

Neither Public Nor Private: The Co-operative Third Way

Johnston Birchall

Journal of Co-operative Studies, 85, January 1996, 68-75.

The future role of the Society for Co-operative Studies (SCS)¹ depends on how we view the subject of co-operation. How should we conceptualise the co-operative sector? Where is it placed in relation to other social and economic sectors of society? Does its significance vary between countries and over time, or is there something permanent about it, perhaps based on the understanding of co-operative principles? Only when we have answers to these kinds of questions can we be certain that we are maximising the potential of the SCS and of the *Journal*. They are questions that should be asked regularly, perhaps once every decade. There are at least two kinds of approach to the question, stemming from political economy and from social philosophy.

The political economy approach looks at the characteristics of the co-operative sectors in different countries. George Melnyk (1985) identifies four traditions: liberal/social democratic in Western Europe and North America; socialist in Tanzania and Mondragón; Marxist in the Soviet Union, Yugoslavia and China; communalist in the Israeli Kibbutz and in some religious sects in North America. He sees these as four basic modes in which co-operation has expressed itself and, quoting Alex Laidlaw (1980), he declares that they “reflect the tendency of co-operative institutions to ‘take their characteristics and features from the general environment in which they exist’” (1985, p. 114). The implications for co-operative development are that “the traditions cannot go beyond themselves” (p. 114); development has to emerge within these different political economies according to the constraints of dominant values and traditions.

If we take this view, then the role of the SCS is going to be a rather conservative one, remaining within the tradition of British co-operation and contributing to its ‘stable reproduction’. But there are two problems with this approach. One is that, if a tradition is coming to an end, then a conservative role is doomed to failure. Secondly, with the collapse of state socialism in so many countries, Melnyk’s typology now looks outdated; it may be that the ascendancy of a global free market capitalism will lead to the development of a more global view of the co-operative sector, and we ought to take part in this.

Secondly, there is the social philosophy approach, which asks questions such as: what is the significance of the co-operative sector? What is its potential? Where ought it to be in the world? How far can it expand? These are the kinds of answers social philosophers have given in the past:

1. Co-operative sector transforming society into the Co-operative Commonwealth — Charles Gide (1921, p. 241: ‘la république coopérative’); J. T. W. Mitchell (see Yeo, 1995); and J. P. Warbasse (1927).
2. Co-operative sector as part of a larger project to transform society (socialist, and now ecologist) — Beatrice Potter (1891); Georges Lasserre (1941); and Roy Morrison on Mondragón (1991).
3. Co-operative sector as one among others, bringing specific benefits to its members, and finding a niche in the marketplace alongside other sectors — Georges Fauquet (1951), and Edgar Parnell (1995).

A Society for Co-operative Studies which takes its cue from one of these viewpoints would be:

1. quite insular and looking to see the sector grow quickly to a dominant position;
2. studying co-operation as part of a socialist strategy (the SCS has traditionally drawn its support from this viewpoint, with members also having Labour Party and trade union links);
3. looking at the promotion of the sector in a pragmatic way, through analysing its trading results, comparing it with the capitalist sector, looking for opportunities to grow, emphasising good management, etc.

The political economy view shows us that we cannot really afford to pick and choose between these philosophies as if they were equally feasible. The real world constrains us to find more helpful models of where the co-operative sector stands, as it goes into the twenty first century. Are there any more modern viewpoints which can help us? I think there are three. They are less distinct than the three more ideological models presented above but they are much more useful: 1) a social economy model; 2) a third sector model; and 3) a people-centred business model.

A Social Economy Model

This idea has become popular since the French government's backing of the 'Économie Sociale' in 1980. It gets us beyond the old antithesis of public and private to a third sector of the economy which embraces co-operatives, mutuals, and associations. These are private in that they are independent of government, commercial and subject to the market, and (apart from non-profit associations) make profits. They are public in the sense that they have a democratic membership base, a social purpose, and do not make rewards to capital their primary aim. So the social economy consists of co-operatives, mutuals, and associations. But there are two possible disadvantages with this term. Firstly, what the Europeans mean by 'associations' we in the UK call the voluntary sector, which is non-profit and has a different tradition from those of the co-operatives and mutuals. This is becoming less of a disadvantage than it used to be, in that the Government's community care legislation² has made contracting between local government and the voluntary sector more common; while remaining non-profit, they are becoming more commercial. But they do, particularly in Britain, have a different tradition, being registered more often as charities rather than industrial and provident societies, and being associated with the philanthropic rather than the mutual or self-help tradition.

