to ask more questions about the limits to what you can associate around; how to manage the tensions between different groups; and how to create a common culture. He thought that the Danish approach – more collaborative production, learning and reciprocity, for example – was more appropriate, and allowed for level-headed disputation.

Paul's work also seems a little too at ease with the idea that different groups would collaborate and share resources. And I wonder about the difficulty of enabling choice and difference within sparsely populated areas (Paul too recognises but does not develop this issue). And – relatedly, and also profoundly – I think there are personal and societal benefits from having to negotiate or engage with people you don't necessarily like, know or understand (particularly at school).

Associational welfare

Graham Smith argues in Chapter 6 that while Paul's work might seem to be very similar to the Coalition's ideas on public service, it is not the same. Differences centre on Paul's ideas about the promotion of competition between organisations, his insistence on internal democracy, and his more realistic expectations about how much engagement most people will actually do. Furthermore, in Paul's view the state retains the primary role in funding and in regulation. Graham feels that the specifics of how you regulate such diversity are weak in Paul's work, however, and need strengthening, for example through widening the scope of available legal forms, or requiring forms of internal democracy in service providers.

Looking at the implications of Paul's work in a specific area, Sam Mauger sets out research into the involvement of older people in public service strategy, which shows how far people wish to, and can, engage. She also points to interesting models of mutuality, for example in co-housing, but argues that we need to go beyond simple promotion and rhetoric, to really look at how these models work, particularly for those who are frailer, or have high support needs.

Revisiting economics

Maurice Glasman shows in Chapter 8 how current circumstances are good for the development of association and democracy as the basis for a 'transformative political programme'. He argues, though, that there is a need to look at Paul's work alongside that of Karl Polanyi, in thinking about how to better embed the economy in society and domesticate capitalism through institutional and associational constraints. Maurice also argues for the importance of vocational governance to enable the creation of meaning and a better life, as well as the need for more attention to be paid to democratic organisational structures. He believes that it is possible to create common good within organisations through forms of local multi-stakeholding and representation.

In Chapter 9, I argue that Paul's ideas on dispersing governance throughout the economy, by sector or by function, suggest a form of industrial policy that promotes collaboration to create solutions; share resources; better link public, private and future interests and concerns; and improve ethics and standards. Such governance would be closer to and involve all relevant actors in sectors, geographical areas or economic systems. I also develop Paul's work on organisational forms, which tends to only prioritise present needs, to suggest breaking open our mono-models of business to better incorporate the wider public interest and fit within different contexts.

Penny Shepherd, in Chapter 10, also addresses systemic economic issues through illustrating the role of different associations within a particular sector, finance. She shows how capital markets have developed systemic problems which can be partly tackled by different associations: those that change markets by bringing consumers and producers together; those that provide peer scrutiny and develop standards; outside stakeholders that can monitor but also create disruptive innovation; and multi-stakeholder networks such as her own organisation, UK Sustainable Investment and Finance Association (UKSIF). She also points to the role of professional associations in maintaining standards, and the role of public interest representatives in such organisations, who would benefit from having their own network or association for the development of ethics, principles, and ways of working.

Penny's approach suggests a more general need for codes of behaviour – similar perhaps to the Nolan Principles of Public Life – that might be appropriate for people who operate as public interest representatives, or who chair or facilitate multi-stakeholder governance groups. Chris Cornforth suggested, in the same vein, that some kind of code might also be useful for managers.

In Chapter 11, Jonathan Michie uses the example of football to make the case that organisations and companies within different sectors should be treated and seen differently. The purpose of

football has changed dramatically – a hundred years ago it was ‘to be sporting and social’ and ‘no-one was allowed to make money or personal private gain’. Similarly, Maurice Glasman argues that football is ‘a good example of the severance between meaning and thing’, as a result of widespread commodification which destroys the notion of a football club – ‘a form of associational power, which links you to place’. Jonathan also argues for pluralism and biodiversity in business forms, to increase resilience to shocks and to better meet need, particularly within finance.

Robin Murray made the point that you cannot divorce democracy and accountability from economics, whether between firms or within them. He outlined work he had been doing for Cooperatives UK on distributed economic systems, which can be self-managed on a federal model and are potentially more resilient and manageable for local and regional areas.⁵ This work mirrors that of Hirst and others in the mid- to late-1990s that focused on ‘flexible specialisation’ and what Su Maddock calls here ‘connected economies’.

Robin also argues that work on ‘social innovation’ is too often uncritical of the examples on which it focuses. It is important to look at how these initiatives work, and how they operate on different economic principles or models of production and exchange. Chris Cornforth pointed out that there are limits to participation even in democratic organisational structures. Mutuality can decline over time, and there are crucial questions about how to sustain it.

Stuart White felt that Paul’s work did not strongly promote the moral value of ‘freedom as non-domination’ in the economy as an argument for democratic organisation, though he recognised that there could be tensions between such democracy and efficiency. There were also suggestions of a need to further review corporate law, and to properly question the role of the firm, the concept of limited liability, and the legal recognition and engagement of different stakeholders.

Other issues raised in discussion

One of Hirst's contentions was that top-down regulation was ineffective and too blunt. The opposing tendency to promote self-regulation has proved weak in recent years. The idea of self-governance (both in designing and enforcing rules and standards) is stronger, particularly when it incorporates diverse groups and people, and is not separate from, but part of, nationally agreed 'framework' regulations. Chris Cornforth thought that we could look at the effects of existing bottom-up examples, such as those involving housing tenants.⁶

But Maurice Glasman thought that there was often too much of a rush to regulate. Similarly Su Maddock warned that you have to be careful that regulation does not stop or inhibit innovation, and kill what could otherwise be good. Graham Smith felt that the danger of regulation can be 'isomorphism', in other words reducing diversity in how you do things. I also think that we often rush to explore new legislation and legal forms when we have not explored the potential of what we already have. For example, a company limited by shares is flexible enough to create complex multi-stakeholder models of participation, governance and control which balance stakeholder interests, including those of finance.

Several participants felt that one of the main problems with Paul's writing on associative democracy was that it did not address the long term – future generations or the environment – except as a lifestyle choice. Gary Kass missed any 'sense of a shared vision or shared endeavour'. Halina Ward pointed to the need for more institutional 'oomph' behind the horizon shifting – which is another, albeit under-recognised, dimension of the Big Society.

These kinds of long term concerns are not just choices like any other, and they pose pronounced difficulties for current ideas or understandings of democracy in general – not just associative forms.

Stephen Yeo also thought that we could usefully think about age and association. Is there a particular age or life stage when you are more or less likely to wish to take part in different kinds of collective

activity? How cultural (or gendered) are the different forms in which associational activity takes place?

Some practical ways forward

Overall, there was a strong sense that our lives, our economy and our public sector have become so infected with an individualised, abstract and largely economic set of beliefs and practices that we are disabled from ways of behaving which embody more co-ordination, co-operation and collaboration. This not only reduces the effectiveness of what we do, but limits our humanity, or our ability to relate to and engage with others, or better manage change. The Big Society recognises some of this, but the analysis is currently partial and the solutions do not go far enough.

So here are some of the practical ideas we came up with.

Government, citizenship and political governance

Relearn the art of local governance and develop a richer sense of citizenship, partly through creating, for example, associative and participative fora, which could also engage with sustainability or hold to account commissioned activities.

Develop mini-trusts between producers, procurers and others to act as guarantors of performance in local commissioning.

Better understand how more mutual forms of service delivery engage with and work for different groups of people in different situations, rather than just the encouragement and blind replication of one model, for example that of John Lewis.

Draw on the insights of academic work beyond economics as well as practical examples to develop forms of regulation which combine framework rules with specific and contextual design, delivery and sanctions by those affected. This goes beyond weak forms of self-regulation to thicker ideas of self-governance which might better deal with fast-changing, specific or ethical issues, enabling more consent, relevance and effectiveness.

Economy

Alter the way that economics is understood, taught and implemented; for example through looking at the ideas and practices of ‘connected’ economies (not isolated firms); researching how economic activity is, or could be better, embedded within social norms and institutions or democracy; and thinking about questions such as the balance of competition, co-operation and diversity necessary for resilient and effective economies.

Recognise and develop appropriate forms of cross-sectoral and multi-stakeholder decision-making and democracy – in other words, economic governance – throughout the economy; this will help to embed business activity within society and localities; enable increased attention to future needs and the wider public interest; promote greater sharing of resources or joint activity; and address large-scale and complex systemic issues.

Create peer-groups and/or unions of the self-employed in different and similar sectors to better balance, create and use joint power or to share resources.

Develop codes of practice for managers; or stakeholders within organisations (for example, public interest representatives on decision-making boards); or for involvement in wider governance situations (perhaps building on the Nolan Principles of Public Life).⁷

Recognise and further develop the roles of different forms of association, whether multi-stakeholder or of peers, in different sectors. This might include professional associations and their roles in promoting standards and ethics, forms of vocational governance which also enable increased feelings of personal belonging or stability, or multi-stakeholder groups to address concerns, implement regulation or innovate to meet need.

Explore governance and ownership models which are appropriate for different activities or sectors and which go beyond the concerns of current stakeholders. Models would therefore differ according to sector or activity (for example, for football, water or

finance) or would contribute to and realise the benefits of diversity for its own sake.

Rethink the role of unions beyond single stakeholder concerns or purely confrontational interaction.

Develop industrial policy which recognises, promotes, reinforces and engages with all the above.

We also need to:

Learn how to work in partnerships, collaborations and multi-stakeholder forms of decision-making – neither being confrontational nor reluctantly consensual, but able to take part in ‘robust’ discussions, recognise difference and expectations, and go beyond narrow self-interest.

Investigate thoroughly existing forms of multi-stakeholder decision-making and association across the economy and society.

Break down barriers between artificial ‘sectors’ (such as ‘public’, ‘private’ and ‘non-profit’) to recognise commonalities and enable more transformative practice. For example, in much current discourse ‘social’ is implicitly separate from the ‘economic’. We could usefully and critically explore, say, how diverse models of social business and social enterprise realise forms of multi-stakeholder governance; as well as how models of ‘social’ innovation might re-engineer production and exchange in the mainstream economy.

Over to you ...

Notes

1. Paul Hirst, *Associative Democracy: New forms of economic and social governance*, Policy Press 1994.
2. Paul Hirst, *Renewing Democracy through Associations – a summary paper for Essex University and the European Consortium for Political Research*, 2002: <http://www.essex.ac.uk/ecpr/events/jointsessions/paperarchive/turin/ws7/Hirst.pdf>.
3. Phillip Blond, *Red Tory: How left and right have broken Britain and how we can fix it*, Faber & Faber 2010; George Walden, *New Elites: Making a career in the masses*, Penguin 2000.

4. Gerry Stoker similarly argued for networked community governance in 2004, also drawing on Paul Hirst's work. He believed that the complexity of society requires a new form of governance enabling local citizens, communities of interest and other stakeholders to engage in decision-making: Gerry Stoker, *New Localism, Participation and Networked Community Governance*, University of Manchester 2004, www.ipeg.org.uk/papers/ngcnewloc.pdf.
5. Robin Murray, *Co-operation in the Age of Google: A review for Co-operatives UK*, 2010.
6. Elinor Ostrom's 2009 Nobel-prize winning work provides evidence of common sanctions and management working in the environmental context being better than external regulation.
7. <http://www.public-standards.gov.uk>.

1. Why does democratic reform matter?

Anthony Barnett

Associative Democracy prefigures many of the debates we are having today. We are still, in a way, catching up with Paul. The heart of the book's argument is a formidable, critical engagement with the Fabian and statist tradition of social democracy. His critique of the cult of 'globalisation' was also linked to an opposition to the hollowing out of our democratic public realm by corporate marketisation.

