

Sponsored by:



THE JRSST Charitable Trust

And with support in kind



Supported by:



Public Policy Unit

The Department of Politics and International Relations

OurKingdom

power & liberty in Britain



ASSOCIATIVE DEMOCRACY SEMINAR 14th October 2010, TRANSCRIPT

On October 14th 2010, 22 people from a wide range of backgrounds – academics, policymakers and practitioners – came together to discuss the continued relevancy of Paul Hirst’s ideas of associative democracy and governance. This transcript of the day’s presentations and discussions is both a record of the day but also a starting point for the further development of related practical ideas, language and concepts that might be useful for today’s democratic, economic, social and environmental challenges. The presentations and comments have been lightly edited or rewritten by contributors.

Contents

Outline of day
Participants

Part 1 – The continuing relevance and applicability of Paul Hirst’s Associative Democracy

1.1 *Why revisit Paul Hirst’s theory of associative democracy?*, by Stuart White

1.2 *UK democracy and the dangers of illiberalism*, by Rosemary Bechler

Related Discussion – *Problems with pluralism*

1.3 *Economic and social assumptions, predictions and solutions*, by Andrea Westall

Part 2 – Democratising the state

2.1 *Why does democratic reform matter?*, by Anthony Barnett

Related discussion – *The Big Society: a challenge to self-organise?*
The limitations of our language and work identities
Big Society could create more agitation and democracy

2.2 *Associative democracy and local government*, by Su Maddock

Related discussion – *The challenges of the environment to associative democracy*
The inertia of an outdated economic model
How to create more local and regional democracy
The need to build capacity and support associationalism

Part 3 – A new industrial policy? A new stakeholder economy?

3.1 *Associational economic governance*, by Maurice Glasman

Related discussion – *Finance system and incentives*
Incorporation of innovation and entrepreneurship in Karl Polanyi's views?
Economic devolution and local economic systems
The difference between capitalism and markets
A different kind of economy?

3.2 *Power in the firm*, by Jonathan Michie

Related discussion – *Sustaining democracy within organisations*
Moral value or efficiency of democratic governance?
Different economic goals and incentives?
Corporate law reform?
The need for a new business model?
Map existing associations in the economy

Part 4 – Associationalism and welfare

4.1 *Putting democracy into welfare provision*, by Graham Smith

Related discussion – *Big business and welfare*
Philanthro-capitalism – an alternative to associative democratic provision?
Going beyond neoliberal assumptions and frameworks
How to make a reality of the purchaser-provider split?
Engaging smaller organisations and people
Social-public partnerships and bilateral commissioner-provider trusts?
Trust in trusts and mutuals?
Implications for forms of regulation
Informal activities and accountability

4.2.1 *User engagement in social policy and elderly care*, by Samantha Mauger

Related discussion – *Individual budgets*
Examples of reciprocity amongst older people
Age and association

**Associative democracy –
exploring wider forms of economic and social governance
14th October 2010**

- 10.30 -10.45 **Chair: Andrea Westall** – introductions and overview
- 10.45 -11.30 **The continuing relevance and applicability of Paul Hirst's
*Associative Democracy***
Why revisit Paul Hirst's theory of associative democracy?,
Stuart White, Department of Politics and International
Relations, University of Oxford
UK democracy and the dangers of illiberalism,
Rosemary Bechler, Editor, Open Democracy
Economic and social assumptions, predictions and solutions,
Andrea Westall, Strategy and Policy Consultant
- 11.30 - 11.45 Coffee
- 11.45 -1.15 **Democratising the state**
11.45 -12.30 *Why does democratic reform matter?*, Anthony Barnett,
Founder, OpenDemocracy and Editor, OurKingdom
12.30 - 1.15 *Associative democracy and local government*,
Su Maddock, Manchester Business School
- 1.15 - 2.00 Lunch
- 2.00 - 3.30 **A new industrial policy? A new stakeholder economy?**
2.00 - 2.45 *Associational economic governance*, Maurice Glasman,
Director, Faith and Citizenship Programme, London
Metropolitan University, and London Citizens
2.45 – 3.30 *Power in the firm*, Jonathan Michie, President, Kellogg
College, Oxford University and Commissioner, Commission on
Ownership
- 3.30 - 3.45 Coffee
- 3.45 - 5.15 **Associationalism and welfare**
3.45 - 4.30 *Putting democracy into welfare provision*,
Graham Smith, Centre for Citizenship, Globalization and
Governance, University of Southampton
4.30 – 5.15 *User engagement in social policy and elderly care*,
Samantha Mauger, Chief Executive, Age Concern London
- 5.15-5.30 **Next steps**

PARTICIPANTS

Anthony Barnett is co-editor of OurKingdom – part of openDemocracy (www.opendemocracy.net) which he founded 10 years ago. Paul Hirst was a significant contributor on, for example, the nature of globalisation. Anthony worked with Paul Hirst on Charter 88. He is struck by the relevance, robustness and overarching foresight that Paul Hirst had about the exhaustion of political models.

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

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

Chris Cornforth is Professor of Organisational Governance and Management at the Open University Business School. Chris had not previously come across Paul Hirst's work but it links to his research on governance and management for co-operatives and voluntary associations, including the advantages and limits of democratic governance.

Will Davies is a Research Fellow at the Institute for Science, Innovation and Society, Saïd Business School, Oxford University. He knew nothing about Paul Hirst's work before attending the event but believes that there is relevance to the economy and to the development of political economy.

Nicholas Deakin is an Emeritus Professor at the University of Birmingham and has worked with, and published on, associations in civil society and welfare. He reviewed *Associative Democracy* when it came out, welcoming the fresh ideas but also expressing some doubts. Paul's death left him with a sense of an unfinished discussion. More recently, he has, through speeches, suggested that Paul's ideas should be included in current political debates.

Maurice Glasman is Director of the Faith and Citizenship Programme at London Metropolitan University and part of London Citizens

Gary Kass is Principal Specialist in Strategic Futures at Natural England. He 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 haven't yet worked out how to work with and through local people. He feels that some of the principles of associative democracy might be valuable in these discussions.

Dan Leighton is Head of the Public Interest Programme at Demos. He felt that Paul Hirst needs to be revised in the light of similar Conservative thinking, such as that of Phillip Blond, which is not as robust. He felt that Paul Hirst was both theoretical and pragmatic about the limits of democracy, being unusually hard-headed as well as critical.

Nigel Lowthrop, founder and director of Hill Holt Wood, was interested in the event because of the need to think more broadly about business governance. He believes that we won't have sustainable development as long as we have a business model driven only by cash and profit.

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 that makes sense of this bigger agenda and that is not dismissed as being 'bottom-up'.

Samantha Mauger is Chief Executive of Age Concern London. She knew nothing about Associative Democracy before attending the event but wanted to learn about participant's views on personalisation, self-directed support, and new models of older people caring for each other.

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 Hirst, and is interested in alternative corporate forms.

Robin Murray is an industrial economist working principally on social innovation. He has been involved in fair trade for 25 years, which he sees as an attempt to realise associative democracy internationally. Robin is now working with Co-operatives UK on a wide ranging review of the future of co-operation in Britain.

Penny Shepherd is Chief Executive of the UK Sustainable Investment and Finance Association which has a membership of around 200 organisations and individuals. UKSIF is focused on making capitalism work better – making profits and advancing sustainable development and human happiness at the same time. She is interested in the lack of effective civil society scrutiny of the finance sector and the role of professional associations and peer support among professionals and associations of investors.

Graham Smith is based at the Centre for Citizenship, Globalization and Governance, and directs work on the environment in the Third Sector Research Centre – both based at the University of Southampton. He is interested in democratic innovations and experimentation and how to shape civic practices. He had the dubious pleasure of heated discussions at a couple of conferences on the plausibility of deliberative democracy with Paul Hirst! And is particularly interested in the democratic tensions in regulating associative democracy.

Grahame Thompson is Professor of Political Economy at the Open University. He was Paul's co-author and friend. They were undergraduates together at Leicester University and, amongst other things, wrote about globalisation. Grahame came to this seminar out of great interest to see if people could pick up on the things that Paul was saying, and use them in the present context. He feels that there are outstanding questions of how you would govern an associative economy, the types of entities that could be constructed as associations, and the role of law.

