Reciprocity & Social Economy Alternative in Asia: Historic Context; Historic Moment

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Abstract

To introduce a measure of order into the endless variations of the organization of economic life, Polanyi provided three forms of social and economic integration: reciprocity, redistribution, and exchange. His hypothesis was that these three are independent from stages of development and do not derive from a summation of individual acts. It is evident, however, that whenever the exchange 'self-regulating market' fails - by Polanyi Principles it is destined to fail and repeat to fail - neoliberal economies reset their market economy after they breakdown via a return to mutualism and reciprocity. Non-market exchange (such as redistribution via debt forgiveness or reciprocity) plays a crucial role in their market survival strategies. [1]

This historic context for reciprocity in Asia starts with a structural review of the 1920-35 period and Japan's economic experience in the Great Depression. Inherent in its culture, forms of reciprocity are deeply engrained in China 会 (hui), Japan 講 こう(kou), Korea 互惠 (hohye). In Korea, since the Joseon Dynasty, there was a reciprocity system '契' (gye) similar to a 'rotating credit association' (akin to contemporary Grameen Bank microcredit peer lending circles).

Asian-based reciprocity is distinct from Western ideas, since Asian culture places greater emphasis on relationships & structural commitments. Aware that the world is unpredictable, one learns to depend on others for help to survive. [2] This study offers examples of reciprocity in East Asia cooperatives in 1920s – private cooperatives in Japan and Korea. In the case of Japan, private co-operatives have been more successful than government-led cooperatives since the 1900s. While Korea was under Japanese colonization, rural co-operatives (credit unions, consumer unions) developed mainly under leadership of religious groups. However, from 1932, Japan's repression forced Korea's reciprocal economic history to be cut short.

This study also tracks social good within the dominant exchange economy with a focus on Japan in the 1930s when Takahashi broke the currency peg to gold in 1931 (unlike Britain, severely criticized by Polanyi). The social framework was also influenced by idealism from U.K.

(Rochdale Principles) and Denmark (Folkehojskole & Grunntvig) despite Japanese militarism and wars in Asia. Ideas about village movement and reciprocity economy had currency.

The stepping stone to today's historic moment for Asia is to showcase Reciprocity & Solidarity Economy in the Asian Crisis (1980s & 1990s). This study observes the historic pattern of market failure, monetary policy dedicated to financial assets that feed inequality as labour wages fall behind, while populism and political turmoil build faster. This study refers to events in Japan and Korea and the renewal in China. It tests the hypothesis that in the 1990s reciprocity activity had an awakening in Asia and - from a small base - a powerful stirring of awareness: (i) of neoliberal economic failure & inherent inequality; (ii) of reciprocity as survival strategy with dignity and social transformation.

The historic moment, this study's final hypothesis, is for Asia to further accelerate and express reciprocity & solidarity economy. There are disturbing parallels between 2007-17 & 1927-37 and as one overlays the principles of Polanyi, one is forced to admit that in the next neoliberal economic crisis - likely worldwide - there is no escape from ravages of bankruptcy and unemployment, stock market losses and real estate foreclosure. Government ability to finance basic services would be severely disrupted and currency volatility may undermine confidence even in a barter reduction. Reciprocity has a deep hold in Asian culture and Asia has a historic moment in 2017 and onward to refocus its global power and local collectivism in marked contrast to the increased powerlessness of its partners in globalized exchanges.

Introduction

Asia is the focus of this study as it has shown the greatest transformation in recent history – appearing to move both heaven and earth – to modernize its economy with positive externalities for society. Economic life, according to Polanyi Principles, has three forms of social and economic integration: (i) market exchange – land, labour, capital are commodities in pursuit of profit requiring society’s full subordination, (ii) redistribution – countervailing measure in society to protect itself and its vulnerable, and (iii) reciprocity – emphasis on relations among people rather than commoditization or financialization. .

This study examines three periods in Asian social and economic transformation and assesses the performance of each of these three forms. The three periods are:

(1) 1920-35 Great Depression marked by Japan dropping the gold standard in favour of Quantitative Easing (to promote exports & jobs via government deficit spending).

(2) 1997-99 Asian Crisis where IMF imposed currency protection via high interest rates (leading to major job losses, bankruptcies, and social stress among Asian countries).

(3) 2007-17 Great Financialization and current steps in Great Unwinding of the creative use Quantitative Easing (to avoid global depression and restore disciplined debt deleverage).

