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Public policy for a social economy

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Abstract:

The rise of interest in the social economy as a sector with a significant role to play in the changing dynamic of state/private sector relations has engendered a wide range of policies and practices that seek to both clarify and amplify the strategic role of this "third sector". In Ecuador, this issue has recently become linked with the attempts of the state to promote the notions of a social knowledge economy and Buen Vivir as new references for a type of political economy that is oriented around service to the common good. This paper examines the particular relation of the social economy to these two notions, and also what this relationship implies for new forms of governance and the idea of the Partner State as a new form of state/civil symbiosis. Particular attention is paid to the unique role of the social economy with respect to the provision of social goods. The paper explores key principles associated with the proper functioning of the social economy in this new context, and proposes a public policy "ecosystem" geared towards maximising both the efficacy and autonomy of the social economy as a driver of new forms of social and economic production, and as a template for the reform of government itself.

Keywords: buen vivir, Ecuador, partner state, social economy, social knowledge economy

By ***John Restakis***

Introduction

Over the last 20 years, there has arisen a global interest in the role that the social economy plays in the economic and social life of nations. This interest has spawned a growing literature on the nature and role of the social economy, its size and composition, its operating rules and organising principles, its relevance for the economic and social well-being of societies, and its relation to the state on the one hand and the private sector on the other.

Increasingly, the social economy is being viewed as the repository of those social, cultural and political values that are most relevant for protecting and advancing the collective good. These values include the idea of reciprocity as the driving force of social economy organisations, the pursuit of social aims through the practice of mutuality, and the promotion of social solidarity through the advancement of social and economic equity.

For these reasons, and as a result of the upheavals brought on by free market capitalism, the social economy is also emerging as a complement to the state for the social welfare of citizens—a role made increasingly necessary by the abrogation of this duty on the part of governments. The economic crisis and the domination of neoliberal ideology have thus combined to thrust the social economy into a historic spotlight and to play a central role in the reconfiguration of the body politic of nations the world over.

However, the social economy is far more than the application of co-operative or self-help strategies operating at the margins of the economy to help the poor, as is sometimes believed. Nor is the social economy merely a collection of economic self-defense measures against the failures and depredations of the "free market" economy. Rather, the social economy represents a wholly different conception of economics in which market forces and economic practice serve social or collective interests, rather than just those of capital or the individual.

The social economy is composed of civil organisations and networks that are driven by the principles of reciprocity and mutuality in service to the common good—usually through the social control of capital. It is composed of co-operatives, non-profit organisations, foundations, voluntary groups, and a whole range of associations that operate both inside the market, as many successful co-operatives and Fair Trade groups do, or in non-market provision of goods or services. These include cultural production, the provision of health or social care, and the provision of food, shelter or other necessities to people in need. In its essence, the social economy is a space and a practice where economics is at the service of social ends, not the other way round.

Finally, social economy organisations represent a wide spectrum of political values and aims, some of which are in direct opposition (e.g., hunting clubs vs. wildlife groups). The social economy, although certainly based on collective social values and aims, does not belong exclusively either to the Left or to the Right, and it is wrong to perceive it as representing a uniform political ideology.

The case of Ecuador

All these questions have come into the foreground in Ecuador, where the government has adopted the concept of *Buen Vivir*, or "Good Living", as the centerpiece of its National Plan and its (proclaimed) political outlook (National Secretariat of Planning and Development, 2013).[1] It is with reference to this plan that this paper was originally penned, with the intention of showing how the social economy, and its relation to the state and to the question of governance, plays a central role in realising an alternative to the market logic of neo-liberalism through the establishment of a social knowledge economy as the framework for a new kind of political economy (Restakis, 2014). This, in essence, was the aim of the FLOK Society project (Free/Libre Open Knowledge) launched in 2013, to which this writer contributed as a researcher.

As envisaged in Ecuador's National Plan, *Buen Vivir* relates to a model of political economy that opposes neo-liberalism and attempts a unique balance between free and open access to knowledge; an informed and mobilised citizenry; a form of decentralised, democratic, and locally accountable governance; an economic and public policy in service to the collective good; and, above all, respect and stewardship of the rights of nature as guaranteed by the Constitution.

