

Third Sector Research Centre

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## **Decoupling the state and the third sector? The 'Big Society' as a spontaneous order**

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## Abstract

Despite a largely indifferent and otherwise sceptical public reception, the 'Big Society' has remained a central feature of the Conservative-led Coalition's project, with David Cameron referring to it as his passion. However, the Big Society has been a rather elusive concept. Academics and commentators seek to understand what it means, what it signals, and what it might imply. It is viewed by critics as providing political cover for the Coalition's deficit reduction programme and as a Trojan horse for privatisation. Others argue that it represents a significant recasting of the relationship between citizens and the state, as well as providing new opportunities and spaces for voluntary and community activity, recast as social action in civil society. This paper asks what the Big Society might mean for the 'third sector' of voluntary organisations, community groups and social enterprises, and in particular how the changing relationship with the state might be understood. The previous Labour government's approach has been characterised as the development of a closer 'partnership' between state and the third sector. Whilst there are important continuities from this time, a partial decoupling may now be underway in the new political and economic context. Theoretically, this might signal a shift away from the idea of interdependence between the state and the third sector, and towards a model involving separate spheres: from partnership to an emergent 'trial separation'. To explore this dynamic the paper draws on Friedrich Hayek's theory of 'spontaneous order', suggesting that the Big Society involves some implicit Hayekian assumptions. It concludes by considering the implications of regarding the third sector in such terms.

### Keywords

Third sector, Big Society, Coalition Government, Hayek, spontaneous order, independence.

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'The 'Big Society' is not a government programme: it's an idea of what you want society – what you want Britain – to be like'

Francis Maude, *The Independent*, 02.10.11.

Charity CEO: 'What's the Big Society all about then?'

Minister: 'You!'

Charity CEO: 'In that case can I have some money to fund my project please?'

Minister: 'No, that's the whole point.'<sup>1</sup>

## Continuity and change in third sector policy

A change of government typically calls forth explorations of the extent to which policy change follows political change. Commentators seek to identify continuity and change in policy approaches across a range of fields. For the third sector – voluntary organisations, community groups and social enterprises – debate along these lines is likely to continue as the UK Conservative-led Coalition Government's programme is implemented and moves into its second half. Is the policy framework, including both resources and direction, more or less the same under the new administration as with its predecessors? How different are the assumptions and understandings about the role and position of the third sector? Or is it too early to tell?

In the lead up to the 2010 General Election, it was possible to argue that the broad policy repertoire on the third sector between the Conservatives as outlined in opposition, and the existing Labour government, were roughly the same. Crisp et al. (2009: 67) asked rhetorically 'If there was a change of government, and the third sector was looking the other way at the time, would it notice the difference?' They concluded, on the basis of pre-election pronouncements, that continuity would prevail, at least initially. In a case of pre-election convergence, the view of key politicians and policy makers was one of developing a supportive policy environment for the third sector, with increasing resources and an overall policy framework encapsulated by a 'Compact' between state and sector. The government would encourage the sector to play more of a role in delivering public services, with accompanying capacity building support to realise its potential. At the same time, grassroots community involvement and voluntary activity was promoted and supported by a small grants programme. The development and extension of such a consensus is likely to be a reflection of, and may be reinforced by, the extent to which the third sector falls outside the main sites of party political and ideological controversy (Kendall 2010, Parry et al. 2010).

If in practice there was a gathering consensus, the rhetoric surrounding policy development for political parties in opposition tends to highlight difference. This draws our attention to a potential gulf between the claims parties may make for their policy programmes, in which they try to establish and

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<sup>1</sup> This piece of conversation between a Conservative minister and the chief executive of a leading charity was reportedly overheard at the 2010 Conservative party conference in Birmingham (Howarth and Kendall 2011: 4).

highlight their distinctiveness – a strategy of distinction – and what those actual policy programmes look like in detail. It gives strength to the idea that we should focus on what political actors and policymakers do rather than what they say. Interestingly this gap between rhetoric and reality may last well into a post-election period. For example, in opposition the Conservatives pledged to change the names of particular initiatives and institutions, and in the Coalition Government this is what has happened: the Office of the Third Sector in the Cabinet office is now the Office for Civil Society and the ‘Grassroots Grants’ funding programme has morphed into the Community First funding programme. The broad policy direction behind these re-badged initiatives is arguably much the same.

However, in its pre-election rhetoric, the Conservatives began to develop a position that was much more likely than the incumbent Labour government to focus on the idea of ‘state failure’ and the problems caused by ‘big government’ (Crisp et al. 2009: 69). Crucially, as the credit crunch began to bite from 2007 onwards, the Conservatives decided to depart from the Labour government’s public spending plans (Snowdon 2010). Arguably this has been the single most decisive catalyst for the reawakening of competitive party politics in recent years. In combination, the subsequent attempt by the Coalition Government to implement a significant fiscal contraction in one parliamentary term (Taylor Gooby and Stoker 2011), and the argument around ‘state failure’, begin to put some pressure on the idea of fundamental continuity over third sector policy between the previous and current administrations. Together these developments cohere under David Cameron’s notion of the ‘Big Society’ (Cameron 2009, Norman 2010). This paper argues that these developments represent a significant discursive and theoretical disjuncture in how the third sector is understood as a focus for policy, and potentially marks the beginnings of a new relationship between the third sector and the state. The suggestion is that the closer ‘partnership’ model of relationships between the state and third sector under new Labour (Lewis 2005) may be making way for a different model. A partial decoupling of the state and the third sector may now be in train in the new political and economic context. Theoretically, this might signal a shift away from the idea of ‘interdependence’ between the state and the third sector, and towards a model involving separate spheres – from ‘partnership’ to a ‘trial separation’ – under the leitmotif and stewardship of the ‘Big Society’.