The death of value commitments in British democracy

Paul wrote:

Montesquieu taught us that modern democracies have minimised the role of value commitments and of active citizenship necessary to their functioning. They have acquired neither the virtue of classical republics or the honour of aristocracies.¹

But perhaps Britain has never been a 'modern democracy', since it has long forged a tradition of public value and public service – the particular gentlemanly culture of government developed amongst the wealth and inequality of Victorian Britain and its Empire. This combined a unique variation of both the aristocratic honour Paul refers to and a roman-style sense of virtue. The high mandarin, the judge, the general, the leading politician, the local magistrate, the Christian conservative, the Toynbee Hall socialist – all shared a code of proper behaviour. It was much stronger than any sense of 'fairness'.

In the City a gentleman's 'word was his bond'. This was highly efficient and made a great deal of money. A schooling in classics was

designed to underpin ‘virtuous’ behaviour, generating a code for a governing elite that created a definite sense of ‘honour’. Brutally inculcated in public school and horrid for women, it was at least a *code* of government with a set of ‘value commitments’ necessary for the functioning of an imperial polity with an uncodified constitution that vested all power in the sovereignty of parliament.

These values were not seen as something to be shared equally by all citizens, but were expected to be respected by them. This code ensured the active consent of ‘subjects’ to the government by those who knew best. In this way, we developed ‘popular government’ but not democracy.²

This culture and set of public values has gone. We retain only an uncodified political framework to check those who enjoy its powers and authority. At the same time a populist media denigrates politicians. What they say is treated as less important than what their brother feels or their wife wears. Everything is personalised, to make it more ‘relevant’. Policy is not examined as it is seen as ‘boring’, not entertaining.

Analysing the political speeches and language of the Coalition

We need to see politicians’ arguments as considered political actions, which they wish to communicate despite the media. We need to get to grips with how they are dealing with a double problem: the growing crisis of legitimacy, which came to a head in the MPs’ expenses scandal of 2009; and the absence of governing values that restrain power and satisfy citizens.

Brown looked to ‘Britishness’ as a solution. Uncomfortable with its traditional institutions, from the monarchy and the army, to Oxbridge and parliament itself, he sought instead a different kind of ‘Britishness’ – from citizenship ceremonies to a written constitution based on ‘values’. That pack of cards turned to dust and now it’s Cameron’s turn.

David Cameron’s case for the ‘Big Society’ suggests he wants to fill the vacuum of governing values and citizenship mobilisation.

Here are some extracts from his speech of 6 October to the 2010 Conservative Party Conference:

But citizenship isn't a transaction – in which you put your taxes in and get your services out. It's a relationship – you're part of something bigger than you, and it matters what you think and feel and do.

So to get out of the mess we're in, changing the government is not enough. We need to change the way we think about ourselves, and our role in society. Your country needs you.

'Your country needs you' was Kitchener's phrase – the slogan that created our largest volunteer army sent to the trenches. Not a good omen perhaps.

Later in that speech, Cameron says:

Statism lost ... society won.

From state power to people power.

From unchecked individualism to national unity and purpose.

From big government to the big society.

The big society is not about creating cover for cuts.

I was going on about it years before the cuts.

It's not government abdicating its role, it is government changing its role.

It's about government helping to build a nation of doers and go-getters, where people step forward not sit back, where people come together to make life better.

When it comes to fairness, Cameron argues:

Fairness means giving people what they deserve – and what people deserve depends on how they behave.

If you really cannot work, we'll look after you.

But if you can work, but refuse to work, we will not let you live off the hard work of others.

OK, let's stop here. The proposal is that fairness is about what people *do*, not what they are. The wealthy do not have an obligation to the poor as such but only (a) to the poor who behave well and try to improve themselves, or (b) who are utterly incapacitated. Obligation entails an expectation of reciprocal action. Cameron puts it clearly even if it is not original. In effect, however, it is being presented as an *ethical code*.

However, this means it has to be universal; the same principles have to apply to everyone. But is the same code addressed to the wealthy? Imagine if at his next Mansion House speech the prime minister addressed London's bankers and financiers now that they are significant recipients of state welfare and warned them: 'Fairness means giving people what they deserve – and what people deserve depends on how they behave'. Suppose he told them also: 'That's the change we're leading – from state power to people power – from unchecked individualism to national unity and purpose, from big government to the big society'.

This is quite threatening language. The bankers would be checking their wallets or using their smart phones to move money out the country. But then the prime minister adds: 'But the Big Society needs *you* to give it life', at which the bankers and financiers can lean back and smile – it's voluntary!

I am not the only person who senses that something funny is going on here that is not a joke. There are at least two things to observe about Cameron's pitch. First, the language is odd. I haven't seen anything written about it yet: the rhetoric of the Coalition. It is not just him. Cameron has talked about an 'emancipation' and 'liberation' from the state. Nick Clegg has talked about a political revolution, putting power in the hands of people. Prince Charles recently also declared that he was a revolutionary. So we have a political leadership on the right – conservative, liberal democrat, and royal family – all using language about themselves that echoes the late 1960s.

Yet it is self-evident that they are seeking to preserve privilege and power. I suggest that they are looking into the void Paul Hirst

identified: that they feel the loss of legitimacy; that their expectations of their ability to get away with it have been truly shaken; that they have concluded that, unless they can present themselves as representing ‘radical’ change, disaffection will sweep them away.

To put it another way, they know *perhaps better than anyone*, that if they tried to stand and conserve things as they are, they would be open to the charge that they are hollow, empty, morally worthless and stand for nothing. Their response has to be therefore to change things! They must ‘stand for radical improvement’. This is the only way in which they can evade responsibility for things as they actually are

The resonance and paradoxes of the Big Society

I feel that the ‘Big Society’ has much greater interest than the ephemeral Third Way. It touches something that many would like to make real, a promise perhaps of some autonomy for civil society. There is also much cynicism – I suspect justified. But even if it completely fails as a delivery mechanism for a real transfer of power, it reaches out to an enormous desire to participate – one which New Labour distrusted and which Old Labour felt to be dangerous.

The Big Society, which Cameron insists he thought of ‘years before the financial crisis’, is a provocation to participate, but the political message of the cuts is one of fatalism and endurance. The Big Society suggests a shared cross-class engagement, a non-transactional one-nation Toryism for citizens.

In an OurKingdom post, *Big Society Dilemmas: a challenge for Tories as well as Labour*, Michael Kenny contrasts the Cameron notion of Big Society with Michael Oakeshott’s proposition that England has two embedded traditions, of civic associations and enterprise associations.³ The former are intrinsic, the latter instrumental. The former involve non-market, mutual support, the latter definite campaigning or business objectives. The problem is that Cameron is seeking to draw on the spirit of the first to drive the demands of the second.

Conclusion

The political class is no longer seen as honourable by the public or media. Our Coalition rulers need a relationship that isn't merely cynical. The Big Society will probably not achieve this. But if it doesn't, what alternative set of ideas, language, concepts and virtues should there be?

Associational democracy contrasts with the approach of the Big Society. Paul argued that fluffy notions of community, or heady notions of evanescent networks, lend themselves to the arbitrary, exclusive and unjust (not to speak of the incompetent). The state has to use rules and regulations to ensure that associations are open and accountable. They need to embody an ethic of citizenship and self-government that will deliver services controlled by users for mutual objectives. Perhaps this is part of the way forward.

He also sets out a transition from a democracy of status and representation to one of contract and association. (I would like to see deliberation added as well, but that is a further discussion.)

For the full version of this chapter see Anthony Barnett, 'Association: the answer to both Cameron's Big Society and New Labour's Big State', <http://www.opendemocracy.net/ourkingdom/anthony-barnett/association-answer-to-both-camerons-big-society-and-new-labours-big-state>

Notes

1. P. Hirst, *Renewing Democracy through Associations* – a summary paper for Essex University and the European Consortium for Political Research, 2002. <http://www.essex.ac.uk/ecpr/events/jointsessions/paperarchive/turin/ws7/Hirst.pdf>.
2. See H.S. Maine, *Popular Government*, 1885, republished by the Liberty Fund, Indianapolis 1976.
3. <http://www.opendemocracy.net/ourkingdom/michael-kenny/big-society-dilemmas-challenge-for-tories-as-well-as-labour-0>.

2. Associative democracy and the Big Society: some reflections

Ian Christie

There is widespread agreement that UK society and democracy have weakened in recent decades. Whilst there is much less consensus about the causes and remedies, the symptoms are widely acknowledged. Society is ‘broken’, to use David Cameron’s term, in specific places and in specific ways: many people are trapped outside the world of work and community, and social bonds and trust seem to have frayed. Democracy is felt to be in poor shape – for example, with the loss of trust in politicians, decline in electoral turn-outs, decline in party membership, and the marginalisation of local democracy.

There are, however, two major shortcomings in the Coalition’s solution, the Big Society. There is a lack of honesty about the diagnosis of ‘brokenness’; and a lack of connection to democracy. We have to recognise that the Big Society and proposals for revitalising our democracy are being developed in an economic, social and political context shaped by three decades of neoliberalism and half a century of consumerist individualism. We have to be realistic about our collective capacity to realise both projects. We cannot risk ideas about the Big Society and re-empowerment of local government being drawn on to sustain the neoliberal public sector framework.

We can though connect the twin diagnoses of ‘Broken Society’ and ‘Enfeebled Democracy’ with the UK Coalition’s still vague concept of the Big Society and Paul Hirst’s ideas of *Associative Democracy*. Associative democracy could connect citizenship and

democratic renewal. But this will depend on institutional innovation and experimentation that go well beyond what is currently being proposed by the Coalition and its local government allies.

Big Society and associative democracy: two ideas whose time has come?

There is much to welcome in the Big Society. The Coalition, and some parts of the Opposition, seem to be converging on the idea that social capital has depleted over recent decades and that there has been a hollowing out of the idea of citizenship and mutuality. There is reasonable consensus on ‘broken’ sections of society, especially the economically devastated areas which lost manufacturing and mining employment in the 1970s and 1980s.

The Coalition also sees the Big Society as improving the health of democracy after three decades of centralisation by the Tories and then by New Labour. There is a drive to foster a ‘new localism’ – to hand powers back to local authorities, create new elected Mayoral posts in the big cities, and dismantle the dysfunctional system of centralised target-setting and monitoring created by the Tories in the 1980s and elaborated to new levels of self-defeating complexity by Labour after 1997.

So far, so good: we have a new guiding concept for the Coalition, and for many in the labour movement, that speaks to a widespread longing for a less selfish and atomised society, and for a re-engagement of citizens with their democracy.

But there are serious shortcomings in this analysis. The diagnosis of ‘brokenness’ is partial and amnesic, and there is no connection so far to a richer concept of citizenship and democratic engagement.

The Big Society: the right idea but the wrong diagnosis

The Coalition’s focus is almost entirely on the disengagement of the long-term unemployed from the labour market and on the

development – undeniable in some cases – of a dependency culture.

But no-one is asking ‘when and how did society become “broken”?’ The right believes that social bonds were corroded by the liberalisation of culture and values from the 1960s. The left has argued that the breaking was done by Thatcherite economic and social policies in the 1980s. Both forget about their own complicity in the corrosion of social capital. The analysis – shared by Phillip Blond in his book *Red Tory*, by his mentor the theologian John Milbank, and by George Walden in his book *New Elites* – that the social liberalism of the left and the economic neoliberalism of the right have co-evolved in many destructive ways, whatever good they have also done, is compelling.¹ Social liberalism, as is now widely admitted on the left, has paid far too little attention to social capital, community spirit, faith communities and the social bonds they foster, as well as the downsides of consumer individualism. Economic liberalism has paid far too little attention to the corrosive effects of neoliberal deregulation and privatisation on communities, the worst off, mutual enterprise and small business.

But the left has yet to recover from a largely uncritical approach to the ill effects of the otherwise essential and welcome cultural and social liberalism of the 1960s. In particular, it has yet to develop a coherent response to cultural pluralism, after decades of attempting to make an incoherent and divisive idea of multiculturalism work. The left is also compromised by New Labour’s starry-eyed embrace of economic liberalism, the ideology of ‘choice’ and the idea that the private sector is at all times more dynamic and efficient than the public sector. The right is hamstrung by an inability to admit fully to the social disasters wrought by its neoliberal experiments in the 1980s and 1990s; and by its failure to recognise ‘brokenness’ at the top of the social pile, in, for example, the extreme pay scandals in many boardrooms, and the a-social values of many in the City.