This paper relates the ideas and policy proposals developed for Ecuador to a larger framework for the promotion of social economy principles and the concept of the Partner State as components of a radical re-visioning of political economy in general. In our view, these are two fundamental elements for understanding how economics can be reconnected to social values and to the pursuit of the common good as the foundation of a new, ethical model of political economy. The work undertaken in Ecuador for the articulation and realisation of a social knowledge economy and the aims of the National Plan have a universal relevance and, as such, the case of Ecuador serves as a valuable springboard and reference for the exploration of a radical alternative to neo-liberalism as the governing paradigm for economic and social development.

While Ecuador was the initial reference for this work, in this broader context, we examine how bold public policy can place the social economy in a central role for transforming the productive matrix of a country. Whether we are speaking of the provision of human and social services, or of the material production of goods and services in the commercial economy, we argue that, within the prevailing neo-liberal paradigm, the logic and organisation of the social economy is fundamental to any meaningful transformation of a nation's economic structure. As such, the social economy and the Partner State appear as central elements in any transition to a Commons and Co-operative-Based Economy.

In contrast to neoliberalism, in which capital (with the help of compliant governments) undermines and displaces the state through the colonisation and privatisation of the public domain, we examine how governments can strengthen the social economy through the creation of policies that reinforce the civic principles and purposes that are the basis of public goods and services.

In Ecuador, where the state is playing an increasing role in the nations' body politic, this requires a wholly new relationship between the state and civil society. It is a relationship that embodies fundamental principles of shared power, of collaboration and co-construction of public policy, and the creation of new institutions capable of transitioning to a model of Partner State in which the state is the enabler and promoter of civic values and the common good as the primary aims of government. But these are also principles that apply equally to countries—many of them in the industrialised North—in which the state is being diminished and where public services are being privatised and colonised by capital.

A central purpose of this strategy is to also address the dependence of civil society institutions on government. This is especially true with respect to the production of human and social services. In this arena, and despite its formal distinctions from the state, the social economy remains a dependent sector—in many ways, a client sector of the state. At a time when governments in many countries have all but erased the distinctions between the private and public sectors, this continuing dependence is a fatal weakness that allows capital interests to continue their domination of public policy and to perpetuate an economic system that is subservient to these interests. This is one reason why special attention is paid to the vital area of social goods and services. (By social goods, I am referring to goods whose use is the realisation of collective or mutual benefit or value, as opposed to the generation of private or commercial benefit.)

This is not to say that social economy enterprises operating in the commercial economy are to be ignored. Social economy enterprises, such as co-operatives, are absolutely vital to the economic interests of small producers in the agricultural economy, to artisans and crafters, to community-based financial services, such as credit unions and community banks, and increasingly to the emergence of immaterial goods and services provided by digital technology through the operation of peer-to-peer networks that are also based on co-operative and commons values and practices.

One of our key arguments is that if the social economy is to mature as an independent social and political force, then a true social market corresponding to the unique role of the social economy as a force for democratising the economy is fundamental. Only in this way might the overwhelming power and influence of the capitalist market be brought into balance with civic values. A strong and autonomous social economy based on reciprocity, mutuality and civic values also make possible the political power necessary to negotiate a new social contract for a post neo-liberal age.

Toward a new paradigm: Beyond the welfare state

In the global South, the questions concerning the traditional operations of the welfare state are quite different from those of the industrialised North. For a very long period of time, countries like Ecuador suffered from a weak state infrastructure that was unable to provide the kinds of social services that citizens had come to expect in industrialised states. The idea of the welfare state was still a work in progress—something to be aimed for in the future, as opposed to being dismantled in the present.

In these cases, where national economies have been growing—along with state institutions—the situation is often one of growing state intervention and involvement in the public economy. In education, in health services, in the provision of social security, governments have developed universal public services that were never available before. In these cases, the challenges lie rather with the statist forms of these services and the weaknesses inherent in a purely statist conception of social care.

What we are arguing is that rather than repeating the mistakes of mass production state welfare systems of the mid-20th century, that a new form of social economy welfarism can be developed that takes further the social innovations developed by such jurisdictions as Italy and Quebec. There is an opportunity here to create new models of social welfare that learn from, and move beyond, the weaknesses of the old statist structures. Health, education, and other forms of social welfare are all open to more responsive, more flexible and ultimately more effective forms of care when coupled with the untapped power and potential of the social economy.