Life is not predictable nor is an exchange economy stable. At times reciprocity responds more strongly as in the example of Jubilee Year of debt forgiveness as per the Law of Release in the Torah to keep people viable participants in the economy. At times exchange economy accelerates social strife as in the example of 18th century Britain under the Enclosure Laws where Scottish clans were evicted off their common lands as sheep – for their wool - created more profit than people farming. [3]

Reciprocity is central to our presentation as it is an ancient tradition that anticipates and prepares for any ruinous externalities and invites a communal scale to pool risks – efficiently, effectively, eternally. Reciprocity is an awareness of individual benefit obtained from acting in common good. It was often observed in agricultural economy where the commons created positive output relative to selfish plots – forests free of fires, flood dykes by rivers edge, or unpolluted streams with fish – and enabled pooling of risk against fire, flood, or pollution. [4]

Mutuality, a subset of all possible reciprocity, developed into a business model as a voluntary organization of people who chose to satisfy common needs with direct production of services, practicing self-help, and avoiding intermediaries. Social concerns are addressed by social enterprises that meet the needs of their members in context of solidarity and democratic governance. Mutuals are linked deeply within civil society hence capable of addressing technical and pecuniary externalities, well suited to challenges of 20th & 21st centuries. [5]

"An economy that loses contact with the spirit of gift – reciprocity – does not have a future as an economy. Money and profits are weak incentives… to move people at the level of their most noble and most powerful energies." [6] Economy and Society work better, the better the two are integrated rather than former subordinating latter. An abundant base of trust, civic norms, associational networks and well functioning institutions ADD to the stability of a self-regulating economy, ADD redistributive strength to support self-interest – this is the concept of reciprocity expressed via social enterprise.

Great Depression & Mutuality (1920-35)

The 1920-35 period is our first of three historical events to observe Polanyi's three forms of social and economic integration. This discussion contrasts two cultures – Britain & Japan – that faced common external conditions and had vastly different outcomes as a result of different social/economic policy. Prior to the Great Depression, world economy was enjoying rising stock prices and employment but less well understood was the building of a debt bubble. When the US Federal Reserve raised rates in 1928 from 2.5% to 5.5%, it burst the domestic speculative debt used to buy speculative stocks AND it ended availability of cheap credit to fund foreign countries balance of payments deficits. Stock markets crashed in 1929. Germany defaulted on war reparations in 1931. World trade fell in 1932 and many currencies collapsed in 1933. The depression of 1930s devastated society as unemployment rose 4 fold – while rentier financiers, protected by adherence to the gold standard continued to enjoy double digit returns on domestic currency bonds.

Britain responded with a fixed exchange rate tied to gold standard. As Polanyi noted, this privileged the rentier financier class as the overvalued pound protected the value of British long term investments. Bank of England choices were either devalue (affecting the capacity of rentier finances) or cut wages to coal miners to regain competitiveness of Britain's most important single export – as world commodity prices fell. This simply aggravated unemployment and underutilized capacity in the rest of UK industry. Wages in export sector were forced down to accommodate export of capital by rentiers. [7]

British labour experienced wage cuts, as well as cuts to unemployment benefits as government tried to balance its budget and hold the Debt to GDP ratio constant. Deflation set in and GDP/capita fell for most of the decade. Mutual self-help and cooperatives grew in number as the working class needed access to services but could not afford the established market system. Scale for this reciprocity came from common industries or common trades pooling their memberships, their purchases, their volunteerism creating efficient cooperatives in nearly every area of the United Kingdom.

Japan responded with a Keynesian social welfare objective. To paraphrase Polanyi's principal concern, Japan pursued an economic policy that enabled job creation while protecting price stability essential for widows, orphans, and other at risk population on pensions. Japan was one of the early non-conformist nations as it freed Yen from the gold standard. The Yen exchange rate fell 60% in value, and the devaluation made exports more competitive which increased employment. Japan's industrial base was already export focused.

Japan's minister of finance (Viscount Takahashi, Korekiyo) initiated the equivalent of "helicopter money" using Bank of Japan to directly finance deficit spending by the national government. Analysts such as former US Federal Reserve chair Ben Bernake refer to Takahashi's policy as "brilliantly rescuing Japan from the Great Depression as helicopter money" had Bank of Japan print money and Japanese government spend it. This fusion of fiscal and monetary policy boosted domestic demand and created employment. [8] Obviously, Japan's Debt/GDP ratio rose from under 30% in 1920s to 130% in 1930s, while Britain's ratio was held constant.

