

Social Economy and the Welfare State viewing from a Comparative Perspective: Exploring the Possibility of Welfare Realization of Social Economy

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Abstract

This study searches the welfare function of social economy and examines whether it can be the alternative of the welfare state or not. To do this, we set up 5 common variables of social economy and the welfare state, and compared them for finding their similarities and differences. Common variables compose of background, domain, pursuing value, welfare realization method, and welfare delivery system. The results show that even though they are different among each other, social economy performs welfare functions like the welfare state, but the role of it should be identified as a complementary one instead of the welfare state.

key words:

capitalism, social economy, welfare state, social enterprises, social value, beneficiaries.

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I . Preface

Capitalism is an employment-based society where social dangers such as unemployment, sickness, and income inequality remain. Since the start of the 18th century capitalist system, recessions and cyclical phenomena have appeared periodically, such as the Great Depression of 1929, the European recession of the 1970s, and the Financial Crisis of 2008. In particular, the European economic crisis of the 1970s transformed the global economic tone into a free trade center, creating neo-liberalism that intensified competition among nations and individuals and exacerbated inequality. Each country was divided into so-called one-to-99 ratios between those with and without, and the struggle between the strata was intensified. On the other hand, the welfare state that has pursued universal welfare showed the so-called welfare state crisis through the reduction of services and privatization measures.

Social economic activity in each country is aimed at providing job creation and social welfare services for the vulnerable, while modifying the social exclusion and inequality present in the capitalist market. It also pursues the principle of reciprocity that helps each other's needs by emphasizing the human relations between the family and the neighbors, unlike the market economy which subordinates humans to the market through money (Kim, 2013: 115–116). In addition, it does the same economic activities as existing commercial companies, but emphasizes network-based solidarity and cooperation among members and realizes a warm economy that cares for and embraces the socially excluded groups.

Social economic activity in response to neo-liberalism since the 1970s has meaning as a new alternative to welfare states that have been pursued by postwar nations as a result of failing to overcome social exclusion problems. The welfare state experiment centered around Britain and Germany in the post-war period has created various forms of the welfare state today, but the paradox of the welfare state is that it is not enough to realize the expected social equality and exacerbates the poor's problems. It is the reaction against the failure of this welfare state that the social economy of today emphasizes the realization of social value as well as economic value. The social and economic activities that have been realized in areas such as Europe has been to overcome poverty, unemployment and social inequality by acting as a commercialist enterprise centering on forms of corporations and unions, nonprofit organizations and communities.

There are three perspectives that can be considered in relation to these social and economic activities in each country. One is that social economy is an alternative to the contradictions of capitalism– the poverty, unemployment and polarization that we face in the process of capitalist maturation. The other is a critical view of social economy, which mainstream economists claim is a niche market for the capitalist market and a 'scraps' economy. Another view would be for social economy to act as a buffer to absorb the catastrophic effects of the contradictions of capitalism, even if social economy cannot change its capitalist constitution.

Where one takes this perspective or stance on social economy can be different depending on academic tendency, professionalism, and ideological orientation. However, it is pointed out that social economy is aimed at vulnerable social classes and aims at the realization of social value such as the welfare problem of the organization's members. The problem of social economy is ultimately a welfare problem. If social economy is a new alternative for strengthening welfare, it is necessary to examine the nature of the welfare service, the mechanism of welfare services, the ways of realizing it, and the relationships within public welfare institutions to realize it. It is also necessary to discuss the merits of welfare functions that are enough to replace the functions of the existing welfare states.

There are few independent studies related to the welfare function of social economy. In the case of social enterprises, the social welfare system is not only a social welfare state but also a social welfare state (Munoz, 2015; Farmer et al. 2016; Kim & Yoon, 2014). Other studies are related to the development of indicators or techniques for social valuation (Somers, 2005; Flochart, 2005; Bull, 2007; Lautermann, 2013; Chung, 2011; Korea Social Enterprise Promotion Agency, 2011; Impact Square, 2013; Cho & Shin, 2015).²

The purpose of this study is to explore the feasibility of social welfare functions in the social economy. There are many ways to explore the welfare functions of the social economy. In this study, we adopt a method to compare welfare functional elements pursued by social economy with those of the welfare state through a theoretical approach. To do that, we set up comparative standards to compare social economy with the welfare state, and study both the theoretical data and the data presented in the present literature.

2. More specifically, there are studies that suggest a creative entrepreneurial process by criticizing the two-factor legal divide between social values and business (Lautermann, 2013), and participants in social enterprise intervention related to the exclusion of individuals (SEI) research (Seddon, 2014).