The application of social economy principles and practices, such as reciprocity and co-operation, and the emergence of democratic, distributed and user-controlled social care systems, may allow nation states to move to a new configuration of social welfare—that of the Partner State—which reinforces the rise of civil networks, supports new forms of social innovation and recognises the central role of civil society in promoting the common good, especially in the area of social care.

Both in the industrialised North and the "developing" South, the stewardship role of the state is under siege. The colonisation of public and social space by capital in the North is one of the effects of shrinking opportunities for profit making in the private sector. In the South, and now in the debt-ridden regions of southern Europe, it is also the method by which global capital and its institutions (e.g., the IMF) impose austerity on national economies by dismantling the public economies of these countries. At the very moment when weak economies and rising unemployment demand a strong social safety net, public services are being turned into sources of private profit. With governments as willing partners, the privatisation of public goods and the monetisation of social care now beckon as a new frontier from which profits might be wrung—from the provision of health care and clean water, to the running of education systems and prisons.

It is quite clear how the institutions of private capital might invest in—and profit from—what were once public services. What is far from clear is whether the institutions of the social economy are equipped to respond to this new reality. The market failures in human services in both the private and the public economies are now arguably the central public policy issue of modern societies. It is for this reason that we focus much of our discussion below on this question.

How might governments respond to this dilemma? Can they foster civic solutions that provide an alternative to the privatisation of social goods on the one hand, and the stifling effects of top-down statism on the other? How might these solutions be fashioned to reflect, and reinforce, those social-serving values, operations and principles that are the greatest strength of the social economy itself?

Finally, how might the social economy enlarge its presence and influence

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in the broader commercial economy? How do social economy enterprises acquire the resources and skills they need to flourish within an overtly hostile environment dominated by private capital? How do they build on their successes and scale up and out? And finally, how do they capitalise on the new logic of networks, distributed production and digital technology that are so consonant with their inherent social values and strengths?

The creation of what we may call a social market for these purposes, and the development of free and open knowledge systems that serve them, is essential to this task.

The social economy and the social market

The rise of interest in the social economy has also given rise to an interest in measuring its economic value and its relative size within the broader economy. In Ecuador, according to the Institute for Social Security, the social/solidarity economy comprises 25.7% of the nation's GDP and 48.9% of employment is generated in enterprises of fewer than 11 employees. A study by the DGRV (Cruz, 2003) also shows that, in 1999-2002, the current portfolio of credit unions experienced a growth of 384.73% compared to 49.94% for banks. These figures are impressive and help to gauge key aspects of the social economy. But while appropriate for the measure of commercial exchange, the determination of value solely on the basis of commercial principles—of monetary value—is antithetical to the character and needs of the social economy. A different valuation is required.

The purpose of the social economy is not primarily about the production and exchange of goods and services in pursuit of private ends, or of monetary value, but rather the creation and use of social relations for the production of social value. This is true whether social economy organisations are producing social goods and human services or whether they are engaged in commercial production within the mainstream economy. It is the social aims and collective nature of these enterprises that distinguish them from capitalist firms. Social values are embedded in the structure of these organisations and a market for the creation of social value is not the same as a market for capitalist accumulation. What then is a market for social value?

In most countries, the character of social economy organisations and their role in society is implicitly acknowledged as different from that of private businesses and requiring a different approach. For example, governments provide tax support to social economy organisations, such as co-operatives, non-profits and charities, because they create social benefits that are worth supporting and are in the public interest.

Around the world, the principle of tax exemption to non-profits is well established. Traditionally, the work of these societies was conceived as relieving a burden that would otherwise be borne by the state for such things as providing relief to the poor, running hospitals, caring for the vulnerable and indigent, etc. In return for these services, the state compensated societies through an exemption on tax. But it was also a condition of the exemption that no profits could be retained by the society, nor distributed to its governors or members. This is the constraint on the distribution of profits that today defines non-profits under legislation that governs their operation, as is the case in Ecuador.

But in an age where the sophistication and complexity of social economy organisations extends far beyond simple charity models, and where hybrid models such as social enterprises and community benefit companies employ market mechanisms to pursue social goals, the old tax exemptions based on constraints to the distribution of profit are wholly inadequate. They fail to capture both the reality and the potential of the social economy as an economic sphere deserving equal treatment, on its own terms, to that granted the private and public sectors. They also perpetuate the false notion that the generation of profit is incompatible with the pursuit of social benefit.

