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Alternative enterprises, local economies, and social justice: why smaller is still more beautiful

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Abstract. The case for alternative forms of capitalism, or alternatives to capitalism, has been made for a long time and on many different grounds. In the context of academic work on management and organization there is an increasing interest in work that investigates alternative organizational forms. However, the question for this paper is a slightly broader one: What sorts of policy or ecosystem changes would be necessary to encourage alternative businesses to grow? I begin with the practical necessity of business in a social democratic society, and try to think about policies that could be sold to policy makers and the electorate. I argue that a localized small business system is more resilient to economic shocks, as well as providing clear advantages in terms of environmentally friendly business practices and the reduction of inequality.

Keywords: alternative organizations, localism, policy, sustainability, social equality.

INTRODUCTION

The case for alternative forms of capitalism, or alternatives to capitalism, has been made for a long time and on many different grounds. There is nothing new in suggesting that capitalism is a social and economic system that generates over-consumption, social inequality, imperial relations between the global north and the global south, and a potentially species-threatening environmental crisis. However, in the context of academic work on management and organization, the call for alternatives seems to have become particularly urgent lately, often from within Critical Management Studies, and with an increasing interest in work that investigates alternative organizational forms. This is a really important development, and one that I am very positive about, but the question for this paper is a slightly broader one—what sorts of policy or ecosystem changes would be necessary to encourage alternative businesses to grow?

The problem, it seems to me, is that (unsurprisingly) academics interested in management and organization have tended to concentrate on questions of management and organization, and as a result issues of regional, state, or supranational policy have tended to be ignored. I include myself in this diagnosis. When I am asked by someone of practical bent 'If you were in charge, what would you actually do?'. I have little to say apart from that I do not like market managerialism and I do like worker democracy. The direct reason for me addressing these questions here was that in 2015. I—together with a few other "critical" business school academics—was asked to be a member of an academic think tank for a European left wing political party. The party was currently in opposition, but wanted to be able to put forward a set of academically informed but politically credible policies on business. Much of the work involved thinking about tax structures and tax avoidance, corporate governance, pay ratios, and so on, but my particular area was alternative organizations—co-operatives, mutuals, partnerships, social enterprises, etc.

This paper is a development of the conclusions that I reached in trying to put together an answer to some very challenging practical questions. What sort of population of businesses would you like to see in an advanced economy in the global north, and what sort of policies would you enact in order to achieve that goal? In other words, if you were in charge, what would you do? This meant stepping away from the academic paper debates—on epistemology, performativity, neo-institutionalism, realism or whatever—and trying to provide advice for a politician who actually wanted to do something that was politically possible. It meant beginning with the practical necessity of business in a social democratic society, and trying to think about policies that could be sold to policy makers and the electorate. For a government to be "pro-business" is uncontroversial, so the political question for industrial and competition policy is really what sort of business it wishes to support. I argue here that a localized small business system is more resilient to economic shocks, as well as providing clear advantages in terms of environmentally friendly business practices and the reduction of inequality.

This paper was written in the conviction that describing an economy that works for the common good is the most important current task for critical academics who work in business and management. Much of the time, critical management academics shy away from the dangerous matters of suggesting just what should be done, even in books about getting things done (Malin, Murphy & Siltoaja, 2013), and "debates" about how to be both critical and performative (Parker & Parker, 2017). When they do engage with policy, they tend to tell readers what should not be done, rather than what should. It is much easier to keep clean hands that way. Suggestions tend to concern a distaste for certain forms of workplace subjectivation, the banning of certain sorts of employment practices, or the regulation of corporations, whether concerning tax, pay, offshoring or whatever (Hadde, et al, 2014). All these are worthy and important issues, but they add up to a sense that it is difficult to have a picture of what progressive and radical politicians might do to produce a functioning economy. The impression is negative rather than positive. No wonder that polling often suggests that the right has a better reputation for economic competence. The task of this paper is to respond to this gap and put forward a series of positive proposals for what a new greener and more equal economy might look like.

Before I begin, it is worth noting that my context here is the UK, and hence most of my statistics and examples are from the UK too. It seems to me obvious that the legal and cultural questions will be different in different parts of the global north, and different again from the context of the global south. However, although the obstacles and advantages might be different elsewhere, the features of the economy I try to describe seem to me to be common. I am not trying to conjure Utopia here, just a collection of organizations and economic relations that are less damaging to people and the planet, and that I think are politically possible in social democratic societies at the present time.

SMALL BUSINESSES

It is my contention that the starting point for a more equal and sustainable economy should be small business. The vast majority of businesses in the UK economy, and in all other economies, are small ones, yet industrial policy has been skewed toward encouraging large business to locate in the U.K., or protecting the interests of large enterprises if they are already located there. According to the Department for Business, Innovation and Skills, small businesses (with fewer than 50 employees) accounted for 99.3% of all private sector businesses at the start of 2015, and 99.9% if you include medium-sized businesses (fewer than 250 employees). Total employment in small and medium-sized enterprises (SMEs) was 15.6 million, which is 60% of all private sector employment in the UK. The combined annual turnover of SMEs was £1.8 trillion, or 47% of all private sector turnover in the U.K.[1]. Micro-enterprises are also important in this regard. The dramatic growth in self-employment (from new businesses through to sole traders), in the "gig" or "platform" economy (Smicek 2016), and in zero-hours contracts leaves those affected with the freedom to self-manage, but the risks of not being employed, with average earnings in decline. Despite this, it is the large organization (usually the corporation) that is often taken to be the indicator of the health of any national economy, whether in terms of the basket of shares in the national index of large firms, the profit figures of a flagship company, the encouragement of tax-breaks and incentives to encourage "investment" from overseas, or bad news stories about big layoffs at steelworks or high street retail chains.