These blind spots set serious limits to any idea of a Big Society.

Policy proposals are therefore likely to be partial at best and delusional at worst.

Limits to the Big Society: the legacy of the 'long 1980s'

The current generation of politicians are deeply shaped and influenced by the language and policies of three decades of neoliberalism, or the 'long 1980s'. They have little or no personal experience of the enormous damage to the intermediary organisations and communal associations that stood between the markets and the state on the one hand, and the citizen on the other. It is both encouraging and also painful to watch Coalition ministers and Labour politicians belatedly discovering the work of organisations such as London Citizens. And neither left nor right has found much to say about the profound and pervasive role in generating social capital of faith communities and religious organisations in the UK. It is no accident that the much-praised London Citizens network is dominated by multi-faith collaboration.

It is still, for example, rare for politicians to talk to voters and local residents as 'citizens'. When I worked in local government and referred to residents as 'citizens', many colleagues found this either amusingly quaint or actively subversive. The approved jargon was 'customer' or 'consumer'. This is not a trivial point. Many policymakers have to *relearn* (or learn for the first time) how to relate to people as citizens. They have to relearn the art of local government, as opposed to local administration on behalf of central governments, and go beyond neoliberal and economic worldviews.

Suffolk County Council is proposing to reinvent itself in the light of public spending cuts and 'new localism'. The council's vision is of a stripped-down core of officials whose sole job will be to administer contracts with outsourced private (and perhaps voluntary sector) service providers. A genuinely Big Society version would have a mixed economy of service supply, and vibrant debate

among citizens and elected members about the criteria for commissioning – embracing ecological sustainability, economic resilience and social justice as well as cost-effectiveness and business efficiency. But the more likely outcome, given the neoliberal path-dependence of the Council, is a local administration that writes contracts that purport to be the ‘best buy’. The main criteria for performance would be compatibility with keeping the council tax as low as possible. Local government would be a skeletal middleman between the citizen, conceived of solely as a consumer, and service providers – with voluntary organisations forced into the same mould as big suppliers. The result would be impoverishment – of the local economy of service supply, of ambition for local governance, and of the very idea of citizenship and a shared public realm. New localism would therefore further accommodate neoliberal capitalism, and its tendency to hollow out society, rather than revive local governance and a richer idea of citizenship.

Both the Coalition and Labour have begun to praise mutuality and cooperative organisations. But there has been little acknowledgement of the damage done by thirty years of neoliberalism to particular mutuals and the wider culture of mutualism. A recovery of the co-operative and mutual movements cannot be whistled into existence: it calls for a deep understanding of the sector and its roots, and of the economic and social ecology of incentives and rules needed to help it thrive again.

Finally, there is a lack of any proposals for institutional reform or innovation to connect the Big Society to a richer idea of citizenship and democracy. The dominant idea of citizenship is one where the consumer-worker ekes out some spare time for volunteering, possibly in exchange for shopping vouchers (neoliberalism knows no incentives other than market ones). But marginal activity will not generate the sense of citizenship that the Big Society needs, or ought to want.

We need to check and reverse recent economic and social developments. As Blond argues, we need to attack both state

centralism and the oligopolistic ‘Big Market’, with its capacity to muscle out competition. This requires institution-rebuilding and a realistic sense of what citizens can be asked and encouraged to do in an economic and social landscape transformed by consumerism, deeper inequality, lower mobility, and decline of the aggregating and mobilising associations that used to provide the social glue (and in many places still do) – trade unions, mutuals, churches, residents’ and tenants’ associations, or political parties.

Connecting Big Society and associative democracy: what could be done?

Associative democracy can complement the Big Society in two ways: first, civil society can contribute to, and be supported by, a richer concept of citizenship and local governance; and, second, associative democracy should be seen as a ‘realist’ concept of democratic innovation for an atomised and individualised society.

The habit of being a ‘joiner’ has diminished sharply for many reasons – the amount of personal time demanded by work, family life and consumption; and the changed structure of the economy and family relations. It will take a long time, and many innovations and incentives, to make space in many people’s lives for more engagement in participatory democracy.

Associations can also become more engaged in deliberation and decision-shaping to enrich our political ecology. If new institutions are to be made, this will be done by local authorities acting largely on their own initiative. But, with narrowed horizons and current financial constraints, this is a recipe for limited innovation, as exemplified by the ‘lean council’ models of Suffolk and Barnet. New forums are needed to enrich our hollowed-out idea of citizenship, society and local governance, which help rebuild the capacity of elected members and officials in local authorities to ‘do local governance’ again, beyond a simple neoliberal consumer/supplier framework. ‘Capacity-building’ is not about helping civil

society work with councils and business, but about recognising that civil society has Big Society capacities in which policy communities need to be schooled.

So, here are some proposals to connect the Big Society and associative democracy, which build on available or emerging local resources:

- *The members of the LSPs and/or LEPs could form a second chamber in local government.* A range of local councils could experiment with such second chambers which could meet quarterly or twice a year, with the agenda shaped by deliberation and advice on major issues affecting the local authority and community. The English local government system already has a rudimentary model for associational democracy with Local Strategic Partnerships (LSPs) – forums led by the local council which involve health authorities, police, voluntary bodies and others in shaping the local ‘community strategy’. This system is patchy in quality and accountability. It is far from clear how many will survive financial cuts and the establishment of new ‘business-led’ Local Economic Partnerships (LEPs). However, the idea of a forum for strategic deliberation and co-ordination is there.
- *Councils could be encouraged to run an annual House of the Local Commons week-long festival of local democracy and community life, with citizens’ participatory processes interwoven with contributions from members of the LSP/LEP forums.* In this way, the associational second chamber could be connected with a Big Society process for participatory democracy.
- *Community deliberation and accountability could be extended beyond the electoral cycle on the criteria for service delivery performance.* Contracts often outlast a given elected membership, and can have fateful implications for local finances – as many authorities found with their experience of long-term PFI contracts.

- *The advisory second chamber could also be a vehicle for debate and deliberation on the long-term, with participation (citizens chosen by lot for a citizens' jury) and association (members from the LSP/LEP). In this way, there could be experimentation with methods which consider future generations' interests in our democratic procedures (like those now being advanced by the Foundation for Democracy and Sustainable Development and partners).*²

Conclusion

The Big Society is an idea whose time has come, but the Coalition and Labour have yet to face the facts about why we need it. To be more than a sticking plaster on the wounds of neoliberal ideology, the Big Society needs policies and institutional innovations that begin to repair the damage done to citizenship and the social commons. Associative democracy can offer a corrective to a narrow vision of governance and common good, and complement the re-empowerment of local councils and local citizens.

Notes

1. P. Blond, *Red Tory: How left and right have broken Britain and how we can fix it*, Faber & Faber, 2010; G. Walden, *New Elites: Making a career in the masses*, Penguin 2000.
2. <http://www.fdsd.org/>.

3. Associative democracy and local government

Su Maddock

At the time that Paul Hirst was involved in the journal *Renewal* ten to thirteen years ago, that publication was trying to transcend the division between public and private, and agency and institutional policy-led action versus people organising themselves. I think good local governance is actually a way to do this. There is a long connected chain between people's sense of well-being; active local democracy; the local capacity to develop healthy environments; and a healthy economy. And how democracy is conceived, government is organised, and civil servants think, all impact on whether forms of associative and participatory democracy are valued.

Unsurprisingly, there is a retrenchment within public bodies to the old ways – protecting jobs and staff at all costs and viewing standard delivery as a good thing. People are scared of everything being broken up. The Big Society is therefore not being seen as a solution but as a sap. However, there is a need to keep focused on decentralisation, and to develop strategic local governance based on connected economies and developing local capacities.

New Labour public sector innovation

Over the past ten years, public sector reform has focused on improving individual public services – such as education, health and the police – through what's called 'customer insight' and organisational transformation. New Labour drove these changes through public sector targets and the specific targeting of those most affected or most costly to the state – for instance, the worst

offenders on estates, young single mothers or high cost families. This strategy resulted in reduced investment in wider community services and in public space, which led to too many unintended consequences, such as increased crime by the under 10s with nothing to do.

Public administrators' view of scaling innovation and supporting social change is overly rational and highly directive. It is viewed through the prism of targets that don't realise that personal and local determination emerge from confidence and freedom to act. Public servants became overawed by technical solutions to problems which really have their root cause in psychology and social cultures.¹

Sure Start is a good example of where central government contributed to destroying local capacity and connections. Ministers and civil servants wanted to centrally control Sure Start from the beginning.

In the UK, we do not have a way to talk about the importance of developing a capacity for working with other people, or for participatory work. We spend lots of time thinking about appropriate models, but far too little supporting people who are actually working together and trying to do things.

When I first encountered the Whitehall Village, I was shocked at the lack of interest in what was happening in the regions; in the impact of their policies; and the apparent disdain for local practice. The capacity of the civil service to defend itself is impressive. Even now central government departments are not really creating serious efficiencies.

There is also a strong sense of 'them and us'. Even people like Jamie Oliver or Tim Smit (Founder of the Eden Project), who were welcomed into No 10 Downing Street, are viewed as entertainment rather than as serious voices for change. Few in Whitehall have any idea what is happening elsewhere. And central government is poor at recognising local governance innovations.

How we need to change

The challenge is to renegotiate power relationships at all levels – personal, local and with politicians. Community organising is about giving space and opportunity to people who have little power and even less confidence. It is about working at the interface between government and people so that the latter aren't just sucked in.

It's necessity that causes people to organise. It's no good to ask five people to set something up when they haven't the time or the confidence. There is a need for serious conversations about how we create environments within which people relate in different ways.

Decentralisation and local platforms for associative democracy

Increased centralisation under New Labour reinforced the Whitehall Village's disregard for activities and governance in the regions. The fact that regional government and the RDAs were highly bureaucratic did not help. Later, New Labour began to think in terms of place and the powers of locality – resulting in the Government's Total Place programme. Interestingly, Total Place grew out of partnerships in Cumbria and Suffolk, not the main cities. It provided a narrative that gave legitimacy to the idea that 'place' mattered more than any single organisation. (This is a narrative which also applies to the Transition Towns Movement.)

Total Place had as much impact on central government as on local partnerships. Led by the Treasury, it generated cross-government working, without which local horizontal partnerships are impossible. This new architecture at the local level is important because it creates space, opportunity and voice for more active democracy. It is stronger in some areas than others and is not always dependent on the leadership of local government.

The past ten years have also seen a growing sophistication in partnership working in the UK. But Local Strategic Partnerships (LSPs), for example, have been more about carving up service

provision than strategic direction. However, they have laid a foundation for more political governance.

We can see examples of new governance forms and encouraging contexts for associative democracy developing in:

- *Greater Manchester*. Ever since the IRA bomb in 1996 Manchester has had a positive relationship with the private sector, for example, a Manchester: Knowledge Capital partnership, a Commission for the New Economy and an Innovation Manchester Boardroom.²
- *Yorkshire and Humber* – ‘place’ matters more than party affiliation. Collaborative strategic leadership has been nurtured by Local Government Yorkshire and Humber (LGYH), guided by an innovative chief executive. LGYH awards, for example, have connected local organisations with strategic objectives.
- *Cornwall* – the Eden Project has generated £9 billion for the local economy, developed supply chains between small and medium-sized enterprises (SMEs) and has caused roads to be built.

But there isn’t enough visibility of these examples in the press, because there aren’t enough interested journalists. Stories about local government are often more about poor services or defensive actions against government proposals.

A connected economy, such as that being created by the Eden Project, can make a real difference. There is, though, a difference between corporate and small organisations. The third sector and SMEs have more in common with each other than they do with either local authorities or larger companies.

The Coalition government has committed itself to decentralisation, abandoned the RDAs and many quangos, and set up Local Enterprise Partnerships (LEPs). LEPs started off very narrow but are now emerging as sub-regional groupings. The

language has changed, but local authorities continue to collaborate under new names. It seems to me that governance is being grappled with more seriously in the regions than for a long time.