II. Concept and Analysis Framework

1. Concept of Social economy and the Welfare State

The definition of social economy has no consistent definition in any country or within academia. This is because various concepts and definitions are used depending on the situation of each country and the age where social economy has emerged.

Social economy and the welfare state have historically appeared within the contradictions of the capitalist market economy. Liberalism, which emphasizes individual autonomy and competition, has led to monopolistic property ownership, relative poverty and unemployment, and a new social economy emphasizing the solidarity and reciprocity of the working class against capital.

The meaning of social economy is historically ambiguous and ambiguous. It refers to cooperative enterprise activities among the organizational members who are relatively inferior to the capital, and refers to cooperatives, mutual aid agencies, and private associations. On the other hand, it has various meanings such as solidarity economy, the third sector, and the fourth sector (Oh Segeun, 2014: 231). Whether it is the definition of a group or the definition of a scholar, What is common to them is that social economy is regarded as an organization that simultaneously pursues economic activities or economic movements, including the state and citizens, or economic and social values, In order to enhance the understanding of the social economy, it can be distinguished from social economy and other concepts – the market economy and the public economy.

The concept of social economy, market economies, and public economy differ from each other in terms of human nature, interaction mechanisms, conditions of interaction, and goals to pursue. The capitalist market economy is based on human self – esteem, assuming competitive relations in mutual relations, seeking equitable exchange and efficiency through transactions. On the other hand, social economy aims at fair trade and solidarity in mutual trust and cooperation based on reciprocity. Public economy places importance on human publicness. And it differs from social economy in that it aims at equality by the principles of democracy among each other (A researcher who opens a new society.2013:12).

If we are reviewing the concept of the welfare state, it's also difficult to define because the situation in each country differs from the type of institution or service that is implemented. The general concept of a welfare state is a country that acknowledges it as a political administration, not a charity that provides all people with minimum income, nutrition, health, housing and education (Wilensky, 1975:1). It also

means a state institutionalizing the government responsibility to guarantee the lowest level of life of the people (Mishra, 1990:34). if we think the welfare state as the organized power of politics and administration to improve problems in the market. It is a country that guarantees a minimum income for every individual, reduces incompleteness of life, and provides a range of social services regardless of status and class (Briggs.1961:21).

Wilensky (1965: 138), who divides welfare forms into residual welfare and institutional welfare, helps us easily understand the welfare states. The residual welfare is the welfare provided by the government when the supply structure such as family or market cannot function properly and cannot function normally. Institutional welfare, on the other hand, is to provide services or organize related systems to maintain a satisfactory level of health and life for each individual or group. When we look at a welfare state like Wilensky, it is the country that provides the welfare services needed for the people. Therefore, the scope of the welfare state is wide. It is common for welfare states to emphasize government interventions and responsibilities to provide services and institutions to ensure the lowest living standards for the people with a modified capitalist nature to the contradictions of capitalism. In the sense that the welfare state acts as a national responsibility to provide planned and intentional welfare services and systems, it is fundamentally different from social economy, which improves mutual understanding and the quality of life of the community through solidarity and cooperation.

2. Analysis Framework: Setting of comparison standard

In order to grasp the welfare realization of social economy, the factors that can be set by the welfare state and the comparison standards can find out and present the common points contained in each of them. First, the criteria that can be considered are basically background factors that make them appear between social economy and welfare states. The two fields have historically emerged in the contradiction of capitalism and in the failure of the welfare state, and they point to the welfare of these emerging factors.

The second comparison criterion is the welfare area implied by social economy and the welfare state. I compare the welfare-related scope in the social economy with that of the welfare state. Thus, the extent and boundaries of welfare provided by the social economy are identified with the same extent as that of the welfare state, and the welfare function of social economy is judged through this. If social economy encompasses much of the welfare

state, The area of its welfare function can be regarded the same as a welfare state.

The third comparison criterion is to understand what the social economy or the welfare state emphasizes in achieving the goal in the welfare realization process. If the social economy is solidarity and reciprocity, it analyzes how it appears in the welfare state. In addition, we use the comparative standard for welfare realization methods commonly applied to social economy and welfare states.

The fourth criterion is the welfare realization method used by social economy and the welfare states. In social economy, welfare realization methods are various business activities. On the other hand, welfare states provide welfare services through welfare institutions and policies. Therefore, by analyzing these means of welfare practice, the welfare functions of the social economy are revealed. In general, the means of social welfare realization are social enterprises, cooperatives, mutual aid associations, the informal sector, activities of the third sector, village enterprises, self-help enterprises, and community festivals as community elements. In the welfare state, on the other hand, it consists of the government's institution, direct provision of services and installation of facilities.

