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# ***The Co-Operative Firm Keywords*, edited by Andrea Bernardi and Salvatore Monni. A Review.**

Peter Norlander<sup>1</sup>

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## **The Co-Operative Firm: An Alternative Right in front of our Eyes**

For those seeking alternatives to the excesses of capitalism and state intervention, building sustainable, democratic, and efficient organizations that provide a sustainable, just, and efficient solution is a critically urgent task. It must be proven that a better way is possible.

The solution articulated throughout the book, “The Co-Operative Firm,” is the co-operative form of organization. In co-operatives, members (typically workers) have “the right to make corporate decisions and the right to a share of the profit” (84). Principles of co-operatives are listed as: 1) voluntary and open membership 2) democratic member control 3) member economic participation 4) autonomy and independence 5) education, training, and information 6) co-operation among co-operatives and 7) concern for community (39).

In practice, what this means is that workers, and in some cases consumers, are members of the co-operative, with full-voting rights (one member / one vote) enabling them to control the governance of the firm, and giving them rights to residual profits as owners. Co-operatives typically compete with minority shareholder dominated firms and public firms in markets, and must offer a competitive service or product while also “put[ting] people before capital” (Birchall, 2011; qtd. on page 89).

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<sup>1</sup> Researcher and Teacher in the Human Resources and Employment Relations area, Loyola University Chicago Quinlan School of Business. Email address: [pnorlander@luc.edu](mailto:pnorlander@luc.edu). This review refers to A. Bernardi, S. Monni (eds.) 2016. *The Co-operative Firm Key Words*. Roma: RomaTrePress

Pessimism and insecurity about co-operatives are expressed throughout the book. Challenges, including the free-rider problem, abound. In 1794, Oliver Goldsmith wrote “it is extremely difficult to induce a number of free beings to co-operate for their mutual benefit” (77). Co-operatives must provide workers voice and representation to deliver a superior social result, and competent experts to deliver a competitive product in the marketplace. When co-operatives fail to elicit voice, they lead to “oligarchy,” without “enough representation,” co-operatives are “unaccountable,” and without “expertise” they are “incompetent” (31). These central problems of governance are confronted directly in the book.

For those to whom co-operatives may sound far-fetched and idealistic, it is reasonable to wonder: how would the co-operative firm keep the lights on?

In the United States, at least, 900 co-operatives are already lighting the homes of 42 million in 47 states (92). The chapters of this book demonstrate that co-operatives operate successfully in many contexts around the world, and have for many years. Twenty percent of Italians are members of a cooperative, which represent 8% of Italian GDP (19-20). Seven thousand U.S. firms have employee ownership, involving over 13.5 million U.S. employees (25). Despite free-rider concerns, co-operatives imbue their member-owners with responsibility, but also “higher capability to participate in decision-making” in general (42). Despite competitiveness concerns, electricity consumers belonging to co-operatives pay less than the market price in the U.S.A, U.K., Germany, and Italy (94).

If most large co-operatives are well governed (29), and the co-operative model is tested, it is still not Teflon capitalism, for which no criticism is admissible, educated people assume there is no alternative, and to which nothing sticks.

A useful chapter on quality demonstrates this: “When a negative event occurs in a co-operative, due to mistakes made by its executives, a shadow is drawn on the co-operative sector in general as if everything has gone wrong, just because of a mistake that one of its many members has made” (123).

A recent illustration of this occurred in coverage of the emissions scandal at VW in *The New York Times*. A finance professor was quoted attributing the crisis to the co-determination structure at VW, never mind recent scandals at GM (pre-bailout) and Toyota. As the book states: “If there is an incident at a joint-stock company or a traditional investor-owned company, nobody questions the entire genus” (ibid).

Despite discussion of the need for solidarity among co-operative members, along with organizational identification, commitment, and cohesion (130), it would seem that advocates of status quo organizational structures exhibit far more cohesive group behavior than those who advocate more co-operative forms of organization. The amplification of small differences that often act as a major barrier to the furtherance of alternatives and wind up supporting the status quo in practice is a feature throughout the book.

For example, worker ownership in the U.S. through ESOPs, while given due coverage, does not count as a pure co-operative organization, as firms are still typically owner/management run by a minority shareholder (25). “Even in Germanic-type co-management, [worker rights] are minority rights compared with the powers of the company owners/shareholders, which are decisive” (84). While not pure co-operative firms, these more capitalist friendly forms of co-operation, shared prosperity, and democratic governance, are on the co-operative spectrum, and, in the U.S., are within the realm of possibility. It is commendable that the book treats well the different varieties of co-operative form. It is concerning, but a good reflection of reality, that the book also treats “false co-operation” (154, 170), and reaches out to other, perhaps more staunch critics of organizations, and seeks to promote co-operation among co-operatives.