Increasing capacity

Those of us who have real experience of development recognise that transforming financial provision, local government and business, in practice as well as policy terms, is critical to creating a level playing field for co-design and co-production. Public leadership is also crucial to supporting a new architecture and the necessary human capacities.

We need to shift political conversations away from state provision of services to the governance arrangements that connect local democracy with co-production and innovation. More local politics allows for the renegotiation of governance arrangements that keep politicians close to the impact that their policies have.

Rather than try to copy China, India and the USA, the UK needs to look instead to small countries, regional and larger city groupings, where people are able to meet and renegotiate governance and commissioning frameworks that work for people.

Conclusion

Narratives matter in driving change to reconnect people's capacities with society and the economy. I'm not sure where the Big Society will lead but it has at least widened the public reform debate away from professional solutions towards the voice of the public and their capacity to organise. The key questions are how the local state can better support those reclaiming space for local services and new forms of democracy. And whether there is any interest in public governance arrangements that will create the conditions for co-operation to flourish.

Notes

1. See S. Maddock, 'Making modernisation work: New narratives, change strategies and people management in the public sector', *International Journal of Public Sector Management*, 15, 1, pp13-3, 2002.
2. <http://www.manchesterknowledge.com/home>; <http://neweconomymanchester.com>; and <http://www.manchesterknowledge.com/news-events/news/innovation-manchester-boardroom-launches>

4. The dangers of illiberalism

Rosemary Bechler

Hirst's associationalism provides us with the only real alternative to two problems he flagged up in 1994 that have since intensified. First, the creeping authoritarianism of liberal democratic states and, second, growing social fragmentation and division. Hirst argued that the first led to people's disempowerment, which only exacerbated the second.

'Your country needs you'

Hirst argued that the dangers *of* the Western advanced state today exceed the dangers *to* them. But should we now reverse this judgment, a decade into the 'war on terror'? This was a point that the much-missed Lord Bingham raised in 2009 in his address to the Convention on Modern Liberty, as he looked for an explanation for the 'clear erosion of values once held dear' that has taken place in Britain over the last half century.¹

He took us back to a committee set up by Lord Sankey during the Second World War, when, as Bingham said, 'the survival of the nation was really on the line'. To answer H.G. Wells' question – 'What are we fighting for?', there was one answer – 'personal liberty'.² This priority couldn't be further removed from the requirements of the surveillance state today. What has changed in the intervening period, and why? Bingham identified two catalysts: technical advance and security.

Let's look at one example of technical advance that illustrates Hirst's argument that the state's pursuit of 'omnicompetence' leads to people's disempowerment. Sir David Varney, in his 2006 report

for the Treasury on the ‘transformational state’, envisaged for 2020 that:

Older children and young people, workless people and other customer groups can choose packages of public services tailored to their needs. Public, private and third sector partners collaborate across the delivery chain in a way that is invisible to the public. The partners pool their intelligence about the needs and preferences of local people and this informs the design of public services and the tailoring of packages for individuals and groups ... The public do not see this process, they experience only public services packaged for their needs.³

The salient difference between this collaborative act and the type envisaged in Hirst’s *Associative Democracy* is the total absence of the British public, for whom Varney’s ‘transformational state’ is to be invisible. Their relegation to perfectly known, package-consuming consumers is surely the obverse of restoring choice and control to the individual. ‘Are either needed when such heights of efficiency are being scaled?’ – those making such provision might ask. But is this the ultimate in choice? Or is it an end-game in Hirst’s ‘organisational society’, which ‘encourages hierarchical control and its obverse, passivity on the part of the controlled’?⁴

The ‘double act’ of digitalisation and the ‘war on terror’ has had impacts on the social fabric at many different levels. Sir David Omand, for some years Security and Intelligence Coordinator in the Cabinet Office, made the following prediction:

the application of modern data mining and processing techniques does involve examination of the innocent as well as the suspect ... normal ethical rules we might hope to govern private conduct cannot apply. Finding out other people’s secrets is going to mean breaking everyday rules.⁵

This blurring of the line between suspect and non-suspect, the hallmark of the authoritarian state, is not science fiction in Britain today. In 2008, Poole Borough Council used powers under the Regulation of Investigatory Powers Act (RIPA) to put adults and children under surveillance both in their home and in their daily movements, not for reasons of terrorism, but to police school catchment areas on the grounds that ‘this protects the majority of honest parents’.⁶ As Bingham urged, we have to ask ourselves – ‘Is the current securitisation of the nation state more to do with justifying the maintenance and extension of centralised power than a proportional response to a threat?’ This ‘protective zeal’ not only ratchets up the problems and the fear that it is designed to address, but ends up feeding on its own people.

The ‘National Us’

Hirst knew that it was essential to find new sources of social solidarity. ‘Solidarity’, he said, ‘cannot be taken as a given, it has to be built up from active cooperation in more complexly-divided and more individuated populations.’ And he put at the centre of his vision ‘greater empowerment, rather than the illusory hope of equality of outcomes as the means to the goal of social justice’.⁷

How could ‘permitting groups to opt out of a common political culture’ possibly provide a solution to social fragmentation and lessen the tensions between communities? Hirst began with the suggestion that there is no common political culture that can solve the dilemmas thrown up by the increasingly diverse and pluralistic objectives of members of modern societies. He predicted that: ‘If the present state of affairs persists we can expect increasing and ongoing political and social turbulence.’ The illusion of one community standard in state law only sets up an escalating contest between extremist groups, all attempting to hijack state power to alter and control social norms, in order to recruit support.

In an article looking at the impact of religious pluralism on

liberal democracies, Hirst traced the spreading conflict in the UK as secular liberals, religious conservatives and radical multiculturalists competed to have their views on key lifestyle issues made into law, whether on abortion, gay marriage, or offence against religion.⁸ No-one was satisfied with the status quo.

Writing before 9/11, he could already see that the liberal state's efforts to hold the line would have to become increasingly prescriptive and illiberal, citing attempts in western societies 'to impose ever stricter politically correct limits on what counts as derogatory – or "hate" speech'. Anti-hate speech legislation across Europe has fulfilled Hirst's worst predictions. For example, national law enforcers have found themselves increasingly hesitant to prosecute those who make hateful anti-Islamic or anti-immigrant remarks, out of a fear of increasing their support and influence. The response of various European establishments to a marked escalation of Islamophobia has been a mixture of cold rejection and appeasement. Neither of these containment strategies has worked over time.

Hirst believed that if governance was devolved to associations within a pluralist state, groups would have to give up the ultimately futile struggle to dominate the political agenda, and govern themselves, competing to realise their beliefs in practice.

In the UK, the make-up of the monocultural fantasy of a 'National Us' may be slightly different. Fears over migration and Euro-scepticism have probably played more of a role in structuring the sense of grievance and nostalgia. But the result is the same dead-end. A succession of government exercises in 'majority reassurance' (David Goodhart's phrase for the retreat from multiculturalism) have created draconian migration policies and a plethora of mainly infantilising attempts to invent a new kind of Britishness.⁹ New Labour, for example, tried Cool Britannia, and Re-branding Britain – but accompanied by escalating illiberalism. Isn't it time to acknowledge that the majority is not monocultural, and that 'majority reassurance' doesn't reassure?

Quoting Figgis, Hirst pointed out that, 'We cannot claim liberty for ourselves while at the same time denying it to others'.¹⁰

For the full version of this chapter see Rosemary Bechler, <http://www.opendemocracy.net/ourkingdom/rosemary-bechler/dangers-of-illiberalism-call-for-pluralist-state>

Notes

1. <http://www.modernliberty.net/programme/morning-sessions/judges-and-politicians>.
2. <http://www.voting.ukscientists.com/sankey.html>.
3. D. Varney, *Service Transformation: A better service for citizens and businesses, a better deal for the taxpayer*, HM Treasury 2006: http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/d/pbr06_varney_review.pdf.
4. P. Hirst, *Renewing Democracy through Associations* – a summary paper for Essex University and the European Consortium for Political Research, 2002: <http://www.essex.ac.uk/ecpr/events/jointsessions/paperarchive/turin/ws7/Hirst.pdf>.
5. D. Omand, *The National Security Strategy: Implications for the UK intelligence community*, IPPR 2009.
6. <http://www.guardian.co.uk/society/2008/apr/11/localgovernment.ukcrime>.
7. P. Hirst, *Associative Democracy: New forms of economic and social governance*, Policy Press 1994.
8. P. Hirst, 'J. N. Figgis, Churches and the State', *The Political Quarterly*, 71, pp104-120, 2000.
9. D. Goodhart, 'National Anxieties', *Prospect*, 123, 2006.
10. Quoted in P. Hirst (2000) *ibid*.

5. Associational welfare: too much pluralism?

Stuart White

Paul Hirst argues in *Associative Democracy* that contemporary liberal societies do not provide welfare services in ways that reflect religious and ethical pluralism.¹ In place of the state as sole provider, Hirst argues for the state retaining the role as the chief financier of welfare services while devolving the provision itself to civil society associations such as religious groups or trade unions. Individuals would receive, in effect, a voucher to purchase services from a (non-profit) associational provider. Individuals could select between associational welfare providers according to their values. As well as offering a gain in terms of greater responsiveness of welfare to individual values, Hirst argues that by freeing the state from direct responsibility for service delivery, the state will be able to monitor basic service standards more effectively. We will therefore get a more diverse, responsive and better regulated welfare state.

Pluralism of the proposed kind certainly has its attractions. If Hirst's model sounds rather academic or abstract, we should recall that the Coalition's proposal to allow parents to use public money to set up schools of their own is similar (though the Coalition is also ready to open the education sector up more widely to for-profit providers). But, I want to consider and defend the claim that the whole idea of welfare pluralism is misguided, but then criticise Hirst for going too far.

Objective needs versus subjective preferences?

In a critical response to Hirst, Marc Stears argues that associational welfare rests on an overly subjective theory of needs.² Hirst suggests that differences in needs arise from different conceptions of the good life, for example, religious views. But, Stears argues, this confuses needs with preferences. And this is objectionable on two grounds: first, it means that real needs will go unfulfilled in view of people's 'mistaken' subjective preferences; second, it means that citizens may be unfairly required to subsidise the 'expensive tastes' of others.

These criticisms threaten to refute the whole enterprise of pluralistic welfare provision. But I think Hirst can reply to them.

Even if needs are 'objective', ideas about the appropriate way to meet these needs may reasonably differ according to values and beliefs.³ Two people might both stand in objective need of a particular operation. But their religious views might lead to different implications for exactly how the operation is done. Moreover, there can be conflicts between different medical needs. Treatment A might be good for need X, but bad for need Y, and vice versa for treatment B. There is no necessary right way to trade-off objective needs when they conflict. It also does not necessarily imply that the state will fund some people to make 'mistakes' about their needs. (Though some of Hirst's formulations can be read this way, for example, where he allows that people might use public funds to buy health-care packages which include 'alternative medicine'.⁴ How 'alternative'?)

However, Stears's critique that some citizens might subsidise the expensive tastes of others is dealt with if associations receive public funds according to a common formula. If that formula is common to all associations, then citizens with relatively 'expensive tastes' will not in fact receive greater funds per head. They will have to meet these tastes within the same budget as everyone else (or, if this is allowed, top up public funds with their own monies).

But, Hirst's theory cannot escape from some notion of 'normal' or 'common' need, even as he emphasises the idea that need is diverse.

On the other hand, Hirst's approach is too pluralistic.

Discrimination in employment?

If associational welfare providers are to attract custom by offering welfare that is crafted to the particular values of different social groups, won't they need to employ people as workers – for example, as teachers, nurses and doctors – who understand these values and are willing to act from them? And what are the implications of this for equality of opportunity in employment?