The last comparison criterion is the way of welfare service delivery. In this paper, we compare and contrast the social economy that utilizes private activity-oriented private transfer systems and the welfare state that delivers welfare services through public institutions or facilities. This study explores the welfare functions of the social economy using the above five common variables of social economy and welfare states. If the results of the comparison between the social economy and the welfare state are derived, the welfare function of the social economy is defined from the point of view of the welfare state. Thus, it identifies what kind of

relationship between welfare functions performed in the social economy and those in the welfare state. <table 1> is an analysis framework that summarizes the contents related to the exploration of welfare functions of social economy discussed above.

III. Relationship between social economy and welfare state

1. Generating commonality and difference

1) The emergence of social economy and the welfare state

The capitalist market economy is a system in which all property and means of production are privately owned, and free competition and profitable pursuit are possible. It creates and accumulates wealth through a free market pricing mechanism for individuals and makes resource allocation through the market efficient. Here, the state acts as a guardian to protect the free economic activities of these individuals. However, when market failures occur, the state simply plays a role of coordinating the market, not the shield or the guardian.

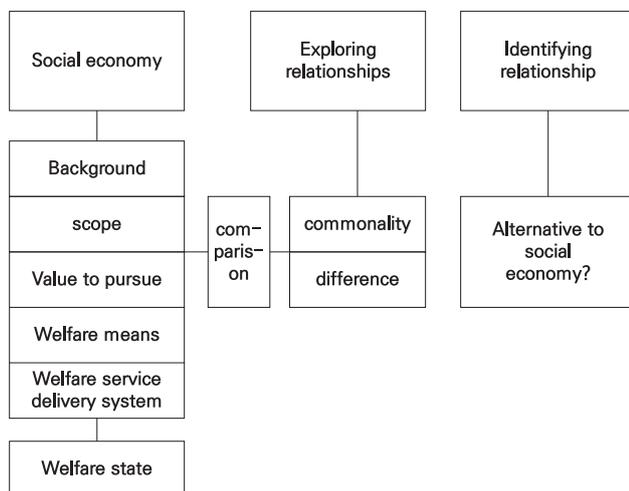
Public goods and externalities, economies of scale, and asymmetry of markets and information, often presented as the cause of economic recession and market failure. They distort the fair price structure of the market (Shin, 2001: 48-59). The state provides welfare services or goods for poverty, unemployment and socially vulnerable classes that are not free from the consequences of such market failures.

The neo-liberalism approach has been the method to treat most market failures since the 1970's. But it has resulted in a serious market-oriented abandonment of the gap between rich and poor, struggle for income, and income polarization, and becoming more and more confrontational conflict (Kang, 2000: 90-119). The social economy has emerged as an alternative to neo-liberalism when Keynes' state intervention to overcome the 1930s and the crisis of capital accumulation due to the failure of the welfare state (Offe: 1984).

In social economy, emphasis is placed on creating a human society by overcoming inequality through cooperation and solidarity in mutual trust, placing emphasis on human rather than on selfish individuals as in neo-liberalism.

Here, we emphasize a people-centered economy and give priority to social values such as sharing, care, and distribution rather than economic values such as profit, profit, and productivity. Community or organization members create jobs through self-reliance and voluntary participation, and seek to increase profits through mutual cooperation (Chang, 2008).

<table 1 > Analysis Framework



Although social economy generates profits through business activities such as capitalism and solves poverty, unemployment, and environmental problems, it is not the same of profit enterprises in terms of the way of competitiveness. It enlarges social services and makes joint efforts for organization members and local communities. On the other hand, the welfare state was formed by the introduction of the social insurance system of Bismarck in Germany in the 1940s, and the social security system of the UK non-release report. The welfare state has spread universally as social security systems have been adopted, from 'cradle to grave' in Britain.

Especially, the characteristics of the welfare state were strengthened as many welfare policies appeared to solve the problem of unemployment and poverty in the big economic recession of 1929 and the Second World War. The state has emerged as a system to correct the disparity in income distribution in the capitalist market economy, to dissipate the increasing social risks, to protect civic life and to guarantee liability. The emergence of political forces that represent welfare states has led to the continual expansion of welfare services and the emergence of various forms of welfare states based on the adoption of new and innovative welfare institutions.

