COOPERATIVES ARE DESIGNED TO HELP SOLVE SOCIAL AND ENVIRONMENTAL PROBLEMS, SO WHAT MAKES SOME BETTER AT ACHIEVING THEIR SUSTAINABILITY MANDATES THAN OTHERS?

SPOTLIGHT: COOPERATIVES

By Ashley Renders

Sustainability is an existential issue for cooperatives. By definition, they are meant to be more democratic, to distribute wealth more evenly and to consider the effects of their actions on communities and the environment.

With that in mind, the International Co-operative Alliance has taken on the important task of showing that co-ops are more than the hippie, sentimental little brothers of big business. By bringing together fragmented data for the first time, the World Co-Operative Monitor is showing that co-ops are a valid alternative business model.

The report shows that over 2,032 co-ops in 56 countries turned over $2.58 trillion (U.S.) in 2011. And while many people may think exclusively of banking and insurance policies when they hear the word "co-op," most companies are involved in agriculture. A smaller percentage provides health, social and educational services, turning over $20.84 billion in these sectors alone in 2011.

Not only are co-ops managing a lot of money, they have also proven themselves to be resilient during tough economic times – largely due to the fact that when a crisis hits, people often turn to co-ops to help deal with the fallout.

This was especially true during the 2008 financial crisis when cooperative banks, as a group, not only kept comparatively good credit ratings, but also increased their assets and customer bases. Those financial co-ops that were damaged by the crisis are now back on their feet and growing again.

In addition to being stable players in the global economy, co-ops have the ability to shrink economic inequality and address environmental problems simply because they are designed to do so. The values and principles behind co-ops require them to consider the consequences of their actions before the bottom line, making them the ideal business model for the 99 per cent (see page 36).

So, if co-ops are designed to be such outstanding corporate citizens, what makes some better at living by their values than others?

Taking financial (banking and insurance) cooperatives as an example, *Corporate Knights*' Top 20 Sustainable Financial Co-ops ranking shows strong sector-wide sustainability performance. But Groupe BPCE, the co-op that took this year's top spot, is proof that strong grades across many areas may be more important than top marks in just a few.

As the second-largest bank in France, Groupe BPCE showed itself to be an efficient user of water and a conscientious generator of waste. Of all co-op banks, it had the highest number of women on its board (and among the highest in executive management) and a relatively low employee turnover rate, indicating a satisfied workforce.

The company pioneered the financing of eco-friendly projects, and its asset management arm, Natixis, is a leader in socially responsible investments. It also stood out as being the best-performing bank on carbon productivity, which it monitors with an innovative carbon audit tool designed specifically for the financial sector.

Disclosure was also one of Groupe BPCE's strong points. "It disclosed all the necessary sustainability data points for the calculation of all 12 key performance indicators used in this ranking," said Michael Yow, senior analyst with Corporate Knights Capital. "Only two other financial institutions within the ranking disclosed all data required in the context of this report."

Groupe BPCE's biggest weakness? The company had a relatively high CEO-to-average worker compensation ratio – a rich 70:1 compared to 51:1 for second place Desjardins Group of Canada, and 12:1 for third-ranked Rabobank Nederland. The Top 3 insurance companies in the ranking, meanwhile, all had ratios of 12:1 or lower.

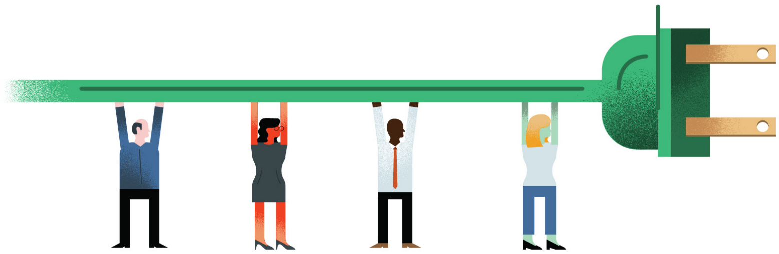
Is Groupe BPCE's chief executive Laurent Mignon getting paid too much? It begs the question.

(See next page for full Top 20 ranking and overview of ranking methodology.)