The reason for this is that profit is still conceived strictly in capitalist terms, which is to say as a private good. But what of profit that is a social good, a collective asset, as in the case of co-operatives, where it is designated as a "surplus"? The real question is not the issue of profit, but rather the purposes for which this profit or surplus is created and utilised. Recognition of profit as a social asset has paradigm-changing implications—not only for the social economy, but also for how the public interest is defined, developed and defended.[2]

One of the key tasks before us in this age of unfettered privatisation is how to reverse the colonisation of the public domain by capital and, instead, to foster and expand the social control of capital for the common good. This is the essential attribute of the social economy—its social character and the embeddedness of market exchanges within a network of social relations that are driven not by the private interests of the capitalist market, but by the collective and mutualist aims of friends, neighbours, communities and society as a whole.

A new approach

What are needed are social and economic policies that recognise the social and mutual foundations of the social economy as a distinct paradigm that relates social principles to the economy, to resource allocation, and to a new understanding of wealth creation. A nation's social economy contributes to the socialisation and democratisation of markets and the economy and is a key force for transforming the productive matrix. In short, the social economy is a unique space with its own requirements and in need of institutions that reflect the logic and aims of its operations. This entails a holistic and integrated approach to social economy development and the creation of what might be called an "ecosystem" of institutional supports analogous to the existing ecosystem of capitalist institutions that service the capitalist economy.

With respect to the production of social or relational goods and services, there is also an urgent need to understand and to construct a type of social market that supports and values the production and exchange of social relations without turning them into commodities as is the case in capitalist markets.

On what basis could such a policy, and such a market, operate? The answer lies in the socio/economic principles that lie at the heart of social economy organisations and of the social economy as a whole—reciprocity, mutuality and social benefit.
Unlike the drive for private profit that animates the behaviour of firms in the private sector, social economy organisations are animated by the principles of reciprocity and mutuality for the pursuit of collective economic and social aims, largely through the social control of capital.

Reciprocity and mutuality in pursuit of social aims define both the activities and the aims of social economy organisations—whether they are co-operatives, volunteer organisations or social enterprises. Their primary purpose is the promotion of collective benefit. Their product is not just the particular goods or services that they produce, but also human solidarity and social capital. And, as opposed to the capitalist principle of capital control over labour, these principles are the means by which a social interest—whether it takes the form of labour, citizen groups or consumers—can exercise control over capital.

With respect to public services and social goods, the key question, therefore, is this: How can reciprocity and mutuality be actualised as institutional forces to provide for the human services that are not being met by government or the private sector?

Taxation, capital formation and social benefit

One of the key ideas we propose is the central role that social markets play in preserving and expanding the social economy's role with respect to social goods.

The creation of social markets entails two things: (1) allowing social economy organisations to raise capital directly through the issuance of social capital shares or through the use of social currencies, and (2) the development of a social market exchange that functions as a parallel institution to the stock market for capital, except for use by the social economy. Both these concepts are explored more fully below. But the first point to be made is that of all the challenges that impede the growth and potential of the social economy, the difficulty in accessing and controlling capital is surely the most crippling. Solving this problem is, therefore, essential for all types of social economy organisations, whether they operate in the field of human and social services or in the commercial economy.

There are many ways that public policy can expand the capacity of social economy organisations. Rethinking and reforming tax policy is among the most important and the most potent.

Social goods

One line of approach is to provide tax benefits and exemptions to investments in social economy organisations. But there is a strong case for extending these benefits to contributions made by supporters—whether association members or other community members—to any organisation whose primary purpose is the provision of a social good.

It is essential that non-profits and a wide range of social enterprises be able to generate capital for their services through tax-exempt contributions sourced from within civil society itself. Not only would the dependence of social economy organisations on the state be mitigated, but the perpetual rationing of capital due to the social economy's dependence on state funding could also be lessened. But for this to happen, the idea of non-profits as organisations whose goals are incompatible with the generation and utilisation of capital (profit) has to be left behind. It is a relic of a false understanding of profit as a private good, and associated with an equally outmoded understanding of markets as exclusively capitalist.