Since the 1970s, the welfare state has developed a new mode of operation in response to the so-called welfare state crisis (Mishra.1990), in which the welfare budget is reduced due to the European economic recession and welfare services are decreasing. The government has attempted to shift to a welfare service system that utilizes the private sector while reducing the existing welfare services. European nations are promoting neo-liberalism to overcome the economic downturn, while privatizing it. And the government's efforts to reduce welfare policy by reducing government spending and reducing the state intervention (Oh, 2014). This change, which has been adopted since the 1970s by the welfare state, is an opportunity to introduce the social economy unlike the welfare state in each country. In the role of the welfare service, the government shifted its role with the private sector and attempted to activate social enterprises, cooperatives, and non-profit sectors in the private sector.

This phenomenon, which appeared in Europe, is a proxy model in which public services provided by welfare states are delegated to social economic organizations. From government's activities, the welfare state and the social economy have certain points of commonalities. In other words, social economy and the welfare state are obviously common in that they have the same background to overcome the contradictions of capitalism. However, in order to provide welfare services, the social economy is characterized by its role of doing

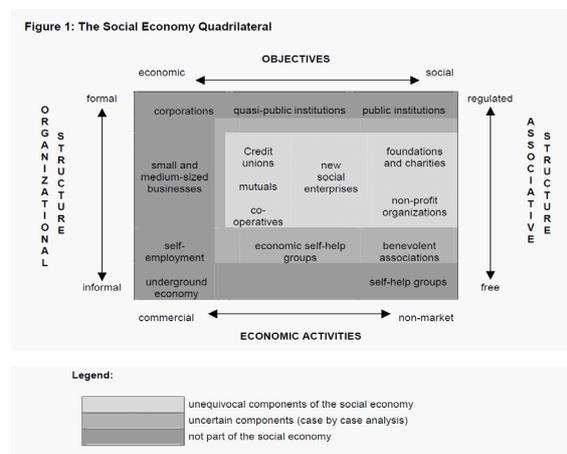
it with private-centered entrepreneurial activities. However, the welfare state does it almost with the responsibilities of the state in the unilateral state.

2) The area between social economy and welfare states

In general, the sphere of social economy is divided into three sectors: the Third Sector, non-profit organizations, voluntary organizations, independent sectors, solidarity economy, and civil economy. In the United States, it mainly refers to the activities of nonprofit organizations. In the UK and elsewhere, the third sector is seen as a nonprofit private sector and a form of social economy.

The Social Research and Demonstration Corporation (SRDC), a nonprofit public policy research organization in Canada, distinguishes the social and economic sectors from other sectors according to certain characteristics (Ninacs & Toye, 2002:7). In the (figure 1), the social economy area is the white area, where the pursuit purpose is both economic and social. These include credit unions, mutual deductions, cooperatives, social enterprises, charities, and nonprofit organizations. Among these, charities and non-profit organizations that pursue only social purposes are also divided into the third sector and the non-profit sector.

This distinction sees social enterprises as the fourth sector, and narrows the scope of social economy. In the case of the fourth sector, the mutual fusion between government, business, civil society and non-profit organization results in broadening the scope of the social economy with considerably overlap in it. In this case, the social economy includes the sum of the scope of the welfare state and functions as a partner. But the fourth sector has its own distinctive areas, mostly private, separated from the welfare state, so that the category of the fourth sector is broader than that of the welfare state.



(source: Ninacs & Toye (2002:7))

3) Value to pursue: solidarity & Reciprocity

Human beings are not isolated from others but connected to each other. There are various social aggregates in society. These make us somehow connected with a loose string. Although they have some conflicts in complex social relations, they maintain good relations through this kind of mutual network. The members who joined in a social organization achieve solidarity through mutual emotional bonds or consensus. This sense of solidarity refers to the right enjoying equal liberties in the community and to be distributed to the social rights, that is, the right to economic welfare and social security, and social legacy (Mishra, 1981).

The social economy emphasizes this spirit of social solidarity (Kim, 2013: 119). It includes a cooperative structure between government and civic organizations based on a more robust social network centered on the community (Ro, 2007).

The network and solidarity among members in the social economy improves mutual cooperative community life as well as economic profit. They collaborate autonomously through community and participate in community work and seek change in ownership style (Oh, 2014: 240–248). This intrinsic co-operation of the members of the organization promotes reciprocity as a major value in the social economy. The members of cooperatives function typically as an economic partnership for enhancing economic benefits and protecting common resources based on these linkages.