This question has emerged quite acutely in the UK in the past few years in connection with the rise of 'faith-based welfare' and the debate over how far employers with a religious ethos should have the freedom to discriminate in favour of workers who share this ethos. On the one hand, allowing faith-based providers to discriminate in employment decisions, on religious grounds, makes sense as a way of enabling faith-based welfare providers to ensure that their provision of a service is informed by the values and beliefs which their clients hold. But allowing such discrimination might also have a detrimental impact on society's achievement of equality of opportunity. People with the requisite skills might find it harder to get jobs and promotion relative to other, equally qualified people because of their religion. Where faith-based providers are receiving public funds, such discrimination might be considered particularly objectionable. (Critics also argue that restricting employees to co-religionists might shrink the pool of eligible workers in a way that impairs the quality of the service the religious employer is able to offer.⁵)

My point is not necessarily that the state should prohibit all religiously-based employment discrimination by faith-based welfare providers to ensure equality of opportunity. However, there is a

conflict of values here, between religious liberty and pluralism on the one hand and equality of opportunity on the other. In the face of this conflict, we should not just assume that pluralism has complete priority. We need to consider how far pluralism may and should be limited in order to promote equality of opportunity.

Harm to children and the wider society?

What happens if a given association wishes to use public funds to provide a service with a controversial content? In the case of (at least some) adult service recipients, then we can say, to some extent: ‘If they don’t like it, they can walk’. Adults do not permanently sign up to any given association. They can change their affiliations if they decide they now find this one or that one objectionable in some way. The right of exit, which is inalienable in the constitution of associative democracy, offers strong protection to the adult individual from being harmed by the possible idiosyncrasies of pluralist associational welfare.

But other groups do not have the protection afforded by this right of exit, and one such group is children. Children cannot exit a given school, say, unless their parents exercise the right for them. But parents and schools in an associational welfare state might combine to impose on children forms of education which have very controversial content, for example, involving the inculcation of traditional gender roles, or encouraging scepticism towards science. Second, we need to bear in mind the interests of the wider citizenry. As citizens of a democratic society, we have an interest in seeing all children raised in ways that will enable them to function effectively as democratic citizens. This arguably requires a schooling that encourages certain virtues, such as tolerance and mutual respect and the skills of critical thinking and understanding of the political process. In the interests of children, and the wider citizenry, the state must therefore set some clear and firm limits to what welfare providers, for example, in education, can do.

Hirst goes some way to acknowledge this when he says that all associations must treat children in a way that will give them the capacity to make up their own mind about the group and its values on reaching adulthood. However, I am not sure that all the relevant interests of children and wider citizenry are fully captured by this concern for future capacity to exit. Doing enough to secure this capacity could be consistent with significant gender inequalities in education, for example, or with failing to teach mutual respect for citizens of other faiths and none. The state's legitimate remit, in constraining pluralism of provision, reflecting its role as protector of children and the wider citizenry, might well be somewhat wider than Hirst was willing to admit.

Conclusion

So pluralism in welfare, yes; but pluralism on the scale Hirst advocated arguably comes at excessive cost to social justice and democratic citizenship.

Notes

1. P. Hirst, *Associative Democracy: New Forms of Economic and Social Governance*, Polity Press 1994.
2. M. Stears, 'Needs, Welfare and the Limits of Associationalism', *Economy and Society* 28 (4), pp.570-589, 1999.
3. P. Hirst, 'Associationalist Welfare: A Reply to Marc Stears', *Economy and Society* 28 (4), pp590-597, 1999.
4. P. Hirst, 'Statism, Pluralism and Social Control', *British Journal of Criminology* 40, pp279-295, 2000.
5. See for example British Humanist Association, *Quality and Equality: Human Rights, Public Services and Religious Organisations*, British Humanist Association 2007.

6. Putting democracy into welfare provision

Graham Smith

I wish to begin with four quotes. The first on the impact of the overbearing state:

The size, scope and role of government in Britain has reached the point to which it is now inhibiting, not advancing the progressive aims of reducing poverty, fighting inequality, and increasing general wellbeing. Indeed there is a worrying paradox that because of its effect on personal and social responsibility, the recent growth of the state has promoted not social solidarity, but selfishness and individualism.

Secondly, on rolling back the state:

I believe that in general, a simplistic retrenchment of the state which assumes that better alternatives to state action will just spring to life unbidden is wrong.

A third in praise of mutualism:

The vibrant panoply of civic organisations that meant communities looked out for one another; the co-operatives, the friendly societies, the building societies, the guilds.

And finally, a recognition that broader civic engagement should go: 'beyond just social entrepreneurs and community activists'.

This was David Cameron speaking in 2009; but it could have been Paul Hirst writing each of those phrases.¹ It is disconcerting for those of us who lived through Thatcherism that a Conservative would be speaking this way. But there are at least two weaknesses in this discourse. First, it is now becoming increasingly clouded by demands for fiscal austerity. Today, when politicians speak on the Big Society it tends to sound more like an argument that the state is crowding out voluntary action. Much more emphasis is placed on the state withdrawing from welfare provision. I don't believe that this was necessarily what Cameron intended when he initially articulated the idea of the Big Society. Secondly, the Big Society arguably rests on unrealistic assumptions about motivations and the extent to which many communities have the social capacity to undertake the tasks that the Conservatives are talking about.²

Similarities and differences with the Big Society

Paul's work resonates with Big Society rhetoric through its critique of welfare and service provision by large scale hierarchical bureaucracies (whether those of the public sector or large-scale businesses) and of free market doctrines. Also, it is similar in its praise of mutualism, the desire to build social solidarity and trust. And finally we should not forget that Paul also highlights the value of competition, but in a very particular form.

But there is an explicitly democratic impulse in Paul Hirst's work which is missing in Conservative rhetoric, and was also missing in New Labour's governing philosophy. As he argues, 'associationalism seeks to expand the scope of democratic governance in civil society' through the extension of the role of 'voluntary and democratically self-governing associations' in both welfare and economic governance. Associative democracy is not simply concerned with moving services into the third sector: that

viewpoint neglects Paul's insistence on realising both internal democracy and external competition. A significant number of third sector organisations and social enterprises simply do not have a democratic form.

Central to Paul's desire to expand the scope of democratic governance to areas of welfare provision is his argument for competition between associations. State funding would follow membership: it would be correlated to the numbers of users or members of that particular association – whether through tax credits, income transfers, or voucher schemes. The amount of money an association would receive from government would be related to the size of its membership. And there would be competition between third sector providers for these members.

Paul argues that this model is democratic in two senses. Firstly, there is a minimal degree of internal democracy within associations. There has to be a capacity for voice. But his assumptions about internal democracy and individual motivations were relatively pragmatic. His are not the more maximal expectations of some advocates of the workers' co-operative movement or deliberative democracy. He felt that there was a need for a more realistic set of assumptions about individual behaviour. This is one of the most striking aspects of Paul's work. He believed very strongly that there was a need to recognise the limits of citizens' desire for democratic engagement.

Secondly, users of associations would have the right of exit; the right to move to another competing association. Here Paul is highlighting the democratic effect of competition between associations for the delivery of particular welfare services. Following Hirschman, citizens would be in a position to express loyalty (do nothing), voice (raise concerns about the way the association is doing things) or exit (go somewhere else).³ Clearly we don't have such arrangements when associations replace the state in service delivery.

The role of the state

The state continues to have a particularly significant role in the provision of welfare under Hirst's model. It would continue to fund associations relative to the numbers of members in those associations: associative democracy is not a theory of fiscal austerity. It also ensures a minimum standard of service, a level of financial probity, and ensures democratic functioning. It is no longer in the 'contradictory position of providing services through its bureaucratic agencies and also acting as the guarantor of the standard of those services'.

But Paul didn't attend much to the question of how associative democracy might emerge. As regards minimum standards and financial probity, we have a pretty good idea of how to deal with these issues. But we have less experience of regulating the democratic characteristics of associations.

My particular interest is this question of regulation. How do we begin to regulate this complex pattern of welfare delivery? One place to start is reviewing the plethora of organisational forms in the third sector and whether they are up to the task. We can look at the extent of democratic expectations within charitable status, co-operatives, community benefit societies, credit unions, companies limited by guarantee, companies limited by shares and Community Interest Companies (CICs). All of them, with the exception of what were known as Industrial and Provident Societies – now, co-operatives, community benefit societies, and credit unions – place no requirement on democratic functioning. We currently don't have the range of legal forms in place to regulate an associative democracy within welfare provision or within the economy more broadly.

Conclusion

There are very real challenges to the emergence of associative democracy, not least the capacity of the state to play its role, to regulate associations, and to step away but still fund service

provision. And crucial to the development of associationalism is a re-imagination of the variety of legal forms and the regulatory mechanisms that would need to be in place to ensure minimum practices of internal democracy, and the capacity for movement between associations.

Notes

1. David Cameron, Hugo Young lecture, 10 November 2009: http://www.conservatives.com/News/Speeches/2009/11/David_Cameron_The_Big_Society.aspx.
2. John Mohan, JoePublic Blog, *The Guardian*, 24 August 2010: <http://www.guardian.co.uk/society/joepublic/2010/aug/24/big-society-lack-of-volunteers>.
3. A.O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*, Harvard University Press 1970.

7. User engagement in social policy and older people's care

Sam Mauger

Paul Hirst's summary of the core propositions of associative democracy sums up much of what my voluntary sector colleagues think.

1. That as many social activities as possible should be devolved to self-governing voluntary associations.
2. That by doing so the complexity of the state will be reduced and the classical mechanisms of democratic representative government will be able to work better.
3. That self-governing voluntary associations should, wherever possible, replace forms of hierarchical corporate power. This would give the affected interests voice and thus promote government by consent throughout society and not merely formally in the state.
4. That for many essential public functions, such as health provision, education and welfare, voluntary associations should provide the service and receive public funds for doing so.¹

Age Concern London (ACL) has consistently advocated with older people the importance of empowerment, self determination and models of support that reflect older people's aspirations.

I am also interested in associative democracy because the baby-boomers have prompted many older people to call for more choice and control over their lives.

The 2010 Coalition government has committed itself to social

action and social care priorities, including the following policies which will impact older people:

- the greater involvement of mutuals, co-operatives, charities and social enterprises in running public services;
- public sector workers having a right to form employee-owned co-operatives and bid to take over services;
- a commission on the long-term funding of social care;
- breaking down barriers between health and social care funding to incentivise preventative action;
- extending the roll-out of personal budgets to give people and their carers more control and purchasing power.

Health and social care are being reorganised so that the state does not provide a *model* of care. The state is saying to the individual – we will fund the outcomes and you choose how you want them provided. By April 2011, 30 per cent of people receiving social care will have an individual budget. They will choose how to spend that money themselves, or through someone who holds the money and chooses how it's spent. So this is a very different way of receiving social care. The plan is that health care will follow on.

Individual budgets

People don't have to spend their money with an organisation. They can have their friend or neighbour provide care. This is different from associative democracy. From a state point of view, this approach encourages choice and may save money. But the local authorities, who will have to implement this, are concerned about the lack of control and lack of regulation. There is a risk, for example, from untrained people taking on commitments beyond their capabilities.

But, most older people like the idea of having their own choice and deciding how their care will be provided. However, models

provided in the past, like day care, will be used by less and less people. They will therefore become more and more expensive, and probably cease to exist.

Older people's involvement in strategy

Age Concern London recently did a piece of work on how older people become involved in strategic commissioning.²

We wanted to find out why people would want to get involved with how services were developed, delivered, and commissioned. People said to us that the reason they got involved was a desire to get things done and to put something back. When this works there's a mutual sense of feedback between the commissioner (or service provider) and the user. They wanted to put themselves into these discussions to try and help make things better. But they only wanted to be involved if some sort of action resulted.

People also wanted to know what would be possible and what wouldn't. They wanted commissioners to be truthful and up-front about what could be achieved and what could not. They said: 'We are grown-ups and we need to be informed about realities rather than pretending that it is really about choice and development'; and 'We can be sensible and make useful contributions – but it's important not to patronise us by pretence'. So, in other words, they were happy to be involved in discussions but wanted to know the limitations and where they were contributing in the commissioning cycle. They also wanted the power to say that a policy was unacceptable.

We also looked at whether service users or commissioners were really signed up to any transfer of power. Do users want to have responsibility for decisions that statutory organisations make? Many users didn't want to be responsible for these decisions. They were quite happy to take part, but didn't want someone to say, 'It's all your fault'. So they didn't want complete power, but were happy to influence and inform. They were also worried about being perceived

to take on authority for others – to speak for those for whom they may have no authority to be a voice.

