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RESEARCH ARTICLE

MAKING SENSE OF CIVIC ENTERPRISE

Social Innovation, Participatory Democracy and the Administrative State

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ABSTRACT: Civic enterprises (CEs) - groups of citizens, often organized as cooperatives, who produce social goods in a democratic way, responsive to local and individual needs – are a rapidly proliferating phenomenon in Europe, in fields as diverse as sustainable energy, social care and urban regeneration. Yet, we know relatively little about them. Using research on social care CEs in the Netherlands, I discuss them respectively as instances of the social economy, social enterprises and as a form of participatory democracy. CEs operate in a dense administrative environment. I show how CEs experience serious constraints from the laws, procedures, operating procedures and financial regimes of state organizations and business corporations that erode their democratic nature. I conclude that CEs suffer from a democratic paradox: although they demonstrate considerable innovative potential, this goes unacknowledged by dominant economic-political institutions.

KEYWORDS: social enterprise, social economy, participatory democracy, cooperations, social care

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1. Introduction: Civic Innovation is Everywhere

The topic of this article is civic enterprises (CEs) in the care sector. CEs are a rapidly proliferating phenomenon in the complex landscape of citizen initiatives and democratic participation (Wagenaar and van der Heijden 2015; Wagenaar and Healey 2015). However, the nature and significance of CEs are difficult to interpret. CEs resonate with different intellectual traditions, and perhaps more importantly, different approaches to citizen participation. One of the purposes of this article is to situate CEs within these traditions. This allows the contemporary observer to gain a better understanding of their unique characteristics while simultaneously understanding the continuities with other, comparable phenomena. I will discuss CEs as another manifestation of the social economy, as social entrepreneurship, and as a form of citizen participation. These three ‘faces’ of CEs correspond respectively with the production, entrepreneurial/investment, and democratic/ administrative dimensions of CEs, adding up to a political economy of civic enterprises. These three dimensions also represent ever so many areas of friction with other realms of political-economic rule. I will argue that CEs represent another development in the continuous historical quest for citizen self-government in the political-economic domain. In this sense CEs have a potential for social, economic and democratic transformation. However, I will argue – and this is the second purpose of this article - that this potential, despite the ubiquity of CEs in modern liberal democracies, remains as yet unfulfilled as they are hemmed in by more powerful forces of corporate and political governance.

This article is based on the author’s empirical research into civic enterprises in the care sector in the Netherlands. The field work took place in 2018 and 2019 and consisted of qualitative, open-ended interviews in two urban areas (Amsterdam and Utrecht) and a rural, small town region (East-Brabant, a region in the south of the Netherlands). The sampling reflected the spread of care cooperatives in large urban areas and small towns in rural areas. The author has interviewed a total of 14 subjects who were directly involved in setting up or managing a civic enterprise. In addition, I interviewed a member of *Nederland Zorgt Voor Elkaar* (The Netherlands Cares for Each Other), a national umbrella organization for citizen care cooperatives. Although the research is restricted to one country and its particular legal, administrative and policy environment, many of the patterns I describe can be extended to similar regularities in other highly developed economies.

2. Two Examples of Citizen Care Initiatives

Let's introduce the topic of citizen care initiatives with two examples. Lucas Zorg is one of the many citizen initiatives that have emerged in the landscape of adult care in the Netherlands. Lucas Zorg (LZ, Lucas Care) is part of a larger community initiative, called Lucas Community. It is located in the vast postwar suburbs of Amsterdam-West, which are characterized by a high percentage of Ethnic minorities (mostly Muslim and Surinam/West-Indian), high unemployment, antisocial behavior of young people, and high poverty. Lucas Community inhabits an abandoned school that it rents for a nominal sum from the city. As is common these days, Lucas Community describes itself in the language of entrepreneurship. It calls itself an "enterprise for the neighborhood" and "self-reliant community enterprise". LC has a cooperative structure. For a small contribution people can sign up as a member, after which they can propose a small business that produces a social good. LC provides the member with the space, the training to get started, and support from experienced social entrepreneurs.

Lucas Zorg was conceived, and is now managed, by Nazha-lem-Hali. She explains that LZ focuses on two areas of concern. One is social isolation. She means those people who have dropped out of the social service, health and care system altogether, and are known in the social service jargon as "care avoiders". With the help of volunteering neighbors she patiently probes their reasons for avoiding care and guides them back to forms of care that respond to their specific needs. The second area is informal home care: cleaning the flats of elderly or sick people, administering basic medical interventions, and providing personal attention. Interns from a local lower vocational training academy in the neighborhood do this work. These are mostly mature female students, many from the Muslim community, who would otherwise have a hard time finding an internship. In connecting with these hard-to-reach groups, LZ has established itself and its services are in demand with large third-sector care providers, as we will see.

Zorgcoöperatie Hoogeloon is another care cooperative. Hoogeloon is a town of 2200 inhabitants in a rural area in the South-east of the Netherlands. The regional care company that covered Hoogeloon had stopped providing care to the elderly; within its 'Fordist' 'production' model (Wagenaar and van der Heijden, 2015), service provision in a small town was deemed economically inefficient. Care providers had to drive 30 minutes to provide 15 minutes of services. The elderly with service needs were therefore forced to leave their homes and move into service facilities or nursing homes in larger municipalities. This set in motion a vicious circle; because of

their forced displacement the number of elderly with service needs remained too small for economically feasible service delivery (Pijnenborg and Pijnenborg 2018). At a community-wide meeting, residents expressed a strong preference for elderly residents to be able to remain in their community. Volunteers began to provide, what they called, additional services, such as providing meals, house-cleaning, small repair jobs, garden maintenance, day-time occupation, and transport. When, in 2005, the volunteers decided to renovate a few small, decaying, housing units to turn them into service-units for the elderly, the group decided to formalize the initiative as a cooperative.

In 2015 the cooperation had 227 members who each paid €20 per year. Non-members who urgently require services are not turned away by the cooperation. The cooperative employs a half-time coordinator and four service providers at zero-hour contracts. In addition to informal social services, the cooperation also provides formal care.¹ For this it uses professional service providers that it contracts from a care corporation. These are paid by the residents out of a personalized 'budget' that is part of a national program for home care provision. The care cooperation collaborates successfully with several partners such as a commercial care provider, a housing corporation and the municipality. The coordinator is now implementing the new national care law, *Wmo*, that delegated responsibility for providing social services to the municipal level (See below). Since its inception the *Zorgcoöperatie Hoogeloon* became a national success story. It is frequently described as a best practice.