Data is limited on the redistribution effect, but Viscount Takahashi's bold policy boosted the domestic stock market which rose 150% in local currency (Yen). Labour unions – some 600 in number in 1929 – saw the value of an export based/currency devaluation economic construct. Government also ordered redistribution of agricultural surpluses to the population - especially after the major earthquake in 1923 and after the failed rice harvest in 1932.

As to reciprocity via mutual help cooperatives, Japan had both grass-roots and government agency support. While mutual assistance was known in the Edo period (1603-1867) it was British Rochdale and Danish Folkehojskole influence that accompanied Meiji Reforms (1868-1912) and Japan's industrial and military transformation. However, the cooperatives were more intellectual and elitist activities rather than being rooted in labour or community; hence, they disappeared within a few years. In 1894, after the Sino-Japanese War, Japan introduced its industrial development policy and industrial modernization. The rapid industrial modernization caused labour problems and union movements, with worker cooperatives a byproduct. By 1898, at least 15 cities had “Kyodo-Ten(共働店)” (consumer cooperatives also known as Kanshoren 関消連 after 1926).

In 1900 Japanese government passed the Industrial Cooperative Act that allowed the formation of mutual and cooperatives to mitigate social externalities arising from increased taxes (rural) and high prices (urban). Cooperative societies also served government agenda of distributing agricultural subsidies. [9]

In the 1920s in Japan, Christian church leaders developed voluntary organizations for mutual help independent of government or trade union control. In 1927 in Japan there were 106 cooperatives with 75,000 members with total annual sales of Yen 1.1 million. After the 1932 failed rice harvest and sharp rise in rice price, Japan’s Proletarian Consumer Coop Alliance organized an effective campaign to have the national government dispose of rice stockpiles at an affordable price. The “Give Us Rice” campaign led by “Kanshoren” is remembered as the first case of the potential that cooperatives have to influence society and solidarity economy. [10]

In Korea, cooperatives began under Japan’s colonial rule and legislation such as the Local Financial Union Act (1907), the Financial Union Act (1918) and the Industrial Cooperative Act (1926). Whereas in Japan, this legislative framework allowed for trade union and member driven cooperatives, in Korea the colonial government controlled cooperative governance. The Japanese authorities assumed that Koreans lacked the cooperative spirit, and denied Koreans the basic principles of cooperatives. However, after 1920 private cooperatives were formed voluntarily in Korea focused on solving rural and farmer problems. The early cooperative movement was organized and supported by Tokyo International Students in 1926. Chosun Farmers Association established in 1925 was linked to Cheondogyo, Korean religious movement and formed a farmers' union with 158 branches by 1928. In addition, the Korean Christian Youth Association (YMCA) had established more than 60 cooperative associations, such as credit cooperatives and consumers’ cooperatives.

One of the reasons that the private sector voluntarily established cooperatives in Korea is that cooperatives ware similar to the "Gye 契 ". The Japanese authorities referred to this system and its practice in the context of mutual financial assistance among Korean farmers. Gye or Dure was used as a means of colonial rule. Historically, Korean "Gye" was formed before the Joseon Dynasty as a social organization of the upper class, but spread to the organization of mutual aid to ordinary farmers. The “Gye” are usually made voluntarily by farmers living in one or two villages. This joint accumulation and distribution of local savings financed a range of activities – from farm equipment to family weddings. It was an early example of private insurance and mutual solidarity to prepare for rituals and natural disasters before market economy developed. The organizational function was similar to that of Raiffeisen in Germany.

Japan and Korea were forming a mutual aid organization before cooperatives were established. There are " Ko 講" and "Ketsu 結 " in Japan, such as the Gye or Dure in Korea mentioned above. In Korea, the system permitted individuals withdrawing freely making mutuality weaker than in Japan. Ko is a revolving credit union for savings or money flexibility. Ketsu is a reciprocal exchange of labor to each other in rural village. These reciprocal traditional organizations are somewhat different, but had similar goals in both countries with rural backgrounds, and they also transitioned into cooperatives.

However, as autonomous organizations of Korean peasants spread, Japanese authorities felt a serious threat to their rule. Japan launched its own government-led rural development campaign from 1932. As a result, the local Korean cooperative movement atrophied. In Japan, after the Manchurian incident, the Pacific War led to the dissolution of the community-based cooperatives especially those under the influence of socialism. During the war, Korean community cooperatives were seized and their members were drafted into the military.