People also thought it was important to understand the language. In health and social care, there is a particular kind of language, and Age Concern have sometimes had to act as translators. Language can make people feel disempowered. If we're talking about individuals being involved in buying services and moving around, or having the right of entry and exit, they need to be able to understand what it is they are buying, and what it is they are able to contribute.

Some of the commissioners felt that they had difficulties saying what was available to users. They felt that some discussions were necessary before you could involve users since there was no point building up unrealistic expectations. They also felt that it was extremely important to have a critical mass of users involved because it is very easy to engage the usual suspects and get the same sort of answers.

Commissioners and local authorities tend to fall into three types: those that pretended that they were enabling, but weren't; those who weren't terribly interested; and those that were very participative, wanted to hear what people had to say, and enabled real change.

Future care models

At the moment, older people are facing service rationing. But there is a huge number of older people, and a great need for new models and ways of thinking about how future support can be given. Are there, for example, different sorts of arrangements where people can provide support for each other? For example, in co-housing people get together and think about living arrangements where they can support each other.³ But can these approaches continue to support people when they become very frail? On the other hand, we find that people who are frail or have high support needs, feel that

such models can result in feelings of participation which enhance feelings of control, empowerment and self determination.

There is also the question of culture. Reciprocity and exchange are culturally determined norms, highly influenced by access to economic resources, gender, family relationships, safety nets and social capital. We all like to give and take but, as we get frailer, it is harder to take because we can't give as much.

Notes

1. P. Hirst, *Renewing Democracy through Associations* – a summary paper for Essex University and the European Consortium for Political Research, 2002: <http://www.essex.ac.uk/ecpr/events/jointsessions/paperarchive/turin/ws7/Hirst.pdf>.
2. S. Mauger et al, *Involving users in commissioning local services*, Joseph Rowntree Foundation 2010.
3. See for example the Older Women's Cohousing project which was set up in London on a similar model to one in the Netherlands: <http://www.owch.org.uk>.

8. How to combine Hirst and Polanyi to create a strong argument for an embedded and democratic economy

Maurice Glasman

Paul Hirst's work did not generate a political consensus in his lifetime. It inspired an academic and research interest but was ultimately eclipsed as a work of social democratic revisionism by the Third Way in terms of historical narrative, policy development and political potency.¹

That period is now over. The financial crash means that the present circumstances are far more propitious for the development and strengthening of Hirst's thought as a foundation for a transformative political programme based on association and democracy. But in order for that to happen, a fundamental weakness in Hirst's work and a new reality need to be acknowledged.

The new reality is that the Big Society is close to Hirst's ideas on subsidiarity, the mutualisation of public services, democratic accountability, localism and the diversity of competitive providers. The left should therefore not adopt a sneery response to some naïve exhortation to civic responsibility and pride.

The main weakness in Hirst's work is that it does not encompass the full penetration of democracy into the economy (beyond a functional use of democracy to improve performance and growth); and that it does not consider the need for a democratic renewal of vocational governance, and a further development of the relationship of association and democracy to capitalism, innovation

and growth. I think it is therefore necessary to combine Paul Hirst's work with that of Karl Polanyi, who contributes the idea of embedding an economy and the logic of the market in society.² From Hirst, I particularly take the understanding of democracy as the means by which people assert their power to resist market distributions through citizenship.

Polanyi's view of the economy

Polanyi argued that the logic of capital leads to the commodification of human beings and of nature. Somehow or other human beings have to find rules of association that preserve their human status and their natural environment. Roughly speaking, that has taken different forms in different countries. There is always some democratic form, usually a transformed form of faith, and some sensibility related to the sacredness of the person and the world. All this was violated by the logic of capitalism. Ultimately, the means by which people could gain power for themselves, resist the logic of capital and constrain the centralising power of the state, was through democracy. Their only genuine hope of preserving meaning in their lives, and a life fit for a human being, was through each other. Hirst's strong stress of the idea of self-government is essential here.

Polanyi's insight is that the logic of capitalism is essentially promiscuous. It takes its partners where it finds them and moves on to younger partners when the thrill begins to dim. The whole history of democratic association, going back to Athens and Rome, has been about resisting the excesses of the market or of capitalism. Associative democracy, therefore, is not about abolishing capital, but domesticating that relationship through institutional constraints. The institutional conception of the good is at the heart of Hirst's work. This needs strengthening if he is to provide more than the ideological underpinnings of the Coalition government.

As Jonathan Michie argues in Chapter 8, football clubs are a good example of the severance between meaning and thing that goes on in

commodification. There is something you love – your club – which is a form of associational power, which links you to place and to the faithful – something of beauty and meaning. Then it's owned by venture capitalists who live thousands of miles away who try to exploit your love through relentless price rises and shirt sales. It's a beautiful lesson in the problem. The selling of the coastline, port privatisation, the selling of forests and wood, are all forms of commodification amenable to the renewal of local democracy and economic ownership as a form of relational power that can resist market distribution.

The tension in Paul Hirst's work

If you have democratic association at institutional levels lower than the state, there is something exclusive about that. There is a bond, for example, between people in co-operative membership. Unions take an equivalent form. These connections sit uncomfortably with the democracy of the nation state where justice is the primary end. But, equally, the administrative impact of serving everybody, of everyone being treated equally, has led to a diminution of the associative power that came from resisting domination by capital and finance. That domination leads to a conflict between the short-term returns on investment that are demanded by capital, and the necessity of a degree of stability in life which is necessary for the preservation of human association.

I've been working, for example, with London Citizens, which is concerned with building relationships between people around you. Their work does not begin with an ideological or progressive starting point, but with the concerns that people have and the building of common ground.

Fusing political and economic democracy

We need to think about political and economic democracy together as a common form of regeneration of regions or places. Hirst's ideas

of democratic self-government are not an abstract ideal but tied to specific places where political and economic democracy can complement each other. That's part of the domestication of capital and the resistance to the sovereign dominant state. I'm in favour of resurrecting the Country Hundreds – the traditional forms of country administration where one hundred local people would have responsibility for the preservation of the woodlands and the common lands. The enclosure movements ensured that any form of resistance to the commodification of nature had to be abolished. I am also interested in the scope for city parliaments (we could even call them guild halls) together with forms of local banking. One of the ideas that came out of London Citizens was that one per cent of the Government's bailout of the banks should be used to endow local banks.

We also have to think about who is involved in making decisions. We can't go back to Keynes and get twelve clever chaps to pull the levers in Whitehall and everything will be fine. People have to have some sense of ownership of their world. So we came up with the view that regional banks should be constituted by whoever were the dominant institutions of civil society and local government in any given region – for example, the government, the hospital, the church, the school, the mosque. A common good would therefore be generated within the organisation itself. There would be a balance of power within its governance which would relate to the local governance of the place.

Big Society as a challenge to Labour

The Big Society rhetoric has given Labour back a language of socialism, whilst Labour is actually more concerned with universal principles of fairness and benefits. They want everyone to have exactly the same experience of life. They argue that if you have diversity of provision you undermine the principles of fairness. Labour needs to get back its language of association and democratic

power. That means in practice having to involve workers in the economic governance of firms (which could mean responsibility for sacking people). As soon as you go from collective infantilisation to mutual responsibility, the difficulties begin. You might be questioning the status of the managerial prerogative both in the public sector and private sector, or working with the idea of the common good and the balance of power in welfare provision, or having a critique of the commodification of capitalism.

Stakeholder and vocational governance

On corporate governance within the firm, I think mutualism and co-operative principles are extremely important. But capital also needs to be constrained in two ways that aren't necessarily addressed by Hirst's work. One is to do with skills, knowledge, vocation and the reproduction of skills within an economy; the other concerns the representation of the interests of stakeholders within the firm.

No-one questions that doctors have to be qualified, but when it comes to plumbers the market decides. There is a huge problem of skills depletion in the economy, which is related to issues of immigration, and to the impossibility of having a common life and common institutions because of pluralism and diversity.

One response could be to build forms of common vocational life within the economy. This is where Hirst's insistence on 'voluntary' association is troublesome: professions generally have forms of vocational self-government that are not best captured by volunteering. Thus the demands of qualification and apprenticeship characteristic of lawyers and doctors mean that if you are expelled from the association you cannot practice your trade. You can only join if you are qualified, and then you are compelled to do so. This idea of association and apprenticeship – which flows from a merging of Polanyi and Hirst – could be more widely adopted.

On stakeholding within firms, Paul Hirst suggested forms of

corporate governance that are third/third/third – a third representation of capital, a third representation of the workforce, and a third of locality and users. But you need to be much more specific about stakeholder governance, and how to pursue and conceptualise firms as public institutions that serve a common good.

Trade unions are also going to have to reconceptualise themselves – not as an agent for the abolition of capitalism – but as a force for its domestication and constraint, in other words its humanisation.

The paradoxical idea here is that the greater the diversity of democratic institutions that entangle capitalism in relationships based on knowledge and mutuality, the better the chances of releasing the energies of the workforce and generating growth. The more workers have power, the more efficient it is; the more that local communities engage in banking, the more sustainable the returns. This is about breaking the logic of short-term returns, which undermines long-term development. I think that associative democracy has therefore to be complemented by a much more explicit notion of the possibilities and threats of capitalism, the logic of the market, and how to domesticate it.

That brings us back to the notion of power, to the necessity of forms of organising that have meaning in forms of work, or in the places that you live, or in the possibility of leading a better life.

Conclusion

We cannot reasonably believe either the fantasies of free market capitalism, or that the state will stop everything. We need forms of responsible democratic action that limit the commodification of human beings and the natural environment and the strains on the relationships that are the basis of a good life. If you can combine Hirst's work with Polanyi's perspective then you have a genuinely integrated approach, based on decentralisation, subsidiarity,

federalism and forms of vocational self-regulation. You could almost call it socialism.

Notes

1. A. Giddens, *The Third Way: The Renewal of Social Democracy*, Blackwell 1998.
2. See K. Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon Press 1944.

9. Economic governance – a new form of industrial policy?

Andrea Westall

Over the New Labour years the dominance of a particularly simplified model of business and economic understanding, resulted in a tendency towards ‘one-size-fits-all’ policies. There were a few exceptions to this: some attention was given to the different needs of small businesses through the Small Business Service, and there was a belated recognition of the need to focus on specific sectors. The co-ordination and diversity of economic models was encouraged within defined areas of market failure or ‘deprived areas’, where the rules of normality and ‘business-as-usual’ could be breached. But these were the exceptions. And not much seems to have changed with the change of government, despite recent political rhetoric.

Paul Hirst’s framework for suggesting improvements and solutions to economic performance and governance was based on institutional economics. This approach focuses more on the structures and norms of how an economy works rather than seeing it as a separate abstraction from society, morals, or the public interest. As a result, he stresses the need for an ‘embedded’ economy which cannot and should not be seen in isolation from the culture, people and places within which it operates.

Part of this embedding, Hirst suggests, requires multi-stakeholder decision-making forums, associational forms of regulation, or linkages between firms to share resources or functions such as R&D. Such an approach, whilst existing in some places in practice, could become a much stronger part of any profound rethink of economic policy and strategy, or indeed part of a new industrial policy.

For example, if you want to make a transition to a low-carbon economy, the complex interactions between related industries, organisations and government make a necessity of getting everyone together to make joint decisions and agreements. A complex economy requires many more such interrelated spaces for distributed decision-making than currently exist.

Another example would be smaller firms joining together to balance power against larger customers (within say producer co-operatives), or to share equipment that it would not make sense for each to provide singly.

The Coalition might be recognising the role of mutuality and human relationships within society and public service delivery, but not within the economy. Whether we are asking questions about the best or most accountable way to structure and regulate finance, or how to co-ordinate R&D and cross-sector production to shift energy systems, Hirst's work suggests approaches that might be missing, or are ignored and under-recognised – including developing local or regional economic governance; spreading functional or sectoral governance throughout the economy; or seeking ways of democratising and pluralising the firm itself.