In their community-embedded, multifunctional organization, *Lucas Zorg* and *Zorgcoöperatie Hoogeloon* exhibit the features of civic enterprises that give them an edge over professionally delivered services. By capitalizing on their practical knowledge of local circumstances and their networks of volunteers, they are able to provide services to vulnerable groups more effectively and more equitably. *Lucas Zorg* also cleverly combines different social functions (care, education) which are otherwise

¹ The distinction between informal care ("*zorg*") and care or nursing ("*verpleging*") is essential in the legal and operational architecture of adult care in the Netherlands. The first includes things such as providing meals or transportation, home cleaning, organizing daily activities and preventing social isolation. These services are usually provided informally by family members, neighbours or volunteers, but also by professional 'community nurses' ("*Wijkverpleegkundigen*"). The second includes the medical and psychiatric care of more serious cases such as Alzheimer patients or multi-problem elderly people. This type of care is provided by licensed care professionals. These two categories of care, although they might overlap and shade into each other in practice, are regulated by different financial, organizational and accountability regimes. (See footnote 7) I will return to this distinction, which proved to be essential for the fate of the *Hoogeloon* citizen initiative, in Section 6.

distributed over specialized organizations (van der Heijden, 2010).² Civic enterprises such as *Lucas Zorg* and *Zorgcooperatie Hoogeloon* are proliferating in many fields in many European countries. However, because of their different legal forms and incorporations there are limited data on the size and scope of the sector (Nicholls 2011, 85). Nicholls quotes sources that estimate the number of social enterprises in UK in the period 2008-2010 between 62.000 and 109.000 (op. cit. 86). Italy is literally littered with cooperatives in welfare, food production, youth services, and neighborhood management, often stepping in for an absent state (Laino, 2015). In field of sustainable energy, Boontje calculates that in 2010 about 1100 CEs were in Germany; Buijs reports that between 2011 and 2016 the number of energy cooperatives in the Netherlands increased from 40 to over 300, with current topping 500 (Boontje 2013). In an informal survey in the Netherlands van Ooijen registers “thousands of initiatives of all shapes and sizes”, in areas as diverse as care, sustainable energy and food production, housing and city planning, family counseling, the takeover of libraries, and cooperative banking (van Ooijen, 2013). Despite the lack of hard data, it is safe to conclude that civic enterprises are a major social innovation in the contemporary social-economic order (Wagenaar and Healey, 2015).

Civic enterprises, social enterprises and in earlier days, the social economy, have been greeted with high hopes by governments, international agencies and academics worldwide (Amin et. al. 2002). Some analysts consider them to be “one of the most notable innovations in global civil society in recent times.” (Dess 1998, in Nicholls, 2011, 80). They are seen as an answer to state failures in welfare provision (Nicholls, 2011, 81; Wagenaar and Healey, 2015) and a crucial component of public innovation and the modernization of government (Bourgon 2011; Agger et. al. 2015) These are high expectations indeed to put on the shoulders of *Lucas Zorg* and its sister organizations. There is an obvious incongruence between the grandiose claims about citizen initiatives and their reality ‘on the ground’. As civil society scholar Michael Edwards somewhat caustically puts it : “The reality of activism in most settings has always been less glamorous than the headlines suggest.” (2014, vii).

Perhaps, given the dearth of knowledge about civic enterprises, the contrast between rhetoric and reality is not surprising. On the one hand they are everything to everyone. One of those public innovations whose benefits are so obvious that few have reason to oppose them (Margetts, 2010, 26-27). A boundary object in the

² Van der Heijden considers multifunctionality a defining characteristic of CEs by which they distinguish themselves from for-profit businesses, which maximize profit through the twin strategies of economies of scale and market specialization.

institutional ecology of the administrative state blithely absorbing the different meanings that a variety of actors ascribe to it (Ansell, 2011, 48). For government pressured by budgetary concerns they represent an opportunity to shift the responsibility for the provision of social services to civil society. For social entrepreneurs they represent an opportunity to empower citizens who are trapped in an institutionalized dependency on the state and affirm values of responsibility and reciprocity. For citizens they represent alternative pathways to producing and delivering valued social products and services, focused on people and the environment, not profit (Wagenaar and Healey, 2016). However, we know relatively little about the scope and impact of social enterprises. One scholar calls them “a field of action in search of an established institutional narrative.” (Nicholls, 2011, 83)

Moreover, CEs operate in a dense institutional environment that affects, and in many cases threatens, their existence and unique characteristics as citizen initiatives. Both *Lucas Zorg* and the *Zorgcooperatie Hoogeloon* had the ambition to provide formal care. However, their institutional environment then imposed demands upon them that impaired their cooperative character. Nazha-lem-Hali was told by her mentors that she needed to obtain a professional certification to be reimbursed through state programs and insurance companies. The certification process required years of professional education, an investment of time and energy that she was at the time unable to meet. *Zorgcooperatie Hoogeloon* has established a successful collaboration with a for-profit care provider to provide formal care but has to submit to the provider’s operational and financial operating procedures. The cooperative’s Board and the provider have set up an informal deliberative platform to coordinate both party’s needs, but this collaboration is fragile and largely based on personal chemistry between the participants. It has also diminished the decision-making power of the members of the cooperative.

3. A Better Economy? The Civic Enterprise as Social Economy

Wagenaar and van der Heijden define civic enterprises as follows: “Social production and civic enterprise produce social goods (public services and products) in a democratic way (non-hierarchical, non-profit, democratically, sustainable, responsive to local and individual needs). Thus, they form an alternative to the traditional social production system of democratic capitalism in which large centralized firms, largely insulated from democratic control, provide mass-produced goods to consumers with little or no voice in the production system”. (Wagenaar and van der Heijden 2015, 126) They consider

them a “new generation of social economy initiatives” that combine “reciprocal delivery” (local producers deliver their surplus to government and corporate actors) and recombination of different functions in one organization (for example providing care and educational opportunities as *Lucas Zorg* does) (van der Heijden 2010). The preferred organizational format is the cooperative, which combines distributed ownership and dividend caps with horizontal decision making (Hirst 1993; Nicholls 2011, 81; Sanchez-Bajo and Roelants 2011). Civic enterprises thus “form a special type of associative production entity that produces social value, generates financial gain and brings about democratic legitimacy.” (Wagenaar and van der Heijden 2015, 137)

A first take in making sense of CEs is to see them as a contemporary manifestation of the social economy. The social economy “consists of non-profit activities designed to combat social exclusion through socially useful goods sold in the market and which are not provided for by the state or the private sector.” (Amin et. al. 2002, vii) Most definitions of the social economy stress its purpose to meet social needs, such as income, services, credit, jobs, as well as less tangible needs such as empowerment, inclusion, and social well-being, by providing opportunities for local people and communities (Amin et. al 2002, 1). There is a lot packed into this definition, ideals, aspirations and understandings, that are also important for understanding CEs. For example, the social economy is closely associated with fighting poverty and social exclusion through economic means. In fact, implicit in the definition of the social economy is a policy theory, in which the social economy is a means to address the end of alleviating structural poverty. To understand the instrumental nature of the social economy we need to describe its political-economic context.

