

# ICA European Research Conference: *Co-operatives Contributions to a Plural Economy*, 2-4 September 2010, Lyon, France

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The ICA European Research Conference 2010 was organised in the city of Lyon (France) through a partnership between the university (Université Lumière Lyon 2, LEFI research centre) and the Regional Chamber of Social and Solidarity Economy (CRESS Rhône-Alpes). The call for papers proposed to centre debates on the contributions of co-operatives to a plural economy.

## Co-operatives as Economic Plurality in Action

Economic plurality, namely an economy articulated by a plurality of organisational forms of production and exchange, is especially important in a global economy, which too often tends to impose uniformity, and, as a reaction to that, tends to provoke isolation of actors. Returning to the *Statement on the Co-operative Identity* published by the ICA should suffice to show that co-operation is not only a conception of business: it also carries on a conception of the economy based on the respect of the human being and on the will to live together and to act together. This implies that the economy should be considered in its diversity, which notably relies on the plurality of entrepreneurship models. Co-operation is one of them. Being apart from mainstream entrepreneurship models, it puts into action the idea of a plural economy. Focusing on the co-operative world, the main issues of such a plurality is that of attractiveness and the variety of their articulations with other forms of production and labour organisation, including the possible hierarchies and domination effects.

The Conference aimed at raising questions and analyses regarding such a plurality, seen as a possible way of managing efficiently a variety of issues coming from economic activity, including social and environmental issues. In this conference framework, the following topics were especially welcome:

- (1) What is the specific contribution of co-operatives in this context of plurality?
- (2) What institutional and organisational combinations could be favourable to the development of the co-operative world?
- (3) What interests and risks come from the plurality of co-operative law in Europe, including the recent European statute of co-operatives?

- (4) What consequences the coexistence of various entrepreneurship models has on attractiveness of co-operatives?
- (5) How are co-operatives articulated with the non-co-operative world and what are the possibilities and risks of the search for autonomy?
- (6) What about co-operative innovations, their dynamics and their potential exemplarity, especially regarding the combination of social, economic and environmental issues?

The call for papers was received with interest, leading the scientific committee to review 92 paper proposals, of which 63 were accepted and eventually presented during the conference. Several academic disciplines were represented. The geographical distribution of the paper proposals is noteworthy: while 70 came from European authors, 9 were from Asia, 7 from Africa and 5 from the Americas. Yet, the scope of this 2010 Conference was European. Beyond the interest raised by the call for papers, one lesson may be that regional conferences in Africa and in Asia, though probably more difficult to fund, would constitute interesting further steps of the development of co-operative research.

Discussions were structured around sectorial issues and around transversal ones. Unsurprisingly, two main types of co-operative activities were especially studied: co-operatives in banking and financial services, and co-operatives in the agro-food sector and rural areas. A shorter series of papers dealt with worker's co-operatives. On a transversal viewpoint, European issues, including taxation and competition rules, were especially discussed. Eventually, the issue of attractiveness was an important common topic of discussion of most of the papers. Analysing attractiveness implies to mingle several dimensions of the articulation of co-operatives with their environment, and thus is the central issue of economic plurality seen

in a dynamic perspective. We centre below on attractiveness as a common and central concern for co-operatives and present debates without being exhaustive.

## Co-operative Statutes and Other Laws

Attractiveness analysis firstly includes statutory issues, because the law, creating and transforming statutes and adapting them to specific activities, establishes the very basis on which co-operative activities can be made attractive or not.

For example, **Popova** discussed the way the post-soviet Bulgarian law on co-operatives, while formally well written and thought, hinders their development (for example, when preventing agricultural co-operatives from owning land), in combination with other laws that do not take the co-operation possibility into consideration. A significant part of papers on banking and financial co-operatives showed how law shapes activities: according to **Igaryte and Bubnys**, the Lithuanian law of 1995 provides favourable conditions to their development; **Karafolas** estimated that the Greek law of 1992 boosted their development while maintaining too rigorous restrictions on their creation and activity; **Lolli** showed that the Italian banking law of 1993 gave birth to two categories of co-operatives with significant differences in mutuality rules and notably to possible uses of mutual funds, while **Cabo and Rebelo** explained that in Portugal law limits credit co-operatives to agricultural ones. **Fajardo-García** estimated that recent Spanish law promotes the transformation of credit co-operatives into commercial banks. In Austria, the fragmentation of law and many unbinding dispositions of it seem to be advantageous to the development of co-operatives (**Blisse, Brazda, Schediwy**).

A series of papers discussed problems and possibilities related to distinct national law and the European statute of co-operative enforced in 2006. The European statute was significantly analysed. **Enciso, Echaniz and Mugara** tended to show that this statute is a failure nowadays, given the very low number of European co-operative societies creations, and they explained that national co-operative law or national sectorial law generate hidden difficulties (for example on credit and banking activities). Presenting the Slovenian case, **Avsec and Žerjav** showed that the new European statute can have interesting consequences on the

national co-operative law; they also stressed that one must not overemphasise the role of those co-operative law because sectorial regulation, taxation policies, labour law etc exert other major constraints on co-operative activities and sharply contribute to their shaping.

## Taxes and Subsidies

Attractiveness analysis should also consider tax and subsidies issues, through the specific treatment of co-operatives from both fiscal administrations and public policies. Those issues are certainly linked to that of statutes. **Aguilar Rubio and Vargas Vasserot** discussed the ways co-operatives can search for the appropriate business dimension. Besides second-degree co-operatives and co-operative groups, there is the possibility of building groups led by a co-operative and constituted by non-co-operative entities. Yet, while Spanish law favours integration processes, it is not well suited to the building of mixed groups, since, consequently, co-operatives lose their tax advantages; growth and diversification is thus easier to proceed by exiting from the co-operative world. Overall, taxation has a great impact on co-operatives, since it determines much of their attractiveness and sustainability. In Lithuania, for example, changing taxation rules on credit unions made their environment less favourable (**Igaryte and Bubnys**).