If we compare the degree of solidarity between the social enterprise and cooperative, then we can find slight differences. The social economy seeks reciprocity on the basis of cooperation and also emphasizes social goals. It is not only the mutual help and solidarity within the cooperative organization, but also pursues poverty resolution, the job creation for the sake of community contribution. However, the Cooperatives try to concentrate their energy on member's cohesiveness within the organization inside to pursue their economic profits rather than the social economy. Therefore, even though the social enterprise and cooperatives emphasize cooperation among organizational members together; the latter maintains higher cohesiveness than the former because of economic values pursued.

If we turn our attention into the relations of social economy and the welfare state, we can also distinguish between them. The welfare state protects the lives of citizens through public solidarity of laws and institutions. It deals with the responsibility for all citizens to solve various social dangers such as childbirth, child care, education, employment, health, old age, etc. which are difficult to cope with alone (Kang & Shim, 2000: 17). That

means the state has to strive to realize the most ideal value of the welfare state from the so-called cradle to the grave (Yu, 2011: 211–215).

But if the welfare state commits a substitute role to the social economic organizations, then, the role of the state changes into formulating partnership with these organizations. The state can use private solidarity as well as public solidarity together for realizing welfare function. As it is known, public and private solidarity in the welfare state reinforces the macroscopic and universal welfare function in its nature. But its solidarity connects loosely coupled if comparing with that of pure the social organization. Because the state always mobilizes or adopts the tools in a standardized way by public institutions like the supervision and evaluation of financial support during working out the provision of welfare services. Although the basic difference is presupposed depending on whether the analysis unit is a state or a private enterprise organization, the solidarity and cooperation will be represented strongly in members within the organization. In the social economy organization, information exchange or activities among members can be made unrestricted and work synergistically for their abilities while cooperating with members is tightly coupled.

Fundamentally, an organization's sticky network more effectively enforces group behavior and contributes to the organization's goals (Sobel, 2002). On the other hand, the sticky network of the social economy produces reciprocity among members in goods and services. Organizational members also promote mutual benefits through shared ownership of the value produced. This type of operation, which emphasizes cooperation and mutual benefit in the social economy organization, is different from profit-making enterprises and cannot be found in the welfare state. This is why the social economy is referred to as a new way of life, autonomous, subjective, an activity mode and a human production mode. On the other hand, reciprocity in the welfare state clearly differs from the social economy in that the benefits are unilateral, even though the benefits of welfare services are broad and universal. The government provides one-sided services to welfare recipients and has limited benefits for contributors to service activities. But reciprocity in the welfare state gives us a sense of psychological self-fulfillment such as self-actualization of a service transferred or happiness due to responsibility execution. Therefore, comparing this with the welfare state, the social economy can be found realizing social values with tight reciprocity.

4) Welfare realization method

Social economic organizations mutually pursue the economic interests of the members and the welfare services through the economic activities of the enterprises. In the case of Europe, since the 1970s, the welfare system has been restructured in response to the problems of high unemployment, social exclusion, aging, and changes in family structure, and social economic organizations have raised the welfare demand of the organization members. In the form of social co-operation in Italy, the social purpose of Belgium, the limited liability social co-operatives of Portugal, the social service co-operatives of Spain, the local communities benefit society of France, or the French community interest co-activities are examples. In the case of Japan, where there is no separate regulation for social enterprises, it solves the problem of poverty by creating jobs through the township project as a part of the business community. In the case of Korea, it performs welfare functions through various forms of social economy organizations, but unlike Europe, the Korean model is seen as an interventionist product of the developing country, not the civilian center (Jeong, 2015: 116–137).

On the other hand, the realization of welfare through social organization varies depending on the companies or organizations involved. The role of the social economy in the production and supply of welfare services has been strengthened as the proportion of the tertiary sector. In Italy, the proportion of public services for the elderly handicapped in the elderly is 20% and the third sector is 80%. In the social service provision, the third sector occupies 85% (Chang, 2006: 188–190). The effect of social organization on input cost and employment creation is considered to be large. The employment inducement coefficient of the third sector is 26.6 in 2003, which is higher than that of the government sector (20.1) and the private sector (17.7) (Kim, et al., 2008: 80–83). If we attribute our attention to improve the level of our everyday life and the condition of the workplace, then we can find that social enterprise will help it well. Although the wage level is lower than that of the private commercial enterprise and the condition of employment is not so good, but the profit of the social enterprise is not assigned to the individual investor but distributed to the workers and result in the improvement of their quality of life. However, it is not applied as mentioned above. As shown in the case study of Korea recently (Kim & Yoon, 2014: 11),³ the expansion of services was made possible by the activities of social enterprises. But the proportion of beneficiaries of the social vulnerable

groups was rather low, which did not lead to strengthening of welfare or creation of stable jobs.