The social economy as an object of concern, aspiration, and public policy began to occupy the collective consciousness of policy makers in the mature economies of the West in the 1990s. Amin et. al. relate it to the gradual demise of the Fordist model of capitalists accumulation. Fordism is an internally coherent “model of social-economic development and regulation” (Amin, et. al 2002, 16), a particular social system of production (Hollingworth and Boyer, 2008). As the latter is a useful concept to situate the social economy as well as civic enterprises, it makes sense to elaborate it further. The social system of production consists of the institutional arrangements that shape the organization of the production sector and its relationship to the state. As Hollingworth and Boyer put it: “A social system of production consists of a society’s norms, rules, habits, conventions and values which in turn influence the institutional arrangements (e.g. markets, the state, association,

networks) which are dominant in a society. These in turn influence the structure and interaction of a society's business system with its institutional environment, which consists of the society's financial markets, its industrial relations systems, its educational and training system, and the state." (2002, 236) By emphasizing the role of institutions the concept functions predominantly to explain variations in the organization of production within the broad outlines of capitalist accumulation. I use the concept of the social system of production for two reasons. First, to highlight that civic enterprises operate on a social system of production that is based on community relations, local knowledge, multifunctionality, the enhancement of social value, values of solidarity, sustainability, reciprocity, and inclusiveness, and participatory, deliberative democratic governance. CEs provide a viable, although as of yet largely unfulfilled, alternative to the current neoliberal social system of production. Second, I want to underline that CEs do not emerge in a vacuum, not even as new manifestations of volunteering, citizen participation, or administrative innovation, but must first of all be interpreted against the background of an integrated and mutually supportive framework of business and public administration doctrines, practices and institutions to the shortcomings and negative externalities of which they purport to provide an answer.

By the 1950s Fordism had attained global hegemony. It was a blueprint for the technological organization of mass production, a social pact between employers, employees and the state concerning employment and security, and a model of citizenship. In most countries, albeit with considerable local variation, it took the form of a combination of mass production, Keynesian regulation, and a universalist welfare state. In addition, the Fordist arrangement generated a particular form of citizenship that coalesced around collective rights, distributive justice and representative democracy (Amin et. al 2002, 2-3). Since the early 1970s the world economic order has undergone a series of complex, discordant changes in the domains of law, regulation, technology, the organization of firms, business practices and discourse, that added up to the gradual unraveling of the Fordist order. One effect was a reorganization of the labor market resulting in the rise of precarious employment, the decline of unions and collective labor agreements, and the concomitant downward pressure on wages and loss of worker rights; a process that continues to this very day. The escalating welfare demands to which this led could not be met because of the decreased contribution of business to the national tax base (Streeck 2013). Because of the ensuing 'fiscal crisis of the state' (O'Connor 1973) governments and international organizations declared a "crisis of the welfare state" (OECD 1981) and began a prolonged program of scaling

down and reconsidering its universalist programs. One immediate effect was the return of local pockets of stubborn, concentrated poverty.

Confronted with confusing, complex, interlinked developments, framing an issue becomes essential to designing a solution (Rein, 1983). The more audiences a policy frame 'serves', the more successful it is. In the early 1980s the dominant frame that governments and international organizations settled on to explain local poverty impervious to policy interventions was 'social exclusion'. The concept of social exclusion combined a geography of deprivation with a policy theory that "encapsulated the cumulative effects of multiple disadvantages" (Amin et. al 2002, 17). The combination of localism and social process shifted the focus from sustained poverty as the fallout of a changing production system to perverse cycles of dysfunction and deprivation within communities. Third Way Social-Democratic governments embraced social exclusion because it legitimized their retreat from the universal welfare state and collective labor agreements by privatizing social services and pursuing flexible labor relations, while reducing public spending (Amin et. al 2002, 22). The EU adopted the concept because it allowed it, at least rhetorically, to pursue economic development and competitiveness, with "work as a factor of social integration and equality of opportunity" in a "new synthesis". The term social exclusion made it possible to sequester the unemployed in spatial and economic enclaves, while, under the banner of creating strong communities, making them responsible for their own wellbeing. As Amin et. al conclude "If social exclusion happens at the level of the local community, the latter is therefore responsible for its alleviation." (2002, 26) Social enterprises were considered to be the answer. They were expected to create employment, attain financial independence, serve local markets and empower residents.

In hindsight the social economy is "a story of struggle and limited achievement" (Amin et a. 2022, 116). Emulating the business model under decidedly unfavorable circumstances did not lead to a turnaround of spatial disadvantage. Despite some individual successes the social economy failed to provide a substitute for the retrenchments in universal welfare programs. However, what made a few social enterprises successful was a consistent emphasis on alternative forms of social-economic organization that were rooted in the specific characteristics of civil society. "They see what they do as advocacy for another way of life; one based social commitment, ethical/environmental citizenship, and work as vehicle for self and social enhancement. They have a clear sense of why they merit the label *social* enterprise, and they are part of a wider social desire for an alternative to market society." (Amin et. al 2002, 125. Emphasis in original)

On the surface the social economy and civic enterprise share a number of similarities. They are self-organized by citizens, embedded in communities, and produce social goods and services that administer to people's needs. Both the social economy and CEs operate through local knowledge and citizen participation. However, in terms of the social system of production they are different entities altogether. First, CEs are not, necessarily, tied to social exclusion. They are not products of a "geography of deprivation". Although some CEs, such as *Lucas Zorg*, serve a poor and excluded clientele in disadvantaged neighborhoods, most are situated in middle class neighborhoods and small towns, such as *Hoogeloon*. Care cooperatives, for example, are particularly common in middle class rural areas in the South of the Netherlands (Jasper Klapwijk and Jacques Allegro, personal communication). Energy cooperatives almost exclusively originate in middle class communities (Buijs, 2018). CEs are also not considered a policy instrument for the reform of the welfare state or the creation of an inclusive society (Amin 2002, 26). Although citizen participation plays a role in the reform of the care sector in the Netherlands, and a dedicated government program makes it possible for CEs to obtain contracts from local government, their role in the care sector is relatively small. (More on this later.) Perhaps most importantly is the lack of an obvious market orientation in the case of CEs. CEs aim to be financially viable and they do contribute to the local economy, but they do not see themselves as in any way enhancing economic efficiency and "turning needs into markets" (Amin 2002, 6). Their aims are pragmatic and problem-oriented (they are not expected to solve the social and economic ills of the capitalist production system). It is this pragmatic, problem-driven stance that results in CEs unique multifunctional production model of combining social functions to achieve mutual value enhancement (Van der Heijden, 2019). Where idealism plays a role it is more likely to be couched in terms of improving on government functioning and redefining citizenship. Perhaps the latter is an area where the expectations regarding the social economy and CEs converge. Both embrace a utopian tradition of a more solidaristic and sustainable economy and a richer democracy of self-organization, self-determination and democratic association (Amin 2002, 8).

