



A Co-operative Idea for the 21st Century

By Robin Murray



A review of John Restakis' *Humanizing the Economy: Co-operatives in the Age of Capital*

The Argument

Humanizing the Economy is a book with a powerful thesis. It is that capitalism in its current form is leading to a hyper individualism that is eroding all that is necessary to hold society together – trust, equity, meaningful work, and the bonds of community. Its “liquidity” – to use a term of the sociologist Sygmund Bauman – is dissolving social forms and institutions that provide security and reference points for people in their everyday lives. Capital can move globally in an instant. Labour too often has to follow it, keeping flexible and adaptable to capital’s ever changing demands. Fashion cycles get shorter. Variety is multiplied. Identities threaten to disintegrate into a reflective consumerism. And the planet threatens to buckle at the knees.

This is the dark side, the leaden echo of modern capitalism. It evokes the work of the Hungarian economist Karl Polanyi, who Restakis discusses in the early part of his book. Polanyi, writing in the wake of the Great Depression, argued that capitalism has a tendency to corrode the social institutions on which the market depends. What he calls “market utopians” attempt to commodify that which can never be adequately commodified, above all labour. Yet labour, to be born, raised, loved, and buried, requires social institutions. It depends on reciprocity.

Restakis fast forwards this thesis to the age of turbo consumer capitalism. After 30 years of neo-liberal market utopianism, Polanyi’s forecasts have been borne out, some of them in the economy, some of them in the environment. But central for Restakis is the social crisis we are suffering due to the loss of what he refers to as “socially-embedded social identity.”

It is in this “social poverty,” and the emptying out of meaning, that Restakis finds a springboard for optimism.



(photos this page) In Buenos Aires, the sprawling Cristal Avellaneda finally closed during the economic crisis of 2001 after years of cutting the workforce and issuing IOUs rather than wages. Then idle workers used the credit from unpaid wages as leverage to win the right to reopen and refurbish the plant under their own control. The worker-co-op is now turning a profit from the manufacture of a hand-blow stemware (Durax), a beautiful, durable, and functional product, from over 60% post-consumer recycled glass. Cristal Avellaneda is one of more than 200 factories that have been “recovered” by means of worker-co-ops. Photo courtesy of Paula Surraco (paulasurraco.com), The Working World project (theworkingworld.org).

Just as Polanyi argued that society has always developed its own defensive strategies when faced with capitalism's attempt to subordinate all human beings to its economic imperative (he cited the 1830s and 1930s as such moments) so Restakis sees a defensive humanist reaction now gathering pace. There is a post-1968 moral and spiritual rejection of modern capitalism in what he calls a "post-scarcity identity economy." "If consumer culture and the economic forms that embody it are incapable of delivering life satisfaction and well being at this basic emotional level, the human need for social connection as a vital dimension of personal happiness will drive people to the kinds of institutions that can provide it."

Late in the book Restakis discusses the work of Elinor Ostrom on the managements of the commons – fisheries, water, grazing land, and so on – and there is one way of looking at his analysis as a description of the tragedy of the unregulated commons, in this case the world economy, and what is needed to redress it. Ostrom suggests that in contrast to Adam Smith's hidden economic hand, there is some hidden social hand which means that communities have in practice to devise ways of managing their commons sustainably. Restakis (like Polanyi) has something of this faith in the capacity of societies to evolve collective means to ensure their own survival.

What means are these? In the 1930s at another crisis point there were three alternatives on offer: social democracy, fascism, and Soviet communism. All three privileged the state. European fascism fell in 1945, Soviet communism in 1989. Social Democrats have been on the back foot throughout the neo-liberal era, recasting themselves as pink "market utopians." Restakis argues that we should look not at these 20th century alternatives but at those that developed in response to the market utopianism of the 1830s – the co-operative movement, friendly societies, and mutual self-help.