Hence this paper aims to examine the intersection between the ideas expressed in debates about the ‘Big Society’ and the envisaged role and function of the third sector. In particular it draws upon Friedrich Hayek’s notion of ‘spontaneous order’ to explore the idea of an independent, self-organised third sector as a site of social action in civil society at some remove from the state. Something of this perspective appears to weave through discussions and pronouncements around the ‘Big Society’, and there are signs in practice that the Coalition’s programme is working with such assumptions, even where not explicitly stated. To introduce the argument, the first part of the paper briefly considers the idea of the Big Society, and the emerging debates over its interpretation. This is followed by an account of the relationship between the state and the third sector, as seen through the guise of the prominent theory of ‘interdependence’. By way of contrast, the paper then moves on to discuss Hayek’s notion of ‘spontaneous order’, and considers how the third sector and the ‘Big Society’ may be viewed in such terms.

## The Big Society, the third sector and the state: conflict or co-operation?

David Cameron outlined the Conservative's vision for the 'Big Society' in his Hugo Young Memorial Lecture in November 2009, where he counter-posed the Big Society with its suggested antithesis, 'Big Government':

'Because we believe that a strong society will solve our problems more effectively than big government has or ever will, we want the state to act as an instrument for helping to create a strong society...Our alternative to big government is the big society.' (Cameron 2009)

Albrow (2012) argues that 'Big Society' should be seen first and foremost as a 'rhetorical intervention' designed to communicate with a range of audiences, and in particular as part of a process of softening the Conservative Party's image as what became known as the 'nasty party'. This process appears at first sight to suggest distance from its Thatcherite neo-liberal inheritance, as illustrated in an earlier speech by Cameron to the National Council for Voluntary Organisations (NCVO), in the claim that: "there is such a thing as society, it's just not the same as the state" (Cameron 2006).

The Big Society was then heavily featured in policy pronouncements in the first weeks of the Coalition Government after the inconclusive General Election of May 2010. The policy agenda focused on three strands: decentralisation ('*community empowerment*') with more power devolved to local councils and neighbourhoods; public services reform ('*opening up public services*') enabling charities, social enterprises, co-operatives, but also private companies, to compete to deliver public services; and thirdly programmes to encourage people to play more of an active role in communities ('*social action*'), such as the National Citizen Service for 16 year olds and the Community Organisers Programme.

Subsequently the Big Society agenda appears to have experienced a rather troubled life, with many apparent re-launches, and a cacophony of critical commentary (Macmillan 2013). Over time its use in policy documents, ministerial statements and speeches appears to have declined somewhat, leading many to pronounce its demise. Nonetheless it has attracted a growing stream of academic analysis, seeking to understand the origins and meaning of the idea, particularly in relation to existing ideological traditions on the right and left, and its translation into a set of policy proposals and practical initiatives (see, for example, Alcock 2010, Smith 2010, Scott 2011, Taylor 2012, Sage 2012).

The idea of the Big Society has sparked a lively debate. However, to date it has not been framed in terms of theories of the third sector's existence, role in society and its relationship to the state. This opens the question of whether, fundamentally, a view is taken of the third sector as potentially in conflict or competition with the state, or whether a more co-operative and complementary relationship is thought to apply. The notion of 'Big Government' reveals a key assumption behind the Big Society. It becomes the rather abstract but positive imagined future of individual and community responsibility set against a traditional ideological critique of (big) 'state failure'. In this view the state tends to be ineffective in tackling society's major issues, or worse, part of the problem itself. There is more than a hint in some ministerial speeches that the state and the third sector have become too close, that the state 'crowds out' civil society and compromises its independence. In an interesting echo of the

language of 'welfare dependency', the suggestion is that many third sector organisations have become too dependent on public funding. In practice it is likely to be a more complex situation. The relationship between the third sector and the state could be an empirical matter, concerning, for example, the nature of concrete financial, regulatory and operational relationships and connections between third sector organisations and public bodies. But at a more abstract level it is also a theoretical matter, focusing on the respective roles of state and third sector in a wider social and economic context, political economy or welfare regime. Here we might imagine the third sector either as an alternative to other forms of social provision, or as somehow additional or complementary to them.