4. A Kinder Business? Civic Enterprises as Social Entrepreneurship

Nazha-lem-Hali describes herself as an "independent entrepreneur, a social entrepreneur" (interview). According to its website, the *Samenwonen-Samenleven* (Living Together) initiative in Amsterdam organizes a number of "social enterprises"

such as a restaurant and the development and management of social real estate (<http://www.sw-sl.nl>). Many of the other initiators of CEs use the language of entrepreneurship to describe themselves. They speak of ‘business models’ (“verdienmodellen”, literally “earnings models”), “investments”, “return on investments” and “financing via the market” (Interviews). Lucas Community refers to the citizen participants as ‘entrepreneurs’. This is not just an entrepreneurial veneer on a traditional Third Sector organizational model. The “*Krachtstation Kanaleneiland*” initiative in the city of Utrecht obtained financing from five wealthy individuals who were willing to invest in the social enterprise and were guaranteed a 5% return on their investment. (*Kanaleneiland* is a low-income neighborhood in the Dutch city of Utrecht.). Hans Krikke of *Samenwonen-Samenleven* obtained funding from a charity investment funds (Interview Krikke). Moreover, almost universally members of CEs declare that they want the CE to be financially self-supporting. Krikke even goes so far as to declare that he prefers not to receive subsidies. “Give us contracts instead of subsidies” (interview Krikke). It stands to reason therefore to consider CEs social enterprises founded and managed by social entrepreneurs.

The literature on social enterprise presents a confusing array of definitions and characterizations which often reflect the preferences or geographical origins of the author. In the US the emphasis is usually on the earnings-side of social enterprise. Social enterprise is an offshoot of the nonprofit sector, with innovation in the service of competing for funding from philanthropic foundations (Defourny and Nyssens 2013, 41; Nicholls 2010, 83). A second conception of social enterprise focuses on the individual entrepreneur who uses innovative technology and financial models to deliver goods or services to address the needs of communities. A third model situates social enterprise in the Third Sector. Public austerity, the privatization of public services and the diffusion of a managerialist ideology in ever more domains of society, resulted in a favorable climate for innovative entrepreneurial approaches to providing public services. A Europe-wide study of social enterprise (EMES) observes the classic Schumpeterian features of economic development – new products, new methods of organization and production, and new production factors – in the provision of work integration programs and personal services (Defourny and Nyssens 2013, 43; <http://emes.net>).

The EMES framework has resulted in three sets of criteria that, taken together, define social enterprise (Defourny and Nyssens (2013, 45-46. See also Nicholls, 2010, 83-84). *Economic/entrepreneurial* criteria include: 1) the production of social goods or services, 2) in an economically viable way, 3) that combine voluntary and paid activities. For example, the earlier mentioned *Krachtstation Kanaleneiland* project

facilitates social entrepreneurship in a discontinued energy plant. (“*Krachtstation*” combines associations with energy plant and empowerment.) Nathan Rozema, the initiator, has acquired the space from the city, which he now rents out to residents of the neighborhood at below-market rents. Projects include a coffee shop, a pop-up cinema, an organization that offers outreach to at-risk young people, a fitness center, a bike repair shop, a support organization for elderly Muslim citizens, and specialized child services for Muslim families. Local residents manage these organizations. In the spirit of recombination, the building also provides student housing (interview Rozema; <http://krachtstation.com>.) With the proceeds from the projects/enterprises the ‘employees’ receive a living wage; operating the small business provides these otherwise difficult to employ residents with self-confidence, a positive work attitude and important work skills, while the organizer is able to pay a 5% return on the original loans to the investors.³

Nicholls adds a strong focus on performance measurement, accountability and effectiveness to the economic/entrepreneurial criteria. Effectiveness is indeed paramount in all CEs. Krikke for example expresses this in his emphasis on ‘reliability’. He contrasts this with the more instrumental approach of the publicly subsidized professional service organizations: “At some point I counted 8 projects on alleviating the social isolation of Muslim women in a neighborhood of 40.000 people. They were crowding each other out. They run their projects without having any ties with the neighborhood.” His point is that this way of operating resulted in “disappointment, bitterness and aversion against the system” among the residents.” (interview Krikke) Effective intervention, according to Krikke, requires, in addition to reliability, “reciprocity: sharing your knowledge, sharing your network, always looking for connections.”

³ In 2017, *Krachtstation Kanaleneiland* received the Social Involvement Award (€2500) from ABN AMRO, one of the major banks in the Netherlands. The announcement states among others: “The *Krachtstation Kanaleneiland* project in Utrecht has won the fourth edition of the ABN AMRO Social Involvement Award. The prize was awarded yesterday during the PROVADA real estate exhibition at Amsterdam RAI, for the transformation of a former Regional Training Centre (ROC) to a multifunctional complex. This social real estate project, achieved without subsidy, offers local businesses and residents an accessible means of renting space or starting a business.” (<https://www.abnamro.com/en/newsroom/press-releases/2017/krachtstation-kanaleneiland-project-wins-abn-amro-social-involvement-award.html>, accessed, May 11, 2018). The example illustrates 1) how some social enterprises operate on the interface of the business and the public sector, and 2) how the financial sector is keen to jump on the bandwagon of social enterprise. The paltry sum of the price in relationship to the bank’s annual profits, are indicative of the position social enterprises occupy in the bank’s hierarchy of values.

Nicholls summarizes the performance and accountability dimension with the term “market orientation” (2010, 84). This might be a misleading characterization of CEs. At a minimum all CEs strive to be financially self-sustaining, but their focus is not so much the market but the public sector; or, more precisely, market and state failures in public service provision and the ambition for problem-solving. As the examples in the preceding paragraphs illustrate, CEs couch the description of what they do as a critique of state and corporate functioning in the public sector. The introduction of market elements serves the problem-orientation of CEs more than a desire to make a profit or to compete in commercial markets (Nicholls 2010, 84). In fact, as I argued above, the characteristic social system of production of CEs precludes the wholesale embrace of market principles. Financing via contracts or philanthropy foundations is attractive because it makes CEs independent of state subsidy with all the dependency and buy-in of the government agenda that that entails. Market orientation, as Nicholls also acknowledges, has more to do with empowering residents, giving them a voice in the organization, and, more generally, an opening up of the organization to the critical perspective of stakeholders.