Iain Tuckett is Group Director of Coin Street Community Builders – a not-for-profit company, or social enterprise, that grew out of a campaign (www.coinstreet.org). 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 is Director of the Foundation for Democracy and Sustainable Development. She felt that much work on democracy tends to see it as a political construct in a social setting, but that associational democracy suggests ways of blending organisational and societal democracy.

Andrea Westall is a strategy and policy consultant, writer and changemaker. She is particularly interested in these ideas as a possible way to talk about and practically offer solutions to economic governance, and sustainable development.

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

Penny Woolley is Paul Hirst's widow. *Associative Democracy* was dedicated to their son and she is pleased that Paul "is still bringing people together". She is a volunteer and governor at a primary school in Haringey and believes that local management of schools should incorporate some of the things that Paul was thinking about, since with so much inequality of resources – intellectual as well as economic – that it can be very difficult to recruit, for example, the right mix of parent governors.

Stephen Yeo as Chair of the Co-operative Heritage Trust has been involved with the Co-operative College as an historian of co-operatives, mutuals and associations. He worked with Paul Hirst on the three socialisms – Associationism, Statism and Collectivism – which have been deeply rooted in practice for a long time. For him, the co-operative critique of statist versions of socialism is 'associationism' – not associationalism.¹

¹ For a discussion of the 3 socialisms, see William Outhwaite and Michael Mulkey eds. *Social Theory and Social Criticism, Essays for Tom Bottomore* (Blackwell, Oxford, 1987), where Stephen Yeo talks about 'Three Socialisms: Statism, Collectivism, Associationism' pp.83-113. In the same collection Paul Hirst wrote a piece called 'Retrieving Pluralism' pp 154-174, when he was probably developing 'Associationalism' (very theoretically).

Part 1 The continuing relevance and applicability of Paul Hirst's Associative Democracy

1.1 Why revisit Paul Hirst's theory of associative democracy? By Stuart White

In 1994, the sociologist and political theorist, Paul Hirst, published *Associative Democracy: New Forms of Economic and Social Governance*.² The book was one attempt to rearticulate the project of the 'Left' in the wake of the retreat of social democracy in the 1980s and the collapse of state socialism at the end of this decade. Hirst also argued, however, that his theory could be engaged with from the Right. The book has had a significant long-term, cumulative impact and seems as relevant today as in 1994 – if not more so.

The participants have acknowledged how much this book has affected them and how far they are in dialogue with it, as well as its continuing relevance. To understand this continuing relevance, we need first to recall its basic argument: its *diagnosis* of the ills of present-day politics and society and its *prescription* of an alternative.

Contemporary capitalist societies, particularly Britain, suffer, Paul Hirst argues, from at least three problems:

1. *Lack of accountability*. Echoing social theorists such as Max Weber, Hirst argues that liberal democratic societies have increasingly come to concentrate decision-making in hierarchical, centralised bureaucracies, whether of the state or the business corporation. People who are deeply affected by decisions taken at the top of these hierarchies find it hard to hold decision-makers to account.
2. *Lack of sensitivity to pluralism*. It is an achievement of liberal democracies that they have permitted, even fostered, a growing degree of ethical pluralism. Centralised states and bureaucratic structures are, however, poor at responding to pluralism.
3. *Social exclusion*. While a majority might be reasonably (or unreasonably) affluent and materially secure, a non-trivial minority of citizens have become locked in relative poverty and underemployment.

So far as prescription is concerned, Hirst argues for a model of 'associative democracy' as a way of addressing these problems. Associative democracy has four key elements:

1. *Democratise and federalise political decision-making*. The British state needs to be democratized. This involves, first, the reform agenda associated with Charter 88 – electoral reform, elected second chamber, and a Bill of Rights. But it also requires a radical federalization of state power with decision-making pushed outwards both geographically and functionally.
2. *Democratize economic decision-making*. Decision-making within enterprises should be democratized to give workers and other

² Hirst P (1994) *Associative Democracy: New forms of economic and social governance*, Polity Press.

'stakeholders' voice and representation. Decision-making across firms and industries should bring the state, union and employer organizations together at regional and national levels.

3. *Third sector devolution.* Across many areas of the welfare state, the state should abandon its role as the direct provider of goods and services. It should devolve the role of welfare production to voluntary associations, for example, churches or trade unions. But it should retain its role as the main financier of welfare provision.

And one area which is not dealt with today but is crucially important to Hirst's arguments and prescriptions:

4. *Individual economic empowerment.* Individuals should be able to negotiate their way through a society composed of cross-cutting associational spheres as genuinely free individuals. This requires a real power to refuse association with others, including employers. Central to Hirst's thinking here is the idea of a Citizen's Income (CI): an income grant, set at a reasonably high level relative to basic needs, which is paid to all citizens of right without any test of means or willingness to work.

Perhaps now we can begin to see why and how Hirst's theory of associative democracy remains relevant.

At the level of diagnosis it identifies major problems with both the British state and with 'the market' and associated forms of economic governance. This resonates with a society which has recently experienced crises in both the economy and the state: the banking crisis and its aftermath, or the 'MPs' expenses scandal'.

And at the level of prescription we have seen a definite turn in political thinking towards some kind of 'societal' third way in the past few years, as exemplified in the Coalition's idea of the 'Big Society' – an idea that has resonances, in different forms, across Right and Left.

Compared to the 'Big Society', however, Hirst's theory of associative democracy seems to me superior in that it is less vague, being more concrete and specific. It is also less depoliticising than some versions of the 'Big Society'. In particular, it does not offer a critique of the state as welfare provider, only to leave the core political structures of the British state unchallenged. It calls us not simply to volunteer, but to protest and be active against the huge concentration of power in the executive of the British state. Of course, to say that Hirst's associative democracy is relevant is not to say that his model is right. But by engaging with it we can perhaps usefully develop our own thinking about how to respond to the problems of the market and state and the possible content of a 'societal' response to these problems.

1.2 *UK democracy and the dangers of illiberalism* By Rosemary Bechler

UK democracy and the dangers of illiberalism: revisiting *Associative Democracy*

Hirst's associationalism, I want to argue, provides us with the only real alternative to two problems he flagged up in 1994 that have only intensified in the intervening years: first, the creeping authoritarianism of liberal democratic states such as we have in the UK; and second, growing social fragmentation and division. Hirst argued that the first led to people's disempowerment and that this exacerbated the second.

"Your country needs you"

He argued that the dangers *of* the Western advanced state today exceed the dangers *to* them. Should we reverse this judgment today, a decade into the 'war on terror'? Interestingly 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 – "not the work of one party or one government... But, overall, an erosion nonetheless." 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?" His point was that one of the answers given in 1947, 'personal liberty', couldn't be further removed from the requirements of the surveillance state today. What had changed in the intervening period, and why? Bingham could identify two catalysts for this change, technical advance on the one hand, and security – "security against terrorist attack; security against the commission of crime" – on the other. "These are not considerations which any rational person would dismiss. But nor are they considerations the mere invocation of which trumps any other", he concluded.

"Eternal vigilance must again be the watchword: to ensure that intrusive powers are limited to what is demonstrably necessary... It is worth recalling Benjamin Franklin's observation that 'he who would put security before liberty deserves neither'".

Let us look at one example of 'technical advance' that I think Hirst would have thought illustrated rather well his argument that the state's pursuit of 'omnicompetence' leads to people's disempowerment. This is what Sir David Varney envisaged for 2020 in his 2006 report for the Treasury on the 'transformational state':

"All the people, 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. Measured benefits, services and facilities are shared between all tiers of central and local government and other public bodies. The public do not see this process, they experience only public services packaged for their needs."

If your ears, like mine, pricked up at the words, "public, private and third sector partners collaborate across the delivery chain" then of course, you won't need me to point out that the salient difference between this collaboration and the type envisaged in Hirst's *Associative Democracy* is the total absence of the British public for whom indeed Varney's 'transformational state' is to be invisible. Their relegation to being perfectly known, package-consuming consumers is surely the obverse of the process of restoring choice and control to the individual that interested Hirst. Those making provision might argue that neither are needed when such heights of efficiency in customisation are being scaled. But is this the ultimate in choice? Or an end-game in Hirst's 'organisational society' which, rather than foster the "democratic values of consultation of the interests affected by a decision, or participation in public debate on policy"... "encourages hierarchical control and its obverse, passivity on the part of the controlled"? The gap between state and society that Hirst warned us about seems to me to have turned here into an unbridgeable chasm.