A number of theories of the third sector start from assumptions of market failure and state failure, and ask what role third sector organisations emerge to play in conditions where the state cannot provide goods and services and the market will not. But an important theory developed by US third sector academic Lester Salamon challenged this notion of a zero-sum game between the voluntary sector and the state. He proposed the notion of *interdependence* between the sector and the state, alongside the idea of 'third party government' (Salamon 1987). It starts from an empirical observation that despite theories of the voluntary sector as fundamentally alternative to the state, examples of the state and sector organisations working alongside each other are widespread. In his view neither the state nor the voluntary sector displace each other. In fact government underwrites the sector, and as we have seen in recent years public funding of the third sector has grown substantially. Salamon referred to this process as 'third party government' as a way of describing how governmental action can be undertaken through non-governmental organisations. To explain this symbiotic relationship, Salamon developed a theory of 'voluntary failure'. Voluntary action can suffer from *insufficiency* (it is small scale and typically insufficient to meet need), *particularism* (it focuses on some groups rather than others), *paternalism* (focusing on the interests of funders rather than social needs as a whole) and *amateurism* (a pervasive lack of professional skills). As a result of these weaknesses the state may step in. The state and the voluntary sector are thus in a complementary relationship – government strengths and sector weaknesses tend to correspond. This perspective thus attempts to provide a theoretical account which is also empirically and historically sensitive. Often voluntary action develops in response to newly identified needs, but then the state works to address the voluntary sector's limitations in meeting them.

The Labour government's approach to the sector from 1997 until 2010 has been characterised as the development of a closer 'partnership' between the newly characterised 'third' sector and the state (Lewis 2005). This was in contrast to the more 'instrumental' view of the sector developed under the earlier Conservative governments led by Prime Ministers Thatcher and Major, where the sector was regarded as an alternative to the state (Lewis 2005). Arguably the Labour government's approach was based, consciously or not, on a Salamon-inspired view of the sector. The policy programme which developed under this administration has been well documented elsewhere, but has been characterised as a period of 'hyperactive mainstreaming' (Kendall 2009) of the third sector into public policy. Third sector organisations were encouraged to play a part in policy planning and implementation, seats at the table were made available, for example through a national 'strategic

partners' programme of funding representative umbrella bodies from the third sector, and in local strategic partnerships, and financial and political support was given to develop the third sector's role. Recent work on understanding policy responses to the economic downturn and recession, highlights the close relationship between the third sector's policy elite and government officials between 2008 to 2010 leading to a number of 'summits' and an 'action plan' (Taylor et al. 2012). Arguably this represents the high point of new Labour's corporatist partnership relationship with the third sector. In so far as such a set of events and arrangements are less imaginable under the Conservative-led Coalition Government, then we might safely assume that we are in somewhat new territory. A new understanding of the relationship between the state and the third sector is required.

## Hayek's spontaneous order

Given the purported interdependence between the third sector and the state, there is something of a dilemma for those who are keen to promote the former but not particularly the latter. Where might they turn for theoretical support? Here I will draw upon the social and economic theory of Friedrich Hayek (1899-1992), and in particular his idea of the spontaneous order, to suggest a potential source of inspiration. Hayek is typically regarded as an uncompromising advocate of liberty, free markets and a minimal state. He became a standard bearer for the resurgence of the neo-liberal 'new right' in the late 1970s and 1980s. Margaret Thatcher was reputed to have always carried a copy of Hayek's *The Road to Serfdom* from 1944 in her infamous handbag, ready to clip any 'wet' liberals and old fashioned conservatives round the ear. However, Hayek's liberal intellectual and political project was a much longer term affair (Mirowski and Plehwe 2009, Peck 2010, Stedman Jones 2012), dating back to debates in the 1930s over collectivist economic planning under socialism, and the establishment of the Mont Pelerin Society in 1947 to advance the cause of classical liberalism. Latterly his influence has also extended beyond traditional champions on the right into discussions around a pluralist project for renewing socialism (Wainwright 1994, Gamble 1996, Glasman 1996, Griffiths 2007, 2011).

Hayek's theoretical idea of the 'spontaneous order' (Hayek 1979) starts from his theory of knowledge. Knowledge is dispersed, fragmented, temporary, tacit, and particular to circumstance. This view informed his contributions to the 1930s debates on the infeasibility of collectivist economic planning. No single or central authority could collect, command and deploy such knowledge for economic planning and coordination. Rather, Hayek suggested, a coordination mechanism is required that can generate and maintain order without conscious design or direction.

Hayek distinguishes between a 'made order' (or what he calls a *taxis*, involving human will and authority relationships of command and obedience) and a 'grown order' (or what he refers to as a *cosmos*, an order which no single individual or group consciously creates). For Hayek the state, bureaucracy and organisations are examples of made orders. The market is the paradigm example of a spontaneous order. No one is responsible for planning the whole, and for Hayek free markets represent the best mechanism for conveying and communicating local, imperfect and fragmented knowledge held by individuals. Gamble (1996: 38) argues that a spontaneous order 'results from the unintended consequences of all agents using the local knowledge at their disposal to pursue their interests within a single framework of general rules which prescribe just conduct'.

Using local information, agents must be free to pursue their goals. They may succeed or fail, but the minute adjustments that arise from disappointment, error or failure create not only a continuously evolving self-generating order, but also the discovery of new knowledge. Petsoulas (2001: 2-3) argues that Hayek's theory of spontaneous order aims to overcome an epistemic problem of human coordination:

For Hayek, reliance on the spontaneous ordering forces of the market provides the best solution to the epistemic problem of the fragmented, temporary and tacit nature of human knowledge. The most efficient use of knowledge is achieved by the mechanism of 'negative feedback' – the 'constant disappointment' of some individual plans: market participants who mistakenly direct their efforts to unproductive activities will not be rewarded; they will be forced to re-direct their resources to more productive use.