Small, it seems, is often less visible and less valued. The anthropologist Robin Dunbar (1998) has suggested that the optimum size of a social group, for both primates and humans, is around 150 members. "Dunbar's number", as it has since become called, has provoked considerable discussion since the early 1990s, when it was originally proposed. According to Malcolm Gladwell, the W. L. Gore company decided only to open buildings that housed around 150 employees (2000: 177). Other studies have suggested relationships between brain size in primates/humans and the size of the average social group/network. Now, even if we do not accept some of the biological determinism implied by some of this research, it does seem common sense to agree that there is, at least, a relationship between the size of a group and the quality of communication and interaction, and perhaps also of the sense of responsibility and accountability that people might feel toward each other (Pearson & Parker 2016).

As Ernst Schumacher argued persuasively in his celebrated 1973 book *Small Is Beautiful: A Study of Economics as if People Mattered*, scale is a problem in many human affairs. Schumacher was not naïve in economic matters, being a protégé of J M Keynes, and serving as Chief Economic Advisor to the UK National Board for two decades. What he called "giganticism" was a problem for both the effectiveness and the experience of organizing, and he thought this applied as much to the economy as it did to all human affairs. Very much in the spirit of Schumacher, I want to begin with small matters. I am going to suggest that SMEs are important for a variety of reasons, but the key ones can be summarized as national and local resilience, environmental sustainability, the possibilities for economic democracy and as agents to address economic inequality. I will cover each in turn.

1. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/467443/bpe_2015_statistical_release.pdf, accessed Jan 2016.

NATIONAL AND LOCAL RESILIENCE

Quite apart from the taxation, regulation, and governance issues associated with large corporations (Hadden, et al., 2014) it is also clear that their existence makes any advanced economy heavily reliant on their success and very vulnerable when they fail. If a large company runs into problems, then the costs of bailouts, retraining, social benefits, or health and social problems following large-scale layoffs can be very considerable indeed. This is exacerbated if the large companies are clustered in one particular sector, such as banking and finance, car manufacturing, or high street retail. Exposure to large companies is of course magnified at the local level. When a large local employer sheds jobs or closes, the consequences for a town or region can be catastrophic, and the costs for the state very substantial indeed. The fairly obvious lesson here is that any resilient national or regional economy needs to have a diverse population of businesses in different sectors, and of different sizes and different business models, in order to cope with changes in the business environment.

"Resilience", in the sense that I am using it here, can simply be understood to be the capacity of any given system or network to withstand shocks[2], and in this case I would argue that it is increased if an economy is made up of many small businesses in lots of different sectors. Note that this is not a concept that assumes growth at a firm or sector level—as some narrower definitions of economic resilience do—but that insists on what systems theorists call the "law of requisite variety". Simply put, this is the idea that in order to cope with the sort of problems that any system might be faced with, you need to have a range of responses that are at least as nuanced and variable as the problems you face. The political theorist John Barry suggests that resilience is our ability to live and continue living despite "often negative changes in circumstances and those inevitable and often unpredictable challenges all human beings and all human societies face" (2012: 80). Resilience is the "capacity to withstand and recover from wounding and forms of harm that we cannot eliminate"; it is "a way to cope with, rather than eliminate, vulnerability and contingency" (Barry 2012: 80, 96).

If we apply these ideas to economic systems, then they suggest that, at a time of considerable global turbulence, state economic policy should not be primarily aimed at encouraging the growth of large commercial organizations, whether through soliciting big investments from overseas supported by price guarantees or tax credits, the relaxation of business rates, for the provision of subsidized infrastructure. Instead, the aim should be to establish a structure of incentives and disincentives that builds a diverse and resilient population of smaller business organizations. I would add to this that it makes sense to concentrate initially on businesses in what Bentham, et al (2013: 7) have called the "foundational economy"—"that part of the economy that creates and distributes goods and services consumed by all (regardless of income and status) because they support everyday life". Rather than being dazzled by high tech giants and defense corporations, economic policy needs to concentrate on smaller organizations engaged in food production, transport, housing, energy, healthcare, and so on.

This does not mean that these businesses can engage only in small-scale activity. Co-operation across small businesses is a mark of very successful economic regions such as Emilia-Romagna in Italy, Baden-

2. See, for example, the definitions from the International Food Policy Research Unit at http://www.2020resilience.ifpri.info/files/2013/08/resiliencedefinitions.pdf, accessed Dec 2016.