There is one driver for these trends which the libertarian right in this country seem curiously more alert to than the left, and that is the sheer potential for revenue maximisation involved whereby the state becomes an autonomous vested interest, brought into natural alliance with oligopolies in finance, energy, defence, media and intellectual property rights. But again this only sharpens Hirst's picture of western liberalism on the run before state bureaucracy and corporate power.

What is worse is the impact that the 'double act' of digitalisation and the 'war on terror' can have on the social fabric at many different levels. Here is Sir David Omand, for some years Security and Intelligence Coordinator in the Cabinet Office, making predictions for his part of the all-knowing state:

"The application of modern data mining and processing techniques does involve examination of the innocent as well as the suspect to identify patterns of interest for further investigation. The realm of intelligence operations, is of course a zone to which the 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."

I say 'prediction'. But this blurring of the line between suspect and non-suspect, which is the hallmark of the authoritarian state, is not science fiction in Britain today. Take Poole Borough Council in 2008, admitting to using 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 in the investigation of terrorism, but to police school catchment areas, on the grounds that "this protects the majority of honest

parents.” What I believe Lord Bingham was pointing to, in distinguishing between a time when ‘the survival of the nation was really on the line’ and the unending ‘war on terror’, is a certain bad faith in the current securitisation of the nation state that is more to do with justifying the maintenance and extension of centralised power than a proportional response to a threat. There is an insidious way in which 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’

The Poole Borough Council example, is a useful introduction to my second argument, when one thinks of the folly of trying to protect the ‘honest parent’ in a system in fact riddled with “shadow education” and all the other forms of covert one-upmanship otherwise known as giving one’s child a chance in life. 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 “greater empowerment, rather than the illusory hope of equality of outcomes as the means to the goal of social justice”, at the centre of his vision.

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? One answer simply comes down to the fact 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. On the other hand, the ongoing illusion of one community standard in state law sets up an escalating contestation between extremist groups, all attempting to hijack state power to alter and control social mores, in order to recruit support. This was the worst of all worlds. “If the present state of affairs persists”, Hirst predicted, “we can expect increasing and ongoing political and social turbulence.”

In a piece looking at the impact of ‘religious pluralism’ on liberal democracies for the *Political Quarterly* in 2000, Hirst traced the spreading conflict in the UK between secular liberals, religious conservatives and radical multiculturalists over the ways in which religious groups were competing to have their views on key ‘lifestyle issues’ made into law, whether on abortion, gay marriage, or offence against religion. 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” as his example. What did Hirst believe was the alternative? Ultimately, to extend the principle of pluralism from belief to conduct. If governance was devolved to associations within a pluralist state, groups would have to give up the ultimately futile struggle for dominance of the political agenda, for the practise of governing themselves and competing to realise their beliefs about conduct.

Meanwhile anti-hate speech legislation across Europe has fulfilled his worst predictions. In the UK, no sooner was the Racial and Religious Hatred Act passed in 2006, than it was in trouble, thanks to the acquittal by a British jury of Nick Griffin and another BNP colleague for describing Islam as a “wicked, vicious faith”. Headlines said the Government faced “a major split over race hate laws, with cabinet colleagues divided over whether the legislation should be toughened.” The then Chancellor, Gordon Brown, in a move which was a foretaste perhaps of his ill-fated response to ‘bigotry’ over immigration in the recent elections, was reported as in favour of a further clampdown: as he put it, anything that “offends mainstream opinion” would have to be “rooted out”. The trouble, then as now, was that ‘mainstream opinion’ like the “honest parent” remains a rather complex and elusive category. At the time, the BNP’s vociferous stand against ‘political correctness’ and in defence of ‘free speech’ was arguably a better basis for recruitment than all its views put together. Nor has this legislation prevented the steady spread of Islamophobia in the UK, as in the rest of Europe and beyond.

On the continent, in several countries, Islamophobes have been able to secure considerable support by claiming minority victim status for the ‘National Us’. Paradoxical as this may seem, the majority culture, they argue, has been unjustly neglected and sidelined by the cosmopolitan and political elite at the very moment that it is under threat from a (much larger) global Islamic culture. The recent Swedish elections saw the sudden success of the Sweden Democrats on just such a ticket. National law enforcers are 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 has been a mixture of cold rejection and appeasement (in which some of the rhetoric is taken over, its rough edges softened). Neither of these containment strategies has worked over time.

In Britain, the mix is a slightly different one. But there is always some ‘Other’, it seems, which will fit the bill for this monocultural fantasy of the ‘National Us’. Migration and Euro-skepticism have probably played more of a role in structuring our combination of grievance and nostalgia-for-a-time-when-we-still-knew what it meant to be ‘one of us’. In Britain, successive governments have bent over backwards to accommodate this particular backlash effect of a pluralist polity. They have done this by denying the obvious fact of multiculturalism in an exercise in what David Goodhart of *Prospect* magazine, not entirely scientifically I think, designated “majority reassurance”. We have seen a plethora of mainly infantilising attempts to invent a new kind of reassuring Britishness, accompanied by the escalating illiberalism that Hirst identified. The problem is that “majority reassurance” doesn’t reassure; or if it does, only at the price of a confirmation of bigotry which is also a further descent into fear of the Other.

One can hear the authentic tones of this sense of dispossession and fear in the banner carried by protesters defending Ground Zero against Muslim plans to build a cultural centre, which simply said, “What is it about the word, No, that you don’t understand?” The one-way communication involved here is the

opposite of everything that Hirst argued was necessary for empowerment leading to self-governance. For Hirst instead, a “truly plural society” can only flourish where it is recognised, “that democratic governance does not consist just in the powers of citizen election or majority decision, but in the continuous flow of information between the governors and the governed, whereby the former seek the consent and cooperation of the latter.” Only in such a society, he thought, could individual control and choice, exercised in our own interest, teach us that, “We cannot claim liberty for ourselves while at the same time denying it to others.”

Related Discussion

Problems with pluralism

Graham Thompson

What do you associate around? Would you put limits on this? Albert Hirschman wrote a book called *The Passions and the Interests*.³ We have talked today mainly about ‘interests’. His argument was that in the late 17 Century passions were pushed into the background and eclipsed by interests, and the rule of law was central. Supposing people associate on passions, which to some extent the participatory model encourages? Where are the limits? Could there be too much pluralism as a large number of associations abound? What about the antagonistic pluralism problem? If passions and interests combine, then it can become nasty.

Faith groups are about people that understand you. What about Catholics that won’t allow gays to foster but there could be minimum rules? The question about a common culture comes into this, but Paul doesn’t concentrate on this issue for particular policy-areas.

Andrea Westall

Is associative democracy, at least in welfare, only possible in urban areas where there can be choice? It’s hard to see this working in sparsely populated rural areas. Also, would an excessive number of associations to accommodate pluralism, particularly in welfare, be a move away from a democracy based on ‘fate’, which recognises the benefits personally and societally from having to negotiate or engage with people that you don’t necessarily like, know or understand (eg at school).

³ Hirschman A O (1977) *The Passions and the Interests: Political Arguments For Capitalism Before Its Triumph*, Princeton, NJ: Princeton University Press.

1.3 Economic and social assumptions, predictions and solutions By Andrea Westall

Economic potential and relevancy

From the mid 1990s when Paul Hirst wrote *Associative Democracy*, many of the ideas around stakeholding, democratic economic governance, and links and connections between small firms (through ideas, for example, of flexible specialisation) were being discussed. But that interest faded away as New Labour entered government and began to focus primarily on large companies, inward investment and shareholder corporate governance. The associational idea of multi-stakeholder strategic partnerships, however, was realised in initiatives such as the New Deal or within Local Strategic Partnerships.

Any interest in more associative governance models that remained, whether within or outside the firm, was marginal, and generally seen as being one way to deal with 'market failure'. In other words, multi-stakeholder governance within firms, or between firms, government and other stakeholders, was relevant for areas of 'deprivation' or for public service renewal, but not for the 'mainstream' economy. Social enterprises, for example, were, and are now for the Coalition, linked to regeneration or user engagement in welfare provision. They are not seen as being part of pluralising the economy, never mind humanising it.