The *social* dimension of social enterprise includes: 1) an explicit aim to benefit the community and bring about a sense of solidarity and social responsibility; 2) those involved are members of the community, although leadership may come from outside the community; and 3) profit-constraining principles which are usually, but not exclusively, realized through the creation of a cooperative. Nicholls formulates this as “a primary, strategic focus on social or environmental outcomes that will always override other managerial considerations such as profit maximization”. All civic enterprises we encountered conformed to these criteria. The focus was on solving concrete problems of poverty, social isolation, providing social care, or producing sustainable energy. The *Kanaleneiland* project provides again an example. The members of the social enterprises are all residents of the neighborhood and the neighborhood receives vital social services that are tailored to the needs of the residents. Although none of the enterprises are cooperatives, the profits are reinvested in the larger project.

The *participatory* dimension comprises: 1) self-government by the people (not by the government or other organizations), 2) decision-making power that is not determined by capital ownership, and 3) decision making by the members (and to some extent the users) of the social enterprise. Horizontal decision making was the hallmark of, for example, *Zorgcooperatie Hoogeloon*. In the *Kanaleneiland* project

the participatory dimension also means that the original investors have taken a back seat to the residents.

Interestingly, the EMES economic/entrepreneurial criteria do not mention the *innovative* dimension of social enterprise. It seems to be implicit in the other three dimensions. Nicholls, on the other hand, considers innovation a key feature of social enterprise: “There is always evidence of innovation and novelty either in challenging normative conceptions of an issue, in the organizational models and processes that are developed, or in the products and services that are delivered (and sometimes in all three of these dimensions)”. (2010, 83) Most CEs establish novel production modes or creative ways of delivering services. As we saw, recombining different functions is a common form of innovation in CEs. The care providers in *Lucas Zorg*, for example, are interns from a local vocational training college. Education and care are thus combined. The outreach enterprise at *Krachtstation Kanaleneiland* is successfully managed by young people who were once at-risk themselves. Probation, skills training, character formation and social integration are cleverly combined. Van der Heijden (2010) thinks that the ability to combine functions is rooted in the embeddedness of CEs in the life world of its members and considers it one of their characteristic features (2010; 2019). Interestingly, in their search for new, innovative models of social-economic organization, some social entrepreneurs are inspired by older traditions of mutualism and associational democracy (Hirst, 1993; Warren, 2001; Nicholls, 2010, 81). Krikke for example says that often unbeknownst to themselves CEs draw from these older models of associationalism. One of the CEs in his organization, *Erop Af (Forwards)*, aimed at alleviating poverty, has its origins in the squatter movement and “deliberately embraces the cooperative spirit” (interview Krikke).

These characteristics represent the received view on social enterprises. Social enterprises are businesses, but a different kind of business, kinder, rooted in civil society, and aimed at increasing social value and not maximizing profit or shareholder value. Similar to the social economy, they are meant to be an answer to the market failures of the neoliberal capitalist production system, although in a world where, since the 1970s, global interconnectedness and the retreat of the state from the public sector has progressed considerably. In many respects CEs correspond with this conventional understanding of social enterprises and entrepreneurship. More importantly perhaps, the leaders of these initiatives identify – to some extent at least – with the entrepreneurial spirit. Yet, the social enterprise represents an incomplete and partial image of CEs. It generally denies that CEs are first of all political-economic phenomena - and not exclusively a public-spirited business innovation - about which political and policy theory has important things to say. More specifically, the social

enterprise perspective ignores the administrative environment in which CEs operate and it underplays their democratic participative dimension. I will discuss these challenges in the next section.

The conclusion is that CEs can indeed be considered, to some extent at least, a form of social entrepreneurship. Their rapid proliferation does not mean however that they automatically form a viable alternative to conventional ways of producing social goods and services by public administration and the private sector. Although these initiatives are often triggered by the budget cuts and system changes that characterize the contemporary public sector, as well as the negative external effects of privatized, corporate service provision, inevitably, as we will see, they get entangled in the myriad regulations, standards, conditions, operating regimes, financial programs, and role expectations, that taken together constitute the administrative state. This entanglement constrains CEs' development, sustainability and social impact. Yet, CEs are not merely the civil society executive arm of the administrative state (no matter what policy makers would prefer). They are also instances of citizen-led public innovation and creative problem solving. They harbor transformative ambitions and represent a critical commentary on conventional institutional forms and practices. This innovative potential originates directly from the participatory nature of CEs, and some CEs are able to use their considerable participatory resources to establish a working alternative to formal care. It is to the participatory nature of CEs that I turn now.

5. The Soft Power of Civil Society? CEs as Participatory Democracy

CEs are a form of citizen participation, but what exactly does that entail? There are many different kinds of participation; social, economic, labor force, and political participation to mention just a few. Isn't participation something that we all engage in in way or another, day in day out? That this is not a mere academic problem will become clear when we discuss the reform of social care in the Netherlands, later in this section. So, what is distinctive about the participatory dimension of CEs? What does citizen participation contribute to CEs as a distinct phenomenon? These are questions that touch upon complex issues of political and policy theory.

Our definition of CEs underscores that CEs are first of all civic associations: groups of citizens who share a purpose that defines the group and whose membership or attachment to the group is consensual (rather than legally required). The associational nature of CEs makes them an integral part of civil society. However, the

concept of civil society has three different meanings: as a collection of civil associations, as a normative conception of the good life, and as the public sphere, a public space in which a wide variety of social actors democratically deliberate matters of collective concern (Edwards 2014, 10, 67). CEs straddle all three conceptions of civil society, although they are underrepresented in the public sphere. What unites these three conceptions of civil society is that they depict a realm that is distinct, in its organization, values and aspirations, from politics and business. Depending on the political circumstances, 'distinct' may range from 'in active opposition to' to 'in mutually enhancing collaboration with'. One of the key questions is how civil society associations can establish productive connections with the spheres of state and business without losing their distinctive, morally propitious character. As we concluded in the preceding section, this question is highly relevant in understanding CEs within their political and administrative environment.

Civil society in the first sense of civil association contains "all associations and networks between the family and state in which membership and activities are 'voluntary'." (Edwards 2014, 20. Quotation marks in original). Voluntary means that the associations' objectives are attained by "voluntaristic mechanisms", such as dialogue, deliberation, bargaining and negotiation (Warren, 2001, 39; Edwards 2014, 20). The voluntary nature of associations is "essential to defining their distinctive quality as a means of social organization. They affect organization through influence rather than through money or power." (Warren 2001, 52) It requires no further argument that CEs are associations in this sense of the word.

However, the value of civil society, as a concept and an ideal, goes beyond the voluntary nature of associations. Implicit in the concept of democratic associations is that they represent an improvement over the usual proceedings in politics and business. Democratic associations are a prefiguration of a better, more inclusive and egalitarian social, economic and political order. This is a deep-seated constitutive belief that undergirds the ideal of civil society as a desirable and necessary counterweight to the negative effects that the logic of the political and corporate sphere has on social bonds and the natural environment (Edwards 2014, 45). This normative ideal is expressed in two ways. Procedurally, membership in associations must not only be voluntary (that is, leaving the association should have no negative consequences for the individual's status or position in the community (Rosenblum and Lesch 2011, 287)), but in addition, to count as the genuine article, the members of an association must arrive at judgments and make decisions exclusively through deliberation and persuasion; free from the deception and manipulation that characterizes so much political and corporate communication (Warren 2001, 39). Substantively, associations

are defined by a different set of values than the often instrumental, unscrupulous conduct of politics and business; values such as tolerance, equality, cooperation, solidarity, mutual respect, non-discrimination, and non-violence (Edwards 2014, 45).