He suggests that the moment has come for a resurgence of the co-operative economy as an alternative to capitalism. Citing the Italian co-operative theorist Stefano Zamagni, the co-operative model has the potential to displace the capitalist enterprise as the primary agent of economic activity. "The co-op archipelago will come to resemble a connected landmass, and the capitalist sea a series of ponds, lakes and rivers surrounded by a now dominant co-operative economic system."

This is a big jump. All readers will ask the question that he asks of himself: "What evidence could possibly support such an optimistic view?" His answer is twofold. On the one hand, the co-operative form is in principle able to address the human needs of meaning, control, and social orientation that many capitalist forms cannot. On the other, there are 150 years of successful co-operative practice to inform and inspire a major expansion of co-operatives.

Actually Existing Co-Operation

An example of successful practice is the Seikatsu Club, one of the "holistic" livelihood co-ops that developed in Japan after the Second World War. The Seikatsu Club, an association of 30 consumer co-ops with 300,000 members, mostly women, originated as a response to scandals associated

with the industrialization of the food industry. Members sought out local and organic farmers whose food they could trust, and distributed it through a box system run on "Just in Time" principles. Before long they were establishing worker co-ops engaged in such things as lunch box preparation, baking, and food processing. Later they diversified into social care, recycling, advertising, and design. The Seikatsu Club is currently associated with some 400 worker co-ops employing 15,000 people.

The idea driving these co-ops is human and environmental health and well-being. They reject the notion of consumerism and a consumer separated from production. Members developed relations with producers that would later become the core principles of fair trade – direct long-term partnerships, with prices set at a level that guaranteed the livelihood of the farmers. The conventional economic categories of wage labour and capital, of monopoly and competition, and of consumers and suppliers meeting at arms length through a market, are absorbed into and redefined as an economy of direct, reciprocal relations.

The examples profiled in this book all reflect a similar impulse – to take the economy into your own hands and redesign it from a human-centred point of view. None exist merely to benefit their members. All are bound together by a powerful sense of morality and are integrated with their communities.

There are now 120 health co-ops representing three million members that have been established by Japan's consumer co-ops. There is also a rapidly growing network of elder care co-ops, with already 100,000 members. While co-operators in the West are aware of the size and range of these networks, they have far too little understanding of how such an economy – essentially a social economy – can grow and remain democratic and vital at this scale. Restakis offers such an analysis. The Japanese consumer co-ops exemplify what he means by a "humanized economy."

The other examples profiled in this book all reflect a similar impulse – to take the economy into your own hands and redesign it from a human-centred point of view. Many are producer co-ops – from the co-ops of Fair Trade tea producers in Sri Lanka and prostitutes in India, to the worker-owned factories in Argentina and the co-operative industrial districts in Italy. None exist merely to benefit their members. All are bound together by a powerful sense of morality and are integrated with their communities.

These are all examples of "co-operation as it actually exists." They are inspiring, and there are many others like them. The question is how such

co-ops can hold their own in a globalized market economy. The workers co-ops in Argentina, for example, sprang up when the conventional economy collapsed in 2001-03. How have they fared since national growth has resumed? Have they survived without reverting to capitalist forms?

Co-operative Competitiveness

The record is striking. Of the 200 factories “recovered” (that is, converted to co-operatives) during the first wave of takeovers in Argentina, only two have gone down. Restakis points to all the difficulties that these “conversi” have faced, internal and external. But he is not explicit about the root causes of their resilience – how they overcame their inexperience in management and co-operative working, where they raised their capital, how they organized their markets, and so on. I suspect one of the reasons for their survival is that three-quarters of them were small (under 50 workers), and only five of them had more than 200 workers. Another is the collaboration that they have developed between themselves and the critical support they have received from external sources. One overwhelming advantage is the commitment of their worker members and the communities from which they come.

Argentinian researchers refer to a shift from a “survival economy” to a “solidarity economy,” and to the autonomy it is developing from the mainstream economy. Their research is important for understanding the emerging architecture of this workplace economy, as the movement for recovered factories now spreads in Latin America and beyond.

When it comes to the co-operative industrial districts in Italy, Restakis is on ground he knows well. He has been taking Canadian co-operators to Italy for many years to show how a co-operative economy can work at a regional level. He is able to discuss in some detail the “system architecture” that has made these districts such an industrial success.