All enterprises, whether commercial or social, must generate a profit (or surplus in the case of co-operatives) if they are to survive. The question is: To what purpose is this profit or surplus put? Is it private or is it social? The case of co-operatives clearly shows how profit can be a social good, as well as a private one.

Co-operatives are a form of social economy organisation whose surplus is collectively owned and utilised by its members for their mutual benefit. When non-profits generate a surplus that is then reinvested in services to community this, too, is profit transmuted into a common good. And just as private capital is bent on privatising social wealth, so should the social economy be focusing on ways to socialise capital.

A social economy understanding of the market, and of profit, makes it possible to rethink society legislation so as to allow non-profits to issue shares to raise capital, to accumulate capital in the form of undistributed reserves for the pursuit of social ends, and to invest in other social economy organisations and institutions that have the same purpose. The development of the kinds of social purpose capital that are now possible in the case of co-operatives should be extended to the whole of the social economy, with the proviso that their use be transparent and democratically accountable to contributors and service users.

This is essential. Without such accountability, there is the risk that capital accumulated by an organisation for social purposes may ultimately be used to pursue private interests—as is sometimes the case with non-profits that have no structure for accountability to stakeholders. What is central in protecting the pursuit of social ends is not the conventional prohibition on the accumulation and distribution of profit, but rather the social constraint imposed by democratic accountability for the use of that profit. It is exactly the same principle that serves to protect the public interest when applied to the taxing and spending practices of the state.

Let us now examine a case study from Japan that illustrates well the main points that we are making with respect to how such a system might work with respect to the provision of social goods and, in particular, the use of social currencies for this purpose.

Case study: Fureai Kippu (Japan)

Japan currently has the most numerous and diverse forms of social, or complementary currencies in use in the world (Kennedy and Lietaer, 2004). There were approximately 258 complementary currencies in use across Japan in 2008.

Fureai Kippu is a reciprocity-based time banking system that was developed over 40 years ago to provide care for the elderly. Fureai Kippu literally means "Ticket for a Caring Relationship" and refers to the ticket or credit that is earned when one volunteers their time helping seniors. According to the first published research in Japanese in 1992, Fureai Kippu is:

> A generic term for various time-based systems, such as Time Deposit, Point Deposit, Labour Bank, etc. … where members can earn time credits or points for the hours they volunteer, providing physical care, home help and emotional assistance to the care-dependent members. These credits can then be registered by the host organisation and saved in their personal accounts. Time credit holders can withdraw and use their credits to buy care for themselves or relatives as required (Sawayaka Welfare Foundation (SWF), 1993).

Fureai Kippu adheres to a strict time banking model that tracks and then reimburses volunteer time on the basis of earned credits. However, there are variations in how banked time is reimbursed. The traditional model is one that is strictly reciprocal and where earned credits are redeemed in received services, either for oneself or for one's relatives. A second model also includes the redemption of volunteer time through a combination of earned time credits and cash. In both models, dependent users of services may pay a small user fee if they are unable to earn time credits because of ill health or incapacity. These user fees are paid to the host organisation, which in turn can offer a cash payment in combination with time credits to volunteers.

Like time banking studies elsewhere, (Seyfang, 2004; Collom, 2007; Ozanne, 2010), Fureai Kippu generates a number of positive impacts, in addition to the obvious social benefit of offering an effective means of providing care to the elderly. These include building personal relationships and expanding social connections, improving the mental and physical health of participants, promoting mutuality and responsibility with respect to the care of vulnerable people; and helping to create a more equal relationship between caregivers and recipients (Mayumi Hayashi, 2012). Moreover, the system offers a civil model of care that is more cost-effective, flexible and humane than expensive "top-down" models typically associated with state care provision.

The Fureai Kippu model is not without its problems, however. One of these has to do with designing reciprocal exchange systems that effectively match earned credits to services received. In the case of NALC, during 2010 a total of 12,367 volunteer members assisted 3,126 dependent members, earning 198,091 credits in total while only redeeming 10,548 (5%). The balance was redeemed by user fees or by the organisation (these were paid in return for non-person based activities or work for the organisation, such as office work or training). Over time, a total of nearly 1.7 million credits have been accumulated in individual members' accounts. User fees are thus a key means of guaranteeing a means for volunteer members to earn their time credits, while allowing dependent members to purchase services they cannot otherwise earn.