CEs exhibit these qualities. They are instances of citizen participation rooted in the fertile soil of everyday relations, habits, practices, understandings and symbols from which both problem definitions and creative solutions emerge.⁴ This everyday world contains vast stores of experiential knowledge; non-codified, embodied, pragmatic knowledge about how to understand and resolve things in specific local situations. All the CEs in this article highlight the importance of what David Mathews calls 'relational power' or 'power with'. Relational power is the creation of relationships that are conducive to problem solving and that are closely linked to imagining a better future and to capacity building (Mathews 1999, 144). Over and over again we see how citizens reach out to link up with partners who are able to help them (Mathews, 1999; Wagenaar 2007). CEs underscore the importance of civil society as a normative realm. They are "micro-climates" in which citizens enact and practice democratic skills such as listening, presenting an argument, experience empathy and solidarity, and learn to cooperate and reach out across differences. Values and loyalties consolidated, and caring and cooperation – instead of competition and violence – become the rational ways to behave ..." (Edwards 2014, 48).

Thus, civil society - citizens' participation in the management of their own environment - is the source of the innovative, and potentially transformative, power of CEs. However, citizen participation does not operate in a vacuum. Although conceptually distinct, practically speaking, civil society, and by implication, CEs, cannot be seen apart from the administrative state and the corporate environment in which they are embedded. Inevitably, participatory initiatives such as CEs are implicated in practices of businesses and public administration. This puts serious constraints on their capacity for social and democratic transformation.

6. Civic Enterprises in the Administrative State

Let's listen to Nazha-lem-Hali once more. As we saw, one of the innovative elements of her care enterprise is the use of interns to provide social care to vulnerable people in the neighborhood. The interns are themselves from a

⁴ As the Board member of *Zorgcoöperatie Hoogeloon* emphasises: "It is important that it remains small, close, familiar, recognizable, the same faces." (Interview)

vulnerable population: women, many of ethnic minorities, who because of child care or long-term illness had abandoned the labor market and are now trying to get back in by obtaining a vocational degree as social care provider. According to Nazha the arrangement works fine. Elderly people receive high-quality care, and the students increase their chances to obtain a paying job. Yet, Nazha doesn't receive a penny for her efforts. The reason is that she is not recognized as an official care institution. Similarly, she doesn't receive any money (except a one-off subsidy of €10.000 from the city of Amsterdam) for the care provided by *Betrokken Buren* (Engaged Neighbors). Yet, official social work agencies regularly make use of her services when they are unable to reach certain clients. These agencies themselves receive "hundreds of thousands of Euros" through the city's social care budget. To register as an officially recognized care provider is a long and expensive trajectory with uncertain outcome. Nazha has discussed registration with the expert group in *Lucas Community* that supports her, but they asserted that it was too risky. With a tinge of bitterness in her voice Nazha says about the official care organizations: "They profit from me, but not the other way around." (Interview Nazha-lem-Hali)

In the advanced administrative state it is impossible for social enterprises to remain aloof from the political or business sphere, particularly, as in the case of CEs, when their goal is to provide a public good or service. The connection of CEs to the administrative state occurs on three planes: the rule of law, public policy, and organizational logic and operating procedures. One of the key features of the administrative state is the rule of law. The rule of law – or "*Rechtstaat*" in the continental European legal tradition - is a commitment to a code of legal regulations and the promise to uphold them. It stipulates that every act of government is rooted in a law that has been passed by a democratically elected parliament, that disputes about the law and its application by government officials are settled by an independent judiciary, and that citizens and large institutional actors have equal rights, obligations and powers before the law (Hill and Hupe, 2002, 23). As *Rosenblum and Lesch* put it: "By means of law and public policy, government creates the institutional framework, the space in which the groups and associations of civil society take shape and carry out their activities." (2011, 286)⁵ The importance of the rule of law is that it anchors state authority firmly to legality, puts temporary boundaries on political and administrative office, and protects the citizen against unjust and/or arbitrary behavior of state officials (Held, 1996, 165). Although a well-functioning, effective bureaucracy can also be found

⁵ As well as businesses. The problem here is twofold however. Corporations have ample opportunity to influence or even write the regulation that is meant to constrain them. And, second, many decisions regarding the (global) corporate sphere are taken informally or even secretly.

in authoritarian forms of government, its connection with the rule of law makes it one of the cornerstones of representative democracy. In every representative democracy a large, specialized state bureaucracy is wedged in between elected officials and the public that elected them and is accountable to both through the rule of law. Its task is to provide the specialized technical expertise that elected officials usually don't have, to translate political decisions into public results and do all this within the parameters set by the law (Bougnon, 2011, 8). This configuration of democratic rules and accountable, knowledgeable and predictable bureaucracies has given rise to a form of citizenship that rests on the one hand on expectations of state support to provide basic security, protect citizens against arbitrary actions by the state, and against the catastrophic risks that flow from participation in the market economy, and on the other hand to a set of associated political and social rights and obligations. The relevance of the rule of law for participatory citizen initiatives such as social enterprises is twofold: it makes such initiatives possible by creating a protected space for citizens and civil society to organize themselves, and it subjects these initiatives to the same rules and regulations that apply to other organizations. Barring confrontational non-violent protest or violent uprisings, citizen initiatives rely on a well-functioning, democratic, administrative state.⁶

Second, citizen initiative cannot escape large national policy programs and the organizations that implement these programs. Ideally the state facilitates these initiatives. For example, the emergence of CEs in the field of sustainable energy in Germany in the 2000s was triggered by a national subsidy on photovoltaic cells and a fiscal policy that made it possible for CEs to sell the produced energy to the national grid (Boontje, 2013). However, most of the time the state and the corporate sector ignore or constrain the functioning and development of CEs. Let's take care CEs as an example. CEs in the domain of care in the Netherlands encounter the *Wmo* (*Wet maatschappelijke ondersteuning*; Law societal support) and the *Wlz* (*Wet Langdurige Zorg*. Long-Term Care Law). It far exceeds the confines of a paper to describe the complexities of the Dutch system of health and adult care.⁷ Since the 1980s care in

⁶ This is not to claim of course that there are no citizen initiatives under authoritarian regimes. In such cases citizen action usually takes different forms. Either as wholesale protest, law breaking, civil disobedience, or subversive activity in the case of weak states, sometimes followed by the construction of new institutions (Holton 2008) or by retreating into the free spaces of "the politics of small things" in the case of violent, repressive regimes (Goldfarb 2006; Evans and Boyte, 1986).