Although the prime example is the market, we might from this account of Hayek's theory of spontaneous order distil three key dimensions through which to assess the third sector. If we are to regard it as a spontaneous order, firstly it has (or should have) no singular purpose and no central direction; secondly it utilises (or should utilise) dispersed local knowledge in a trial and error experimental process of ideas, approaches, projects and organisations; and thirdly it works (or should work) through self-organising adjustments to local circumstances.

The first condition implies that the third sector (or wider civil society) should be viewed in polycentric terms, that is, as a system of many different and dispersed independent decision making authorities, operating as a plural, self-coordinating field, guided by interdependent relationships of regard and incremental mutual adjustment, rather than through a single hierarchical 'monocentric' authority structure (Polanyi 1951, McGinnis and Ostrom 2011). Drawing from this view, the third *sector* would be seen as a misnomer. It should be regarded as a multifold collection or field of independent interacting entities, rather than as a single coherent 'sector' which might be given an organised political purpose or voice.

The second dimension involves a discovery mechanism for how the civil society and the third sector operates to pursue its multiple purposes. Some projects will work, others will fail, new needs and ways of meeting them will be discovered and tried, and over time an evolutionary selection process operates within the third sector to reward successful ventures and eliminate the less successful. Finally, the flexibility, innovative capacity and versatility of third sector organisations is highlighted in the third condition. The result of these three conditions in operation is effectively a spontaneous order.

For each condition it is important to note and distinguish a normative case for a spontaneous order from empirical claims which seek to describe the sector in such terms. The third sector might actually display elements of a spontaneous order anyway, in so far as the state's role is downplayed, and its diversity and pluralism highlighted. However, if the sector does not display features of a spontaneous order, the political task for those wishing to promote it as such, is to create the conditions for a spontaneous order. There is of course a contradiction laced through the latter view, and affecting much of Hayek's own thought (Gamble 1996), which questions the legitimacy of deliberate political action in many versions of classical liberalism and conservatism. One response may be to suggest that the third sector has somehow become trapped or entangled in the web of state-led bureaucratic

processes and regulations. To thrive as an independent spontaneous order, it thus requires some form of liberation, in exactly the same way that a 'free economy' required a 'strong state' (Gamble 1988). This kind of argument has surfaced in contemporary political discussion in the U.K. This perspective would argue that the 1997 to 2010 Labour governments tried to work with civil society as a 'made order' or a 'taxis', even attempting to rename it as the 'third sector'. As a result it was stifled and its independence compromised. In contrast, the third sector should always be regarded as an independent 'spontaneous order' or 'cosmos'. In these terms, the Conservative-led coalition project for the third sector can be seen as an attempt to decouple the state and sector in theory, or fundamentally recast the relationship between the state and the third sector in practice. In the next section we consider how this is being attempted by the UK Coalition Government formed in 2010.

## Making the Big Society as a spontaneous order

### Imagining the third sector as a spontaneous order

In contrast to the previous government's 'partnership' approach, the crowding out argument signals a turn against Salamon's theory of interdependence and towards a putative Hayekian account of the third sector. It reverts to a position where the state and the third sector occupy separate spheres. It may signal a partial separation, greater distance, and a partial 'decoupling' of the state and the third sector. In opposition the Conservative Party articulated a specific 'zero-sum' account of the relationship between the state and the third sector. The state and the third sector are, in this view, in a fundamentally, antagonistic relationship, and the state tends to 'crowd out' voluntary and community action (Cameron 2009).

Although only rarely mentioned explicitly, a Hayekian thread appears to run through elements of the Conservative Party's thinking about the third sector, civil society and particularly its deployment of the 'Big Society' concept. For example, as early as 2006 David Cameron praised the scale and role of the sector in a speech to the National Council for Voluntary Organisations (NCVO). The array of non-profit organisations in the UK, he argued, includes:

'everything from a handful of neighbours getting together to organise a play group, to the great national charities like the NSPCC or the National Trust. They include social enterprises, clubs, religious bodies, trade unions, pressure groups, friendly societies, care homes, and many more. The map of social action in Britain is a vibrant kaleidoscope of institutions and organisations, competing and combining, developing effective local responses to local needs.' (Cameron 2006)

The metaphor of the 'kaleidoscope' to describe great diversity, competition, combination, and developing local responses to local needs, appears to offer a vision of a third sector which is not far from the idea of a 'spontaneous order'. In the speech Cameron continues by citing a figure of 700,000 organisations, and arguing that they prove that:

'There is such a thing as society. It's just not the same thing as the state. The term 'the third sector' was first coined by the liberal economist Friedrich von Hayek, the intellectual guru of Thatcherism. In *Law, Legislation and Liberty* Hayek wrote that 'it is most important for a healthy society that we preserve between the commercial and the governmental sector a third, independent sector.'" (Cameron 2006)