We can also analyze the welfare of social economy in terms of the local currency in addition to corporate activity. The regional monetary system is a way of identifying the welfare functions of the social economy at the regional level (Lee, 2002:87–119; Lee, 2016). The use of local money based on voluntary and internal motivation contributes to the restoration and fostering of communities by strengthening the people's resilience and cohesion as the relatives (Becchetti, Bruni & Zamagni. 2015). It enables economic, environmental, and socially sustainable development of the region as mutual reciprocity and trust are built up in the structure of donating their talents and abilities to other members of the community (Seyfang & Lonfurst, 2013: 65–77). It is also becoming a welfare realization means that increases in welfare services by activating the weak sectors of the community with volunteer activity such as care (Collum, 2007: 36–83).

Local currency is a part of the social economy in that it circulates the production value and consumption value of the region based on the trust among people. It promotes the recovery of humanity in the community and the economic activity through mutual benefit and solidarity. According to the study, which divides the functions performed by local money into horizontal reciprocal relationships and reciprocal relief, and money accreditation for activating regional economic independence (Han, 2014), the former is more likely to succeed than the latter.

In the above analysis, we can know that the social economy organization is not merely selling goods or services but selling value through social enterprises. And they are doing it with competitiveness like commercial enterprises (Allan, 2004). Another point in social economy activities is that its welfare function is different from the welfare state. If the social economy is a collaborative structure spreading in a horizontal form centered on civilian activities, the welfare state has a downward and vertical characteristic of providing welfare services through the welfare institutions and policies at the national level. The welfare produced in the social economy also orients to improve the beneficiary, the neighbor and the community. It seeks to act and change for the better quality of life with self-responsibility in promoting welfare using local currency. On the other hand, the welfare state is basically state-centered, where the private sector only activates for welfare services as a cooperative partner with governance between private and government.

3. They analyzed empirically the cases of social enterprises, cooperatives and village enterprises in the Gwangju area.

5) Welfare Service Delivery System

The social welfare delivery system is a unified exchange relationship that supplies social welfare services. It can be divided into the public delivery system and the private transfer system according to the operating subject. The public delivery system is centered on the government, public institutions, and local governments. The private transfer system is the communicating organization delivering social service to people such as the social welfare corporation, the foundation corporation, the religious corporation legal association and other special corporations (Oh, 2009:189–198). Social welfare services provided by these public and private organizations include social insurance, public assistance, and social welfare services. Today, most people can use the social welfare supply system by the national or community method. We can classify a social welfare supply into three types: market supply method, aid method, and voucher method. The first is a type of social welfare service that becomes a completely private property in the marketplace, where the consumer pays for the service and purchases the service. Aid schemes are those in which beneficiaries of welfare services cannot pay for poverty and are subject to certain regulations because they are supplied by subsidies or service contracts. The voucher method is a form in which a welfare provider provides a voucher to a beneficiary and the consumer chooses a service from a profit and nonprofit service producer (Kim, 2010: 387–391).

The welfare state uses these public and private delivery methods to elevate the level of social welfare services. Therefore, the delivery method in its scope is very wide and subject to various regulations because most of the welfare services are delivered through subsidies or contracts. Therefore, the nature of the delivery system shows controlled and vertical. On the other hand, in the social economy, it is done through a private delivery method for providing welfare services such as job creation, income increase, community service, charity activity through activities of various companies and cooperatives at the private level. It includes a member of the organization itself as a provider of the welfare service, and as a consumer. In some cases, they deliver services themselves through contributions and service activities for the socially vulnerable or marginalized. Therefore, it is autonomous and horizontal. It is for this reason that social enterprises or cooperatives basically guard against government intervention or interference, even when the social economy plays a role of delivering rogue services under government delegation.

The welfare state always worries about the welfare for which the welfare service delivery object or the method of delivering, and tries to find a good delivery method to raise the welfare level of the beneficiary. In the social economy, on the other hand, there is a primary focus on the manner and degree of mutual assistance among members of the organization. Therefore, In terms of scope of delivery of welfare services, social economy differs from welfare state in that it is limited and closed.