Governance throughout the economy

When Paul Hirst wrote *Associative Democracy* in the mid 1990s, it was a time when ideas around stakeholding, industrial districts, flexible specialisation, and forms of more democratic economic governance were prominent. Hirst's suggestions for 'Further reading' included Elinor Ostrom's work on economic governance of common resources and property, which earned her a Nobel Prize for Economics in 2009.¹ Ostrom argues that externally-imposed regulation and management can be clumsy and ineffective, giving no credit to the ability of people to work together to sanction, manage or self-govern their own resources and activities.

Hirst argued that overly centralised economic policy-making

was ineffective in a complex economy. For reasons of pragmatism and not necessarily belief, he downplayed arguments based on values, morality, accountability and power differences (which incidentally characterise much traditional and existing associational practice and motivations). Rather, he argued that decision-making, policy development and implementation are better done by involving all affected parties and enabling the full and free flow of information – to better understand, negotiate and agree on what needs to be done. In other words, it’s about creating forums for accountable decision-making which are close to the action and involve, through associations and other forms of representation, most of those affected by those activities – for example, trade associations, government, local communities, employees, customers, suppliers, or professional associations. Hirst argued that previous attempts at working in this way by co-ordinating social interests through corporatism were limited by their lack of adequate representation and through being too centralised.

The recent financial crisis, and concerns over how to shift complex systems such as energy, indicate the need to think about and create more sectoral democracy and decision-making fora. For example, we could think about cross-sector stakeholder decision-making and discussion forums within finance, which might decrease group think and improve the creation and implementation of regulation, standards or appropriate activities. (Other people, such as Leslie Budd, are also looking at how new forms of corporatism might be made relevant to sectors such as finance.²)

Existing examples of multi-stakeholder governance currently seem to be more internationally focused. For example, a report from Earthscan outlines different kinds of multi-stakeholder processes (MSPs) which deal with complex political, social and economic issues where there is a need to listen, integrate views, deal with conflict, and reach forms of ‘decision-finding’ and decision-making.³ We need to critically look at more UK-based examples, or

those at a similar scale and with a similar scope from other countries.

Associationalism in the economy can also be about complex local linkages between firms, as is well recognised in Mondragon in Spain. For example, in 1998 Philip Cooke and Kevin Morgan explored these ideas and the implications for a decentralised industrial policy in their work on *The Associational Economy*.⁴ The implications of these kinds of example have been spelt out elsewhere in this e-book, but it seems as though there is renewed interest in the kinds of ideas explored.

We can also think about more limited linkages between organisations of all kinds to share resources such as a crèche, facilities, or buying power. And this collaboration need not just stop at organisations. As more and more people become self-employed, association between such people becomes more useful, desirable and necessary: to balance power against larger institutions; to share resources; or simply to enable human connections and a better working life.

Governance within the firm

Paul Hirst argued for increased democracy within the firm both to enable better decision-making and to increase accountability and the empowerment of employees. Again this is about rebalancing power. He suggested that decision-making and governance could be incorporated by a two-tier board with a Supervisory Board, with one third members representing shareholders, one third employee representatives, and one third the wider community.

From ideas about stakeholding in the 1990s, to debates about the right kind of ownership and control of public utilities, and the defence of mutual finance in the recent financial crash, there have been sporadic and cyclical attempts to rethink how firms could be structured to work in different contexts or to pluralise the economy.

Foundation Trusts were one attempt by New Labour to realise local multi-stakeholding and broad ‘horizontal’ governance within health.

The Coalition is promoting employee mutuals or John-Lewis-style organisations in public service delivery. However, are these models always appropriate, and are they enough? Does this approach simply replace one powerful stakeholder by another? Surely we need to ask what works in what situations, rather than promote another single model.

Diversity within sectors is important since different models will be preferred by different people or work better at different times and for different needs. We therefore need to assess and develop models of single and multi-stakeholder governance, and address systemic issues which prevent or prefer particular models (especially the finance system and its role in privileging but also reducing the power of the shareholder), and analyse the culture, norms and education which promote and perpetuate particular models.

Some of the most interesting multi-stakeholder or hybrid examples are hidden away as ‘social enterprises’ or ‘social business’. These mix principles of economic activity, ownership, control and financing across different sectors; they could better be seen as part of a plural and diverse economy, and are often referred to as ‘hybrids’. They also test out some of the realities and possibilities that are set out in this e-book.

We also need to think, and experiment, with models of engaging the wider public interest, the environment and the future in organisational governance. Hirst briefly cited Shann Turnbull’s work, which draws on network governance theory and practice to combine stakeholding, public interest and arguments for efficiency through appropriate information-gathering and decentralised decision-making.⁵ Turnbull believes that such models better enable self-regulation and increased accountability, with stakeholder panels representing different groups and a corporate senate to mediate between interests or incorporate wider concerns. Other

work, such as that by Johnston Birchall, has looked at how to balance stakeholder and broader interests in public interest companies.⁶ Penny Shepherd also talks in her chapter about engaging public interest representatives in financial institutions. This is a challenging area which requires more attention, as do the implications for the role and functions of single interest groups such as unions, multi-stakeholder organisations and associative governance and practice.

Conclusion

This focus on economic governance within and between economic actors recognises that economic behaviour is embedded in social norms and practices, and is a balance of competition and co-operation. The challenge is to create environments that enable increased co-ordinative and collaborative behaviour and robust decision-making across the economy – rather than disabling or not seeing these possibilities.

Notes

1. E. Ostrom, *Beyond Markets and States: Polycentric governance of complex economic systems*, Nobel Lecture, 2009: http://nobelprize.org/nobel_prizes/economics/laureates/2009/ostrom_lecture.pdf.
2. L. Budd, 'Re-regulating the financial system: The return of state or societal corporatism?', (forthcoming) in *Contemporary Social Science*.
3. *Multi-stakeholder Processes for Governance and Sustainability – Beyond deadlock and conflict*, Earthscan 2002.
4. P. Cooke and K. Morgan, *The Associational Economy: Firms, Regions, and Innovation*, OUP 1998.
5. See for example S. Turnbull, *A New Way to Govern: Organisations and society after Enron*, nef 2002.
6. J. Birchall, *A Mutual Trend: How to run rail and water in the public interest*, nef.

10. The case of capital markets

Penny Shepherd

Capital markets need to operate effectively and in the public interest so that financial capital best supports and develops resilient economies within healthy societies. But following the financial crisis, it is widely accepted that there are systemic problems with how capital markets are organised. Associations have an important role to play in addressing these.

There are potentially four different types of association which are important to reforming capital markets:

1. Associations driven by customers of the investment chain who work together to change both demand and supply.
2. Professional associations providing peer scrutiny and challenge.
3. Civil society associations representing the stakeholders that are impacted by the supply chain but are outside it.
4. Multi-stakeholder networks involving different actors both within, and affected by, finance.

The capital market system

If we look at how capital markets are structured, there are providers of capital at one end and users of capital – the firms needing it to develop and grow – at the other. The capital providers include occupational pension funds, sovereign wealth funds, church and charity funds and our own long-term savings. Investment is allocated from providers to users, and returns on investment flow the other way. In between, you find the chain of agents who take

part of that return as money moves through the system. These agents include advisers and investment managers, who are not serving the two ends of the chain but their direct contacts in it.

To support the needs of capital providers and their agents, associated services such as secondary markets enable investment ownership to be traded through providing flexibility and liquidity. You can exchange your initial investment for cash at any time.

Whilst the interests of the users of capital and providers are long-term, the agents within the investment chain are driven to focus on the short-term. For example, regulatory requirements and the incentives given to agents arguably make liquidity disproportionately more important within the chain than is necessary to meet the genuine requirements of the capital providers and users.

Today, this investment chain appears excessively expensive. As each layer in the chain, or additional service, takes its cut, it creams off a large share of the rent for capital. As a result, many providers of capital have received little in return.

Most of us need long-term returns on our capital, so that we can defer expenditure today, to buy, for example, a bag of sugar in thirty years time. But the way that the investment chain works at present means that you can only measure whether or not you can buy this sugar the day after tomorrow. The incentives in the system are therefore short-term and reinforced by herd instinct. Agents understandably act in line with the incentives and there is no measurement system which enables you to work out whether or not you *can* buy that bag of sugar in thirty years. So it is very hard to assess or incentivise the intermediate agents to act in the long term.

All this illustrates the principal-agent problem. In other words, the *principal* wants to incentivise the *agent* to act in their interests, but the agent, unless properly incentivised, acts in their own interests. Another problem is that, in many instances, the capital providers are weak – and the end beneficiaries are ignorant of finance and disengaged. We spend more time choosing what shoes or music we

intend to buy than where to invest our money. This is reinforced by a culture which extols the virtues of, say, being a day trader.

So how can different types of association help to make capital markets fit for purpose?

Associations driven by customers

Customer-driven associations include the UN-backed Principles for Responsible Investment (PRI), the Enhanced Analytics Initiative (now part of PRI) and the Equator Principles.

The members of the PRI ('signatories') are large capital providers like pension funds (in other words, the customers of the investment chain) together with their agents, the investment managers and other service providers. Signatories are required to report on their progress in using the Principles within their investment practices.

One of the key strengths of PRI is that it both harnesses peer pressure among capital providers ('customers'/principals) and enables them to work together to influence the investment chain ('suppliers'/agents). As such, it combines the voluntary commitment to being influenced by peer pressure – such as that used by an organisation like Weight Watchers – with supply chain pressure. By doing this, it aims to shift the market over time.

Professional associations

Professional associations set norms and cultures and provide peer challenge. They also provide a space for experts to explore and evolve standards in professional practice. As such, they can be more effective than regulation alone in affecting quality and 'the way we do things round here'. They can also act as an important check and balance on the power of employers. They are arguably particularly valuable in areas like capital markets where the public may not be sufficiently well informed to assess competence.

It can be easier to play these roles if there is widespread acceptance by employers and the public that specific professionals are particularly or uniquely well qualified to undertake a task, or where a professional membership requirement is imposed by law or regulation. Competition from other professions or members of none may make it harder to set quality standards. Why should an employer hire an individual who comes with expensive requirements such as continuing professional development (CPD), adherence to ethical standards and professional membership fees, if an alternative candidate may offer equal competence at lower cost?

Professional associations also run the risk of becoming a threat to the public interest. They may entrench existing practices and suppress challenge, or may start to act in the interests of the professionals and not the public. To address this, some professions now involve lay people as public interest representatives on particular committees or on their more powerful strategy-setting councils.¹ These representatives offer constructive challenge on behalf of the general public. Their role goes beyond representing specific interest groups, such as consumers, into taking a wider perspective that encompasses future generations and the environment.

But despite this growing interest in public interest representatives across many sectors of the economy, there is not yet a network or hub where they can mix with others taking on similar roles. They have no professional association or even a '*How to be a public interest representative*' book. An association would enable them to share knowledge with peers, find more public interest jobs, agree an ethical code, promote themselves and have ways to do CPD.