Meanwhile, the system has adapted to the challenge of matching time credits to services by expanding the ways in which reciprocal exchanges can be made. Unlike the traditional model where credits are exchanged for elder services within the host system, either later in life for oneself or currently for one's relatives, a new "horizontal" system of exchange has been developed in which time credits may be redeemed in a short time frame in exchange for such services as child care and a range of other local services (museums, recreational facilities, cash vouchers with local businesses, etc.). This allows local municipalities and local businesses to support the system, while promoting both community building and the local economy. Time credits may also be used to pay for the monthly insurance premiums of the state elder care system. Finally, unredeemed credits may be donated to a shared pool for use by those who have no means to access services otherwise.

While the Fureai Kippu system is not a panacea, the model is a successful complement to formal state care systems. It is a key reason why governments at both local and federal levels have supported the system, including state efforts to recruit volunteers for the programmes. Starting in 2009, Yokohama City near Tokyo attracted over 4,000 volunteers in a single year, largely due to the scheme that allows members to exchange time credits for services other than elder care.

Moreover, with the proven value of Fureai Kippu to the communities it serves and to state efforts to provide care to its aging population, the model has been receiving serious attention for application in countries like the UK where civil alternatives to state systems have become a priority for government.

Lessons learned

A key lesson provided by Fureai Kippu in Japan, is that reciprocity and mutualism can be valuated in strictly social, as opposed to monetary, terms. Time banking is one approach that continues to offer non-commercial solutions to the provision of social services, especially if these are complemented by the role of the state. Fureai Kippu shows how a reciprocity-based system rooted in local communities can work with state systems to form the basis of public-civil partnerships that offer an alternative to the privatisation and commodification of what should remain social relationships of caring.

There is no reason why vouchers or other mechanisms for placing market power in the hands of citizens should be associated exclusively with the political Right—as they are. The use of market power for social care is just as amenable for socially progressive purposes if the market in question is structured around civic principles. Markets are not necessarily commercial, or capitalist, and the sooner this is understood the sooner society can address the contradiction between social goods on the one hand and chronically under-funded and antisocial delivery systems on the other.

Governments and civil society must both grapple with how economics can be made to work for civic purposes, and the creation of social markets is essential to this. Innovative tax policy is also central to this aim.

What we are talking about is the creation of an institutional social market through the formal valuation of social goods and the capitalisation of these goods directly by citizens and the promotion of informal social markets through communitarian mechanisms like social currencies that both valuate and expand reciprocity and social capital in the provision of social goods. The state retains a central role, however, as co-funder and facilitator of these systems.

To be clear: This is not to advocate for the commodification of social relations, nor is it the promotion of atomised and utilitarian relations in place of social ones as is now the case with privatisation. Rather, we are proposing forms of social currency that act as mediums of circulation for the expansion of a new kind of social relationship between producer and user based on the reciprocal and mutual character of social relations that are characteristic of the social economy itself.

The social market exchange

What would such a social market exchange look like? There are currently a number of social stock exchanges and they all share a common feature: The ability to invest in a social enterprise through the purchase of shares that yield a limited return to investors. This is one approach, and so long as returns are not speculative and contained by clear social priorities they can be a key source of needed capital. Otherwise, returns to investors for support of social enterprise moves away from reciprocity and toward a capitalist conception of social investment (Mendell and Gruet, 2012). By contrast, what we are proposing is something that values both contribution and return in terms of reciprocity. This is the reason we use the term "contributor", as opposed to "investor".

What does this entail? First, it would mean the extension of tax exemptions and benefits to contributions that support the creation and distribution of social goods. In this way, the provision of a tax benefit to social contributors acknowledges the key notion of a public benefit compensated by the tax system on the reciprocity principle. It also embodies the fundamental principle of public responsibility for social care as a civic right. This is what taxes should do. But in addition, there needs to be a re-alignment of powers with respect to control over the design and delivery of social care itself. A number of factors seem essential.

The first requires shifting the production of some social care services from government to democratically-structured civil institutions. Government would retain its role as a prime funder for these services and for the regulation and oversight that is necessary to protect the social character and public interest entailed in these services. The first part of this equation is already well underway. Governments have been unloading social services to private and non-profit providers for over two decades. It is the second aspect, the need for user control and service accountability that is lacking (as too, is the funding). Social services that receive public funding and are not under the direct control of the state should be conveyed only to those organisations that provide control rights over the design and delivery of those services to users.