Illustrations by Dave Murray

RANK	COMPANY	GICS INDUSTRY GROUP	% SRI	ENERGY PRODUCTIVITY	CARBON PRODUCTIVITY	WATER PRODUCTIVITY	WASTE PRODUCTIVITY	CEO-TO-AVERAGE WORKER PAY	% TAXES PAID	% OF WOMEN ON BOARD OF DIRECTORS	CLEAN CAPITALISM PAY LINK	OVERALL SCORE
1	BPCE	Banks	99.0%	93.3%	97.6%	94.7%	94.4%	25.4%	99.0%	96.4%	100.%	85.2%
2	Desjardins Group	Banks	99.7%	87.5%	96.4%	90.6%	95.4%	33.4%	99.2%	94.2%	100.%	80.7%
3	The Co-operators	Insurance	96.8%	89.2%	88.8%	89.9%	0.0%	70.0%	100.0%	52.0%	100.0%	78.3%
4	Menzis Health Insurance	Insurance	97.9%	96.5%	97.9%	98.2%	0.0%	86.7%	96.1%	94.4%	0.0%	73.2%
5	Rabobank Nederland	Banks	100.0%	85.6%	92.3%	91.3%	96.1%	85.0%	99.5%	85.4%	0.0%	71.8%
6	Crédit Agricole	Banks	99.5%	96.6%	0.0%	96.4%	0.0%	36.6%	95.9%	95.4%	100.%	71.5%
7	MACIF	Insurance	95.4%	87.1%	93.7%	91.3%	0.0%	76.7%	93.0%	83.6%	0.0%	66.4%
8	Mutual Madrilena Automovilista	Insurance	0.0%	90.6%	89.5%	89.2%	0.0%	96.7%	95.1%	45.1%	0.0%	66.4%
9	Länsförsäkringar	Insurance	97.9%	96.1%	0.0%	0.0%	0.0%	100.0%	89.9%	93.7%	0.0%	65.0%
10	Folksam	Insurance	97.9%	87.8%	94.0%	87.5%	0.0%	60.0%	94.7%	100.0%	0.0%	62.9%
11	Gjensidige Forsikring	Insurance	96.1%	93.7%	96.5%	0.0%	0.0%	66.7%	95.8%	97.2%	0.0%	61.9%
12	DZ Bank Group	Banks	98.8%	0.0%	0.0%	96.8%	98.5%	57.2%	88.7%	0.0%	0.0%	61.8%
13	KLP Insurance	Insurance	97.9%	0.0%	98.6%	0.0%	0.0%	56.7%	0.0%	98.9%	0.0%	56.7%
14	Mapfre	Insurance	0.0%	92.3%	94.4%	88.5%	97.2%	0.0%	94.4%	67.3%	0.0%	54.9%
15	Groupama	Insurance	95.8%	89.5%	89.9%	89.5%	0.0%	33.4%	96.8%	97.9%	0.0%	54.3%
16	Achmea	Insurance	97.5%	92.7%	94.7%	0.0%	95.4%	0.0%	0.3%	96.5%	100.%	53.9%
17	PFA Pension	Insurance	0.0%	97.9%	97.2%	0.0%	96.5%	0.0%	97.2%	87.5%	0.0%	52.3%
18	RZB	Banks	0.0%	92.1%	90.9%	90.9%	95.9%	0.0%	96.8%	0.0%	0.0%	49.5%
19	Groupe Crédit Mutuel	Banks	99.2%	93.5%	0.0%	94.2%	0.0%	67.5%	97.1%	0.0%	0.0%	49.5%
20	La Capitale	Insurance	94.7%	0.0%	0.0%	0.0%	0.0%	0.0%	98.6%	99.3%	0.0%	46.4%

Methodology *Corporate Knights* ranked 139 financial co-ops among the 300 largest co-ops in the world by turnover, as identified by the World Co-operative Monitor 2013 report. We assessed each on 12 equally weighted quantitative indicators (2013 data) covering resources, employee, and financial management. The performance of a co-op on each indicator was compared against that of its GICS Industry peers. The better the performance relative to peers, the higher the score for that indicator. The final score, a simple average of the 12 individual scores, determined final ranking. **For more detail visit corporateknights.com**.



THE POWER OF COOPERATION

Could the community power movement be a path to rapidly scaling up our clean energy infrastructure?

By Tyler Hamilton

When the Colahan family drilled an irrigation well for their cattle ranch in 1980, they discovered a problem commonly found by ranchers in the U.S. west. The water that emerged from the well was over 100 degrees C – too hot for irrigating crops.