He describes the specialization and trust that characterize the towns of this “third Italy.” (There are over 100 specialist industrial districts in Emilia Romagna alone.) The small- and medium-sized firms have developed their own consortia for services which benefit from scale – such as marketing and overseas sales, technological and market information, and access to finance through consortia guarantees. Between the mid-1970s and mid-1990s this was



The basis for Japan's extensive health care and consumer co-operative systems is the *Han*. These small groups of neighbours elect representatives to carry their wishes to the branch and general assemblies of the co-operatives. They also are the venue in which information and training in nutrition and health take place. Here, a *Han* of Nagano Health Co-operative measure urea levels in urine samples. Photo courtesy of John Restakis.



(Photo) Members of one of a number of fishing co-operatives in the delta of Italy's river Po. The co-ops are part of a consortium that harvests, processes, and markets clams, mussels, bluefish, and eels. It in turn connects with the Park Management Consortium of municipalities, environmental organizations, and private landowners whose mission is to maintain and promote these wetlands as a World Heritage Site and Italy's largest nature preserve. Photo courtesy of John Restakis.

Résumé : Une idée de coopération pour le 21e siècle

Dans son dernier livre, *Humanizing the Economy* (New Society, 2010), John Restakis examine la crise de confiance que traverse une fois de plus le système capitaliste de libre-échange. Il explique que les coopératives pourraient devenir les principaux agents économiques de demain.

En principe, les méthodes coopératives de production, comme les capitalistes, satisfont à de nombreux besoins humains : des besoins philosophiques (donner un sens à la vie), des besoins sociaux (exercer une plus grande maîtrise sur la vie), des besoins environnementaux (augmenter la responsabilité sociale des personnes et des entreprises) ainsi que des besoins économiques (procurer des biens et services de qualité). John Restakis appuie ses conclusions sur des initiatives fructueuses telles que les coopératives de consommateurs du Japon, les usines récupérées d'Argentine et les coopératives de producteurs d'Italie.

Toutefois, le secteur des coopératives a encore beaucoup à apprendre afin de mettre à profit ses qualités inhérentes. Tout d'abord, le secteur doit se rendre compte que les coopératives se développent mieux dans un système fédératif que de façon isolée. Il doit également réaliser que les réseaux permettent aux coopératives de mener leurs activités sur une plus grande échelle sans pour cela remettre en question le système démocratique des milieux de travail. Le secteur coopératif doit cibler le secteur émergent des services relationnels (en particulier les services de santé et sociaux) dans lequel l'engagement des coopératives en matière d'entraide et de réciprocité surpasse de loin celui du système capitaliste. Enfin, les coopératives doivent explorer les nouveaux modèles d'entreprises de l'ère de l'information – des réseaux de petites unités structurés selon une hiérarchie horizontale et intégrant la participation active des consommatrices et des consommateurs dans le processus de production. La plupart du temps, ces modèles n'ont pas le statut juridique de coopérative, cependant ils illustrent l'esprit et la mission du secteur de la coopération.

Selon Stefano Zamagni, ces stratégies permettront à « l'archipel des îlots coopératifs de fusionner en une vaste masse terrestre alors que l'océan capitaliste se fragmentera en étangs, lacs et rivières entourés d'un système économique coopératif dominant ». ■

reinforced by the support policies of strong regional governments, and by the development of joint public-industrial intermediaries (“real service centres”) to provide administrative services.

As has often been pointed out, there are specific conditions that enable Italy's co-operative districts to flourish. They have developed out of the needs of an agricultural economy where land was held under a system of *mezzadria* or sharecropping. The owners and sharecroppers co-operated in the use and the equipping of the farms. An integrative political tradition both of the left and right in these regions was closely interwoven with the small- and medium-sized firms. There were laws that favoured co-operatives and their tax free re-investment. In other words, the industrial districts of today are embedded in strong, supportive social and political institutions.