Voluntary associations and private cooperatives were impeded by Japanese imperialism in the early 20th century. After 1945, Japan enacted the Consumer Cooperative Union Act (1948) through negotiations with GHQ – General Headquarters US-led administration - and GHQ policy of democratization. The cooperative movement was re-established not only by the local groups in response to rising retail prices but also by the cooperative colleges throughout the country. In 1952, the Japan Cooperative Federation joined ICA. In Korea, the Korean War and subsequent military dictatorships, which lasted for 18 years since the early 1960s, delayed the formation of mutual organizations.

Asian Crisis & Awakening of Social Enterprise (1997-99)

The 1997-99 Asian crisis exposed extreme market failure with devastating social consequences from IMF 'rescue' and globalization. The crisis revealed the plight of labour when excess capacity especially in export industries was combined with repressive deflationary monetary measures. Their intersection produced massive bankruptcies and job loss within fiscal structures that had limited social welfare funding. The competition from globalized exports – which created over investment and excess capacity – yielded inadequate profitability to pass through a crisis without bankruptcy. The competition for export industries left inadequate taxation for governments to pass through a crisis without cutting social safety nets.

The Asian crisis started when the drop in prices for a broad range of exports simultaneously lowered the return on capital employed in the emerging Asian economies industry balance sheets. Investors and banks did not rollover or renew their short term capital in Asia and this created both a liquidity crisis and a currency crisis. Currency exchange rates for many Asian countries started to fall; their central banks used their foreign exchange reserves in an attempt to hold steady the exchange rate and managed only to undermine confidence as they released ever lower foreign exchange reserve balances. The vicious cycle of falling FX rate, falling reserves, falling FX rate set in, in late 1997. The central Bank of Korea used up 30% of its reserves even as the Won fell 50%.

In August/September 1997 the IMF intervened with huge loans to Russia, Indonesia, and Korea. Korea received a loan of 58 billion USD. These IMF loans did not prevent a near meltdown in Asia nor prevent regional contagion to spread to a global event. As Bank Credit Analyst (BCA) wrote [11], the IMF made the Asian crisis worse. It encouraged Asian economies to raise their domestic interest rates to attract capital and to tighten fiscal policy to limit deficits and debt financing. IMF action – despite its promise of liquidity – was akin to re-entering the gold standard of the 1920s. "IMF imposed high interest rates in Asia to protect value of local currency denominated assets of foreign creditors ". [12]

Protecting the exchange rate rather than expanding domestic demand created massive strain on the social underpinning of the economy via bankruptcy, unemployment, reduced welfare (if it ever were present) and public services. IMF deflation in Asia also exported cheap labour which led labour wages in other OECD countries to remain under downward pressure. [13] As Polanyi-

Levitt wrote, “the Asian Crisis of 1997/98 has been greeted as proof of the superiority of Anglo-American model of free enterprise over the failed crony capitalism of Asian Tigers whose achievements of decades strong growth with relative income equality and high educational attainment were (until 1999) described as “miraculous”. Is it now the intention of US to use economic/financial leverage to destroy the cohesion of Asian societies?” [14]

Asian crisis awakened the avenue of reciprocity inherently rooted in many Asian cultures. The crisis did mobilize society and government alike to invite civic leadership in the primary service needs of affordable housing, living wages, and other welfare functions. Community services – often in a cooperative structure – rose ranging from child care to elderly care as an urgent need arose to meet more numerous cases associated with both ecological realities (nutrition, hunger) and economic realities (loss of employment and self-respect). Crisis prone self-regulating economy awakened and accelerated focus on social and solidarity economy in Asia.

A number of studies were initiated to explore a structured support for society from social enterprise and mutual cooperation. Of particular relevance were the OECD comparative studies of policy frameworks, jurisdictional oversight, and social entrepreneurship. The OECD Observer in October 2000 noted how Korea could benefit from better social policies for stronger social enterprise, especially to improve inclusion of the population not engaged in high-end manufacturing. [15]

Japan by 1997 had almost a decade of depressed economic and social conditions. The normally staid Bank of Japan in 1998 warned of a self-feeding spiral of falling income, falling domestic demand and output. These difficult conditions created an economic incentive for consumer cooperatives in Japan who increased their membership from 14 million members to 21 million from 1990 to 2000. It also created an urgency to update legislative statutes, (ie Long Term Care Insurance Act 1999 enabled cooperatives to provide services to aged and handicapped persons). [16]