To make use of the water, they had to build a two-acre cooling pond, which is a well-known practice in states such as Oregon, Idaho, Nevada and Utah. The Colahans also knew it was a waste of a valuable thermal resource.

But it wasn't until 2008 that Mark Douglas and his wife Erin (maiden name Colahan) decided to do a feasibility study to find out just how that hot water could be harnessed. They discovered there was a business case for building a geothermal power plant capable of generating several megawatts of emission-free electricity.

It was a promising conclusion, but a vision not so easy to realize. Raising capital for such a project was too risky for the ranchers, and no private sector developer was interested in such a small venture. The risk was too high; the payback too low.

That's when Surprise Valley Electrification stepped in. The Douglas-Colahan family was already a member of this rural electric cooperative, which saw the community benefits of having a local, renewable project as a stable source of electricity for other co-op members scattered throughout its 20,000-square-kilometre service territory.

As a non-profit co-op, Surprise Valley had more flexibility than a private developer. It could take on more risk and be comfortable with a lower return on investment, as long as its decision served the interests of its rural members. "We did not look at it just as a for-profit project," said Lynn Culp, manager of member services at Surprise Valley.

The hope is that this small geothermal project, which is expected to be operational this year, will inspire other rural electric cooperatives to pursue similar projects within their service territories.

Electric co-ops are a surprisingly large force in the U.S. power market. There are about 860 rural electric co-ops serving 42 million people across 47 states, according to the National Rural Electric Cooperative Association.

Their combined generation, transmission and distribution assets are worth $140 billion (U.S.) and service about three-quarters of U.S. landmass. And despite their vocal opposition to U.S. carbon regulations – on the grounds that such rules take away their independence and flexibility – they currently own or purchase over 10 per cent of all U.S. renewable power capacity.

While rural electric co-ops have a rich, 80-year history in America, based on the U.S. government's post-war campaign to bring electricity service to farms and remote communities, this utility model never gained a strong foothold in Canada, where most utility assets are owned by investors or the crown.

However, a new class of consumer cooperative has emerged in recent years to develop grid-connected renewable energy projects within local Canadian communities.

According to a 2012 report prepared for the Financial Services Commission of Ontario, there are more than 70 alternative energy co-ops in Canada. Of them, 26 per cent focus on biofuels, 22 per cent on wind and 13 per cent on solar. SolarShare, which develops community solar projects, and ZooShare, which aims to turn zoo animal manure into biogas for electricity generation, are among some of the co-ops that have emerged.

The greatest activity has been in Ontario, which passed green energy legislation in 2009 that encouraged community power development. The law, for one, assured fair access to the grid. It also led to the creation of a standard long-term purchase agreement, or feed-in tariff, for small developers such as co-ops that wished to sell locally generated renewable power to the province.

Armed with such an agreement, co-ops could begin signing up members and raise capital through the sale of "community bonds" that guarantee a specific return on investment for specific projects.

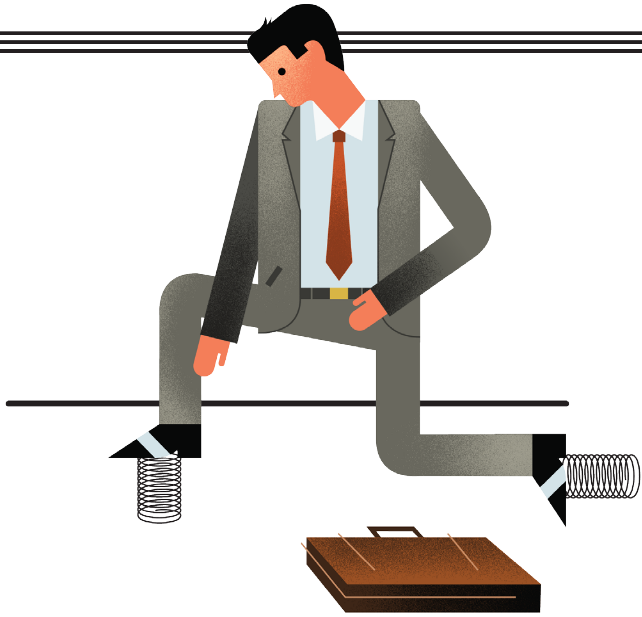
That kind of ground-levelling public policy is crucial if co-ops are going to play a larger role in a clean energy future, said John-Justin McMurtry, social sciences professor at Toronto's York University. He said it's also important that small co-ops developing renewable projects work closely together through federations, such as the Federation of Community Power Co-operatives, which was established in 2012.