Civil society associations

By and large, with limited exceptions like FairPensions, civil society associations offer little scrutiny of investment activity today.² This is so even though the history of such campaigning now dates back

several years.³ Influential commentators believe that more is needed.⁴ City speakers at the recent launch of Oxfam's report *Better Returns in a Better World* highlighted the sporadic nature of NGO approaches, while the report itself is one of the first NGO attempts at strategic capital market campaigning.⁵

As well as scrutiny, credible threats of disintermediation and alternatives which can change the system are needed. Civil society associations can also offer this. The literature on disruptive innovation shows that it is rarely incumbents that deliver game-changing innovation, in part because they benefit too strongly from the existing system. Also, since disruptive innovations tend to be vertically integrated, they replace the whole chain rather than slotting in as a new feature. Kiva is one civil society organisation already delivering an innovation that may become disruptive. It uses the internet to enable microfinance lending.⁶

Multi-stakeholder networks

In other sectors, the role of multi-stakeholder networks, particularly at an international level, has become important to enable change to complex systems. These associations have been labelled 'Global Action Networks' (GANs).⁷ The Forest Stewardship Council, created to address resource depletion, offers one such model. Within finance, UKSIF – the sustainable investment and finance association – is an example of an industry-led multi-stakeholder network which is a values-led member organisation including banks, consultants, pension funds and NGOs.⁸

Notes

1. For example, the Institute and Faculty of Actuaries and the Chartered Institute of Taxation.
2. <http://www.fairpensions.org.uk>.
3. See S. Waygood, *Capital Market Campaigning: The impact of NGOs on Companies, Shareholder Value and Reputational Risk*, Risk Books 2006; and

- S. Waygood, 'Civil Society and Capital Markets', in C. Krosinsky and N. Robins (eds), *Sustainable Investing – the art of long-term performance*, Earthscan 2008.
4. See S. Davis, J. Lukomnik and D. Pitt-Watson, *The New Capitalists: How Citizen Investors are Reshaping the Corporate Agenda*, Harvard Business School Press 2006.
 5. <http://www.oxfam.org.uk/applications/blogs/pressoffice/2010/11/16/investors-could-do-more-to-reduce-poverty-says-oxfam/?v=media>.
 6. <http://www.kiva.org/>.
 7. S. Waddell, *Global Action Networks: Creating our Future Together*, forthcoming, Palgrave Macmillan.
 8. <http://www.uksif.org/members/member-directory>.

11. The case of football

Jonathan Michie

Key questions are ‘What is the purpose of a firm?’, ‘Who owns it?’, ‘What is its business model?’, and ‘What should its policies and practices therefore be?’.

Paul Hirst talks about associations seeking to expand the scope of democratic governance in civil society. We also need to expand the scope of democratic governance within the places we work, and within the companies we deal with. And we need to rein in the plc ‘greed is good’ model to deal with credit crises.

Football – an example of greed replacing meaning

The best way to think about all this is with a specific example. When BSkyB tried to take over Manchester United at the end of the 1990s (or at least that’s how it was reported – in fact the board of directors at Manchester United plc were attempting to sell to BSkyB), the supporters’ organisations opposed the selling of the club. They attempted to have a meeting with the board to let them know what their customers and supporters thought. It is quite extraordinary that the board of directors refused to meet with them.

The *Newsnight* journalist Michael Crick and I therefore set up an organisation called Shareholders United Against Murdoch. When Manchester United plc had formed, quite a lot of people bought the minimum number of shares allowed just so that they could go to the AGM. We organised the shareholder supporters and wrote again to the board of Manchester United. ‘We’re not requesting a meeting – we’re actually demanding a meeting because we own the club. We are owners and it is your legal obligation to

meet with us.’ They then had to meet with us regularly to present financial results. Once the takeover bid had been defeated, we carried on as a Supporter Trust.

That takeover bid was turned down by the Monopolies and Mergers Commission (MMC). In our presentation to the MMC we pointed out that they needed to realise the importance of the name of the company – it’s *Manchester* United plc. There is an important connection to the place and to the community. The supporters have a strong affinity to that club and place, so it shouldn’t just be bought and sold.¹

Once the MMC ruled the takeover out we tried to build the Supporters Trust up in size in order to mutualise the club.² Although it was a long shot we had 30,000 members, most of whom were buying £10 worth of shares a month. But then Malcolm Glazer bought the club by borrowing. As a result, Manchester United went overnight from being the world’s most profitable club to the most indebted. That leveraged buy-out is another good example of the implications of our present system of corporate ownership.

But it wasn’t always like this. It’s only very recently that ‘greed is good’ and shareholder ownership has been plausible within football. In the previous hundred years it was accepted that you weren’t allowed to own for private personal benefit certain sectors of the economy and society which had a purpose – cultural or social.

During the evolution of capitalism, when football clubs were being established, the powers that be realised that there were different sectors of the economy and society. A businessperson might buy the local football club, and make money out of it just like a mill or a mine. But they realised that this would be quite wrong since the purpose of the football club was to be sporting and social. The FA (which stands for *Football Association*) made very strong and clear rules that no-one was allowed to make money or personal private gain out of football clubs. No football club was allowed to pay its CEO. There were also strict rules on what you could pay out

as share dividends. And you weren't allowed to float on the stock exchange and become a plc.

In the 1980s, under the Thatcher government, the FA capitulated and allowed their own rules to be broken. Alan Sugar led the way at Tottenham, and Manchester United was the first to pay their CEO.

Biodiversity of corporate form

The example of football illustrates many things. (There are also certain parallels with the takeover of Cadbury's.) It's not a question of whether you are for or against takeovers, or whether you're a nationalist or an internationalist. There are different regulations in almost every country. No other country in the world has such an extreme form of free-market capitalism as Britain, which allows the takeover of any company you want. It would be slightly odd – as indeed some people in Britain argue – were every other country in the world wrong and only Britain right, with this 'shareholder value', and 'greed is good' model.

Kellogg College recently produced a report *Promoting Corporate Diversity in the Financial Services Sector*, which among other things focused on the promotion of mutuals.³ It was launched at all three major party conferences in 2010; the fringe meeting at the Conservative Party conference was the biggest and most lively. The report argues that mutuals and co-operatives have different incentives and behaviours and so will react differently to events. You will therefore have a healthier and more resilient financial services sector if you have a diversity of corporate forms. There will also be more competition for private sector banks. The evidence shows that this competition has a positive effect in terms of pressurising the banks to give better service to their consumers.

Germany has a quite diversified financial services sector, with around a third being private sector plcs, a third in public sector hands, and a third in co-operative and mutual ownership. Britain

used to be more like this during the 1950s and 1960s. But since then the private sector has squeezed out alternatives through privatisation and demutualisations, and encouraged more short-term behaviour.

Notes

1. See J. Michie and C. Oughton, 'Football and Broadcasting and the MMC Case', in S. Hamil, J. Michie and C. Oughton (eds), *The Business of Football: A Game of Two Halves?*, Mainstream 1999.
2. For a discussion of the Football Supporters Trust movement, see S. Hamil, J. Michie, C. Oughton and S. Warby (eds), *The Changing Face of the Football Business*, Frank Cass 2001.
3. <http://www.kellogg.ox.ac.uk/researchcentres/documents/Mutuals%20oxford%20brochure.pdf>.

Notes on Contributors

Anthony Barnett is co-editor of OurKingdom, part of openDemocracy. When openDemocracy was founded ten years ago, Paul Hirst was a significant contributor to it, for example on the nature of globalisation. Anthony focuses on the relevance, robustness and overarching foresight that Paul had about the exhaustion of political models.

Rosemary Bechler is Editor of openDemocracy, for which *Associative Democracy* was one of the inspirations. Her interest in Paul's work began with the publication of the book, and continued through such founding openDemocracy debates as those on globalisation and the politics of space and war.

Ian Christie works at the Centre for Environmental Strategy at the University of Surrey. He is interested in how associative democracy might be extended to incorporate an area which is not well covered in Paul's work – that of sustainable development and climate change.

Maurice Glasman is Director of the Faith and Citizenship Programme at London Metropolitan University, a working peer, and part of London Citizens. He is the author of *Unnecessary Suffering*. Maurice is particularly interested in the renewal of democratic theory and practice.

Su Maddock from Manchester Business School has worked with government on public service innovation and the role that government could play to create contexts which enable people to work together more collectively and collaboratively. She believes that we need a new narrative for what might otherwise be dismissed as 'bottom-up'.

Samantha Mauger is Chief Executive of Age Concern London. She believes that the principles of associative democracy chime well with the way her colleagues think, and the desires of older people to have more control over their lives.

Jonathan Michie is President of Kellogg College at the University of Oxford, and part of the Commission on Ownership (ownershipcomm.org). He worked at Birkbeck College at the same time as Paul, and is interested in alternative corporate forms.

Penny Shepherd is Chief Executive of the UK Sustainable Investment and Finance Association, which has a membership of around 200 organisations and individuals. UKSIF, itself an example of associative democracy, works to improve capitalism – making profits and advancing sustainable development and human happiness at the same time.

Graham Smith, based at the Centre for Citizenship, Globalization and Governance at the University of Southampton, works on democratic innovations and experimentation and how to shape civic practices. He engaged in many heated discussions with Paul on the plausibility of deliberative democracy. And he is particularly interested in the democratic tensions involved in regulating associative democracy.

Andrea Westall is a strategy and policy consultant, writer and changemaker. She is particularly interested in how associative democracy could be a possible way to talk about, and practically offer solutions to, economic governance, industrial policy, and sustainable development. Email: awestall@hotmail.com

Stuart White is Lecturer and Director at the Public Policy Unit, Department of Politics and International Relations, University of Oxford. He is interested in the ways in which Paul raises questions of the balance between collectivism and associationalism within social democracy.

Seminar Participants

Anthony Barnett (see Notes on Contributors)

Rosemary Bechler (see Notes on Contributors)

Ian Christie (see Notes on Contributors)

Chris Cornforth

Professor of Organisational Governance and Management at the Open University Business School. Chris's work focuses on the governance and management of co-operatives and voluntary associations, including the advantages and limits of democratic governance.

Will Davies

Research Fellow at the Institute for Science, Innovation and Society, Saïd Business School, Oxford University. Will thinks that Paul's work might have something to offer in the development of political economy.

Nicholas Deakin

Emeritus Professor at the University of Birmingham. Nicholas has worked with, and published on, associations in civil society and welfare. He reviewed *Associative Democracy* when it first came out, welcoming the fresh ideas but also expressing some doubts. Paul's death left him with the sense of an unfinished discussion.

Maurice Glasman (see Notes on Contributors)

Gary Kass

Principal Specialist in Strategic Futures at Natural England. Gary is interested in how to make the Big Society happen on the ground, and deliver outcomes for people and the natural environment. He

has looked at participative, deliberative and representative democracy and feels that we have yet to find a way to work with and through local people. The principles of associative democracy might well be a valuable addition.

Dan Leighton

Head of the Public Interest Programme at Demos. Dan felt that Paul Hirst's work needs to be revised in the light of recent similar – though not as robust – ideas, such as those of Phillip Blond. He felt that Paul's work combined, in an unusual way, both theoretical and pragmatic approaches to the limits of democracy.

Nigel Lowthrop

Founder and director of Hill Holt Wood. Nigel believes that we need to think more broadly about business governance, and that we won't have sustainable development as long as we have a business model driven only by cash and profit.

Su Maddock (see Notes on Contributors)

Samantha Mauger (see Notes on Contributors)

Jonathan Michie (see Notes on Contributors)

Robin Murray

Industrial economist working principally on social innovation. Robin has been involved in fair trade for twenty-five years, which he sees as an attempt to realise associative democracy internationally.

Penny Shepherd (see Notes on Contributors)

Graham Smith (see Notes on Contributors)

Grahame Thompson

Paul's co-author and friend, and Professor of Political Economy at the Open University. Paul and Grahame were undergraduates at the

same time at Leicester University and, amongst other things, wrote together about globalisation. Grahame attended the event out of a strong interest in seeing if people would pick up on ideas in Paul's work, and use them in the present context.

Iain Tuckett

Group Director of Coin Street Community Builders – a not-for-profit company, or social enterprise, that grew out of a campaign. Coin St includes a number of housing co-operatives owned and run collectively by tenants, and has set up, with others, a number of cross-sector local networks.

Halina Ward

Director of the Foundation for Democracy and Sustainable Development. Halina feels that democracy is often seen as a political construct in a social setting. Associational democracy, however, suggests ways of blending organisational and societal democracy.

Andrea Westall (see Notes on Contributors)

Stuart White (see Notes on Contributors)

Penny Woolley

Paul Hirst's widow. *Associative Democracy* was dedicated to their son. Penny is a volunteer and governor at a primary school in Haringey and believes that local management of schools should incorporate some of the approaches and ideas that Paul was thinking about.

Stephen Yeo

Chair of the Co-operative Heritage Trust. Stephen has been involved with the Co-operative College as an historian of co-operatives, mutuals and associations. He worked for a long time with Paul on the three socialisms – associationism, statism and collectivism – all deeply rooted in practice. For Stephen, the co-operative critique of statist versions of socialism is 'associationism' – not associationalism.