Wurtemburg in Germany, and the Basque Country in northern Spain, where enterprises collaborate in order to achieve scales that would not otherwise be possible, and build resilient systems along the way (Cooke & Morgan 1998). These "regional innovation systems" can share people, knowledge, infrastructure, even finance. An example of the latter in Italy is the prevalence of mutual guarantee societies, which are mechanisms for groups of small businesses to come together to get better terms from banks than would otherwise be possible. At present, the U.K. makes no allowance for this form of enterprise co-operation, and therefore the U.K. has no mutual guarantee sector, whereas across the EU around 8% of SMEs have benefited from the model[3]. It is also particularly relevant to self-employed people and sole traders, indeed to any commercial enterprise that operates in ways or in markets that conventional banks find difficult to recognize.

Supporting a resilient population of local enterprises means thinking about scale differently. Regional innovation systems such as those above work to maximize the strengths of a given local economy, and within the EU, structural adjustment policies have often been addressed at these levels and not at the state itself. Indeed, we should not assume that "nationally'"strong industries (such as finance in the U.K.), which are usually based in one particular locality and effectively suck resources from the rest of the country, should be given most of the policy makers attention. A more multi-layered state policy, including regional transportation links that do not simply connect second tier cities to the capital, would encourage SMEs to pool resources at a regional level in order to achieve the sorts of institutional density and agglomeration effects that are commonly observed in large cities. Cooke and Morgan (1998) call this "associationalism", not a *dirigiste* top down policy, but one that requires local devolution, local vocational training, innovation support, and business intelligence. More recently, these ideas have been developed into the EU's "smart specialisation" strategy (Morgan, 2017), an attempt to encourage regional governance and collaboration.

In order to ensure that economic diversity is manifest at local levels, within particular cities or regions, it will be necessary to ensure that the incentives are controlled and allocated (at least in part) by local bodies. Such bodies—councils, local enterprise agencies or self managed local networks such as the *Cooperativa Intregral Catalana*[4] for example—will have to have detailed knowledge and accountability, as well as budgets that allow them to construct and maintain incubator units or craft workshops; offer rent or tax incentives; purchase land; support local people and local organizations to start and sustain small businesses; fund links with local education institutions for advice. Local resilience cannot and should not be centrally planned, but must be emergent, taking advantage of networks and collaborations where they exist, and providing the conditions for their development if they do not[5]. As the 2016 interim report of the Inclusive Growth Commission of the U.K. based Royal Society of Arts' clearly suggests, local capacity is crucial to ensure a less economically divided nation. This means increasing the quality and capacity of local government, as well as its connection to civil society organizations and businesses[6]. The central state needs to let go in order to allow the local to exercise its own powers and responsibilities.

3. See the European Association of Guarantee Associations—**http://aecm.eu/**, accessed Dec 2016.
4. **https://cooperativa.cat/en/whats-cic/general-principles/**
5. See the IPPR North's 2014 report, *Building Economic Resilience,* at **http://www.ippr.org/files/publications/pdf/Building-economic-resilience_May2014.pdf?noredirect=1**, accessed Dec 2016.
6. See **https://medium.com/@inclusivegrowth/emerging-findings-of-the-inclusive-growth-commission-5cbfd794cb25#.9ivr3jml7**, accessed Dec 2016.

ENVIRONMENTAL SUSTAINABILITY

A properly funded devolution of powers to support regional innovation systems, with a strategy of localized diversity and resilience, has another important consequence. Within the U.K., transport accounts for around a quarter of carbon emissions[7], with the global figure being around 14%[8]. Long carbon intensive supply chains tend to be associated with larger organizations because it is they who have the resources to invest in containerized or bulk transport, warehousing, refrigeration, and so on. Larger organizations are also more likely to be able to require the quantities of raw materials and goods that make long distance sourcing economically rational. Long supply chains also make it easier for an organization to discount the environmental damage they cause if it happens elsewhere than their place of operations or sales[9]. All of this means that carbon emissions reduction targets are likely to be easier to meet if state and local government encourage and reward the shorter supply chains that we are more likely to see with SMEs.

This is to the obvious benefit of local economies, because a proactive localization policy would reward companies that source from a particular area, hence discouraging the flight of jobs and investment elsewhere in a state or elsewhere in the world and reinforcing multiplier effects from economic activity. Nearly three decades ago, Cooke and Morgan were clear that their "associationalism" was good for local resilience as well as being good for the environment (1998). There should be no difficulty in persuading local policy makers and politicians to encourage their SMEs to commit to local or regional sourcing, but there are many questions about the mechanisms that might achieve it. The models of the cities of Cleveland in the U.S.A. and Preston in the U.K. are powerful examples of the leveraging of the purchasing powers of "anchor institutions".—universities, hospitals, local government, etc.—in order to provide a market for local businesses (Alperovitz et al 2010, Sheffield 2017)[10]. There is also a well evidenced role for complementary currencies in achieving this goal, well known examples in the U.K. being the Bristol pound and Brixton pound. Local exchange trading systems and community/subaltern currencies, which aim at nurturing local economic development, are effectively mechanisms to ensure that cash and credit circulate through the businesses that operate within a given area[11] and do not leak out to other, already more advantaged locations (North, 2010). If a set of local suppliers or retailers establishes its own complementary currency, it also becomes possible for them to compete with much larger entrants to a market, such as a new supermarket or retail park. "Local money", predicated on its incommensurability to national or supranational money, can play an important role in encouraging restrictions on the circulation of finance and commodities, providing an understanding of "protectionism" that is far closer to the original meaning of the word.