Secondly, the social economy has traditionally been linked to the public sector; for instance, in the journal *Annals of Public and Cooperative Economics*. Is this now a real disadvantage? Co-operators in Germany and the Netherlands tend not to like the 'social economy' label — for them it is too Mitterrandist and social Catholic. In particular, German members of the International Co-operative Alliance (ICA) remain officially opposed to the idea of social economy; they mainly represent the Raiffeisen credit bank movement, which in 1906 left the ICA because they thought it was too dominated by socialists, and they have only recently returned. Similarly, American co-operators are suspicious, tending to see co-operatives and mutuals as 'service-oriented' or 'modified' capitalism; its small scale a check on corporate capitalism (see Craig, 1993).

A Third Sector Model

Is there a similar model, but one which might be more generally acceptable? Roger Spear and his colleagues at the Open University recently wrote a report (1994) on 'Third Sector Care' in which they include co-operatives, mutuals and voluntary associations. Perri 6 and Isabel Vidal's (1994) edited book 'Delivering Welfare' also talks of the third sector, and makes it clear that it includes co-operatives and non-profits. In the USA 'third sector studies' has been well established since the 1960s, but mainly covers the non-profits, what we call the voluntary sector. The International Society for Third Sector Research publishes *Voluntas*, which covers

voluntary and non-profit organisations. So the term 'third sector' has already been hijacked by those interested in the non-profit sector, who see a distinction between public, private, and non-profit sectors. Co-operatives and mutuals then disappear into a more general private business sector. Of course, there is no reason why we should accept this arbitrary definition and, as the above two publications show, a broader definition seems to be becoming accepted.

A People-centred Business Model

Can we take the best from each of these two models? I want to suggest that we can, and that they are not all that different from each other in practice (Birchall, 1995). For instance, in a Fabian pamphlet on the social economy, the authors describe it as a "family of membership organisations" who are "in business to add value for their members, not to generate a return for their shareholders" (Welch & Coles, 1994, p. 6) Had they known about it, they could have used Edgar Parnell's (1995) term "people-centred business", because there is not much difference between their idea and his. Perhaps the idea of a people-centred business — defined by the needs and wishes of its members and returning trade surpluses to them — is a way forward. The SCS should certainly be examining the idea in depth and using it to make theoretical and practical connections between the co-operative and the mutual business sectors.³

Do these three models have quite different long term goals and aspirations? If so, does it matter? It depends on whether we think the co-operative sector needs to be infused with values from outside the sector, or whether we can base co-operative values on the intrinsic characteristic of the 'people centred business'. The political economy approach outlined above would suggest that co-operatives are always, whether they know it or not, both supported and constrained by wider, more dominant values within their society. Yet the emergence of a global capitalism, and the search for a global alternative, leads us to wonder whether a new co-operative 'paradigm' is emerging, one in which we can all share. The work of the ICA on co-operative values [and principles] (see MacPherson, 1995) can be seen as an attempt to move in this direction. The new co-operative values and principles now need to be put into practice, and there is obviously a role here for the SCS.

Co-operatives and World Economic Problems

Another approach is to identify the main problems we face as we go into the twenty first century [as per] Laidlaw's (1980) approach in his report 'Cooperatives in the Year 2000'. We then derive the significance of co-operatives from a list of problems to be solved: child poverty, structural unemployment, environmental degradation, ethnic and gender discrimination, structural adjustment problems in the third world, and so on.

This approach is useful because it challenges co-operatives to become relevant to people's needs. But is it too big a task? We must not make the mistake of putting too much weight on co-operatives, and then using them as tools for solving problems which are insuperable. There is a danger here that, as in the co-operative development programmes of third world countries during the 1960s and 1970s, we offer too much and deliver too little (Develtere, 1992). Perhaps the way forward is to identify these large problems and then to find ways of solving them through the 'people-centred' approach, turning people into members and then using the co-operative for what it does best — delivering member benefits.