Importantly, this speech was just after the publication of the Conservative Party's first policy review of the role of the third sector, which argued that the sector had been underused and undervalued in the fight against poverty, and had been controlled like a 'mini public sector' (Social Justice Policy Group 2006), or, in Hayekian terms, as a 'taxis'. The reference to Hayek in that paper and Cameron's speech appears to originate in Whelan's analysis of the sector in an Institute for Economic Affairs pamphlet in 2000, 'the voluntary sector is part of what the economist Friedrich Hayek described as the third sector, distinct from the State on the one hand and the commercial sector on the other' (Whelan 2000: 10). Seddon (2007) provides a similar critique of the growing dependency of the third sector on the state and continues this theme, echoing the twin ideas of a vibrant civil society or third sector on the one hand, stifled by the state on the other:

People of all political hues tend to have at least a vague notion of the voluntary sector being distinct from the state on one hand and the commercial sector on the other; belonging, that is, to civil society, or what the political theorist Friedrich Hayek called the third sector....Discerning the boundaries of political, commercial and voluntary sectors has always been a subject of debate. The lines of demarcation have always been fuzzy. But few would deny that they used to be clearer than they are now. (Seddon 2007: 1)

He cites approvingly what seems to be a Hayekian-scented quotation from Lord Dahrendorf in 1997: while governments 'in particular have come to rely more and more on the voluntary sector', the '**creative chaos of associations is what a thriving, throbbing civil society** is about. It is the very essence of freedom'; indeed, the 'voluntary sector epitomises what freedom is all about.' (in Seddon 2007: 1, emphasis added).

Further Hayekian themes – of evolution and spontaneous action – arise in the writings of Lord Nat Wei, who was appointed as an advisor to the government on the 'Big Society' and made a peer in May 2010. Before subsequently stepping down from the role, he referred to the Big Society as akin to the internet:

it can be hard to get your head around at first, largely because it is organic and evolutionary in its nature, and because it maps in my view more closely to real life – infinitely varied and often surprising....the Big Society (or whatever you want to call it) builds on thinking from the internet – it is about a change in the way we operate, about releasing information, power, and people in their streets and institutions, and supporting people to take as much or as little control over their lives from whomsoever currently hoards it – mainly government, but also other large vested interests. (Wei 2010)

The emerging perspective of an independent civil society is likely to resonate well with many practitioners in the third sector, including, for example those concerned with the overload of bureaucratic 'red tape', the loss of independence as a consequence of delivering public services under contract, and particularly those keen to demonstrate innovative ideas and projects, DIY community action, networking and peer to peer support as well as the vibrancy of 'unorganised' social movements and citizen action.

However, beyond efforts to talk up the role and contribution of an independent sector, through praise, encouragement and showcasing, how might a government inspired by these ideas seek to create and promote a more independent civil society?

### **Creating the conditions for a third sector spontaneous order**

Here we consider several policy developments which appear to signal the attempt to instigate a process of (re)creating an independent third sector. This occurs by dismantling existing institutional arrangements and challenging existing assumptions. The Coalition Government elected in May 2010 quickly established a fiscal consolidation programme based around significant public spending constraint (Taylor Gooby and Stoker 2011). Overall, the aim was to eliminate the structural deficit within one five year parliament. For a third sector which had grown partly on the basis of increased public spending, this was likely to have major repercussions which are likely to continue for many years. As well as new programmes trailed in Conservative Party speeches and publications prior to the 2010 election, three significant developments are worth highlighting: changes in central government architecture, the relationship between central government and key national voluntary sector umbrella bodies, and changes to funding for local infrastructure support and development of the sector. These provide some signals that a different relationship between the third sector and the state is being imagined and promoted.

The Office of the Third Sector (OTS) was established by the Labour administration at the centre of government in the Cabinet Office in May 2006. Its aim was 'to develop and support an environment which enables the third sector to thrive, growing in its contribution to Britain's society, economy and environment'. This was to be achieved by partnership working across government and with the sector; money, including capacity building and small grants; regulatory reform; and developing a better evidence base. The new government quickly renamed OTS as the Office for Civil Society (OCS), but crucially its budget was cut by 60%. Its role has been reshaped so that it now focuses on three main issues: 'making it easier to run voluntary organisations', 'making it easier for organisations to work with the state' and 'getting more resources into the sector'. The objectives of the Office for Civil Society are not too dissimilar to those pre-dating the change of government. However, its capacity to play a coordinating role across government has been drastically restricted. With fewer levers to effect change, it is possible the Office for Civil Society's status will be reduced to being a small unit at the head of what amounts to a marginal 'social movement', rather than a key department at the centre of government.

The second theme is a formal change in the relationship between central government and certain key national umbrella bodies representing the third sector. Under the previous government a 'Strategic Partners Programme' provided funds for key national voluntary agencies to support their policy, advocacy and representative work with government on behalf of their members. The new government has scaled back this programme significantly and, in a crucial move, it is gradually being phased out over the three years from 2011 to 2014. Funded through the Office for Civil Society, a budget of £12.2m for the single year 2010-11 and covering 42 representative bodies in the sector has been

reduced to a three year total of £8.2m in what is now called the 'Strategic Partners Transition Programme'. Seventeen organisations, some working in partnership with each other, were successful in a bidding round in which organisations were advised that no organisation could receive more than £500K per year or more than 25% of its income from the fund. The budget is to be reduced to 75% of 2011-12 total in 2012-13, and finally 50% in 2013-14, before ending in March 2014.