Paul Hirst's economic insights and predictions have been unnervingly right. At the very least, his analysis should encourage us to give some time to his ideas and solutions. For example, he thought that a narrow form of economic discourse had become too powerful, and that there were some unthinking but powerful assumptions such as that the large scale is 'naturally' more efficient. He warned against the dangers of an economy based on excessive credit, and was concerned about economic imbalances such as reduced manufacturing. He also had thoughtful insights into why and how regional and local economic differences perpetuate.

His solutions were pragmatically framed for this time in terms of increasing the efficiency and resilience of the economy. The moral argument for changing the nature of power within economic activity and ownership was secondary. In light of the recent financial and economic crisis, we probably have space, or at least need to create the space, to argue using both the moral and the pragmatic. He also argues that associationalism can also be linked to individual, and group, increases in wellbeing, security and feelings of control, which are also crucial issues in reasons for improving and responding to economic change and inequalities.

His framework for suggesting improvements and solutions was based on institutional economics. This approach focuses more on the structures and norms of how an economy works than seeing it as a separate phenomenon subject to 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. For example, if you are making a transition to a low-carbon economy, in areas mediated by complex interactions between related industries, organisations, and government, the necessity of getting everyone together to make joint decisions and agreements is obvious. A complex economy requires many more interrelated spaces for distributed decision-making than currently exist, involving all relevant stakeholders.

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 to each have singly. This has happened particularly in agriculture. Associationalism in the economy can entail complex local linkages between firms as in Mondragon in Spain. But 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 the self-employed also becomes useful, desirable and necessary.

The main weakness in Paul Hirst's work is his lack of focus on the environment which arguably both increases arguments for coordination – but possibly also reduces arguments for pluralism – making profound difficulties for democracy generally. (James Lovelock, for example, the author of *Gaia*, recently and wearily promoted benign dictatorship as the only way to deal with the all-too-slow responses to climate change).

Perhaps we needn't go that far if we could better distribute governance along with strong framework rules into the economy. With complex and multiply-reinforcing systems (such as energy), multi-stakeholding decision-making as close to the action as possible becomes more important. The potential for unintended consequences from distant policymakers trying to solve too many problems in one go across too many sectors, is too strong.

Social assumptions

It is also worth uncovering Hirst's assumptions about human and social behaviour to underpin his arguments and provide an informed basis for engaging and debating with his ideas.

For example, Hirst believed that:

- *bureaucracy has taken away responsibility and numbs our responses to the needs of others.* This very much mirrors the arguments being used by the Coalition, and is part of the rhetoric around the Big Society. It is also

probably why this idea is being given time by people on the Left, the Right, and the politically unmoved.

- *human wellbeing is best served by ensuring a measure of security, stability and control which then enables people to better and more willingly adapt to and embrace change.* Hirst believed that too much change and unpredictability creates passivity and an inability to make commitments to others, or to innovate. It is interesting that a recent analysis of how Japan's current economic situation has affected the behaviour of young people, as well as reduced innovation, supports this view. There are also interesting parallels with the attraction of far right groups in the UK, or discontent with immigration, that seem more marked in areas of rapid change and/or where people are less likely to have the resources and security to cope. It is also an issue that is likely to increase since adaptation to a low-carbon world will probably be disruptive and affect people in different ways.
- *association enhances individual capacities, enables individuation, participation and political activity.* The evidence is mixed in relation to mainstream political engagement although many studies support these suggestions in various forms of participation.
- *people are roughly rational – and they will choose associations through personal choice rather than be influenced by irrationality or 'fate'.* This is a complex issue and relates, for example, to different pressures, societal norms, or levels of conformity. Fate might well have more of an impact than Hirst wished to believe, as well as the impact of pressure from others, which decreases the reality or even desirability of purely personal choices.

Part 2 Democratising the State

2.1 *Why does democratic reform matter?* By 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. On the one hand, Paul saw that the nation state was robust, continuing force in global affairs. 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.

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. It 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 inculcate '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. To use Paul's words, 'a set of value commitments' necessary for the functioning of an imperial polity with an uncoded 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 democracy⁴.

This culture and set of public values has gone. We retain an uncoded political framework to check those who enjoy its powers and authority. A populist media denigrates politicians. What they say is treated as less

⁴ See Henry Sumner Maine, *Popular Government*, 1885, republished by the Liberty Fund, Indianapolis, 1976.

important than what their brother feels or their wife wears. Everything is personalised, to make it more 'relevant'. Policy is not examined as this 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, that 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 '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.

'Fairness' is therefore about what people do, not just who they are. There is an expectation of reciprocal action. This is strong if not original. As an ethical code it still has to be universal. But it does not seem to be addressed to the wealthy who can afford legal advice to avoid tax. Imagine if the Prime Minister also warned London's bankers and financiers that, 'Fairness means giving people what they deserve – and what people deserve depends on how they behave'. They too are significant recipients of state welfare. Or if he said at his next Mansion House event, '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.' And in case the bankers didn't get the point, he repeats, "From top down to bottom up, from state power to people power – the Big Society spirit blasting through".

So what is the Coalition doing and for what reasons? First, the language is odd. 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 – conservative, liberal democrat, and royal family – all declaring themselves, in terms which strangely echo the late 1960s, in favour of some kind of total change. Yet they are also seeking to preserve the system as well.

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 a striking 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 associations⁵. 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 former to drive the demands of the latter.

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 their opponents consider?

Associational democracy provides a way to do this which 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 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.

This is 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.)

Related Discussions

The Big Society – a challenge to self-organise?

Robin Murray

I feel that the ideology of the Big Society does provide an opening for associative forces. It throws out a challenge to self-organise. We can respond with a challenge of our own. We can show that there are options in many fields for organising parts of the economy in an associative way but which run right against strong centralist forces also backed by the Coalition. I am thinking of retailing, food production, waste management, or energy systems – for example, co-operative windmills as in Denmark and Germany as against unaccountable nuclear power. The Japanese have a civic economy of care that is in striking contrast to command and control models, both private and public.

The limitations of our language and work identities

⁵ <http://www.opendemocracy.net/ourkingdom/michael-kenny/big-society-dilemmas-challenge-for-tories-as-well-as-labour-0>

Iain Tuckett

I'm still amazed that we use terms like 'public', 'private', or 'third' sector. Is an SME the same as Shell? We all know that as individuals we cross boundaries. Many people in construction are very dependent on public investment. And the boundaries between sectors are odd. We are all people. But you are almost pushed to be and only think as the sector you are in. For example, you have to think as a civil servant not a human being. So you work for institutions, and not local people. Changing the language would help a lot.

Anthony Barnett

When dealing with people on an individual level it's fine, and then you get silo mentality when you think as a civil servant. This poses issues for an associative democratic programme about the public values of doing public policy. The language that can be shared and enables expectations is not there. For example, if you see people that have actually done something as being pure entertainment (see Su Maddock's presentation), the classic mentality of fatalism kicks in. We have to have another language to talk about what works. If you take the Big Society on the Coalition's terms, they will talk about a rate of return on what works. Associational democracy could provide a language that is about making things work which doesn't have the current structure of values.

Another area of language change might relate to shifting language like 'honourable' to something more around republican virtue.

Big Society could create more agitation and democracy

Halina Ward

I think it's going to be hard to keep the Big Society only connected with service delivery and welfare provision. It will snuff out some forms of civic engagement as people write contracts and indicators, but social capital will form through volunteering. That will generate more political engagement. The trouble is, I think, that representative democracy is not equipped to cope with that.

There is also a need to promote more transparency in local authorities which might itself trigger deeper forms of political engagement which could in turn generate further discontent.

What will be interesting will be alternatives that are separate from the state. There are already disgruntled people who are saying that they are withdrawing their voluntary service provision because they don't buy into the Big Society. Look at what happened across eastern Europe.

2.2 *Associative democracy and local government* **By Su Maddock**

At the time that Paul Hirst was involved in the journal *Renewal* 10-13 years ago, that publication was trying to transcend public and private, 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; as well as 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 on developing local capacities.