Several texts dealt with the European provisions regarding co-operative taxation and state aids, constituting a real intra-European debate of scholars on these major issues. **Tadjudje** discussed the articulation of co-operative rules and competition rules, the very principle of double quality and the contract of co-operation between members contradicting competition; he concluded that anti-competitive practices should be tolerated since they develop in the framework of co-operative links and do not oppose competition on the market. **Isentyeva** focused on the legitimacy of state aid for co-operatives and proposed consequently to link co-operatives strongly to the European construction of services of general interest, as proposed by Co-operatives Europe. Examining the compatibility of the co-operatives tax regimes with the European competition Law, **Karlshausen** emphasised the fact that the European rules and practices are now flexible enough to embrace the diversity of the co-operatives. From another viewpoint,

**Hinojosa Torralvo** also identified this suitability of European policies and showed the possibilities EU members have in order to implement specific measures promoting co-operatives. Lawyers and academics, however, should keep the role of alerting the European commission when policies drift from comprehensive positions. **Ingrosso, Buccico and Marotta** discussed the request of information the Italian Supreme Court submitted to the EU Commission in 2006, concerning the compatibility of tax concessions for co-operative societies, and more precisely of the intaxability of indivisible reserves, with the EU rules on State aid aiming at ensuring real and effective competition. It remained unanswered and the issue is still going on, leading to various positions, though the mainstream belief is that co-operatives benefit from an undue advantage. Overall, the issue is obviously complex: national provisions should suit European rules, which still need clarifications.

### Workers' Co-operatives

Aspects of attractiveness were analysed concerning workers co-operatives specifically. **Lainé** showed how a co-operative management, which can be found especially in workers' co-operatives, can be a factor preventing psychosocial risks. Discussing the case of the failure of a French workers' co-operative in textiles, **Poisat, Goujon and Mieszczak** (former head of the studied workers' co-operative) stressed the tension to be managed between the need for competitiveness and the social and citizenship values promoted by co-operatives, while noting that the co-operative activity had been pursued under the form of a lucrative firm. **Huncova** analysed the surprising attractiveness and success of workers' and production co-operatives in the Czech context, despite the radical break of the post-soviet era. **Solaris** emphasised the case of the Argentinean recovered factories; among the hundreds factories whose control was taken over by workers around the great crisis of 2001 to 2002, 94% became workers' co-operatives. However, the movement was not unified and tensions appeared between a direction toward the co-operation movement and a direction toward worker's self-management, more autonomous from co-operative rules.

### Efficiency, Transformations and Contributions of Co-operatives to Local

### Development

For economists, efficiency is the core issue of the analysis of any organisation or institutional arrangement, and the legitimisation of economic plurality requires identifying its efficiency. **Chevallier** analysed specific co-operative rules through the lenses of their relative efficiency in comparison with non-co-operative world. He argued that, while economics usually emphasises co-operative inefficiencies, considering them a provisional or archaic organisation form, it fails to identify a series of co-operative efficiencies that should be also considered. **Borzaga, Depedri and Tortia** denounced the assumptions which economic analyses are mostly built on, especially individuals pursuing their sole self-interest and the profit maximisation as the only objective of the firm. On this basis, economics mostly underestimates the growth potential, the weight and the role of co-operatives and social enterprises. They proposed to develop a new theoretical framework, in which the plea for economic plurality is notably justified by the basic plurality of individual motives and by a widening of the traditional and narrow view of efficiency.

In the final plenary session, **Spear** focused on adaptation and hybridisations processes, showing at what extents numerous cases of co-operatives have been already transformed: co-operatives are themselves extensively plural. Though one of the motives for hybridisation is isomorphic pressure that leads co-operatives to become closer to non-co-operative firms, their transformations generally participate to a deepening of economic plurality. He identified three broad types of co-operative hybrids: manager controlled co-operatives (whose member participation and governance are weak), business co-operatives (with strong business orientation and membership restriction), and public/welfare service co-operatives (wherein membership is adapted to access public/welfare service markets).

Local development is an obvious major motive for promoting economic plurality. Under this viewpoint, co-operatives can play a central role, not only as the autonomous construction of their members, but also in the framework of a series of partnerships potentially promoted by local governments aiming at local development. In Western India, **Sapovadia** examined the conditions in which multidimensional services provided by a co-operative complex through

information and communication technologies contributed to rural development. Co-operatives seem to be a relevant way of building such services since they keep in touch with the needs of the population; however, those co-operative services did not manage to reach the poorest, whose life could be greatly changed through them. In the context of Greece's countryside, **Koutsou and Botsiou** focused on women's organisations, including associations and production co-operatives, and analysed as ways of dynamising rural areas and promoting their endogenous development through economic, social and institutional transformations. During a roundtable that was held on the contributions of co-operatives to local or community development, **Isabelle Gilotte**, programme manager for Social and solidarity economy of the Greater Lyon, showed at what extent the variety of co-operatives can serve objectives of a more human economy, through the cases of projects and programmes implemented in this area of 1.3 million inhabitants.

Eventually, co-operatives are a significant part

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of the economic plurality, which is nourished by the motives of a series of actors who constantly innovate in order to adapt to objectives and perceived constraints and needs. In this context, the possible flexibility of law and statutes is certainly a positive factor, inasmuch as it helps innovate by inventing new forms or reinventing them. Consequently, co-operatives themselves implement plurality, through an impressive variety of forms, and through organisational innovation. All this appears to be a very general pattern of economic life: economic plurality is not doomed to disappearance!

### **The Authors**

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