The objectives for the new programme include 'to ensure key national representative organisations can efficiently and effectively act as a conduit between government and the wider frontline VCSE [voluntary, community and social enterprise] sector, communicating, and helping to support and deliver strategic policy of OCS'; 'to support the VCSE sector to contribute to the development of the Big Society' but finally 'to help ensure the independence and sustainability of national representative organisations, providing a route to them becoming independent of government funding by 2014' (Cabinet Office 2011a).

We might observe two rather contradictory notions of 'independence' in play here: firstly, the role envisaged for strategic partners in promoting the 'Big Society' may cause some concern over their capacity for independent action and critical policy work, but secondly in contrast independence from financial relationships with the state is being heavily promoted.

We might ask why fewer national voluntary organisations are involved, with dramatically reduced funding, and why the programme is being phased out. The announcement of the successful bids in March 2011 drew attention to the need to focus resources on 'front line services' (Cabinet Office 2011b). The decisions cannot be taken in isolation from the wider deficit reduction programme, and the major cuts in the OCS budget. In addition, ministers were critical of what they took to be an ill-focused programme which provided significant unrestricted funding to a large number of voluntary organisations without a clear return. However, the focus on encouraging independence from state funding, and the ending of a programme which aims to support closer policy relationships between the state and the third sector suggest a different conception of the sector and its relationship with government is being envisaged. In an interview in Third Sector magazine (Cook 2010), the Minister for Civil Society Nick Hurd encapsulated the changed agenda: "We're different from Labour. The heart of the big society agenda is about trying to reduce people's sense of dependence on the state, and that goes for the sector as well". He continued that the sector's 'creeping dependence' on the state was "not compatible with our long-term vision of the sector, which is of a robustly independent and resilient pillar of a stronger society where there's a better balance between state, market and civil society" (Cook 2010).

Clearly there are different kinds of relationship being forged and envisaged. The 'better balance' calls forth Hayekian themes of independence, and of getting the state out of the way of the third sector, in contrast to the previous strategy of the state and the sector coming into closer alliance.

The final example concerns support to develop and improve the infrastructure of the third sector, particularly at local level. Investment in infrastructure to build the capacity of the third sector was a key feature of the previous government's approach to the third sector, for example through the

Futurebuilders and ChangeUp programmes. The latter was regarded by the new Coalition Government as a failure of 'top down' and overly bureaucratic intervention (Conservative Party 2008). It moved quickly to end the programme and in March 2011 closed Capacitybuilders, the quango which was responsible for its delivery. Subsequently it has sought to develop an alternative, lower cost programme to build the capacity of civil society organisations, suggesting perhaps some continuity in approach with the previous government. However, despite similarities, a consultation paper in October 2010 signalled a desire to transform the sector more fundamentally:

Civil society organisations (charities, social enterprises and voluntary groups) will need to embrace new skills, partnerships and organisational models if they are to seize the opportunities that lie ahead. It will be vital for civil society organisations to improve their business skills, become more entrepreneurial and strengthen their governance. It is in this context that we want to look again at the effectiveness of the support frontline groups receive and the role of Government in helping **civil society make the transition to greater strength and independence**. (Office for Civil Society 2010: 6, emphasis added)

Following this, and through the Big Lottery Fund, the Coalition is funding a programme to transform local infrastructure (Macmillan 2011), launched in July 2011. This is a short term, one off programme designed to effect significant rationalisation and transformation in local infrastructure support: the ministerial forward to the Guidance Notes argues that 'we want this fund to be a catalyst for change and more sustainable business models' (Big Lottery Fund 2011: 2). Most significantly, the note stresses that the Office for Civil Society 'views this as a final national level investment in this area, aimed at transformational activities' (Big Lottery Fund 2011: 4) such as collaboration and consolidation; redesigning services; better links with businesses and other sectors, and crucially, 'sustainability in the long-term without ongoing support from central Government' (Big Lottery Fund 2011: 4).

Once again the government is signalling that it is seeking to divest itself of responsibility for the third sector, in this case it is local infrastructure, albeit with an accompanying 'transition' programme. It is a one-off programme, designed to develop different models of infrastructure support in the third sector. Government, or at least central government, should again get out of the way.

These three examples, all being rolled out in the early years of the Coalition, provide some evidence of a significant change in the assumed and envisaged relationship between the state and the third sector, or at least parts of it. The 'horizontal' third sector relationship with the state is being significant recast, if not dismantled. There is to be much less investment and less central coordination between government departments; what might be regarded as the 'corporatist' strategic policy relationships established under the previous administration at the centre of government are being uprooted; and the support mechanisms for developing the sector are being fundamentally rethought. The suggestion is that this represents an attempt to forge a fundamentally different conception of the role of the third sector, and its relationship with the state.

## Theorising an independent third sector

It is worth looking ahead to ask what the third sector and social action, regarded as a spontaneous order, decoupled from the state, might actually look like. What does a Hayekian theory of the third sector involve? In this section we outline the parameters of such a theory. This is offered as an analytical starting point rather than a positive endorsement. In practice, Hayek had very little to say both on non-market spontaneous orders and on the 'independent sector'. His reference point is an abstract idea of the market. Is there then a possible theory of spontaneous third sector activity? And if so, what drives it and provides the basis for order, if not the profit motive and price mechanism which, for Hayek, convey information to aid decision-making and strategies of individuals. What is the equivalent mechanism, in so far as there is one, in the spontaneous order of the third sector? To address these questions, a Hayekian influenced account of the third sector is most likely to gain inspiration from ideas and literature on innovation, leadership and social entrepreneurship (Spear 2006, Short et al. 2009, Zahra et al. 2009).