New Labour public sector innovation

Over the past 10 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 had become overawed by technical solutions to problems which really have their root cause in psychology and social cultures.⁶

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 start.

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

⁶ See Su Maddock, (2002) 'Making modernisation work: New narratives, change strategies and people management in the public sector', *International Journal of Public Sector Management*, 15 ,1, pp13-3.

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 under which people relate in different ways. It's about renegotiating different views about governance, local democracy, participation and how you do things.

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 10 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, a knowledge capital partnership, a Commission for a New Economy and an innovation boardroom.
- *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 and leader. LGYH Innovation awards have connected local organisations with strategic objectives.
- *Cornwall* – the Eden Project has generated £9 billion and developed supply chains between SMEs and has caused roads to be built.

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.

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.

The Coalition Government has committed itself to decentralisation, abandoned the RDAs and many quangoes, 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. I'm not sure legally where they will end up but 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 key to supporting a new architecture and the human capacities necessary.

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 on people.

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 question is how the local state can better support those reclaiming space for local services and new forms of democracy. And is there any interest in public governance arrangements that will create the conditions for co-operation to flourish.

Related discussion

The challenges of the environment to associative democracy

Gary Kass

How do you build long-term issues into these sorts of considerations? We have been trying to elicit from citizens some kind of vision, or collection of ideal states, into some undefined future towards which science and innovation might be oriented rather than being driven by the short-term logic of wealth creation and novelty. Associative democracy could be oriented around a shared vision, or it could not be. Nothing I've gleaned so far creates a sense of shared vision or shared endeavour, so there needs to be some thought about future orientation and vision.

It is also important to recognise that whilst the Big Society is one dimension of the power shift, the other is an horizon shift.

Halina Ward

How do you rise to sustainable development challenges and bring long term futures into decision-making?

There is a need to put some institutional oomph behind horizon shifting in order to make sure that this happens. For example, we have commissioned some work to look at how the guarantee of a right to a clean environment might work. And what are the mechanisms in other countries which bring about long-term thinking in policies and processes?

Graham Smith

Environmental regulation is a blind spot in Paul's work, but one could imagine it being part of a minimum service-level agreement for associations in welfare delivery. Paul talks about ecologically-minded citizens being able to join greener associations, but we need to go beyond the environment as simply a choice.

The inertia of an outdated economic model

Ian Christie

There are enormous opportunities with the attempt to invest in a new model of localism but the last economic model has gone very deep within the public sector. We can see opportunities and risks in the new commissioning models. We are path dependent with all the norms and assumptions of the neoliberal model which hasn't really challenged. So we could end up with a big business model, a minimal public realm, and a transactional sense of being a citizen for the best buy. Democracy would be undermined by the length of contracts, for example, as it is now in waste or with PFIs. So it depends on challenging the economic models and political opportunities that could imagine a mixed economy of providers, together with criteria for sustainable development.

How to create more local and regional democracy

Ian Christie

You might see LSPs and LEPs as an associational oligarchy which could be the basis for associational democracy. LSPs could become an associational second chamber. We don't think about institutional innovations to support a richer sense of citizenship, but there are opportunities to challenge the prevailing economic paradigm.

Iain Tuckett

In the past, local authorities – for example, the burghers of Manchester – were based on local economic power. But they are now dependent on central government and are effectively powerless. Housing associations became too dependent on government investment. If you are too dependent then central government can change the rules. This is why the model of Coin St and other development trusts is about becoming independent and having your own economy. Only then do you get treated seriously. So it is an issue of investment. There will be a temptation by Government to offload to the third sector or civil society but there needs to be investment in order to enable projects to get to the stage where they can become economically independent.

At one level it is easier to bring people together at a local level. LSPs have struggled. If you get someone from business you have someone representing a lobby and not the businesses themselves. At a neighbourhood level you can bring businesses together. You find that the agenda is pretty well shared. People want to walk around safely, or to have shops. Coin St have done MORI surveys and asked what firms and residents wanted. It was striking what similarity there was. They have also, for example, set up a not-for-profit which brings businesses, the hospital, and major employees together and

another which brings together counsellors, MPs, and other interests. A quarterly meeting of all residents is held in Coin St with MPs. Much of what we do is about networks and neighbourhoods.

The regions are probably the next biggest opportunity because, in the absence of government, you need to work regionally to collaborate. It is going to be very difficult to have the same sort of government in London as it is in the North. We have to move from national policy to leaving much more to the regions to establish the right sort of governance institutions. We can use this time of change to move more to systems where people get together because they need to, and begin to listen to other people's agendas.

Sam Mauger

London councils are undergoing huge changes and cutting investment in pan-London organisations. They are not thinking regionally but locally.

Stephen Yeo

I am involved with the Welsh Assembly Government review panel empowered to recommend forms of governance in the education sector in Wales. Any seemingly permanent public form is vulnerable to abolition so they want to end the incorporation of FE. But what they mean to do is to bring it back under government. So what would an associational form to protect football against the law of value – land and stadia – look like? What do you need to publicly own something or bring it to the public realm? What form is more permanent?

Cooperative educational trusts is interesting because you can put their principles in the foyer of the school. Academies are fly-by-night. The law of electoral dictatorship characterises a state which can abolish local authorities at a stroke.

The need to build capacity and support associationalism

Ian Christie

There needs to be a rich sense of citizenship. If associationalism could latch onto and make something of that we would need to capacity build local and central government to understand the resources that are there in civil society. But how do you do that with the hollowing out of staff in local government? Planning, for example, is being reduced to a quite ineffective core of staff.

Nigel Lowthrop

Cameron put a huge amount of time into research but my fear is that he is backing down from the early days – firstly, because of the downturn, and secondly because the majority of his party and its vast membership don't know what he is talking about. There is actually a momentum for centralisation with big contracts and private companies. Cameron does not see that the way to save money is localism, in other words, budgets that come down and give freedom for money to be spent by local people. Places like the Department for Work and Pensions (DWP) are fixated by centralisation.

Stephen Yeo

So how do you create conditions for SMEs and community action? Frank Field had a golden opportunity when stakeholder pensions came in – through provision of financial services. You don't need to favour the cooperative or friendly societies but to specify the terms on which providers provide that service. It will so happen that friendly societies are good at something and private capitalists aren't.

Sam Mauger

I was involved in one borough where some people were given the opportunity to take over community association buildings but there wasn't any support for them to enable them to do so. So how do you give expertise and knowledge to those who could make a difference? Without that knowledge, and the ability to build connections, you have an opportunity you will not be able to build on.

Part 3 A new industrial policy? A new stakeholder economy?

3.1 *Associational economic governance* By 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 by *The Third Way* in terms of historical narrative, policy development and political potency. However grudging the progressive left remained, it was Giddens and not Hirst who wrote the most important work of social democratic revisionism in the last thirty years.

That period is now over and the financial crash as well as the disappointment of Labour's lost moment of state and market reform 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. 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 with the 'Big Society' proposed by David Cameron in particular, and the Coalition Government in general, it is the Conservative Party and not Labour who are closest to Hirst's ideas concerning subsidiarity, the mutualisation of public services, democratic accountability, localism and the diversity of competitive providers. This is also true of the redistributive strand in Hirst's thinking in terms of worker buyouts and taxation.

The virtual identity of assumptions between Hirst's associational democracy and the Big Society indicates that this is a serious agenda and the Left should not adopt a sneery response to some naïve exhortation to civic responsibility and pride. An exploration of the limits of Giddens's theory would have been more productive than a rejection of its assumptions, and the same mistake should not be made in relation to the Big Society. This approach also underlines the main weakness in Hirst's work which is its lack of full penetration of democracy into the economy (beyond a functional use of democracy to improve performance and growth), 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.

For that reason I think that it is necessary to combine Paul Hirst's work with that of Karl Polanyi – the idea of embedding an economy and the logic of the market in society. And from Hirst, I take the understanding of democracy as the means by which people assert their power to resist market distributions through citizenship.

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.

Democratic self-government is not an abstract ideal but tied to specific places where political and economic democracy can complement each other. After the financial crash, the issue of economic growth has returned as the primary battleground of politics.

There was a huge 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. 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, in other words, the Labour Movement. That domination is driven by the conflict between short-term returns on investment demanded by capital, and the necessity of a degree of stability in life which is necessary for the preservation of human association.