2. Identifying Relationships: Is social economy an alternative to the welfare state?

1) Relationship through similarities and differences

In order to explore the feasibility of welfare realization in the social economy, we analyzed the background of the social economy and the welfare state, the scope of the two sectors, mechanism of the values, the welfare realization method, and the standard of the welfare delivery system from a comparative viewpoint of the welfare state. As a result of analysis, a common point between social economy and welfare states is that both theories are alternatives and realities based on the contradictions and failures of the capitalist market. However, the social economy and welfare state is not intended to eliminate the function of the market or of liberal capitalism, and it is consistent with the focus on correcting and complementing the mismanagement of the market.

Compared with the two areas, social economy works in the market to seek profit through free enterprise activities like commercial enterprises and to heal poverty and unemployment problems that welfare states cannot solve. In the welfare state, on the other hand, orients to an area of regulating the public sector while limiting the private sector in relation to the provision of welfare services. Both sectors refuse free and unregulated market strategies and provide welfare services by rejecting the nationalization pursued by traditional socialism (Furniss & Tilton, 1977: 41–42). In this respect, the area of pursuing social economy and the welfare state goes to the same way in a big frame. Particularly, social economy and the welfare state do not envisage the infinity of freedom as claimed by Hayek (1960), or its competitiveness in total freedom (Popper, 1945). Both sectors realize welfare through the market economy under the constraints of certain freedoms.

The social economy and welfare states shows difference significantly depending on whether welfare realization is focused on business activities or on government or public institutions. In addition, the social economy is different from welfare states in that it does not aim at correcting the

inequality structure and establishing a basis for equality at the macroscopic level. But the welfare state seeks equality in which the right to receive welfare benefits is legitimately recognized as a citizen's right to social rights. In a democratic society, this guarantee of social rights is justified by reducing social conflicts by being realized as a welfare policy through consensus and compromise between various social classes (Marshall, 1965: 91). Of course, in a realistic welfare state, we cannot escape from the problem of not correcting the inequality of citizens but rather deepening the polarization of income and justifying it as permissible.

As a mechanism of welfare realization that operates in the social economy and welfare states, the two sectors basically pursue the same direction. But there is a difference in the degree and density of its emphasis. In social economic organization, solidarity is based on tightly coupled network formed by organizational inside activities such as information exchange and communication among organizational members, exchange of business methods, and democratic consensus. Outside the organization, it is a loosely coupled network for economic profit generation, such as market pioneer, co-marketing, public relations, and exchanges among other financial institutions. However, the solidarity in the welfare state is loosened by the unilateral activity of the welfare service provider, which creates a link between the supplier and the beneficiary and regards the citizen as a passive object rather than a subject of welfare policy.

The state also weakens the co-operation and solidarity of the social organization itself by delegating the role of its service to social organization. The welfare state, through the subsidy of the government, makes the social organization into a government dependent structure and supervises and manages the organization members, thereby hindering the network and solidarity among them and making the government's instructions more important.

The social economy and the welfare state also differ in the process of realizing the welfare services through these connections and bonds. The welfare state emphasizes the process of democratic politics to expand opportunities for inclusion and participation in politics and to increase the political space of beneficiaries in order to overcome social exclusion. Therefore, the process of welfare realization in the welfare state is very political. On the other hand, the social economic organization is non-political in that it does not operate the political elements and focuses on improving the interests of the members and improving the welfare through solidarity and cooperation among the members in the organization.

The social economy also realizes the enhancement of mutual assistance and welfare level among the members through business activities, but the welfare state protects the socially vulnerable through government welfare policy rather than the business activities. Moreover, It tries to redistribute the income to the socially excluded by collecting taxes and subsidies and provides goods and services at a much cheaper price than the market price.

The welfare state operates a welfare service allocation system, in which the government and public institutions broadly and unilaterally deliver welfare services to all citizens. The social economy activates with private organizations in which voluntary and active participants contribute to solving the aggravated income distribution. (Table 2) summarizes the welfare-related comparisons between the social economy and welfare states discussed so far.

	social economy	welfare state
Background	Since the launch of capitalism Minimize capitalist damage Mutual aid	After World War II Capitalist revision (embracing the labor class) Social Security
Area	Fourth sector (government + market + citizen) Embracing / Limited	Government-centered Comprehensive / Limited
Value to pursue	Reciprocity / Solidarity Non-deterministic (organizational democracy)	Sincerity / fairness, Political(universal democracy)
Welfare realization means	Corporate Activities / Non-Profit Organizations Horizontal / Active	Government / policy Vertical / receptive
Welfare delivery system	Private delivery system (tightly coupled relationship)	Public delivery system (loosely coupled relationship)

(table 2) Welfare relevance of social economy and welfare state

This commonality and differential relationship between social economy and the welfare state raises the question of whether social economy should be regarded as complementary to the welfare state or whether alternative roles are possible.