Gamble (1996: 72) notes that for Hayek 'The ideal individual...is the entrepreneur – individuals prepared to take calculated risks, make full use of the unique knowledge they possess, and take the opportunities that are open to them'. Thus in the third sector, self-styled social entrepreneurs with great energy, tenacity, drive and focus, a passion for a cause, some bright ideas, fearless networking and an astute sense of political acumen, are likely to be the focus of such an account. If unchecked these can drift towards heroic assumptions of individual agency and endeavour, to the neglect of social processes, contexts and constraints. Nonetheless, this kind of 'supply-side' approach to theory is likely to be the foundation of a theory of the third sector as a spontaneous order. In this view, social entrepreneurs search for opportunities to advance their aims, which could be any combination of individual status, influence, economic advantage or social change. Hayekian social entrepreneurs would arguably be seen as locally focused 'social bricoleurs' (Zahra et al. 2009: 523-4). They seek to persuade others to join them in a cause. Actions, and sometimes associations and social movements, result from these endeavours.

The focus would then turn to how such action would be organised, resourced and how it would operate in practice, particularly if the state's role was held back in the margins as a 'night-watchman' of minimal legal protection and regulation. In this conception, social entrepreneurs would use their skills and networks to inspire support for the development and implementation of their ideas. They would beg, steal and borrow ideas from other places. They talk to others, seek advice, develop local solutions (although these are often in the shadow of more or less well circulated forms of 'best practice') and tailor them to fit the problem they wish to tackle. They would bring together and combine different resources to create social action and social change in their defined field. A range of (non-state) stakeholders – more or less actively involved ordinary citizens and volunteers, funders, influential and well-connected people – would then be free to offer support in terms of finance, free practical help and involvement, and expertise or small-p 'political' support and encouragement to confer legitimacy and increase regard. These stakeholders become 'friends of' particular projects, but operate as would-be consumers in a market for projects seeking support. They would be free to pick

and choose between projects according to their own values, preferences and priorities, which may include their judgement that such projects would be successful, or that they might secure an appropriate social and/or financial return.

In this way a coalition of interest is formed. New innovative projects and ideas would come and go, wax and wane according to a spontaneous process of attracting and sustaining followers, resources and regard. This process could be seen as the organisational equivalent of the reproduction and promotion of 'emotional energy' between small groups of individuals in Randall Collins' framework of 'interaction ritual chains' (Collins 2004). A 'market' for emotional energy described by Collins, in which individuals in social milieu are drawn towards the 'buzz' associated with some groupings, and away from lower energy settings, captures quite well the similar spontaneous ebb and flow of 'energy', resources and regard in competing social action initiatives. This might be a micro-foundation for a Hayekian theory of social action.

The discovery mechanism in civil society's spontaneous order is likely to be a judgement of what projects and initiatives are seen to be effective in 'doing good', however this 'good cause' is made manifest in practice. Projects and initiatives compete with each other for attention and resources. In this 'market' for projects, the flow of energy, regard and resources would be towards those projects seen to be successful and away from those seen to be less so. However, success is not in the main a technical evaluative judgement; rather it is a more intangible judgement of where 'energy' is focused and sustained in pursuit of social aims, and whether persuasive and credible narratives around projects are promoted, circulated and followed. What kind of 'buzz' is thus generated which can attract the involvement and commitment of a range of individuals.

An apparatus and movement around impact assessment, including kite marks, quality assurance and awards, would emerge to strengthen the credibility of such narratives in the competitive market of projects and initiatives. An institutional architecture of rating and evaluation agencies would be established to guide people to make judgements and choices in placing their commitment, energy and money between competing causes. Through this process successful projects would be 'discovered', where success is the capture and maintenance of scarce supplies of energy and commitment. The Hayekian discovery mechanism here is around non-state, spontaneous responses to social needs and problems identified in a cause and seeing if resources can be attracted to address them. Initiatives may work symbolically, and may work actually in achieving what they set out to achieve, which may or may not be related to a publicly recognised purpose. Shared emotional experiences then result, mobilising support around the development of an idea and a set of social activities.

Rather than price being the arbiter and sign of value, the 'currency' in social action projects would be intangible flows energy, commitment and 'buzz'. However, this would be supported by non-state financial resources, including organised individual or institutional philanthropy, social investments and commitments from venture philanthropists, market share through trading goods and services, and possibly for full and sub-contracts from public bodies or private sector prime contractors. Projects, initiatives and organisations thus compete with each other for limited supplies of energy, regard and resources.

Arguably this conception of an independent spontaneous sphere of social action provides a partially accurate account of many patterns and trends in society and the sector already. Many of the processes described here happen already in the ebb and flow of third sector projects and initiatives. Crucially, however, the state has been purposefully written out of the story. This would be a wholly positive move for Hayekian-inspired actors, who, as we have seen, would see the state's role in zero-sum terms with respect to civil society. In this view it is unquestionably damaging and tends to crowd out civil society and social action. Yet in practice the state has a very real role in civil society, social action and the third sector. This suggests that Hayekian assumptions of independent social action only work if the state's role, as identified in Salamon's notion of interdependence, is ignored. The state becomes airbrushed from a Hayekian account of civil society.