Of equal interest is China’s Reform and Open Policy since 1978. The agricultural sector was required to improve dramatically to produce surplus foodstuffs and to release surplus labour for the coastal export-oriented centres. Especially after 1983 - under the supervision of China’s Peoples Bank & Agricultural Bank – rural credit cooperatives committed to improve access to credit. By 1995 Rural Credit Cooperatives made loans of RMB 418 billion (50.2 billion USD) which represented an increase since 1979 of 86 times. In addition 18,000 rural towns and 120,000 administrative villages in China had mutual aid cooperatives to cover family needs such as health, funeral, or wedding events. By the end of 1991 their annual lending capacity had risen to RMB 10.1 billion (1.2 billion USD) up frpm RMB 6.7 billion (0.8 billion USD) in 1989. Their staff were voluntary and were the civic voice in the 1990s. At that time Mutual Aid Savings Cooperatives were not under protection of Chinese law or central bank oversight. [17]

In 1995 in China's Korean Ethnic Autonomous Prefecture of Jilin in Yanbian, credit unions were formed with the support of NACUFOK (Korea). In Yanji City with a team from credit unions in Korea, a local credit union league as recreated from the old 1920s network. In its first year it had 830 members and 9 operating credit unions. A professor at the Yanbian Agricultural College described the local credit union philosophy as "the fine tradition in China of hard work, self-reliance, and thrifty life; credit coop would be advantageous to promotion & development of both spiritual & material civilization, making people become better off together." [18]

The global economy with its excess export capacity and expanding Chinese industrial presence, left job creation and social cohesion to civic initiatives. Korea has a poverty rate among people 65 years and over of 25% - double the OECD average – and spends only 6% of its GDP on social welfare – lowest in OECD. Systemic conditions from globalization invited grass roots response and initiative in Korea. Between 1987-97 Korea "witnessed a burst of citizen energy" with emergence of numerous civic organizations and powerful labour movements led by both moderate and radical groups. The former collaborated with the national government and influenced the policy design to enable civic response at scale. [19]

For example, "Self-sufficiency Project" had started a demonstration project in 1996 in Korea which became enshrined in the National Basic Livelihood Security Act (2000). Anglican Church of Koreas community welfare centres were designated as self-sufficiency centres. Amazingly, self-sufficiency also addressed community care, environmental sustainability as well as upgrading education and authentic media. Activists from production communities also offered job-creating activities often structured through cooperatives to serve areas of urban poor who added both income and civic capacity. [20]

By the time the next world crisis occurred as a result of the recurring self-regulating market failure, Asian countries had witnessed their vulnerability to global export market decline, foreign capital flight, having a limited tax base to intervene in favour of society. Social and solidarity economy initiatives had captured the attention of all levels of government and all social strata. Asia had laid the foundation after the Asian Crisis for an historic opportunity to accelerate creation of social and solidarity economy.

Great Financialization & its Unwinding (2007-17)

Polanyi-Levitt observes the 2007 financial crisis as an inevitable recurrence for the self-regulating market economy that favours speculation over production and that enables financiers to reap disproportionate wealth – subsidized by nation states' central banks who are required to intervene – as in 2009 - to prevent contagion from the domino effect of bank failure. "The actual contribution of financialization has been the ability to sustain economic growth by ever-increasing volume of debt, facilitated by easy money from the Federal Reserve" and Bank of Japan and European Central Bank. [21]

In 2009 the Super Debt Cycle came to an end. Described so since the debt cycle started 50 years ago where market failures were met with ever-increasing volume of debt in the hands of both business and households used to restart economic activity from recessionary ravages. Super Debt Cycle (of the private sector enabled by central banks' monetary policy) came to an end as domino of one bank bankruptcy spilled over to liquidity concerns of another bank and escalated into an accelerating forced liquidation and default of financial assets. Coordinated central bank action of printing money and buying securities engaged a global balancing act of delicate debt deleverage and positive economic growth, albeit anemic. If economic growth rate were to exceed interest rate, then Debt/GDP ratio would naturally start to decline during the debt deleveraging. [22]

However, "the globalization policies of deregulation, privatization and liberalization of trade and finance have placed deflationary pressures on real economies in OECD. Investment of capital has been channeled to export markets including manufactures which put downward pressure on world prices. The near doubling of GDP over the 1995-2005 period barely raised median family incomes and reduced industrial employment in OECD." [23]

China deserves singular attention – alongside Japan and Korea in this study. China has strategically recycled its trade surplus with US by buying US securities and financing US trade deficit. By recycling its excess savings into the US, China assures that the US dollar exchange rate declines in an orderly manner. This allows US interest rates to stay low and low interest rates provide support to US domestic demand – which in turn helps Asian exports and China's too. Currently, China and other Asian economies are undertaking to build sustained domestic demand. China in particular has capacity for further productive investment and debt financed leverage. [24] With Asia already accounting for 2/3 of the world economic growth, its regional inter-country trade builds mutual resilience – neither an anchor weight nor locomotive engine – and Asia replaces the wobbly (and wonky) US market.