The same arguments apply at nation state level, since encouragement to develop short supply chains provides a lever to discourage companies from sourcing materials and goods from elsewhere in the world, and hence from externalizing their carbon costs. It is a win win-win strategy, in terms of the encouragement of carbon reduction, the

7. https://www.gov.uk/government/policies/transport-emissions, accessed Jan 2016.
8. http://www3.epa.gov/climatechange/ghgemissions/global.html, accessed Jan 2016.
9. For more detail, see http://www.trucost.com/, accessed February 2016.
10. See also http://www.renewal.org.uk/articles/the-road-to-socialism-is-the-a59-the-preston-model; http://www.labour.org.uk/page/-/PDFs/9472_Alternative%20Models%20of%20Ownership%20all_v4.pdf; http://labourlist.org/2017/03/clevelands-cooperatives-show-us-how-to-solve-the-problems-of-deindustrialisation/; http://thenextsystem.org/the-preston-

balance of payments, and the gradual development of a diverse population of businesses within regions that are not unduly skewed to particular sectors or business models. It requires that longstanding economic assumptions about national comparative advantage through specialization combined with artificially low transportation costs (largely themselves the result of trade imbalances) are replaced with a strategy that values protection of jobs, businesses, and the environment. There are some tensions here, since any "smart specialization" strategy (Morgan, 2017) does trade on a smaller scale idea of regional competitive advantage, but the collaboration and governance models embedded within this form of localism should still result in the reduction of carbon emissions within any given regional production network.

For example, pressing against "smart specialization" is the "cosmo-localization" that relies on the idea of a collective knowledge commons (Fournier 2013) combined with the localization of particular forms of production. There are technology—heavy versions of this future—involving 3D printers and other automated manufacturing technologies (Birtchnell and Urry 2012), but it is also possible to imagine much mundane versions of production relying on open source or creative commons too. Giotitsas and Ramos (2017) describe two cases where open source intellectual property allowed groups of farmers to develop appropriate technology solutions for the development of quite simple tools to address to the issues that they faced. In general terms, the weightless economy produced by "digital disruption" might be one in which the problems of supply and demand (whether of knowledge or anything else) can be addressed in ways that generate lower carbon emissions.

In terms of economics and accounting conventions, Bentham et al suggest that what they call calculations of (high and low) "point value" need to be replaced with an understanding of "chain value" (2013: 14). That is to say, the wider "social franchise" that gives a business legitimacy to operate in a given area needs to become more important in policy terms than the extraction of profit or the abandoning of activity at particular points in a value chain. Importantly, as the U.K. Inclusive Growth Commission interim report also suggested in 2016, it also requires that policy makers rethink the sort of measurement frameworks that are currently used to understand large-scale changes in the national economy—primarily gross value added and gross domestic product. Instead, the Commission suggests the use of "quality gross value added" which would also measure changes in inequality, the impact of investment on deprived populations, and the spread of any changes in economic prosperity[12]. The numbers that the state uses to "see" the economy themselves produce effects (Scott, 1998)—so measuring the diversity of enterprises, the resilience of regions, and carbon emissions must replace gross measures of economic "growth".

ECONOMIC DEMOCRACY

So far, I have argued for the benefits of a SME focused economic policy in terms of its economic and environmental logic, but there are clear ways in which this could tie in to a particular revitalization of organizations that are worker owned and/or managed. The cooperative movement can trace some of its early origins to the U.K. and, at the time of writing, according to their industry body Cooperatives U.K., they contribute £37 billion per year to the U.K. economy[13]. They are also twice as likely to be

12. See https://medium.com/@inclusivegrowth/emerging-findings-of-the-inclusive-growth-commission-5cbfd794cb25#.9ivr3jml7, accessed Dec 2016.
13. http://www.uk.coop/economy2015/uk-co-operative-economy-2015-report.

active five years after foundation, and nearly 15 million people are involved in owning them. While there are examples of large cooperatives in the U.K. (mostly the cooperative societies), they tend to be SMEs on the main. Though their size is sometimes seen to be a reason why they cannot compete with big organizations, it needs to be reframed as a positive feature of the sector for economic, environmental and political reasons. Even craft workers, freelancers and precarious cultural workers can co-operate in order to share knowledge and resources, as well as collaborating on larger or more complex projects[14]. Common assumptions about "economies of scale" need to be replaced by the idea of the many benefits of localism and the importance of requisite variety in providing the conditions for resilience. If we add to this the benefits of a co-operative economy, then the argument becomes compelling (Mayo, 2015).