A Research Agenda for Co-operatives

Research can help us to understand the potential of the co-operative sector. By treating co-operatives as members of a family of third sector organisations, and by connecting them up with people's basic needs, we can identify several key topics for the future. They fall into two categories — issues internal to the sector and issues relating to its wider environment, See Table 1.

Table 1: Co-operative research agenda

Internal Issues	External issues
<p>What is the future for mutual organisations? Can they be saved from conversion to public limited companies, and if so, can membership be made real? Should we apply this question not only to building societies but to associations like the National Trust, which is far from democratic?</p> <p>Issues of corporate governance and business ethics — can these be applied to the third sector as a whole?</p> <p>Management of member-based organisations — how far is this different from management in capitalist firms?</p> <p>Issues of law, taxation and capital raising — how can the third sector compete with capitalist businesses on a level playing field?</p>	<p>Are co-operative retail societies, mutual insurance societies, and other third sector businesses in the UK meeting the needs of poor people in inner cities, outer estates, rural areas?</p> <p>What is the potential for worker/community co-operatives/community businesses in creating employment?</p> <p>In deprived areas, can experience of one type of co-operation lead to the development of other types?</p> <p>Is there scope for member-based organisations in environmental protection? Compare naturalist trusts, which are a kind of co-operative. Can one member based organisation link up with another?</p> <p>How can the older established members of the third sector help new ones such as worker co-operatives, credit unions etc? Inter-sectoral trading?</p> <p>Can we develop a philosophical defence of mutuality and member control? It would be based on a strong argument about capital as a resource to be used by people to meet their needs, and about democracy as the only way to guarantee that real needs are met.</p> <p>Can third sector organisations plug the holes in the welfare state, and empower users?</p>

The Future Role of the SCS

How do these views on the significance of co-operation illuminate our thinking on the role of the SCS and of the *Journal*? Here are some suggestions:

Conferences:

1. Focus the conference more widely on subjects that other co-operative sectors and other 'third sector' or 'member-owned business' organisations can relate to.
2. Invite one guest speaker per conference from America, Europe etc, invite observers from other Societies for Co-operative Studies, and always have a viewpoint from a similar type of organisation, e.g., a mutual, association, or member-owned business.

Specialist bodies:

Scrap the SCS regions and substitute specialist forums. Hold forums around the main conference proceedings for:

1. UK Co-operative research forum (linking in with ICA Forum) for active co-operative researchers (both academic and within co-operative organisations). This would result in an identified list of research topics, possible funding agencies, and collaborative research projects.

2. Curriculum development forum, for FE/HE/distance learning teachers of co-operative studies. This would result in identification of areas of the current university curriculum where co-operative studies could be inserted. We could then offer support to academics wishing to develop this.
3. Co-operative history forum, for active historians. As with No. 1, this would result in an identified list of research topics, possible funding agencies, and collaborative research projects.
4. Co-operative statisticians forum? This could update statistics for the co-operative and mutual sectors (third sector?) annually, and publish them in the *Journal* and elsewhere.
5. A new UK CIRIEC committee could be an SCS forum, dealing with social economy issues and linking up with CIRIEC in Europe.

We should co-opt a representative from each of these forums on to the SCS Committee.

The *Journal*:

1. New format, with 'perfect bound' cover and name and number of journal on the spine.
2. Three sections, with short papers, refereed papers and reviews/ review articles, separated by a coloured paper, and with good headers and editorials.
3. International editorial advisory board set up.
4. Marketing internationally and to more academics. Note that the sponsorship to universities is more of a hindrance than a help here, because it is not linked to actual academics making use of it.
5. Content of the *Journal* should, to some extent, reflect our new thinking on the subject of where co-operatives fit in the modern/global economy.
6. Eventual publication of the *Journal* by a mainstream publisher? Implications of this are:
 - a) a slightly higher individual membership fee (but better quality journal)
 - b) ending of the sponsorship by retail societies of academic library copies, and higher fee for libraries
 - c) slightly higher fee for organisational members
 - d) higher sales internationally and among UK academic institutions.