Federations allow for knowledge transfer across co-ops and can double as buying consortiums for purchasing equipment, such as wind turbines and solar panels, at a lower cost than if an individual co-op acted alone. "By federating, you increase the efficiency of these organizations while still maintaining their democratic and community-based nature," McMurtry said.

In the U.S., purchasing and knowledge-sharing consortiums have already emerged to help individual co-ops develop and finance solar projects.

McMurtry said co-ops, by their nature, have advantages over private developers that often face stiff community resistance to their projects. Co-ops are responsive to community concerns and tuned to their needs. They also return value directly to that community and operate in a transparent way.

With this approach, "you get community buy-in," he said. "That's the way to scale up."



BUILDING RESILIENT BUSINESSES

Co-operatives have proven themselves durable during the toughest of times. Could this values-driven business model be the key to sustainable economic growth in the 21st century? **By Brenda Bouw**

From its official beginnings in the mid-1800s, the modern-day cooperative movement has been driven by groups of individuals fed up with economic and social inequality, believing they had a better way of doing business.

The co-op model, where businesses are owned and run by and for their members, was born out of both disappointment and idealism, beginning with Britain's Rochdale Society of Equitable Pioneers, a group of labourers who banded together in 1844 to open their own, more affordable food store and share the profits.

The co-op movement soon gained momentum, particularly after the Great Depression, as more people came together to better cope with poverty and a scarcity of food and other basic goods.

Co-ops have since grown exponentially, around the world and across various sectors, from food and agriculture to health care and financial services, amid a number of global market ups and downs.

Even today, co-ops are based on seven principles penned by the Rochdale Pioneers, considered the prototype of the modern cooperative society. They are also built on similar values such as democracy, equality and solidarity – which tend to resonate most during tumultuous times.

"The real growth [of co-ops] occurs when there's a time of crisis," says Charles Gould, director-general of the Belgium-based International Co-operative Alliance (ICA). "People are looking for a way to deal with it."

Once formed, many cooperatives remain intact, longer than many other business models such as corporations and partnerships, argues Gould. "The cooperative model by design is more participative," he says. "It's more sustainable."

For example, a 2008 study from Quebec's economic development ministry shows the survival rate of co-ops in that province was 62 per cent after five years and 44 per cent after 10 years, compared to 35 per cent over five years and 19.5 per cent over 10 year for other new businesses.

Today's co-op sector is estimated to have about one billion members worldwide, employing more than 100 million people, 20 per cent more than multinational corporations, according to data compiled by the ICA.

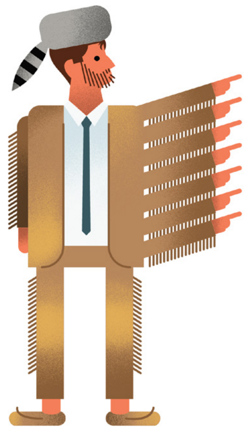
The world's 300 largest cooperatives — 10 of which are Canadian — have aggregate sales of $2.1 trillion, according to the ICA. The U.S. dominates with more than 30,000 co-ops or 256 million members, followed by India, Japan and Iran. Canada has about 9,000 co-ops representing 18 million members. The ICA also says four out of every 10 Canadians belong to at least one co-op, which includes about 70 per cent of Quebec's population and 56 per cent of people in Saskatchewan.

The co-op business model also appears to be gaining clout, especially in the wake of the most recent global financial crisis. In some countries, the failure of investor-owned banks has driven more consumers to financial cooperatives, which fared better during the downturn, according to the Geneva-based International Labour Organization (ILO).

In a study released last year, the ILO said most co-ops came through the financial crisis without a government bailout, while continuing to lend to people and businesses. It found that co-op bank assets in Europe grew 10 per cent between 2007 and 2010, while the number of co-op bank customers increased 14 per cent. What's more, it says co-op bank profits increased 7.5 per cent between 2003 and 2010 compared to 5.7 per cent for investor-owned banks.

Cooperatives are guided by seven internationally recognized principles:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for community



"Unlike many investor-owned banks, they maintained very good credit ratings, increased their assets and customer base and the minority that suffered losses quickly bounced back and are growing again," states the report's author, Johnston Birchall.