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 capitalism. Associational democracy, therefore, is not about abolishing capital, but domesticating that relationship through institutional constraints, and through institutions that uphold what Hirst called a 'normative' value, which is necessarily non-pecuniary. The institutional conception of the good is at the heart of Hirst's work and this needs strengthening if Hirst is to provide more than the ideological underpinnings of the Coalition Government.

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.

We can also think about political and economic democracy together as a common form of regeneration of regions or places. 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 100 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 also think about 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 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 12 clever chaps to pull the levers in Whitehall and everything will be fine. The key is for people 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 – 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. Local capital, the endowments of the bank, small business and families, would be combined with a reconstitution of city parliaments and country hundreds. The Ancient institutions could be democratised as a way of modernising regions.

Essentially what has happened with the Big Society rhetoric is that the Conservatives have given Labour back a language of socialism whilst Labour are 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 labour 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.

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 1000s 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.

We also have to think much more specifically about leadership development within democracy. There is no democracy without leadership. We have to develop leaders from groups that are excluded, the original meaning of the Labour Movement. I think Anthony Barnett is right, that we used to have at least a semblance of a virtuous ruling class. But that has gone partly in the name of egalitarianism. We need to reconstitute leadership that is connected

to people. A large part of what community organising does is developing people who are leaders but who do not consider themselves to be political leaders. That was the key to the cooperative and trade union movements.

On corporate governance within the firm, I think mutualism and co-operative principles are extremely important. But two aspects of how capital needs to be constrained 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 is 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. If you look at the economy and the diversity of production and efficiency there is a huge problem of skills depletion which is then linked to immigration, and with the impossibility of having a common life and common institutions because of pluralism and diversity. Economic life is increasingly homogeneous, based upon prices and wages and political life is fragmented and divided. One response could be to build forms of common life within the economy that are vocational. Part of that is to protect the skills and factors necessary for ethical governance. This is where Hirst's insistence of 'voluntary' association is troublesome. Professions have forms of vocational self-government that are not best captured by the concept of volunteering. The demands of qualification and apprenticeship characteristic of lawyers and doctors means 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. Association and apprenticeship is a very important area of policy development that flows from merging Polanyi and Hirst.

On stakeholding within firms, I think Paul Hirst had interesting things to say which might suggest 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. You need to be quite specific about what it means to have a stakeholder form of governance, and to pursue and conceptualise firms as public institutions that serve a common good. The good of that firm is obviously its own reproduction so profitability is essential. Every worker has an interest in that.

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 is a hard but necessary one to develop. 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 the long-term development of what they are trying to achieve. 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.

In the financial crash, one of the fundamental causes of the crisis was a lack of accountability within the financial institutions. There was no balance of power. The money managers were absolutely in power. They exaggerated, cheated, and lied. There was no constraint on their behaviour, no institutional expression of any balance of power which could have cooled the ethical malfeasance which spread throughout the system. You had a government entirely committed to the growth of globalisation and financial capital. Because the City of London is the driver of our economic growth and our tax base, we had a massive economic crash which, for all the talk of globalisation, could only be remedied by the national solution of people bailing them out. So you can't assume trust. It's a state of grace. You learn to trust through long-term relationships which need to be structured within a system of economic governance with far greater reciprocity.

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. In conclusion we cannot reasonably believe the fantasies of free market capitalism or that the state will stop all of this. We have got to have forms of responsible democratic action that try to limit the pressures of the commodification of human beings and the natural environment and the strains on the relationships which 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.

Related discussion

Finance system and incentives

Penny Shepherd

The problem in finance was systemic. I am sceptical of views that there were nasty greedy individuals in one place as opposed to noble-minded people in another. One of the big issues with the finance sector has been the lack of – Paul Myners has been superb on this – effective customer power. In the UK that included people like the local government pension funds that own 10% of occupational assets. Where countervailing forces have been effective, they have been those that have developed the arguments within the financial institutions to push those institutions into a longer term direction. A lot of people I work with have come out of the voluntary sector and sit deeply inside financial institutions. What customers want is longterm maintenance of their ability to buy, which is long-term wealth generation. But the customers incentivise the finance sector or intermediaries to deliver very short term returns. So don't blame the intermediaries if they are driven by incentives. We have a structure in which liquidity and the ability to buy and sell is more important than it ought to be. That leads to the ability of people to cream off profits on the back of that trading culture. Fundamentally finance is not

delivering what its customers want. One of the things we need is a longterm way to deliver value from savings and deferred wages. The challenge to the nonprofit world is that today they don't deliver that.

The principles of responsible investment (PRI) are a way of creating associations that bring supply and demand together.

Incorporation of innovation and entrepreneurship in Karl Polanyi's views

Will Davies

Is there anything from the past of new liberal thinking or practice in favour of what you are suggesting? What about Hayek who wrote in the same year as Polanyi? Wasn't he trying to do something quite similar – to make sense of the disappearance of Victorian liberalism and its overthrow by mass centralisation in the public and private sector. Some of Hayek's contemporaries were the Frieberg group who were prioritising decentralisation and a strongly normative view of what constitutes economic efficiency. Hayek is therefore grappling with a Polanyian problematic and took it in a heavily capitalist direction.

It is commonly said that neo-liberals only have a negative view of freedom but it is not clear that this is the only tradition of neoliberal thinking. You can be managerial or Schumpeterian in business strategy – the Michael Porter view – which is about positive freedom, as in entrepreneurship. To what extent are the aspects of entrepreneurial action in the economic realm part of an associative democracy? Is the Big Society about Schumpeter or Durkheim? Is it to innovate or conserve? What intellectual or organisational devices are available already? Throwing the great transformation at the problem is to take ideas that are not currency or part of our day-to-day discourse. There is an hybridity of economic freedom and participation. Jonathan's work on high performance work systems that have economic benefits help to weld an economic narrative of participation and voice.

Maurice Glasman

Hayek is important – but he could not conceptualise the role of libraries, universities, or vocational institutions in an effective market order. This is about how to get the reproduction of virtue and good practice in a competitive market system. Hayek knew this and so did liberals and they brokered the social democratic settlement. Gramsci said that “At times of crisis there is a fraternisation of impossibilities”. I guess we are there now and we have to engage with the contrary elements in developing what we do. The paradoxical conclusion is that the greater the degree of democratic and vocational engagement in the process, the more efficient the outcomes should be. Entrepreneurship is hugely important - but it has to be viewed with a whole load of forms of disruption, energy, and action. Individuals are one form of action but there are also partnerships and groups. There is a diversity of action in the economic realm that mobilises people in responsible participation. The history of individual entrepreneurs is only part of the story. So there is a problem with the Hayekian theory of knowledge. Innovation is

really the rearticulation of old knowledge in new ways. This view prioritises Durkheim over Schumpeterian.

Economic devolution and local economic systems

Robin Murray

I'm concerned at divorcing the political sphere of democracy and accountability from the economic one. Gandhi argued that you could not have real self-rule if you had big industrial factories. This was his argument with Nehru about democratic technologies. You had to have a technology like the spinning wheel that was controllable at a local level. With larger ones there would always be problems with democratic transmission losses. So a key issue is whether there is a way of producing things through more distributed systems which can then be self-managed through a federal model. There are examples of such systems in the co-operative areas of continental Europe – in Italy and Spain for example - as well as Japan. In all cases there is a tendency to spin off parts of an operation if it is getting too big but within a wider self-governing system. In the private capitalist economy, Visa is a striking example of the same point. Economic democracy needs a material base.

The difference between capitalism and markets

Daniel Leighton

Markets and capitalism are distinct which is why Cameron doesn't talk about big business but markets. Does associational governance and democracy suggest limits to scale that are unreasonable in a complex society. Is the distinction actually between capitalism as hierarchy, and the market as horizontal.

A different kind of economy?

Robin Murray

Curiously Paul didn't use the word co-operative very much. This is a remarkably large and vibrant economy, both in the exploding informal information economy, in the normative fields of social welfare, in education, leisure, food, and energy as well as in the more traditional fields of retailing and agriculture. How do these enterprises work? The literature on them, as on social innovation more generally, is either celebratory and aspirational, or in much of the US literature, orthodox in its recommended operational models. But in practice these operate on different principles to conventional commercial business, in their modes of production, distribution and exchange. There is much to learn from the successes but also from failures, which people don't discuss in public.