In 2017, the decade of easy money and near zero interest rates came to an end. Bank for International Settlements (BIS) coordinated a global shift of emphasis by nation state central banks to reduce security holdings and to normalize interest rates. Bank of Korea governor Lee Ju-Yeol at its 67th anniversary in June'17 stated that "there is a need to adjust extent of monetary easing should economic conditions show a marked improvement". [25]

Nevertheless, "the unprecedented period of ultra-low interest rates heightens uncertainty about reactions in financial markets and economy. And even if inflation does not rise, keeping interest rates too low too long would raise financial stability risks and macroeconomic risks as debt continues to pile up and further risk-taking in financial markets gathers steam". [26] BIS concedes that the current position of the world economy is particularly vulnerable to a far deeper fall in the future than in 2007, with fewer policy tools to respond on a global basis. BIS annual reports in 2016 & 2017 highlighted the 'risky trinity': unusually high debt levels in OECD despite improved US household debt ratio; unusually low productivity growth with stagnating GDP; unusually limited room for monetary policy to manoeuvre given it took five percentage points drop in interest rates to reboot less-indebted economies at the last crisis.

Threats to the globalized economy – and consequently to the global social and solidarity economy – remain elevated indeed. There are disturbing parallels to the state of affairs of 1930s.

Specifically today:

i) Monetary policy is being tightened in China, US, UK, and EU by central banks; financial markets have had an artificial infusion of liquidity that has run up the value of financial and real estate assets; wealth is vulnerable to volatile adjustments in the Great Unwind of Quantitative Easing (a great undoing of real economy activity to come?)

ii) Capital controls are strategically and softly being put in place in China while central bank liquidity is stealthly being withdrawn in US and EU; this capital supported real estate price appreciation which has been substantial in major urban centres in Asia and US & UK; real estate is vulnerable to volatile adjustments in the Great Unwind (a great undoing of household solvency to come?)

iii) Fiscal resilience of OECD governments is virtually non-existent in the Great Unwind as they have not raised taxes in the last decade; deflation transmitted from globalization has weakened their base for future taxation as median family incomes have not risen; neo-liberal stance has weakened resolve to support social & civic expenditures in health, education, and pensions in future crisis. (a great undoing of transfers to the vulnerable to come?)

Surely this macroeconomic backdrop suggests that 2017 provides an opportune moment to expand the social and solidarity economy. The self-regulating market economy is incapable of generating rents, revenues, and redistribution to deal with projected spending regarding basic services for an inclusive social economy. Since the 1997 and 2007 crises, important initiatives in reciprocity and redistribution were undertaken in Asia. There is a willingness to co-create public policy jointly with civic and government bodies supported by agencies such as GSEF and OECD. There is an awareness of the value coherent policy initiatives both horizontally and vertically in/across governments – be they national, provincial, or municipal. There is an invitation to all actors in the social and solidarity economy where each stakeholder can bring unique capacity and create unique impact.

After 1997 crisis, there was a coordinated effort to modernize legislation in Japan and Korea for cooperatives and for social enterprise. In 2003 JCCU set up a task force to create consensus for amendments to modernize the consumer cooperatives in particular. Japan's Ministry of Health, Labour & Welfare received proposed draft amendments in 2006, adopted unanimously by both upper & lower houses April 20, 2007. This was the first major upgrade in 60 years. The major amendments were: [27]

- Clarity on non-member use of consumer cooperatives
- Efficiency to operate beyond prefecture zones, enabling mergers
- Governance with auditors, delegates, and administrators to enact mergers

Cooperatives expanded services in child care, elderly care, and nutritional & sustainable initiatives in line with demographic trends and economic needs of the community in Japan.