2) Is social economy an alternative to the welfare state?

In order to define whether or not to replace the functions of welfare states in relation to the welfare realization functions performed by the social economy, it needs to conduct research based

on concrete empirical data. However, this study suggests related points based on the similarities and differences between social economy and welfare states that have been presented through literature studies as mentioned in the preface. And I would like to mention the possibility simply from an exploratory point in that it becomes another research topic.

A critical position on the social economy points to it as a miscellaneous economy, a zombie economy, but it clearly represents another welfare paradigm for social improvement in terms of welfare realization. Although the main mode of activity of the social economy depends on competition with profit-seeking companies in the market, it is itself creating jobs, solving unemployment, and eliminating poverty. In this sense, the social economy becomes a new field of welfare. Although the object, method, realization mechanism or means related to welfare function differs from that of the welfare state, social economy provides a substantial reality of welfare services. It is characterized by several welfare realities. It is not for all citizens but organization members or a certain community. The social economy is centered on the private sector, which is independent of the state and the market, and the welfare recipient simultaneously acts not only as a social value creator but also a democratic self-decision maker (Defourny & Laville, 2001: 3–28), and uses business activities to realize its welfare function. In their activities, a sticky network and cooperative way works for solidifying the relationship among members within a tightly coupled network. The delivery system of welfare services in which a private sector works, influences on improving the level of the socially vulnerable with job creation and lessening income deprivation. Therefore, it can be possible to mention social economy as an area that realizes the welfare function independently with its unique domain. However, if the social economy plays a proxy role in the process of performing welfare functions instead of the government, it is likely to limit its original nature and range of activities, which it become more dependent on government-indication. If so, the social economy will be transformed into quasi authorities (Zhang, 2006: 226–228), and as Wlensky points out, the role of the social economy remains in a residual thing in welfare realization. In this context, it is very dangerous for social economy to substitute the role of a public service delivery system simply without its original independent principles, or to see the expansion of state intervention as a normal and evolutionary process (Durkheim, 1964: 221–222).

If the social enterprise model, like Korea, will be led due to the weakness of self-reliance of social economy enterprises, It can be induced another welfare failure in which it cannot attain the goal

of diffusing welfare services to the needy and the organization members. So we have to pay attention not to lose the natural of its own value pursued. It notices that social economy has to carry out welfare functions while securing all the related subjects as the fourth sector. In addition, we need to keep the social economy for aiming at human-centered management while neutralizing the selfish ownership and competitive value system that capitalism presumes. In considering these points, we can say the social economy will be remained as a complementary role to make a better welfare society with welfare state.

IV. Conclusion

The social economy was embodied in the times of overcoming the contradictions of the capitalist market economy and the crisis of the welfare state. It is also a movement and a practical idea to create a new human market order in confrontation with the person-centered market economy. It is a new market order that seeks to enhance mutual benefits through solidarity and cooperation while emphasizing the relationship between humans rather than pursuing profit. In there, as a new working principle, autonomy, democracy, and business coexistence among the members of the organization are important. In addition, it provides opportunities for self-reliance for the socially weak, and contains the tasks of the era that aims to build an equitable welfare society without social exclusion.

We have made efforts to solve structural inequality, poverty and unemployment, but failed to formulate a new social and economic order frame for our selfishness and competitiveness. Nowadays, the concept of warm capitalism or sharing economy for the critique of capitalism are emerging with the social economy, but it also orients to the reform in the existing capitalist system that brings about social change.

The social economy is a good way to revive what the market order has overlooked and seeks new social changes without destroying the capitalist market order. It is justified in that it is a new way to solve the problem of inequality and income polarization caused by the failure of the welfare state and it represents a welfare perspective and a flow that awakens the essential equality of man. The question is how can the social economy contribute to the improvement of human life, as a tool or means of realizing its welfare function? In this position, it can be concluded that social economy works as a complementary role to overcome the gap in the welfare state. However, in reality, social economy needs a main role and area of social improvement, not just a niche role, in order

to become a real alternative to overcoming the welfare failures of capitalism. To do this, we need to explore the underlying theoretical framework or methods of solving the welfare problem different from established capitalism.

This study has several limitations. First, the exploration of the welfare function of the social economy was carried out theoretically without empirical data. In addition, comparison between the two sectors with in depth analysis of comparative variables was done very arbitrarily. It is expected to be a future research project.

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