In the U.S. context, it was only 40 years ago, after all, when management guru Peter Drucker prophesied the rise of *Pension Fund Socialism* if then-present trends continued and workers grew to acquire controlling interests in the major companies. Of course, the trends have gone in the other direction since then. In the political environment of the U.S. today, small increases in the top marginal tax rate that could actually reverse inequality trends, while paying for wars and pre-existing safety net commitments (never mind new ones), are argued by some to represent the road to serfdom. Still, even the incoming Trump administration (and many Republicans) have expressed an interest in expanding worker ownership.

A fascinating chapter on the Gung-Ho co-operative movement in China delivers more insight on the various alternative forms of co-operation. For those who are concerned that flirting with co-operative models means socialism or worse, the finer shades of co-operatives are fleshed out.

“Maoism has represented a deviation from the western, or, indeed, international notion of co-operation” (52). Before Mao, British and US governments supported Gung Ho due to “a social democratic political and economic alternative to the increasingly powerful Chinese Communist Party” (54). Under Mao, Gung-Ho was repressed, and “the

memory of forced collectivization and limits placed on the growth of a proper civil society are far from helpful to the revival of co-operation in China” (57).

The book is explicitly positioned to “reach some of the people involved in the protest movements that followed the financial crisis of 2008 or those actively involved in community projects of social entrepreneurship” (9). While those engaged in social entrepreneurship may find the book interesting, it is not a “how-to” guide, as useful chapters on international and national regulations point out the many peculiarities and lack of harmonization across borders even within the EU, making such a global, single guide implausible (71).

For those who protested with the Occupy movement, as well as the much larger population upset by the “the economic recession and an ideological crisis of Western capitalism” (12), this book is timely in suggesting a promising direction, already active and capable of drawing from international and domestic legacies and forces in nearly every part of the world.

In the period after the Great Recession, it was possible to think, for a few years, that an epochal shift from the market back toward the state was occurring. Extravagant over-reaching by the market had so harmed society that re-regulation was inevitable, in line with Polanyi’s predicted double movement. Globally, the failures of the minority-shareholder owned firms were so manifest that state regulation was likely to return to reverse trends of inequality, unemployment, privatization, outsourcing, the decline of stable work, and worsening jobs.

For better or worse, “the worldwide protest movement [that developed after the 2008 financial crisis has] been ineffective in delivering an impact on policies and providing a feasible alternative” (12). Further, the authors in this book argue that this represents a missed opportunity. By imposing a “substantial limit to the private appropriation of the wealth produced” (21) and introducing “innovative elements of pluralism and democracy to the market” (ibid), co-operative ideas by all rights should have captured the imagination or the energies of those seeking change.

It seems, however, that 2009-2016 was only a brief interregnum in a forty-year swing toward the market in societal and industrial relations. The United States, and the world, is moving more toward market relations, faster and in more far-reaching ways, it would seem, than was imaginable even in pre-crash days.

In this volatile environment in which the future direction of society is so rapidly veering back and forth between alternating idols of populist nationalism and neoliberal globalization, the authors of the present book

have delivered a worthy resource. The goal of the book is to “spread the idea of co-operatives to as many people as possible and above and all to those who knew nothing about them” (7). In its totality, this book provides the novice reader with an excellent starting point for discussion and the experienced one with interesting cases, facts, and experiences from Colombia, Italy, and other parts of the world.

The book is organized in an unusual and interesting fashion, by “keywords,” each written by a different author(s). Each chapter is thematically linked with others, although the keywords are ordered alphabetically. While a helpful introduction provides useful summaries and pointers for chapters to read, and companion chapters that could be read alongside those, this reader could sustain the back and forth flipping only so much, and then returned to the front of the book and read straight through the chapters missed. Each proved worthwhile.

Impending ecological catastrophes, the next financial crisis, political instability in liberal democracies and developing nations, rising international conflicts, and general doom and gloom appear to be on the horizon. It is possible that the failures of our current institutions will simply lead to inchoate rage and failure after failure.

The possibility for an equilibrium point a stable society and relationship among government, society, and markets has been elusive. At the end of World War II, Kerr’s “pluralistic industrialization,” and at the end of the Cold War, Fukuyama’s “end of history” through liberal democracy, both failed to deliver the promised quietude. The ideals espoused by the co-operative movement, however, speak to that hope for a median position between excesses in which we can muddle onward better, in a fashion more consistent with the ideals of sustainability, efficiency, and democracy.

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