For example, much has been written about the democratic deficit in the U.K. and across the global north, and many people's sense that they cannot influence the decisions that shape their lives. In work organizations, as in states, it is clear enough that participative democracy cannot operate effectively at large scales, and there is hence a functional tendency for large organizations to place emphasis more on representative democracy, or (more likely) on hierarchical decision making by professional managers. In the case of corporations, often very large organizations, it is clear that the interests of all other stakeholders (including workers) are subordinated to the interests of shareholders and managers at the cost of jobs, prices, the local environment and so on (Baars & Spicer, 2017; Hadden, et al., 2014).

This means that the encouragement of SMEs also opens the possibility of connecting it to a strategy that provides advantages for companies that are established on the basis of collective ownership and/or decision making. These could include community interest companies, mutuals, social enterprises, third sector organizations, partnerships, and worker cooperatives (Parker, Cheney, Fournier & Land, 2014; Parker, Fournier & Reedy, 2007) but the key point is that ownership and decision making must be the central criteria. Many "social enterprises" (and there are a host of new terms to describe varieties of this sort of organization) have hierarchical ownership and management structures, and hence operate in ways that make them indistinguishable from any other private sector business in their practices and profits. If the state, region, or city wishes to encourage the growth of worker-managed organizations, ownership and control (not sector of operation or terminology) must be the defining distinction.

Retail coops are important as ways of having some control over prices and quality through collective purchasing, and they should certainly be encouraged, but the incentive to be an active participant in a retail coop is minimal. Some consumer coops require members to take a more active role—sourcing from and supporting local producers, running the premises, and so on—but normally members just shop there. In addition, the employees in retail coops are often just employees, with responsibilities that are no different from those in conventional companies. But for those who work in a business that they own, it is where they spend a large part of their waking life, and it gives them the means to live. If they own it they have a huge incentive to make it work well for them, and therefore for others. In governance terms, the workers—based on this wide interest in seeing genuine success—are also in a good position to select the best people to run it, because they are the ones most likely to understand the

14. Perhaps the best known is Altgen; see **http://altgen.coop/#landing**, accessed Dec 2016.

challenges that any candidates will face (Erdal, 2011)

Investors in companies, on the other hand, judge a business largely on how much cash they think they can extract from it, usually in the short term. As is well established, this has only the vaguest link with the business performing well in the community and the local economy, or adopting sustainable business practices. An investor can often gain more in the short term by encouraging a corporation to acquire and close a business, to the detriment of the local community and the local economy in the short and long term (but to the personal benefit of the top managers, as well as the financial institutions). Worker ownership provides incentives for the longer term sustainability of business, as well as a firmer grounding of the business in local communities. The case of the long established and thriving Mondragon cooperative network in the Basque Country is the most successful example of an intense sense of regional responsibility that results in the cooperatives sourcing from each other, being funded by their own bank, educating through their own university and so on (Cheney, 1999; Morgan, 2017). In a less territorially grounded way, the development of crypto-currencies for the global cooperative movement allows for banking and potentially financial services that trade only with co-operatives[15].

CICOPA, the international organization of industrial and service cooperatives, published a 2014 report that highlights the significance of cooperative employment[16]. In the G20, cooperative employment makes up almost 12% of the total employed population. The report found that no other type of business model can claim to provide employment to so many people and, at the same time, to show such resilience to crises and economic downturns. Coops also provide employment stability, and are typified by a balanced distribution between urban and rural areas. The interviews conducted show workers actively participating in decision making, a strong identification with the business, and a sense of pride and reputation. This sense of implementing values though work is balanced by a strong awareness of the economic demands of the enterprise, and its need to be efficient and flexible, and sometimes to make hard choices. The CICOPA report suggests that these emotional and experiential components of cooperative employment tend to reinforce the economic sustainability of cooperatives.

Despite some very common preconceptions, there is overwhelming evidence that worker-owned businesses grow their productivity faster, and in a more sustained way, than businesses owned by financial institutions. There is also much evidence concerning the overall durability of worker-owned organizations, as well as their positive impact on workers' health and well-being, again with significant advantages to the state (Davies, 2012; Erdal, 2011). It is also clear that coops are more concerned to deal with their environmental externalities in their supply chains and their practices[17]. This is in part because they are smaller and more locally engaged forms of organization, but also perhaps because they are driven by values that are different from the maximization of shareholder value, more oriented to ideas about chain value than point value, or about ensuring the durability of the commons that sustains human life (Fournier, 2013).

Perhaps just as importantly, given the often expressed concerns about citizens' disengagement from the formal political process, it seems

15. See, for example, **https://fair-coin.org/** and **http://freico.in/**.
16. *Cooperatives and Employment: A Global Report*, at **http://www.cicopa.coop/Cooperatives-and-Employment-a.html**, accessed Dec 2016.
17. See the International Labour Organization and the International Co-operative Alliance's report, *Cooperatives and the Sustainable Development Goals*, at **http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_240640.pdf**, accessed Dec 2016.

likely that workplace democracy might assist in the invigoration of local and national democracy (Bernstein, 1976; Yeoman, 2014)[18]. If workers feel empowered in their workplaces, if their work provides them with dignity and meaning, they are more likely to invest in the wider political process too. When the idea of the "mutual state" was being proposed in the U.K. in the early 2000s (Mayo & Moore, 2001: ii), the proposal was in part based on the idea that "social enterprises offer ways of involving excluded groups — including residents in low-income areas and people with disabilities—in designing and delivering their own services. Community cafes, furniture recycling facilities, house repair services, child-care cooperatives and other local services all offer a double win—they provide services that are often in very short supply in disadvantaged neighborhoods, and they enable local residents to develop skills, self-confidence, business experience and employability.". Given the widespread sense of dispossession and disappointment in the democratic potential of the state, fully exploring the power of local ownership and control is long overdue. As the 2010 Carnegie report on civil society in the U.K. made clear, the economic is part of civil society, not in opposition to it, so democratizing production and exchange will be essential in order to achieve a low carbon economy[19].