Yet while they are distinctive, they are not unique. Research over the past 20 years suggests that a similar “integrative architecture” arises in a variety of places, from western Denmark to Baden Wurttemberg, and from the Brazilian shoe industry to Hollywood. Despite their great differences, they have in common certain patterns that have proved essential to the economic competitiveness of co-operative forms.

One of the most important of these patterns – and it is a theme in this book – is that co-operatives need to be part of a system if they are to survive. British co-operatives dominated retailing for nearly a century because they were bound together by a common purpose and culture. The same is true of the Mondragon co-operatives. In his treatment of the cases of Italy and Japan Restakis shows how complex, federated, networks of co-operatives cannot only hold their own but in many cases can outcompete their mainstream rivals. In short, a human economy has proved its robustness in agricultural and industrial sectors.

Relational Services

But its strongest ground may lie elsewhere. Post-industrial countries are witnessing an inexorable growth of “relational” services. In the United Kingdom health, education, and social care already account for nearly a quarter of GDP, and all of them are growing. The resulting pressure on public sector budgets commonly leads to the privatization of these services.

Restakis contends that relational services are inherently reciprocal: they depend on the provider and the recipient acting together. To treat such services as products for sale to clients in order to maximize profit is profoundly inappropriate. “Neither state bureaucracies, which depersonalize social service recipients, nor private sector firms, which instrumentalize recipients as a source of profit, can ever be suited to the provision of relational goods” (p. 103).

Co-operatives, on the other hand, provide a framework in which recipients and providers can jointly control the service. They can also include others – volunteers, local government, even

those providing finance – everyone in short who is actively engaged in the success of this human-centred service. He discusses the rapid growth and success of social co-ops in Italy (there are now over 7,000 of them) and in Japan. They are also expanding in Canada, notably in Québec, and now in the U.K. Since many of these services are funded via the state, co-ops provide a framework for a distinct type of public-social partnership, with open books and the co-design of innovative services. Through such innovation and the integration of recipients, funders, and providers, co-ops can potentially deliver “more for less.”

For Restakis, relational services can potentially play a lead role in the expansion of co-operatives as did retail services in the 19th century. Where strong retail co-operatives still exist, the two types can complement each other. Pharmacies, easier living centres (like the one recently opened in Ipswich in the east of England), and health co-ops located in retail stores can all provide support for care services.

Major international retailers aspire to become the dominant interface between consumers and an ever more diversified range of goods and services. There is now scope for co-operatives to develop an alternative, one that is jointly controlled by suppliers and consumers, and provides a package of “health and livelihood” services similar to that of Japan.

Major international retailers like Walmart and Tesco aspire to become the dominant interface between consumers and an ever more diversified range of goods and services. There is now scope for co-operatives to develop an alternative to this profit-driven interface, one that is jointly controlled by suppliers and consumers, and provides a package of “health and livelihood” services similar to that of Japan.

So the economic argument of the book boils down to this. There is a growing demand for forms of economic organization that provide meaningful work, a measure of workplace democracy, and “socially useful” goods and services. Co-operatives are structured to provide all of the above, particularly in the growing area of relational services. To be competitive where scale is necessary, they need to act collaboratively and navigate the oceans of the market as part of a co-operative fleet not as a single solitary craft. It is the resilience of co-operative systems that is decisive.

The Co-operative Idea

In the social economy, ideas are the drivers and the sources of cohesion. The 19th century co-operative movement had a powerful idea. Instead of

capital employing labour, labour would employ capital, and would use its profits to benefit its members and their social institutions. Arizmendiarrietta, the founder of Mondragon, centred his ideas on the dignity of work. Restakis’ book can be read as the elaboration of a 21st century version of the co-operative idea.

One of the strengths of his version is that it does not present the case for co-operatives solely in terms of economic democracy, but in those of human and environmental necessities for which co-operatives are an adequate solution. It encourages the co-operative movement to be open, to collaborate with others that share these goals, and in particular with the ever growing social movements around food, energy, climate change, inequality, health, and more fulfilling life worlds.