The United Nations has also highlighted the resilience of cooperatives throughout economic crises, and the benefits for members, employees and customers. "They have maintained high credit ratings, increased assets and turnover, and expanded their membership and customer base," UN resident coordinator Simon Springett said in a speech last year.

The ICA's Gould sees a steadily growing acceptance of the co-op model, especially among today's youth, whom he says are more inclined towards collaboration, thanks in part to social media and investment models such as crowdfunding.

"The sense that everyone can gain if you share, rather than keep information hidden for competitive advantage, that's more commonly believed today than when I started in business 30 years ago," Gould says. "We believe we're at a point in history when people are frustrated with the economic and social models that have dominated their lives. They're looking for a greater voice."

BUILDING PROFILE

The challenge for co-ops has and continues to be convincing the broader market that its business model is long-lasting, more risk averse and not just for smaller-scale organizations.

"The cooperative is a serious business model," Gould says.

He points to a couple of American examples including Ocean Spray, an agriculture cooperative of cranberry and grapefruit growers with more than 700 members across North America; and Land O'Lakes, a farmer-owned food and agricultural cooperative that ranked 199 on the Fortune 500 with more than $14.2 billion (U.S.) in annual sales in 2013.

Gould believes economies are better off with a mix of co-ops alongside other private and public companies.

"We've never wanted world domination," he says. "We've never felt that everything ought to be done through a co-op. We just think it's a very effective model for people to deal with lifting their livelihood, having control of their business … and helping make decisions that benefit community."

The credibility and sustainability messages are ones that today's cooperative movement is working hard to spread, especially since 2012 was declared the United Nations International Year of Cooperatives. The ICA has developed a "2020 vision," which calls for co-ops to become the fastest-growing form of enterprise by the end of the decade, and known for their leadership in economic, social and environmental sustainability.

"To me, they seem like the perfect fit for a lot of challenges we're facing; whether it's inequality or climate change or a host of other issues," says Yuill Herbert, director at the Sustainability Solutions Group, a collective of Canada's leading sustainability professionals. "They're grounded in community, they're democratic, they're long term... They are extremely compatible with the sustainability agenda."

Co-ops aren't perfect, and they're not suited to every industry, but Herbert argues many are at the forefront of their industries today when it comes to economic sustainability.

A BETTER MODEL

Canada has its share of successful and sustainable co-ops, dating back to before the start of the 20th century. One of the oldest co-ops is Desjardins, founded in 1900 and the first savings and credit cooperative established in North America. Desjardins has since grown into the largest financial cooperative in Canada, with a network of caisses populaires (credit unions) and about 20 subsidiary companies in insurance, securities, venture capital and asset management.

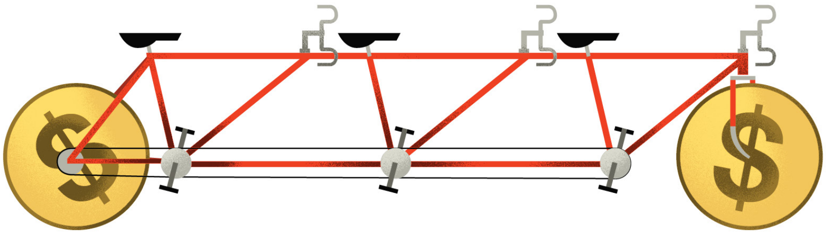
Another is Federated Co-operatives Ltd., an animal feed, crop supply and petroleum co-op established in 1955 to form provincial wholesale cooperatives as a way to increase their buying power. Today, it is owned by about 225 retail co-ops located throughout Western Canada, which reported record sales of $9.4 billion in 2013.

The Home Hardware co-op, celebrating its 50th anniversary this year, had similar beginnings. It was created by a group of 122 hardware dealers trying to cope with increased competition from big-box retailers that were blamed for the closure of more than 1,000 independent hardware stores between 1955 and 1965. By joining forces, the Home Hardware dealers believed they could survive by combining buying power, marketing and advertising power, and other resources.

Home Hardware has since grown to 1,067 dealer-owned locations across Canada, with revenues totalling more than $5.4 billion in 2013, up from $4.2 billion a decade earlier. Its market share increased to 13.3 per cent in 2013, up from 10.6 per cent in 2006.

"As a large player today we are carrying forth the very same advantage we were looking for when (50 years ago) 122 dealers banded together," says Home Hardware chief executive officer Terry Davis.