ADDRESSING INEQUALITY

Finally, it is well documented that the most unequal societies are also those with the highest levels of crime, physical and mental health probems, social deprivation and so on (Wilkinson & Pickett, 2010)[20]. It is also clear that inequalities of income and reward are at their highest in the largest organizations with, for example, the managers of the U.K. Stock Exchange FTSE 100 companies earning an average of 130 times more than the average employee[21]. There are several reasons for this, including a great deal of self-justification on the part of the best compensated, but it can also be expressed as a simple function of size. The larger the organization, the more of its resources it will divert in order to deal with problems of co-ordination, hence creating a specialist group of managers with a vested interest in bidding up their status and reward.

However, if there were a sustained attempt to support SMEs for perfectly sensible reasons associated with economic resilience, carbon emissions reduction, and the support of civil society then it is likely that the population of large organizations would begin to reduce. A consequence of this would be that national inequalities of income through salary)—though not necessarily wealth (Piketty, 2014))—will also reduce. SMEs, particularly worker-owned ones, simply do not (and usually cannot) display the extreme income disparities that we see in larger organizations. Hence, the larger the proportion of SMEs in a market, the more likely that this would have a long-term impact on inequalities of income (or at the very least, would not exacerbate those inequalities).

A more proactive policy in this area would be to reward organizations that kept the multiple of their highest paid and lowest paid employees within a certain figure. The U.K. Hutton Review of Fair Pay in the Public Sector, which reported in 2013, explored but eventually rejected the idea of a 20:1 ratio[22]. A more challenging assumption might be a

18. See also http://www.workdemoc.com/, accessed Apr 2017.

19. *Making Good Society: Final report of the Commission of Inquiry into the Future of Civil Society in the UK and Ireland* (2010) http://www.carnegieuktrust.org.uk/carnegieuktrust/wp-content/uploads/sites/64/2016/02/pub1455011693.pdf, accessed Dec 2016.

20. https://www.equalitytrust.org.uk/resources/the-spirit-level, accessed Jan 2016.

21. http://highpaycentre.org/blog/ftse-100-bosses-now-paid-an-average-143-times-as-much-as-their-employees, accessed Jan 2016. See http://highpaycentre.org/files/Cheques_with_Balances.pdf, for the High Pay Commission's 2011 report, accessed Dec 2016.

22. http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/hutton_fairpay_review.pdf, accessed Feb 2016.

multiple of ten, for example, meaning that a company paying an annual wage of £15K to a full time employee would face higher levels of taxation, or scrutiny, if its highest paid member earned more than £150K. Even a multiple of ten based on the current U.K. average wage of £26K would give a maximum of over £250K a year, which seems an adequate income for most purposes.

Any attempt to intervene in or regulate high pay would certainly be a difficult policy to sell to large organizations, and would doubtless result in all sorts of lobbying around the idea of free markets and talent. It would be much easier to sell to SMEs that already have lower pay multiples. More generally, an attempt to encourage regular reporting of corporate pay ratios does have a clear populist attractiveness in terms of fairness and the discouragement of greed. The publication and dissemination of pay ratios would also advantage any employers who chose to increase wages, whether to a set "living wage" or higher. This could be tied to a "fair pay" kitemark, a policy that would clearly advantage SMEs, particularly worker - owned ones, which would be likely to score well on any measurement of equality of reward. Indeed, it might be that the regular assessment of the environmental and social impact of particular businesses could help to address a wider crisis in the legitimacy of business organizations, and nudge toward what Christian Felber has called an "economy for the common good" (2015). As with nations, what is measured, and hence that which is "valued", has a powerful effect on the way that the economy is "seen".

Finally, worker-owned businesses clearly spread wealth into the local community, and with less concentration. A recent report by Oxfam suggested that business structures were important determinants of the ways in which value is spread to the poorest. They noted that standard corporations and what they call "hybrid social enterprises" had very different outcomes in terms of spreading value across supply chains[23]. In 2012 the U.K. department store Marks and Spencer dividend distribution of £271 million went to financial institutions, making a small number of rich people richer through fees extracted on the way. On the other hand, the John Lewis distribution of £211 million went to over 80,000 families as lump sums equal to about two months' extra salary. Much of this will be spent in the local economy. In the case of John Lewis, the key is the ownership structure. Ownership through a trust held on behalf of the employees, combined with proto-democratic governance, is hugely beneficial for all concerned, including the customers (Cathcart 2013, 2014). John Lewis is not a coop, and neither is it small, but it demonstrates that even minor moves in the direction of collective ownership have some very big implications for the equality of income. And it builds better, more productive businesses, especially over the long term.