This is at the heart of his economic idea. It goes further than economic democracy taken on its own. Yet economic democracy is central to it. On this issue, Restakis gives a central place to the tension that exists between co-operative democracy and the economic demand for scale, and to how this tension can be resolved. The Japanese have addressed this through “nested” organizations. The smallest units of 5-10 families, called the *Han*, are federated into successive levels of organization that would have made Bakunin proud. Italian (and Spanish) co-operatives have developed their own varieties of bottom-up structure. Many large farmer and retail co-ops on the other hand have been less successful in overcoming the tension. Members are formally the owners, but effective control is with the management.

Ad



(Photo) In Calcutta's Sonagachi red light district, sex workers formed the Usha Multipurpose Co-operative in 1995 in order to save money, get loans, improve the health and safety of members, and create more local job opportunities. Here, co-op members make sanitary napkins for sale to hospitals and to Sonagachi residents. Of the area's 16,000 sex workers, 80% are now USHA members. Photo courtesy of John Restakis.

If the co-operative model is to replace capitalist enterprise as the primary agent of economic activity then it needs to find ways – in an Information Age – to make federal forms effective in the governance of co-operative systems. Capitalist firms are themselves engaged in organizational innovation, in order to give greater autonomy in the workplace and involve consumers in design and new product development. Inspired in part by co-operative systems, they are trying to turn economic organization away from the centralized Fordism of the 20th century and towards the networked forms of the 21st.

Co-operatives have much to learn from them and from the informal co-operation embodied in the open source movement and in collaborative ventures like Wikipedia or the Mars mapping project. They have developed sophisticated forms of mutual governance and multiple ways in which participants can contribute to a common project according to their time and capacities. The formal deliberative democratic forms that characterize co-operatives need to be complemented by new forms of what could be called “productive democracy.”

Conclusion

There are many signs that there is a turn in the *Zeitgeist* toward co-operation. In Britain the main political parties are all committed to promoting co-ops. Co-ops have been reconstituted in Africa and revived in Latin America, enriched in the latter case by a decade of extraordinary innovation in organizational and economic democracy. They may not always take the legal form of co-ops, but they share the same ethic and social purposes. As Restakis himself argues, it is an expansion of co-operation that is important, whether it is at the micro level or between governments internationally.

In some ways practice has advanced faster than theory. There is an explosion of social economic initiatives, but much less research on their common patterns and characteristics. In this context, John Restakis has produced a book of particular importance. It presents the case for co-operatives – the co-operative idea – not in terms of utilitarian individualism or biological necessity, but as founded on a passionate humanism. It highlights the question of the institutional architecture and social context of successful co-operation, and the underlying changes in post-scarcity economies that favour co-operative solutions.

But it also suggests that there is an urgency in taking this work forward. If the tide is turning in favour of co-operation, is the co-operative movement prepared? It needs the same deep research on the factors for institutional success that Elinor Ostrom and her colleagues have devoted to the management of the commons. It needs the further articulation of the co-operative idea in the Information Age. And it requires the elaboration of the institutional infrastructure – schools, colleges, banks, think tanks, innovation labs, information networks, ethical marks, and currencies – in other words, the economic soil which allows co-operatives to flourish. ⁴⁴

Robin Murray is an Associate of Co-operatives UK and a Fellow of the Young Foundation, an organization that develops and combines insights, innovation, and entrepreneurship to meet social needs. His book *Cooperation in the Age of Google* will be released later this year. Other recent publications of Robin's are *Social Venturing* (July 2009), *Danger and Opportunity* (September 2009), and *The Open Book of Social Innovation* (March 2010). Contact him at robinmurray@blueyonder.co.uk.

Humanizing the Economy: Co-operatives in the Age of Capital is published by New Society Books. [Click here to order.](#)

⁴⁴ is an ejournal about Inspiring, Innovating, Inciting, and Inventing ways of life and work that permit humanity and the planet to thrive in this century of unprecedented challenges. ⁴⁴ is a publication of the Canadian Centre for Community Renewal.