⁷ Outlays for health and social care are €70bn on a total national budget of about €700bn. Social care is regulated by two national programs: the Law Long-term Care (*Wet Langdurige Zorg*, *Wlz*) and the Law Societal Support (*Wet Maatschappelijke Ondersteuning*, *Wmo*). The *Wlz* finances long-term intensive care, often, but not necessarily, intramural care. It is a social insurance program paid out of premiums levied on

the Netherlands has been a “delicate balance between state-financing, market initiatives (via large insurance companies), and civic initiative” (interview: Klapwijk). However, driven by demographic developments and worsening public finances, the Social Economic Council (SER), the major corporatist body in the Netherlands, initiated a review of the care system. The consensus was that too much care weighed on the ledger of the state, and that the ‘delicate balance’ must be recalibrated. The SER advised to devolve social care to municipalities. Central government eagerly endorsed this part of the advice, as it enabled it to devolve the responsibility of a difficult task to lower levels of government. On January 1, 2007 the so-called national “system change” took place and all social care, except was devolved to municipalities. This devolution was accompanied by a 25% cut in the budget for Wmo administered social care.⁸ The goals of the Wmo are ambitious: to guarantee necessary social care to an ageing population without increasing its costs. To make this possible the Wmo seeks “to make possible and stimulate the participation of all citizens.” (Jager-Vreugdenhil 2012, 13)

This is the policy landscape that participatory initiatives such as *Lucas Zorg* or *Zorgcoöperatie Hoogeloon* encounter. They are affected by it in four different ways. First, the new law represents a partial retreat of the state in the provision of care, both financially and substantively, by shifting the responsibility for social care more towards citizens and communities. Nazha is aware that she acts as a safety valve for austerity politics in care when she says that *Lucas Zorg* is complementary to professional social care because “many hours of care have been budgeted away” (interview). Second, in the context of the goals of the Wmo, it becomes somewhat unclear what the participation dimension of care entails. According to the Wmo participation means different things: individuals must be more responsible for their own care, for the care of others such as family members and neighbors, they must participate socially,

wages. The program is managed by a cartel of large private insurance companies that also manage health care. Regional “*Zorgkantoren*” (a kind of financial clearing houses for care) distribute the care budget to care facilities and corporations and account for its adequate spending. The Wmo is meant for lighter forms of care and support that is provided in people’s homes. Its goal is to maintain the capacity for independent living and maximum social participation for people with physical, social or mental constraints and thereby prevent, costly, institutionalization. The program is administered by municipalities and financed through a block grant from the national government. Municipalities can spend the money as they see fit. Many have contracted corporate, for-profit providers, but they can also enter into a contract with a CE, or facilitate volunteering. In this paper I discuss that part of social care that is regulated and financed by the Wmo and administered by municipalities.

⁸ As a condition for the passing of the Wmo in 2006 parliament demanded that €8 billion was set aside to soften the transaction costs of the transition. This money runs out in 2018.

economically, in the labor market and in public policy (Jager-Vreugdenhil, 2012, 70). Jager-Vreugdenhil, who exhaustively studied the realization of the participatory ambition of the Wmo concludes that the new policy tries to capitalize on everyday informal participation practices in providing social care in families, neighborhoods, church organizations (2012). In the light of this the question of the added value of as a participation practice in its own right to these informal practices, becomes acute. Third, Jager-Vreugdenhil questions the effectiveness of a policy that attempts to augment informal practices of social participation. Not only are they largely immune to influence precisely because they are voluntary and informal (2012, 212), but in practice they also result in considerable confusion, conflict and irritation among citizens, professionals and administrators regarding their newly defined roles in the care landscape. With the increasing importance of volunteers, either as individuals or as part of a civic initiative, and often facilitated by municipalities, professionals are apprehensive about losing their job, and have doubts about the adequacy of volunteer care. Citizen-volunteers on the other hand see their energy and enthusiasm smothered in a barrage of municipal regulations. In the case of *Zorgcoöperatie Hoogeloon* the professional community nurse objected to working alongside volunteers and an open conflict was barely avoided (Interview Board member) The new care configuration in the Netherlands has become a volatile mixture of administrative confusion, mutual irritation and dysfunctional interdependence (Linders et. al, 2016).

Fourth, as the state has tethered the regime of quality standards and accountability in the provision of care to public and corporate service providers, CEs who enter this domain will inevitably have to subject to the operating and financial regimes of these organizations. They have two choices: obtain a license for providing care or contract with a care corporation. Almost all citizen cooperatives choose the second option, but this implies that they have to subject to the financial and accountability regime of the care corporation. For example, care corporations receive overhead on every service they deliver; citizen cooperatives don't. Accountability requirements – applied by the *Zorgkantoren* - loom large, so that one of the Board members of *Zorgcoöperatie Hoogeloon* comments: "Care corporations are very rigid when it comes to rules and procedures."⁹ Also, care corporations can suddenly cease operations in a particular area, as happened to the *Zorgcoöperatie*

⁹ The same Board member was present at a meeting of the care corporation and representatives of a *Zorgkantoor* and was astonished at how directive and formalist the process was: "There was no room for personal judgement. These young managers giving seasoned care directors a dressing down. They are only supposed to apply the rules." "But", she added, "it is tax money after all."

Hoogeloon. The citizen initiative then needs to find another corporation that is willing to take on the contract. This unhappy cohabitation between civic enterprises and government-financed care corporations erodes the participatory nature of the first. In the case of the *Zorgcoöperatie Hoogeloon* the needs of the citizens are represented by an informal coordination meeting between board members of both organizations in which personnel and operational issues are discussed and decided. The members of the cooperation are informed but no longer decide about these issues. The member of the cooperatives Board observes: "Collaboration between volunteers and professional care organizations will be one of the biggest challenges of the coming years. We need each other desperately." (Interview: Board member)

The reaction of CEs to this complex administrative environment is threefold. With some CEs, such as *Lucas Zorg*, the initial idealism and creativity founder on the insurmountable rules and regulations and the risk of exploitation by established care organizations. Although they aspire to be part of the social care landscape, they are too small and isolated to muster the resources to survive in this demanding administrative environment. Others, such as *Zorgcoöperatie Hoogeloon*, create contractual relationships with corporate actors and set up participatory arrangements, and by creating sufficient administrative and social capacity and successfully cooperating with other care partners, manage to carve out an enduring niche in the social care landscape. *Zorgcoöperatie Hoogeloon* operated for 15 years, employed professional care providers in addition to its base of volunteers and was generally seen as a "best practice" of successful citizen participation.¹⁰ However, the price is a erosion of the democratic, participatory idealism of the cooperative.