3.2 ***Power in the firm*** **By 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 need to expand the scope of democratic governance within the places we work, and within the companies we deal with. We need to rein in the plc ‘greed is good’ model to deal with credit crises.

The best way to think about all of 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 idea of selling 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 the supporters or customers.

The newsnight journalist Michal Crick and I therefore set up an organisation called Shareholders United Against Murdoch. When Manchester United plc had formed, quite a lot of people had bought the minimum number of shares allowed just so that they could turn up at the AGM. We organised the shareholder supporters and wrote again to the board of Manchester United. We said, “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. 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.

Once the MMC ruled the takeover out we tried to build the Supporters Trust up in size in order to mutualise the club. 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 and passed the debt onto the club – which thereby went from being the world’s most profitable club to the world’s most indebted football club overnight. That leveraged buy-out is another good example of the implications of our present system of corporate ownership.

It wasn't always like this. During the evolution of capitalism, when football clubs were being established, the powers that be at the time 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 with a mill or a mine. They realised that would be quite wrong since the purpose of the football club was 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 very strict rules on what you could pay out as dividends for shares. 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. It's only very recently that the idea that 'greed is good' and shareholder ownership has been plausible within football. In the previous 100 years it was accepted that you weren't allowed to own certain sectors of the economy and society which had a purpose – cultural or social – for private personal benefit.

This example 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 which just allows the takeover of any company you want. It would be slightly odd – as 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.

We have just produced a report advocating corporate diversity, including through the promotion of mutuals, in the financial services sector. It was launched at all three party conferences. The fringe meeting at the Conservative Party conference was bigger and more lively than the one at the Labour Party conference. The report argues for biodiversity in the economy, and that mutuals and cooperatives have different incentives and behaviours so will react differently to events. You will have a healthier and more resilient financial services sector if you have a diversity of corporate forms. There will also be more competition for the private sector banks, and the evidence shows that this does have a positive effect in terms of pressurising the banks to give better service to consumers.

It's also worth noting that Germany has a quite diversified financial services sector, with around a third of the sector made up of private sector plcs, a third in public sector hands, and a third in cooperative and mutual ownership. Of course Britain used to be more like that 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.

Related discussion

Sustaining democracy within organisations

Chris Cornforth

Remember that there are limits to participation and you see the decline in democracy in cooperatives and associations over time. Degeneration is not inevitable but it is a real issue if you are going to advocate an associational society. You have to take that seriously. How do you sustain democracy within organisations?

Moral value or efficiency of democratic governance

Stuart White

There are questions of value in democratising the firm. There is an ambiguity in Hirst's book – on the one hand there are arguments about instrumental benefits of ownership structures but on the other there is a strong sense of noninstrumental value or moral good or democracy within the firm which isn't reducible. There are these two arguments and a lot of the time we like to think they are complementary. A lot of the time they are but there might be tensions. Are we really committed to workplace democracy on efficiency grounds so that we don't press when efficiency arguments go against us. There are a lot of answers to what that moral good might be. The republican idea of freedom as nondomination is a central feature of a good society – in other words, people are not subject to arbitrary power. One of the reasons that I am interested in mutual ownership is because it also facilitates a society where we enjoy freedom as nondomination.

Different economic goals and incentives?

Anthony Barnett

We've got to come back with a different way to run things. Will Davies has talked about a shift from profit maximisation to optimisation. What are you running the business for? If you have a financial sector that says that you could make more money then there needs to be a reply that you want a viable sustainable business, but that you can create returns.

Corporate law reform?

Grahame Thompson

What capacity is there to reform corporate law? A lot of things we are talking about, and machinations around football clubs and what fund managers do are utterly dependent on the limited liability form of corporation which limits us. Fund managers are not owners of the shares they have. They are instrumental in that they circulate money to readjust their portfolios. Unless we go back to a position of unlimited liability or proportionate limited liability then this problem will remain. So how and in what way does corporate law need to be changed to create trust in institutions? Regulation is critical.

Halina Ward

With the company law review, NGOs could not get progressive businesses on board and NGOs were under-equipped to engage. Business said: "That will

never work. Capitalism will grind to a halt if you change the direction of directors fiduciary duties.” We had no model that could allow us to counter that. Civil society campaigners weren’t clever enough to mobilise mass action. What is the language that gets people out on the streets? Let’s invest in alternatives that elevate the debate to principles that cannot be trumped, and be seen to destroy the system.

Penny Shepherd

Tools are only useful if people use them, for example, the Business Review was not used well.

The need for a new business model?

Nigel Lowthrop

We need a new business model and democracy which allows investors and trading, and which does not have control by them. But there isn’t the right vehicle.

Map existing associations in the economy

Ian Christie

We could map existing business associations as the germ of association.

Part 4 Association and welfare

4.1 *Putting democracy into welfare provision* By 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.⁷ 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 and being replaced by purely non-state production. 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 widely 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.⁸

⁷ Hugo Young lecture (10 November 2009)

http://www.conservatives.com/News/Speeches/2009/11/David_Cameron_The_Big_Society.a_spx

⁸ Mohan (2010) <http://www.guardian.co.uk/society/joepublic/2010/aug/24/big-society-lack-of-volunteers>

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: 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 Hirst 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 cooperative 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 Hirschmann, 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). Clearly we don't have such arrangements when associations replace the state in delivery the services.

The role of the state

The state continues to have a particularly significant role in the provision of welfare under Hirst's model. The state would continue to fund associations relative to the numbers of members in those associations: associative democracy is not a theory of fiscal austerity. The state 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, industrial and provident societies, companies limited by guarantee, companies limited by shares and the more recent Community Interest Companies (CICs). All of them, with the exception of IPS, 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.

So 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.

Related discussions

Big business and welfare

Robin Murray

On the economy, there is an absence of dialogue about centralised big business as against a civil economy. Instead the dominant dialogue at the moment is about the centralised state and civil society. If governments are fiscally constrained in the provision of public services, then the argument needs to be made about the advantages of a civil economy as against large private corporations.

Philanthro-capitalism – an alternative to associative democratic provision?

Grahame Thompson

An alternative to associational provision is philanthro-capitalism where big foundations with billions to spend are actively involved in providing 'public services'. This happens, for example, in health, education, infrastructure provision, water, etc., mainly in the third world, but increasingly in our world as the state evacuates this kind of provision. So a parallel to the associative world is around this philanthropic provision of services where rich business people claim civic virtue and a public service mantle.

Nick Deakin

Philanthro-capitalism has weaknesses. They fund and don't deliver and need associational input to meet their goals. It is capricious and doesn't run with an associational agenda, and is not a viable long-term alternative.

Anthony Barnett

Philanthro-capitalism is trying to push market values into the public sector, from how they run their businesses.

Going beyond neoliberal assumptions and frameworks

Ian Christie

Education with free schools seems to be compatible with neoliberal assumptions and frameworks. So what else would we have to add to make Associative Democracy a richer conception of democracy and reciprocity? How do you get a richer sense of citizenship and mutuality?

How to make a reality of the purchaser-provider split?

Daniel Leighton

At Lambeth they are trying to reorganise the Local Authority as a cooperative council. It is like the Easyjet model asking for user fees. They are trying to reduce barriers. Some of this is about how you commission things and what performance criteria are used for contractors. Big business say that: "We deliver and we don't do social outputs." How can commissioners incentivise a slightly different provider and what does that mean? Longer term contracts for smaller organisations? What about regulation? For all the talk about mutuals, this situation massively penalises mutuals since you need high capital reserves and can't go to the money markets. You have to go to private equity. What power is there to change the regulatory framework?

You are talking about huge bureaucracies delivering. So a practical thing is about commissioning, what is reasonable, rates of return, social value metrics, and appropriate support because services are resource intensive.