A more problematic question for Hayekian theoretical thinking in this area is that the conception of a spontaneous order of a decoupled independent third sector and civil society is likely to resemble a rather marketised third sector. As mentioned, Hayek had very little to say about civil society and the third sector, and the prime example of a spontaneous order is the market. This raises the question over whether, over time, the price mechanism would gain a greater foothold as an arbiter of value, and as the Hayekian discovery mechanism in the third sector alongside or in place of an intangible assessment of energy and regard. In the absence of an active state role, is there a viable account of the third sector, independent from the state, that doesn't turn it into a fully functioning market, or must it be so?

## Conclusion: the Big Society as a spontaneous order?

This paper has drawn from and tried to link Hayekian social theory with arguments around the 'Big Society', alongside an analysis of key policy developments in the first few years of the UK Coalition Government formed in 2010. From this it has outlined the contours of a paradigm shift in the relationship between the state and the third sector, and in framing how the third sector is understood. The Coalition Government is attempting to change the goalposts in relation to the third sector, shifting the terms of the debate, and moving away from the 'partnership' agenda promoted by its predecessors. There is some sense of a different understanding of the sector's relationship with government, and arguably a new regime governing the third sector is in formation.

However, we should be mindful of alternative explanations. Firstly, it might be too early to tell whether such a paradigm shift is taking place, and so far continuity in actual policy remains the key feature of the new Coalition's approach. The grand aims and proclamations of ministers and other policymakers may easily distort the real situation, which involves at best slow incremental change. It is not difficult to find antecedents of these developments under previous administrations. There is always some strength in this kind of argument, but that should not prevent a cautious exploration of emergent possibilities. The Coalition Government is not prepared to invest to the same extent or in the same ways as previous governments, and this is partly couched in terms of necessity; the demands of deficit reduction are used to outweigh other considerations. Alongside this, its language suggests a different view of the sector's role in relation to the state, and some significant decisions suggest an attempt to bring this view to fruition.

A second alternative adopts a pragmatic view of policy making. In practice governments cannot help but to draw in and draw from key strategic non-governmental policy actors in order to shape and develop policy and seek to resolve problems. At the same time, many third sector organisations will retain relationships with specific aspects of the state, such as local authorities, and different central government departments, such as health, education and work and pensions. The impact on the third sector of the changes maybe differentiated across the sector. Again this is undoubtedly true, but the argument here is not that a complete separation is underway, but nonetheless a fundamental recasting of the relationship. The question is whether the context of pragmatic policy network relationships is any different to the previous administration. A signal that independence should prevail, that the structures supporting inter-dependent relationships are to be cut-back and curtailed, alongside diminished resources represents a changed dynamic in the relationship. We may be witnessing a shift in relative emphasis from 'horizontal' to 'vertical' relationships, with the third sector seen less as a whole but through particular service delivery and activity fields: employment services, community development, health, and so on.

A third alternative is that the Coalition is merely re-organising the deck chairs. A particular policy network, built by and associated with the previous government, is being dismantled. In its place might come new, perhaps less formal, relationships and mechanisms for state-third sector interactions, without significant resources, and potentially with new faces. These might be people and organisations more amenable to the policy direction the government is seeking to pursue. This view might also be true, but again the debate is over the structural institutionalised form and meaning of the relationships, not that there are to be no relationships between the state and the third sector.

As time passes we will have a clearer picture from which to draw conclusions. The argument here is that this could be part of an emergent and partial project to bring about a 'decoupling' of the state and the third sector. Fundamentally it involves unravelling what we might take to be the relative 'corporatism' of new Labour's approach to the sector. This was never a full process in the first place, but the current trends involve a *partial* decoupling; a loosening of the reigns. It is partial for all the reasons we have explored here; because we don't yet know whether these early signs will continue, but also because it is likely to be differentiated across the sector. We do not yet know what the full implications of this will be. However, the early signs we have been discussing suggest a fundamental shift is being attempted, based on a different view of the third sector. In policy-makers understandings, we move from a Salamon-world of interdependence between government and the third sector, to a Hayekian-world of independent and spontaneous social action. This understanding may be a fundamental mischaracterisation of actual relationships between the state and the sector in all their complexity, but arguably this does not matter. The vision of an independent third sector, with the state out of the way, is guiding some significant policy shifts. Whatever the realpolitik of 'events', bargaining and compromise, ideas do matter in understanding policy change.

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## About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The Third Sector Research Centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

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## Theory and Policy

It is essential that the Centre's research is informed by a strong theoretical and conceptual analysis of the sector and the policy environment within which it is situated. Theoretical analysis of the sector is not well developed in the UK, in part because of the applied focus of much existing research. TSRC will contribute to ensuring that difficult theoretical issues are articulated and explored. Critical understanding of the policy environment is also essential, for it determines much of what happens within the sector. TSRC is co-funded by the Office for Civil Society which is responsible for developing and delivering policy in England. The Centre's research will help inform this policy development, but will also make that policy process itself the subject of critical review. We need to know 'what works', but we also need to understand who decides 'what matters'.

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