In China, in 2007 there were about 500 or so local community-level financial institutions established under the People's Bank of China and CBRC rural credit experimental regulations. The scale of these microcredit lenders, village banks or farmer cooperatives is small and they are not allowed to take deposits. These small lenders can play an important role at the community level according to the World Bank "where local knowledge and ownership by local communities can reduce risks and complement services offered from formal institutions." Regulations limit their ability to expand, given government preference to RCC's (formal rural credit cooperative under influence of provincial officials). [28]

In 2003 in Korea, the social and solidarity economy saw extensive expansion as President ROH Moo-Hyun began his term. ROH regime defined the social service & self-sufficiency projects worthy of "pre-emptive investment" and an important growth engine for national development. In 2007 the Social Enterprise Promotion Act was proclaimed as a way to certify social enterprises. While the Ministry of Labour had exclusive mandate for social enterprise policy – rooted in hard to employ targeted projects – the ministry nevertheless certified over 250 social enterprises by 2009. The policy frame broadened again when the Ministry of Health and Welfare enabled social enterprise to operate under the Long Term Senior Care Insurance System. Civic organizations continued to build momentum with open forums in 2009 such as "(Korean) economic crisis & social alternative" and "self-sufficiency & community business" topics. [29]

Korea was the focus of OECD report in 2009 that reviewed policy and practice in area of social inclusion via social economy actors. The report observed that the post 1997 crisis period saw traditional mutuality expand [30] : foundations had 650,000 employees and NGOs had 150,000 employees in 2002. Korea's 8 national networks of consumer cooperatives had 220 locations and about 400,000 members, Community credit added a further 31,000 employees while credit unions consolidated post 1997 bankruptcies with their 8,200 employees – a drop from 13,000 in 1998.

As evidenced by the passage of a broad range of statutes at the national and regional government levels, the Korean government enabled social movement to practice in the social economy. Significant is the broad range and scale of activities and sectors that the social economy supported – community care of children and elderly, attention to early childhood education and seniors networks, ecological and environmental activities. Some of the key statutes brought into force were: [31]

- 2007 SEPA social enterprise promotion act
- 2011 CBPP community business promotion project
- 2012 FAC framework act on cooperatives

The Status of Social Economic Organizations in Korea [32]

	Social enterprise	**Cooperative**	**Village enterprise**	**Self-help enterprise**
Department	MOEL	MOSF	MOIS	MOHW
Act	Social Enterprise Promotion Act	Framework Act on Cooperatives	MOIS Guideline	NATIONAL BASIC LIVING SECURITY ACT
Start Year	2007	2012	2010	2012
Participant	Vulnerable Social Group	Stakeholder	Local resident	Low-income Group
Number (in 2016)	1,713	10,640	1,446	1,149

National government ministries worked together to set up 17 municipal and provincial intermediary agencies to support social economy enterprises. The social economy in Korea – measured by the number of actors & enterprises involved – has expanded by more than 20 times in less than 5 years. Seoul itself is home to ¼ of all social enterprises in the country and it is a leader nationally and internationally.

Seoul's subset of social enterprise alone exhibits redistribution and reciprocity. Income for vulnerable groups increased 120% in comparison to amount of transfer income and for-profit business in same industries. Ratio of employees with social insurance coverage was also 30% higher in social economic organizations than in other businesses. In 2015 there were 17,900 new jobs added since 2011 in the social economy in Seoul at an average wage of 65% of the average of urban workers' wage. [33]

Historic context for Asia is that is has had independent economic thinking – whether Japan's bold 'helicopter money' in 1930s, China's Reform and Open Policy since 1978, or exponential expansion of social economy in Korea post 2000 – that empowers its unique response to the self-regulating market economy prone to failure. In 1997 Asian countries faced unemployment, wage deflation and rising indebtedness of households, and reduced benefits previously promised for pensions and health care. In 2017 Asian countries are turning to redistribution and reciprocity offered by the social and solidarity economy with impressive early results to mitigate the social externalities of the next market economy slide into global crisis.

In the words of the celebrated Korean poet Cheon Sang-Byeong (poem called Bird):

> "as a new day dawns…
>
> there are good things in life
>
> there are bad things in life
>
> so sings one bird"

Notes

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Appendix: GREAT DEPRESSION & MUTUALITY

	Britain	Japan
Market Economy	- adherence to gold standard	- broke free from gold standard
	- reactionary policy hurt economy	- progressive policy aided economy
Redistribution	- wages cut, benefits reduced	- currency depreciation
	- labour strikes crushed	- job creation via exports
	- financier rents protected	- stock market rose in Yen currency
Reciprocity	- alternative economy, survival	- local & government mutualism
	- cooperatives created affordability	- society strengthened via solidarity
	- laws passed enabling mutuals	- laws passed enabling mutuals