Will it be worth it? If not, we need to find another way consistently to market the *Journal*.

References

- 6, P., & Vidal, I. (Eds.). (1994). *Delivering welfare — Repositioning non-profit and co-operative action in Western European welfare states*. Centre d'Iniciatives de l'Economia Social.
- Birchall, J. (1995). Towards a social economy, or is it a "Third Sector", [Review article]. *Local Economy*, 10(2), 192-196. <https://doi.org/10.1080%2F02690949508726278>
- Craig, J. G. (1993). *The nature of co-operation*. Black Rose Books
- Develtere, P. (1992). *Co-operatives and development. Towards a social movement perspective*. (Occasional Paper No. 92-03). University of Saskatchewan Centre for the Study of Co-operatives.
- Fauquet, G. (1951). *The co-operative sector: The place of man in co-operative institutions and the place of co-operative institutions in economic life*. [Trans. L. Purcell]. Co-operative Union.
- Gide, C. (1921). *Consumers' co-operative societies*. (Trans. Staff of Co-operative Reference Library, Dublin). Fisher Unwin Ltd./Co-operative Union. [Digitised edition]. Internet Archive ([urn:oclc:record:1042466450](https://www.archive.org/urn:oclc:record:1042466450)). <https://www.archive.org>
- Laidlaw, A. F. (1980, October). *Cooperatives in the year 2000*. [Paper presented]. 27th Congress of the International Co-operative Alliance, Moscow, Russia.
- Lassere, G. (1941). The functions of profit under the capitalist regime and under the co-operative regime. *Annals of Public and Cooperative Economics*, 17(2), 422-445. <https://doi.org/10.1111/j.1467-8292.1941.tb01155.x>

- MacPherson, I. (1995). Co-operative principles. *Review of International Co-operation*, 88(4), 13-26.
<https://www.ica.coop/en/media/library/research-and-reviews/review-international-co-operation-1995>
- Melnyk, G. (1985). *The search for community: From utopia to a co-operative society*. Black Rose Books.
- Morrison, R. (1991). *We build the road as we travel*. New Society Publishers.
- Parnell, E. (1995). *Re-inventing co-operation: The challenge of the 21st century*. Plunkett Foundation.
- Spear, R., Leonetti, A., & Thomas, A. (1994). *Third sector care: Prospects for co-operatives and other small care providers*. Open University Co-ops Research Unit.
- Warbasse, J. P. (1927). *Co-operative democracy through voluntary association of the people: A discussion of the co-operative movement, its philosophy, methods, accomplishments and possibilities, and its relation to the state, to science, art and commerce, and to other systems of economic organization*, (2nd edn.). Macmillian. [Digitised edition]. Hathi Trust Digital Library. <https://hdl.handle.net/2027/mdp.39015064383295?urlappend=%3Bseq=7%3Bownerid=13510798885681770-9>
- Webb, B. (1891). *The co-operative movement in Great Britain*. Swan Sonnenschein & Company.
- Welsh, P., & Coles, M. (1994). *Towards a social economy — Trading for a social purpose*. Fabian Pamphlet 564. Fabian Society. [Digitised copy COLL. P2388]. LSE Digital Library. <https://digital.library.lse.ac.uk/>
- Yeo, S. (1995). *Who was J. T. W. Mitchell?* CWS Membership Services.

Notes

1. Society for Co-operative Studies was the original name of the society, the name was changed to UK Society for Co-operative Studies in the late 1990s.
2. The National Health and Community Care Act 1990 had its basis in two white papers — the 1989 Working for Patients white paper and the 1989 Caring for People white paper — introducing, amongst other things an internal market separating purchasing services and providing services; the establishment of stand-alone trusts; and paved the way to further ‘modernisation’ of health and social care services, with an increase in private providers of social care and a shift from institutional to community care.
3. Indeed the SCS committee decided to make ‘The Future of Mutuality’ the subject of their annual conference held in September 1996.