This applies equally to non-profit and for-profit services. Examples include organisations that provide elder care, family services, services to people with disabilities, or childcare. Moreover, those services that remain under state control (social security, public pensions, public auto insurance, public schools, healthcare services, etc.) should be democratised through the provision of control rights to users.

Second, government funding should, at least in part, flow directly to social care recipients who would then select the services they need from accredited organisations of their choice. To qualify for receipt of public funds, these organisations must have provisions for user control in their operations. In addition, funds must be made available for the organisation of independent consumer-run organisations to assist users and their families in the identification, evaluation and contracting of services to their members. This is crucial, especially in the case of users that do not have the means, or the capacity, to adequately select and contract services on their own.

Third, social care organisations must have the legal ability to raise capital from among users and from civil society in general, on the basis of social investing. Both users and community members would be able to purchase capital shares for the purpose of capitalising the association. As a social investment, these shares would yield a prescribed value in services to investors but, unlike conventional social investment models, investor control within the association would be limited to ensure democratic control by members. As social investments, these capital assets would not be taxed.

Fourth, surpluses generated by these organisations should be considered, at least in part, as social assets. All social care organisations receiving public funds—whether in the form of vouchers or direct payments from government—would establish an indivisible reserve for the expansion and development of that organisation and its services.[3] A portion of operational surplus would also have to be used for the partial capitalisation of a social market exchange through the purchase of shares in the exchange.

Social capitalisation requires the creation of a social market based on reciprocity and mutuality. For example, individual contributors could purchase shares yielding a monetary value that is redeemed through the use of a social good or service provided by any one of the accredited organisations in the system, as in the example of Furrei Kippu.

A mechanism for mediating the issuance of social vouchers on the one hand and their redemption on the other needs to be established to balance what some organisations receive in contributions and others redeem in services. The creation of a collective capital pool to help organisations pay for redeemed shares might be one way of managing this. The collective pool would be capitalised by the contributions of participating organisations, and may include contributions of supporting individuals. A social capital exchange of this type generates an independent source of credit and investment capital to social economy organisations, in addition to what they would receive from the state. Shares would be eligible for tax credits on the basis that such contributions have a clear and direct social benefit, as would a capital pool.

In these models, the primary role of government would be to continue to provide public funds for social care services and to establish the rules of the system. In partnership with service deliverers, caregivers and users, the state would regulate and monitor service delivery, establish service standards, license service providers, and enforce legal and regulatory provisions.

Finally, the locus of service design and the designation of service needs would take place, as much as possible, at the community and regional level of delivery. This requires the creation of civil and municipal associations of public and community stakeholders to ensure the accountability of services and the flow of information necessary for effective budgeting, service design and delivery.

The development of open knowledge systems whereby data and information is transparent, open and freely accessible by citizens and social economy organisations is a concrete way in which a social knowledge economy can be linked to the operations and social aims of social economy organisations.

Most importantly, this decentralisation of service delivery must include the democratisation of decision-making through the sharing of control rights with service users and caregivers. This is precisely the system that is in place in cites like Bologna where social co-ops and their federations deal directly with municipalities to determine the service needs of communities and to manage their delivery.

A word of caution, however, must be noted. Such policies have proven highly effective in the cases of places like Quebec, Italy and Japan because there existed fairly high levels of social capital that were in turn reinforced by a culture that valued reciprocity. This is especially true of Japan, and hence the Fureai Kippu system both reflected and reinforced this culture even though there did not exist a large number of non-profits, as was the case, for example, in Quebec (Mayumi Hayashi, 2012). In Italy, a long tradition of co-operative organisations helped form the institutional foundation for the evolution and spread of social co-ops.

What this means in practical terms is that democratising and de-centralising policies from government are not enough. What must also be considered is the educational and community development work that is needed to provide for the ongoing evolution of the civil institutions and cultural attitudes that form the basis for this kind of civil and cultural transformation.
Crucial to this is the development of multi-stakeholder intermediaries that can act as interlocutors with government on behalf of the broader social economy. At a service level, multi-stakeholder organisations representing different stakeholders and interests can negotiate contracts and services, co-ordinate organisation and production, and support the social economy providers with cross sectoral training, logistics support, collective purchasing, financing, etc.
Popular education programmes to raise awareness and understanding of this new approach among communities are also key. And, as outlined in more detail below, there is an urgent need for higher-level academic research, education and professional training for both civil servants and social economy actors.