When the Japanese Yen broke free from the gold standard in 1931, Bank of Japan initiated quantitative easing – in contrast to Britain's forced deflation of wages. Bank of Japan printed money and Japan's national government spent it. This policy "brilliantly rescued Japan from the Great Depression." [Ben Bernake, former US Federal Reserve Chair]

Appendix: GREAT DEPRESSION & MUTUALITY

Cooperative Movements in Japan and Korea (1920s-30s)

	Japan	Korea
Background	- Imperialism, Industrialization	- Japan's Colonial Rule
Membership:		
Reciprocal	- " Ko 講" and "Ketsu 結 "	- "Gye 契 ", Dure, Pumasi
Combined	- Common bond is strong	- Relatively loose bond in-common
Cooperatives:		
Governance	- Localism, Liberalism	- Government Control
	- Community rooted	- Community suppressed
Primary Focus	- Economic Crisis	- Independence Movement
	- Adapt to Industrialization	- Basic Needs (consumer goods)
Reciprocity	- Manchuria/War weakens coops	- Rural Promotion Movement (1932)
	- Militarism/conscription arrest cooperative activity; reciprocity is weakened	

In Korea, cultural nationalist movements such as Korean Worker Mutual Aid Association (1920) and Korean Worker-Peasant League (1924) linked worker-peasant real needs with cooperative model to improve peasants' lives and working conditions. In 1926, Colonial hegemony imposed government-led agricultural associations, thereby destroying autonomous cooperatives in Korea.

[Kang, Jung Taek]

Appendix: ASIAN CRISIS and Social & Solidarity Economy (SSE) AWAKENING

	Japan	**Asia**	**Korea**
Market Economy	- dead weight anchor in Asia	- rapid capital investment in 1990s in exports	
	- locomotive no longer for Asia	- overcapacity in many Asian export industries	
	- prolonged deflation	- liquidity crisis in 1997 as some debt not renewed	
	- deficit control, restricting GDP	- imports drop in 1998 by 30%, deep Asia recession	
	- reactionary-recessionary policy	- IMF imposed depression-like condition (rates rise)	
Redistribution	– GDP/capita falls in 1990s	- bankruptcy, job losses	– high interest rates(IMF)
	- incomes, benefits reduced in Yen	- limited social safety net	– local manuf'g drop 20%
	- real debt rose, GDP/capita drops		- IMF protects currency
Reciprocity	– cooperatives rise, survival	- vulnerable to export fall	- SSE role recognized
	- consolidation in coop sector	- dependency on markets	- self-sufficiency projects
	- coop debts rose as GDP fell	- market failure revealed	- SSE capacity created
	-		- all government levels engaged in SSE policy

"IMF imposed high interest rates in 1997 in Asia to protect value of local currency denominated assets of foreign creditors…Is it (in 1998) the intention of US (via IMF) to use economic & financial leverage to destroy the cohesion of Asian societies?" [Kari Polanyi Levitt]

Appendix: GREAT FINANCIALIZATION & its UNWINDING

	Japan	**Korea**	**China**
Market	-export model limited growth	- export model limited growth	- reduces role of exports
Economy	– expand gov’t deficits	- expand gov’t deficits	- lift domestic demand
	- let Yen fall, Debt/GDP rise	- gov’t targets job creation	- transformation re jobs
	- QE, print money & spend it	- public & private debt rises	- rapid debt financing
			- starts capital controls
			- lower liquidity pools
Redistribution	– targeted welfare	- household sector indebted	- income inequality acute
	- help at risk population	- help at risk population (jobs)	-policy job loss/fin’l gain
	- gov’t reduces actual	- gov’t increases actual	- excess supply of labour
	pensions & benefits in Yen	income transfer assistance	unsuited to new economy
Reciprocity	– coop laws modernized	- accelerated SSE policies	- mutual aid permitted
	- acute income stagnation	- coordination of SSE policy	- limited SSE framework
	so coops for survival	at 3 gov’t levels for impact	- small centres allow SSE
	- coops expand to new services	- SSE expand exponentially	- re-establish cooperative
	as gov’t & firms cuts services	- Seoul model city for SSE	

“The 2007 financial crisis is an inevitable recurrence for market economy… Globalization policies of liberalization…of trade & finance have placed deflationary pressures (globally). The near doubling of GDP (between 1995-2005) barely raised median family incomes & reduced industrial employment in OECD economies.” [Kari Polanyi Levitt]