A third reaction to administrative complexity is to insulate the CE as much as possible from administrative interference. This is the road that *Stadsdorp Zuid* (Urban Village Zuid) has taken. The CE covers an affluent neighborhood in the south of Amsterdam with a high percentage of elderly residents who have lived there most of their lives. The purpose of *Stadsdorp Zuid* is to make it possible for the elderly to remain in their homes and prevent isolation when their physical and mental functions decline. "To remain healthy and active as long as possible. To remain in your own home as long as possible. To get to know fellow residents."¹¹ *Stadsdorp Zuid* organizes meal services, home repairs, and a range of cultural activities. It also organizes training in how to deal with Alzheimer patients. *Stadsdorp Zuid* is organized as a cooperative and

¹⁰ See for example:

https://bouwstenen.nl/sites/bouwstenen.nl/files/2011_Zorgcooperatie_Hoogeloon_SRE.pdf (accessed 09/03/2019)

¹¹ <https://www.stadsdorpzuid.nl> accessed 09/03/2019)

at year end of 2018 had 430 members who each pay a small membership fee. Jacques Allegro, one of the initiators of *Stadsdorp Zuid* explains how he and a group of fellow citizens decided to do an informal survey among residents and ask them what they thought was important. The top three needs were: tasty, nutritious meals, stable social care in case of long-term illness, and reliable professionals to fix small problems in the house. Allegro says that in the beginning everything was very informal: “Friends of neighbors of friends. And the question was always: What do you have to offer?”

Stadsdorp Zuid is civil society in its purest form. It relies exclusively on its informal network of volunteers. “You organize with each other everything you need.” (Interview: Allegro). And it tries to keep a distance from the city administration. More intensive care is met by professional organizations; *Stadsdorp Zuid* does not have any formal or informal relationship with these organizations. Nevertheless, despite its fiercely guarded independence, even *Stadsdorp Zuid* is not completely insular; it is part of a network of 26 *Stadsdorpen* that are facilitated by the city of Amsterdam. And, they are fragile. While its focus on “good neighborhood” make it an unlikely candidate for corporate takeover, its exclusive reliance on informal leadership make it vulnerable to personnel changes, loss of interest, and the growing challenge to recruit volunteers (Hustinx and Lammertyn, 2003).

7. Conclusion: A Democratic Paradox

To sum up: civic enterprises are an instance of the global diffusion of social enterprise and social entrepreneurship. In contrast with an earlier generation of social economy initiatives, CEs are not part of any policy programs, nor specifically aimed at alleviating poverty or social exclusion. In fact, CEs cover a remarkably broad range of social issues and involve citizens from all socio-economic strata. Although CEs may use business models to generate income, their aim is decidedly social: to advance urgent issues in the collective interest, often in a deliberate effort to improve public sector functioning. CEs are voluntary associations. That places them squarely inside civil society, and it is their civil society origins that explain their specific characteristics, such as their innovative nature, their normative power, and their critical ambition. In an important sense CEs are manifestations of participatory democracy, but not in the sense of offering a forum to deliberate on issues that affect citizens, but in the richer, more inclusive sense of creating arrangements for collective problem solving. The capacity for practical reasoning about collective problems is rooted in the everyday practices and relations of communities of

citizens. Thus, in an important sense, participatory democracy involves the formation of voluntary associations and the animation of norms of civil society. It has also become clear that, given their roots in the everyday life of communities, CEs are inherently fragile and easily overpowered by the state or the corporate world.

What makes CEs both fascinating and important as objects of inquiry is their innovative potential. On their own terms civic enterprises may become sites of innovation and experimentation with new forms of organization, financing and governance (Moulaert et al. 2013; OO:/, 2012; Sanchez Bajo & Roelants, 2013). In their vocabulary, practices and organizational form they present “a laboratory for social activists to discuss with the public the viability and desirability of ideas and policies that are outside the boundaries of conventional discourse”. (Ron 2012, 479) Although pragmatic and focused on solving concrete problems in the community, many such community initiatives do not shrink from assuring the world of their transformative claims. By operating on a different social system of production, that foregrounds multifunctionality, value, inclusion, and solidarity, many CEs deliberately challenge the mid-twentieth century top-down models of state delivery or the neo-liberal agenda of market production. They do this both ideologically and practically in the prefigurative quality of their economic-organizational models of organization (ref.). As Moulaert et al. (2013) and Wagenaar and van der Heijden (2103) argue, community initiatives also have significant innovative potential in promoting more democratic forms of governance. Citizens and residents find themselves drawn into policy-making as well as practical delivery, linking policy and action in a much more intimate way than is common in standard models of invited ‘public participation’ as part of formal processes of planning and public policy.

Yet, this innovative potential raises an important question: Why is it that the majority of these citizen initiatives, despite the enthusiasm and positive energy of the participating citizens, despite the favorable attention of governments who seek to expand their repertoire of governance tools, and despite the innovative promise they contain, rarely manage to diffuse the social enterprise beyond the immediate community in which it emerged? In a more general sense this question constitutes a paradox that afflicts the phenomenon of CEs as a whole: *In the face of an increasing democratic impairment that is brought about by a number of general trends in the political economy of democratic capitalism, citizens and communities can, and, as we have seen, do, organize themselves to design more democratic structures for (self-) governance* (Mathews, 1999; Boyte, 2004; Nicholls, 2011; Wagenaar & van der Heijden, 2013). *Yet, despite its promotion as a new form of administrative innovation, such popular sovereignty is regularly ignored, or remains unacknowledged, by*

dominant economic-political institutions and ideologies and usually fails to transform liberal electoral democracy (Hart et. al, 2010). It is a common observation that CEs intensely local. In many cases this localism is the result of a 'natural' focus on local problems and interests. (See footnote 4) But we cannot escape the conclusion that this localism is, at least partly, externally imposed, and that its innovative potential is insufficiently fulfilled. My argument is that the localism of citizens is as much idealistic as a pragmatic reaction to the awareness of two powerful constraints. First, in the current neoliberal economic system the state and the corporate world are not necessarily always concerned about the wellbeing, health and security of citizens or the state of the natural environment. And, second, attempts to mobilize civil society to create a more just, solidaristic and sustainable society through citizen-centered solutions are either met with indifference or hostility, or coopted into the practices and values of neoliberal governance. It is ironic that the administrative neglect and corporate indifference that compel citizens to organize themselves in CEs also prevent them from disseminating their innovative potential beyond the local realm. To overcome these constraints requires something beyond civic initiative, in which the spirit, principles and innovative potential of civic enterprise will reform our political economy to become more democratic, humane and sustainable (Hart et. al, 2010). An economy that works for the many, whose aim is human flourishing and not permanent growth, and in which economic, financial and workplace decisions are subject to genuine democratic decision-making.

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