A policy ecosystem

A review of public policy trends and instruments for supporting the social economy reveals a highly developed array of strategies developed by many countries.

Most importantly, it is crucial that a government's social, educational, developmental and financial policies combine to create an integrated, yet diversified, ecosystem of institutional supports that together create an environment within which the social economy might flourish throughout the economy. These integrated programmes may be broadly organised along four mutually supportive axes:

1. Tax policy and public subsidy
2. Financial support and social investment
3. Community education, mobilisation and development
4. Research, higher education and professional training

In general, the role of government in administering these initiatives may be summarised as follows:

1. Facilitating the co-construction and co-implementation of national Social Economy policy through direct collaboration with social economy and other primary stakeholders (e.g., municipalities, territorial governments)
2. Financial injection, investment and guarantees (seed money, loan guarantees, interest-free loans for a certain period and possibly renewed, etc.)
3. Fiscal policy—tax measures/incentives
4. Enabling legislation and regulation

Many of these initiatives have proven successful in strengthening the capacity of social economy organisations to contribute to social well-being through the production of much-needed social services and the increase in training and employment that these services provide. In particular, the use of co-operative models for the provision of social care has yielded not only an increase in the range and quality of services available to the public, but in jurisdictions like Italy and Quebec where public policy has supported their development, social co-ops have generated a high proportion of the new employment generated by the social economy.

In Quebec, the government funds 85% of the costs of daycare programmes delivered by solidarity co-ops and other social economy organisations, making the sector the 4th largest employer in the province. Solidarity co-ops in Quebec account for fully 40% of the homecare services in that province. In Italy, although social co-ops compose only 2% of non-profits, they are responsible for 23% of jobs in that sector (Menzani and. Zamagni, 2009). In Bologna, 87% of the social services in that city are provided by social co-ops under contract to the municipality (Restakis, 2010).

Within the broader commercial economy, social economy organisations like co-operatives have prospered when access to basic capital resources—owned and controlled by the social economy itself—has been bolstered by progressive tax policy, by enabling legislation, by education and professional development, and most of all, by the support of representative civil associations that can identify and address the collective needs of the sector. Multi-stakeholder structures representing a broad range of social economy actors have been key in this regard.

In summary, there is no question that a concerted use of public policies by government can have a decisive effect on the capacity of the social economy to play a much enhanced role in the provision of new goods and services, in generating new opportunities for training and employment, and in strengthening the productive capacities of key sectors through the use of co-operative and other collective systems. But more than this, the growth of a country's social economy also lends to the diffusion of progressive ideas and practices that, in turn, reinforce a progressive political economy within the apparatus of the state and in the broader society. This is essential for the pursuit and institutionalisation of those values that will, in the long term, be the foundation for a more socially just and equitable social order.

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Notes

[1] I say, "proclaimed" because of the many contradictions, both in policy and practice that the Correa government has exhibited in recent years. This is not to belittle the worthy aims of either the National Plan or the concept of *Buen Vivir* as presented in official rhetoric or, indeed, in the country's institutions. It is important, however, to note the discrepancy between rhetoric and reality.

[2] For purposes of this discussion on the nature of profit, I am focusing primarily on profit as a product of the production process, not on the production process itself. A case can be made that if the productive process is itself exploitative can the profit, even if applied to collective or mutualist aims, be termed a social good? I would argue that the two, though intimately related, are distinct. And while profit generated through exploitation is thereby tainted, its social use still designates it as a social good. The broader question, as pointed out later in the discussion, is that the social aims of the profit generated are also characteristic of the way in which social economy organisations produce their goods and services. This too, distinguishes social economy organisations from capitalist forms of enterprise.

[3] Indivisible reserves have a long history in co-operatives and remain a key means by which co-ops capitalise their operations. The reserve is accumulated over time from the co-op's surpluses and may not be distributed to members—it is a collective asset for use as a social benefit and is therefore not taxed. Indivisible reserves also have a far wider significance, for they transform capital from a private to a collective or a social asset. This operates both *within* an enterprise as a source of emergency working capital, and more broadly as an *intergenerational* asset that may be used for the benefit of the community as a whole.

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