Davis says that's different from a publicly listed company, which must also answer to other interests from stockholders and investment bankers. "The fact that we have no other interests we have to care about … and because we're not trying to make a profit … I think that's why the model has done so well."



THE VIRTUOUS CYCLE OF CO-OPs

Survey finds that the cooperative business model is helping the global community meet its sustainability goals.

By Simel Esim

While the debate around the UN's Sustainable Development Goals beyond 2015 is intensifying, the International Labour Organization (ILO) has been actively promoting the cooperative model as an important instrument to promote sustainable development. We firmly believe at the ILO that the values and principles governing cooperative enterprises respond to the pressing issues of economic development, environmental protection and social equity in a globalized world.

Last year, the ILO's Cooperative Unit, or COOP, launched a survey within the international cooperative movement to find out how the co-op business model is contributing towards sustainable development, how the actors in the co-op movement perceive the debate around the post-2015 development agenda, and which role co-ops should play. The findings from the survey show how cooperatives made a difference in achieving sustainable development goals with concrete actions and engagement at the local level.

A policy brief of the report shows that cooperatives are often present where private or state service providers are unable or unwilling to go. Cooperatives thus play a key role in health and social care, access to financial services, as well as water and energy provision in rural areas in many countries.

They also support more inclusive and equal trade relations and value chains through their engagement in alternative forms of trade, such as fair trade, and contribute to a low-carbon economy through innovative approaches.

How do co-ops support sustainable development goals? First, cooperatives can play a key role in poverty reduction. While savings and credit cooperatives facilitate their members' access to financial capital, agricultural cooperatives help farmers access the inputs required to grow crops and keep livestock and help them process, transport and market their products.

In Ethiopia, 800,000 people in the agricultural sector are estimated to generate most of their income through cooperatives. In Egypt, four million farmers derive income from selling farm produce through agricultural marketing cooperatives.

Second, cooperatives are major job providers. They employ at least 100 million people worldwide. It has been estimated that the livelihoods of nearly half the world's population are secured by cooperative enterprises. The world's 300 largest cooperative enterprises have collective revenues of $1.6 trillion (U.S.), which is comparable to the gross domestic product of Spain.

Cooperatives' impact employment on different levels: they employ people directly, and they promote employment indirectly through creating market opportunities and improving market conditions. They even influence those who are not members of cooperatives but whose professional activities are closely related to transactions with cooperatives.

Recent evidence also shows that jobs in employee-owned enterprises are less likely to be negatively affected by cyclical downturns and that these enterprises had greater levels of employment stability over the recent economic downturn.

Third, cooperatives are contributing toward gender equality by expanding women's opportunities to participate in local economies. For instance, 49 per cent of members of the Spanish Confederation of Workers Cooperatives are women, while 39 per cent have directorial positions, compared to 6 per cent in non-worker-owned enterprises.

Meanwhile, women's presence on financial cooperative boards can be as high as 65 per cent in a developing country like Tanzania.

These are only a few examples, as the report also documents the key contribution from cooperatives in other areas, including sustainable energy production, food security or health services.

Also, cooperative enterprises provide opportunities for specific groups such as informal workers by facilitating the transition to the formal economy. They can help others, such as migrant and domestic workers, move away from poverty and find decent work opportunities.

For example, in Ecuador, the Bella Rica Cooperative formalized artisanal and small-scale gold mine workers, many of them migrant workers, offering them a proper work contract and helping them obtain rights on the minerals mined.

Simel Esim is chief of the International Labour Organization's Cooperative Branch. This article was adapted from a blog post published by the ILO in early September.

THE CO-OP
CLOSING THE
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Cooperatives, by design,
and shrink the gap between

By Yuill Herbert

In response to a call to action in 2011 by Vancouver-based Adbusters magazine, protesters of the loosely knit Occupy movement established vigils at stock exchanges and in the streets and parks of 951 communities in 82 countries. Their slogan, "we are the 99 per cent," resonated globally given the economic context. After all, the 85 richest people in the world control $110 billion. That's the same wealth as the poorest 3.5 billion.

In early 2014, the Organisation for Economic Co-operation and Development (OECD) reported that income inequality was at its highest level in 50 years. Youth have replaced the elderly as the group experiencing the greatest risk of income poverty. Even the World Economic Forum's Global Risks Report identified income disparities as one of the most significant threats to political stability. And French economist Thomas Piketty's notable book ***Capital in the Twenty-First Century*** demonstrates that inequality is an innate characteristic of capitalism that can only be mitigated or reversed through state intervention.