NINE POLICIES

So far, this paper has drawn a picture of an economy that would encourage alternatives to current forms of capitalism. My stance here is not "anti-capitalist" in the sense that I advocate common ownership of all commercial activity or the socialization of all wealth, but it could be understood as a low carbon "variety" of capitalism (Hall & Soskice, 2001), or even as an attempt to gradually move to "post-capitalism" in the sense that Gibson-Graham use the term (2006).

23. Oxfam and Donor Committee for Enterprise Development (2016) *Does Business Structure influence social impact?* **http://www.enterprise-development.org/wp-content/uploads/Does-business-structure-influence-social-impact-OxfamDCED-Briefing-Note.pdf**, accessed Dec 2016.

There are three issues worth pulling out here. One is to note the relative modesty of the recommendations I have made, and to relate that to the original audience for this work—politicians and their political advisors. In order to make changes, my suggestions have to be imagined as possible, as policies that can be described and sold to voters, members of the same political party, civil servants, and political colleagues. This is a substantially different matter from imagining a world in which we might like to live, articulating a set of principles and insisting on their consistent application, or simply "being critical" on principle. It partly substitutes "what *should* be done?" with "what *can* be done?", and its criteria are pragmatic simply because idealism has little traction in committee rooms or board rooms. As Chantal Mouffe argues, there is a distinction here between "politics" (which is comprised of concrete political struggles, interventions and recommendations, and "the political" (which is a description of a contingent social ontology in which interests are permanently in conflict) (Parker & Parker, 2017). To put it simply, politics will always fall short of the demands of the political.

Second, the problem for "alternatives" is on a larger scale than the alternatives themselves, which is another way of saying that it exceeds the ambition of most scholars of management and organization. Researching and encouraging more democratic and sustainable forms of organization is important, but producing a cooperative economy requires thinking about a set of problems that are not the same as those involved in organizing a cooperative. In part, this is a problem for the business school, since its disciplinary optic tends to concentrate on problems as they appear to managers, and not as they appear to politicians and policy makers. This means that the ecosystem or field of economic exchange must be understood as the condition of possibility for an alternative economy. It is not just a question of organizations doing or being certain things, but of public policies that encourage certain sorts of organization, This problem is magnified when considering "critical" work, simply because any attempt to suggest alternatives to capitalist dynamics must be even more attentive to the ways in which it cultivates audiences and allies, and hence gains some purchase on the imaginations of policy makers.

Third, an alternative economy can be described in broad ways by academics interested in these matters, but producing it will require very specific recommendations about details: about the precise nature of the changes that are required at different levels of governance. These might involve the modification of corporate and personal taxation, accountancy reporting requirements, mandated forms of governance, interest rates on different sorts of finance, legal regulation and its enforcement, and even waste disposal arrangements. This is one of the reasons why this paper necessarily becomes rather specific at times, parochially focused on the U.K. and its institutions. Although many of the global problems are shared, the responses in particular locations must be attentive to these differences. It is at this point that wider and grander demands meet the small dull question of what is to be done, by who, when, and how. So, back to the beginning, and to the questions I usually fail to be able to answer. If I were in charge, what would I do? What policies would I suggest?

I think the general point that needs to be borne in mind is that the encouragement of SMEs meets many economic and social goals. Large corporations skew markets and reward structures, have every incentive to externalize their social and environmental costs, and engage in lobbying and regulatory capture, which distort the democratic process. SMEs are simply too small to engage in this sort of activity because they do not have the resources or reach. That is why I think that economic policy should be skewed toward protecting the small, which also means thinking hard about the local and regional environments in which the small operate, and not being driven by the big.

Here are some proposals aimed at achieving some of the aims that follow from this general statement:

1. Ensure that there is a tax benefit for business owners who sell out to an employee trust or coop. The existence of such a benefit will then require professional advisors (accountants and lawyers) to present the option to clients thinking of selling their companies.
2. Give the employees the legal right to buy their company if it is subject to an offer. This means preventing the sale of a company to another organization unless it has been offered to the employees with enough time for them to make a bid. The valuation should be set by an independent expert—not at a "market" price but at a "fair" price. This would be lower than an acquisitive company would offer because the price offered usually reflects other strategic imperatives—market dominance, rationalization, share price, and so on.
3. Give employee-owned companies priority as government suppliers. There is no reason why the state could not direct at least some of its purchasing power toward organizations with business models and social goals that it wishes to encourage. This is a policy that is already in operation at institutional and local levels—with regard to the FAIRTRADE Mark for example[24]—and that could be oriented toward fair tax, pay, or ownership kitemarks as well.
4. Give local government and its anchor institutions the power and encouragement to source their resources and suppliers locally, and also to make purchasing decisions based on audits of the democratic and sustainable credentials of any given company. This would advantage local SMEs and stimulate locally resilient economies, or regional innovation systems, as well as shortening supply chains.
5. Give local government budgets and powers that allow it to support the SME sector directly. This might involve constructing and maintaining incubator units, offering rent or tax incentives, purchasing land, and funding links with local education institutions for advice. Consistent and well-funded support for local businesses must imply that local government is taken seriously as an independent agent for economic support, not merely the operational end of central government.
6. Either through existing bank structures or the creation of new ones, local and national government should provide a source of patient finance for the establishment of worker coops and employee-owned businesses, both from scratch and as conversions of existing businesses. Lack of friendly funding, combined with familiarity and expertise, is perhaps the major block on a more rapid expansion of the sector. This should include favorable terms for mutual guarantee societies. In the U.K., local government pension funds are an obvious source of finance, since they clearly have an interest in investing in the economic health of the areas that they serve.
7. One way to develop sources of friendly finance might be to follow the Italian model in which coops pay a lower tax rate but must then allocate a percentage of their profits to a cooperative fund that can be used to finance the development of the coop sector. Such a policy would provide trading advantages for coops, but also encourage the development of stocks of patient capital to develop the sector as a whole.
8. The structure of taxation on capital essentially makes it more expensive for small than for large businesses to access and accumulate capital. This