Engaging smaller organisations and people

Sam Mauger

The smaller-sized voluntary sector organisations in London are in crisis since they have been told that everything is local. On the other hand there are large scale framework contracts that small to medium-sized organisations cannot hope to apply for. There isn't a hope that they will get to deliver them nor are

they likely to be accepted as subcontractors because of things like TUPE requirements on pension which small organisations haven't got the resources to do. Local authorities have to get the best value for money out of what they have left. So do we want Mind and Mencap or big scale organisations to come in to do local delivery. What will happen depends on commissioning. It is a mixed bag over London. A lot of LAs are tendering together as groups. If, because of cuts, we go to commissioning on a large scale, many of the small and medium-sized organisations in, say, social care or relationship providers will disappear. We want to get new models which are much smaller and much more about local delivery, but they can't self-fund.

A lot of organisations are trying to establish social enterprises to sell services to local communities. But there isn't enough time to get them to become self-funded. The degree of change is rapid and a lot of organisations won't exist.

Nigel Lowthrop

Cameron said to me: "Why don't we give you all the money?" Why don't we trust people?" He has dropped that. It is that *trust* word that empowers and Cameron has lost his bottle a bit. Politicians tend to trust when they are in opposition. There needs to be some organised force which is saying we can be trusted, and that's what will change minds.

Social-public partnerships and bilateral trusts?

Robin Murray

What about social-public partnerships? These have been a major development in the form of social care co-ops in Italy (there is a similar project under discussion for foster care in Scotland). One of the problems of such partnerships is that the personnel (and sometimes the policy) of the state partners change. I experienced this in a project to develop a door recycling scheme for 75,000 high rise households in East London. There was a creative waste officer who worked in partnership with a community group, but after 2 years he and his director left, and they were replaced by less sympathetic officers who were unsympathetic to the new system and wished only to subcontract the service to a large waste company..

One way of ensuring continuity around an agreed goal would be to establish a minitrust for every social/public partnership. It would be like a mini-board between the LA and provider, reporting to the public authority, as guarantor of performance and purpose. This could be informal, although in some cases (for instance the GLA's London Climate Change Agency) it would be advisable for the service to be established as a Trust that would act as stewards of the goals of the initiative and insulate from short term swings of policy and/or institutional attack.

Trust in trusts and mutuals?

Grahame Thompson?

How do you develop trust in the Trusts or Mutuals if you want to develop associations. Do people remember that building societies were incredibly

conservative in their lending practices. To get a mortgage was very hard. We can't go back to that. Paul Hirst was brutally honest that some mutuals were not paragons of efficiency or social justice. But if you think about the future, and if we can engender trust in associations, what is the framework within which disputes are managed? What sort of constitutional order exists – or needs to exist -- so that disputes between Trusts and Mutuals, and adjudication amongst them, can be seriously established before we will be able to develop the trust needed in these organizations? This is a metalevel issue to think about.

There is collaborative production, learning, reciprocity, and trust in Denmark. Collaboration does not put too much pressure on reaching a consensus, and allows for level headed disputation. So it is a modest term but can do a lot of work.

Implications for forms of regulation

Chris Cornforth

The role of regulation is crucial but we have been through an era of top-down regulation. I am not convinced that this is the way forward. There are other models for example with tenants involved in bottom-up regulation and accountability. Let's look at new and different ways for bottom up regulation.

Anthony Barnett

Regulation does not have to be centralised. You might stipulate that you have to have 'democratic satisfaction'. You have to express a level of satisfaction which can be communicated in allsorts of ways.

Maurice Glasman

Don't think that we need to think about regulatory first when it is really about how to get going. We will only associate if necessary, and so this is still based around values – not general need. People get angry and that's what you act on.

Graham Smith

We have 2 choices of forums: a minimum level within founding regulation of associations or something like the Office for Democratic Functioning that does spot checks! Accountability above and below is interesting. You would have a certain level of financial probity that you have to achieve to receive state funding. The danger of regulation is isomorphism and regulating alternative democratic organisational forms out of existence. What does minimal democratic regulation look like that doesn't expect engagement from people all the time? We need regulation which allows for different forms of organisation and democratic practice, but there has to be a minimum standard.

Su Maddock

If you know what you are supplying it makes sense to regulate but if you are creating organisations, we have to look at the space between the local state and national state and where people are organising. What is valuable and

how do you nurture it? Regulation has been the death of what has been quite good eg Heath Action Zones. The Department of Health wanted to introduce rules and indicators which had no bearing on communities. So when we are looking at associations that are providing services we don't want to get trapped in the Big Society having its only purpose as providing services.

Andrea Westall

My reading of Hirst is that he is talking about the principles of framework regulation but that the appropriateness and workability of regulation is better the more it is devolved towards models of self-regulation. Elinor Ostrom's work, for example, shows the possibilities and effectiveness of self-sanction and group decision-making in the area of resource management rather than outside regulation and policies.

I am not sure that we should be pushing for new forms of regulation within organisational forms for the delivery of welfare which promote social ownership and democracy, since there is a lot of flexibility within many forms to do this already. Prescription over how to do this may be unwise since the form taken will depend on context etc. Some organisations like Café Direct have devised some very interesting multistakeholder shareholder models with mixes of control and rights to returns. The CLS model in this case is very flexible.

Informal activities and accountability

Nick Deakin

The Big Society is also about informal action and not formal. What kind of democratic accountability do you get with informal activities? What resources do you have to bring those people into discussions.

4.2 *User engagement in social policy and older people's care* By 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.⁹

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.

⁹ A summary 2002 paper produced for Essex University by Paul Hirst – *Renewing Democracy through Associations*.
<http://www.essex.ac.uk/ecpr/events/jointsessions/paperarchive/turin/ws7/Hirst.pdf>

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 to 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.

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.¹⁰

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.

¹⁰ Mauger S et al (2010) *Involving users in commissioning local services*, Joseph Rowntree Foundation.

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 had to be had 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 have 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.¹¹ 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, find 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.

Democracy and older people

In all London boroughs there is a forum for older people which engages the local authority and health agencies in issues around policy and older people's services. These collectives are led by older people and campaigning social policy organisations. In the main they have been run by very active older people with a passion for their local community. Many people have been active for 20-30 years but are now very old and slowly moving on. There isn't that collective to take their place and they can't attract younger older people.

¹¹ See for example Older Women's Cohousing project www.owch.org.uk which was set up in London on a similar model to one in the Netherlands.

The baby boomers are interested in single issues – maybe adult education, or employment for the over 50s. But they're not interested in turning up month after month to lobby local politicians to make real change.

Related discussion

Individual budgets

Graham Smith

Individual budgets are getting close to what Paul was imagining. The difference would be that as a citizen with the right to a certain level of social care you would be faced with a series of democratic self governing associations with different packages on offer. You could cash in your budget against the series of different packages that were on offer, which could be more or less individualised or more or less participatory. In this area it wouldn't take much to develop the pattern of delivery that Paul was envisaging.

Examples of reciprocity amongst older people

Su Maddock

What about Southwark Circle where the model is that there is much more organisation between people? As a group they would have individual menus or packages but make or push bits of the market. How is that going? In terms of psychology the challenge is to have capacity for reciprocity and making it easier to be like that

Sam Mauger

The Participle approach is good because we live in a regulated society but the trouble is that it is very flexible and uses people both on paid time or volunteering. It delivers those services in a current framework which is regulated and that is difficult. So, for example, if you receive payment to cook for someone, that is a regulated activity under CQC, and needs checks, but if you go in voluntarily you don't have to be checked. In volunteering we manage risk. How can reciprocity be real? Some people don't want to be part of this since they can't be part and don't want to be part of it.

Andrea Westall

Time Banks are interesting examples of reciprocity and often mix age groups as well as skills and backgrounds. The key part of this is that people need to be able to receive just as much as to give which is particularly important if some people are not used to being able to give – it is a form of equality and empowerment.

Age and association

Stephen Yeo

Is there an objective need to associate after a certain age or a propensity to volunteer? Tom Schuller's report on lifelong learning – was a strategic report which rethinks appropriate functions for different age groups and is more

radical than anyone since Owen. What ages are better at self-government than external and should menial tasks be performed by younger people?¹²

There is this extraordinary movement of transition towns which is a fast growing movement. The basis is not agreement. In a room there are people who you will disagree on many things. The core group is more my age group but the subgroups and the dynamism come from people who don't like meetings, but like getting on with things.

¹² Schuller, T. and Watson, D. (2009). *Learning Through Life: Inquiry into the Future for Lifelong Learning*. Leicester: NIACE, PS.