24. See **http://www.fairtrade.org.uk/en/get-involved/in-your-community/towns/public-procurement**, accessed Dec. 2016.

tax structure needs to be reversed in order to penalize large companies that sit on capital, and to enable and encourage SMEs to build modest working capital that allows their business model to be robust and enduring.
9. Introduce tighter forms of regulation or higher levels of taxation aimed at any commercial organizations that fail to keep their pay multiples within defined limits. This would advantage SMEs in general. It would need to happen in tandem with similar rules for fair pay in public sector organizations in order to ensure equity.

CONCLUSIONS

This is not a comprehensive list, and it is not even a very detailed one really, but if alternatives to capitalism are to be encouraged at a business level, these are the sorts of things that need to be done in order to encourage, develop, and diffuse these models across regional and national economies. The sorts of organizations being discussed in this special issue need to be harbored by state policies and not extinguished by them. This is why it is so important to understand the ecosystem—the political economy—that might help them survive and thrive.

There is another issue, however, and I want to recognize it, though I cannot say much more about it here. If corporations and the institutions that support them are being regulated more rigorously, or even losing their power and influence, they will push back very hard. As in the case of climate change (Klein, 2014), any intervention in the current settlement will result in very well-funded lobbying, evasion, deception, and lies. Politicians will be bought, disinformation will be spread, and opponents will be slandered. So, for progressive politicians, a huge amount of political will and skill will be necessary to "sell" even some of these ideas, particularly to populations in the global north who have been encouraged to imagine that they live in the best of all possible worlds already, or who are currently disengaged from the political process. Simply describing a modified form of capitalism will not be enough, however attractive and simple some of the policy proposals might seem, because the present order will defend itself.

The political economy of contemporary capitalism is titled toward the large organization, specifically the corporation. An economy that was tilted toward SMEs would not be a perfect one, and there will be some functions that SMEs might not be able to perform, such as large-scale engineering and construction projects, certain forms of extractive industry or transportation, and complex mass production. (although there are, of course, questions about whether we wish to encourage some of those categories of production anyway). In addition, as has been argued persuasively, the long-term research and development that is required to kick-start new business sectors is also often best conducted at state level through funding universities and so on (Mazzucato 2013). Added to this is the necessity of trans-state regulation, particularly around carbon emissions, labor standards and taxation, and defense and security. These are matters that require co-ordination between smaller units if they are to be addressed with any likelihood of success, and they press toward a federal relationship between smaller and larger units of association.

So this is not simply a romanticism of the local, as if the turn to the beauty of the small, of craft production, and of the production of craft, were a panacea for all social ills (Sharzer, 2014). It is not. Large companies will not disappear, and state run businesses will of course continue to be necessary. However, the benefits from a shift toward an economy that protects and encourages the small are clear, though they will take time to realize. There are no "big bang" policies that would achieve such a change

—however, there are many activities that government, at all levels, can undertake to encourage a pluralist economy based on businesses that deliver social and environmental returns. It seems to me that the areas to explore for policy potential include competition policy in the most general terms—including procurement, tax incentives, pay regulation, provision of business advice, legal structures, and local and national government championing.

As I said at the beginning, all social democratic governments will present themselves as "pro-business", and—for myself—I don't think it makes much sense to be against entrepreneurial business activity. The question for any government, politician, policy maker, and academic should be just what sort of business voices it should be listening to, and hence what sort of business models it should be encouraging, Or, as Ernst Schumacher (1937: 80) put it over 40 years ago:

> What is the meaning of democracy, freedom, human dignity, standard of living, self-realisation, fulfillment? Is it a matter of goods or of people? Of course it is a matter of people. But people can only be themselves in small comprehensible groups. Therefore we must learn to think in terms of an articulated structure that can cope with a multiplicity of small-scale units. If economic thinking cannot grasp this it is useless. If it cannot get beyond its vast abstractions, the national income, the rate of growth, capital/output ratio, input-output analysis, labour mobility, capital accumulation; if it cannot get beyond this and make contact with the human realities of poverty, frustration, alienation, despair, breakdown, crime, escapism, stress, congestion, ugliness and spiritual death, then let us scrap economics and start afresh.

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