Piketty recommends a global wealth tax of up to 2 per cent and a progressive income tax reaching up to 80 per cent to undo inequalities. But why not prevent the unequal distribution of wealth in the first place, rather than try to wrest it from clutching hands afterwards? It is apparent that investor-owned corporations concentrate wealth as part of their ***modus operandi***, but there is another model of enterprise with a proven and long-standing track record of survival that is, we argue, allergic to significant or extreme inequality.

Cooperatives are the only form of social organization known to have internationally agreed values and principles. The Statement on the Co-operative Identity (dated 1995) captures the philosophical compass of cooperative business. These values and principles are based on the work of the movement's founders: the Rochdale Pioneers, the Antigonish Movement, Raiffeisen, Desjardins, Filene and others who cemented cooperative ethics as far back as the mid-1800s.

These values and principles codify a particular concept of community wealth and prosperity – one that has recognized economic, social and environmental criteria in symbiosis long before the coining of "the triple-bottom-line."

A simple reading of the statement denotes a fundamentally communal and holistic concept of wealth – prosperity goes beyond profit and it is intrinsically shared. In a modern, neoliberal economy, humans experience alienation as a result of individualism and competition, as well as detachment from the creation of products and services purchased. They also have little to no control over one's work activity. In their best manifestations, cooperatives counter these forms of alienation by defining engagement as a collective endeavour, which typically is place-based and provides stability and continuity.

EXISTING FOR MEMBERS

Cooperatives exist to benefit their members where "benefit" is widely defined. It can mean providing work, providing a service or good that does not otherwise exist, and providing the best possible price for goods or the fulfilment of members' needs. For example, retail cooperatives sell groceries, producer cooperatives share services, and worker cooperatives provide employment. This broad focus stands in stark contrast to that of investor-owned corporations, which boil down to the mere maximization of profit.

Like in a democratic state, and in contrast to an investor-owned corporation, control in cooperatives is tied to personhood as opposed to amount of capital invested. This democratic structure intrinsically places the emphasis on people rather than profit. The democratic structure thus lays a foundation for a wider spectrum of motivations – a motivation that is determined by people as people, not by people as investors.

Participation and engagement are key components to equitable distributions and redistributions of just about anything. Participation – open, undiscriminating, voluntary, democratic – flattens the distribution of resources (human

ROLE IN INEQUALITY

AP

promote equality
haves and have-nots.
and Hanan El-Youssef

or otherwise). Participation in a cooperative recognizes the inherent value of diverse contributions from stakeholders, each with a particular vested interest, coming together for a particular and shared purpose.

Stakeholders of a cooperative are not reduced to mere units of production (workers or employees), consumption (customers or consumers) and ownership (investors or shareholders). They are members – just as they are members of their respective communities.

The open-door policy means that diversity is present in the boardroom, throughout the assembly lines and in the shop windows – and on the balance sheets and even in the bank accounts. Member-owners can join with the change in their pockets or the millions in their trust funds. The common denominator is not the currency – it is the human being. One member, one vote.

Investors and cooperatives are uneasy bedfellows. Investors tend to require a measure of control proportionate to the magnitude of their investment and in order to secure a return. Cooperatives, however, are unable to relinquish control without compromising their democratic structure. This leaves investors without influence and thus uninterested, except in the event of dissolution or liquidation of the cooperative's assets. Cooperatives rely instead on retained earnings or member dues for their capital needs. Because external investors stray away from cooperatives, and vice versa, it is unlikely that any one person can accumulate great wealth from a cooperative.

INEQUALITY ANTIDOTE

Cooperatives have been a powerful force against inequality in the past. In the late 1800s, two significant movements emerged in the United States to confront a regime of corporate consolidation, rate discrimination and credit restrictions: the Grange, or Patrons of Husbandry, and the Farmers Alliance. The movements united agrarians and farmers in the Midwest, the Plains and the South under a banner of regional republicanism that included a political program of anti-trust laws; financial regulations; and economic self-organization in the form of cooperatives, mutual insurance companies and state exchanges. The movements represented a significant economic force: the Grange secured railroad regulation and the Farmers Alliance generated a membership that reached one million by 1890.

Mutual insurance companies emerged firstly to combat the employment of insurance premiums as capital for investment rather than as security against losses, secondly to oppose the use of cartels to elevate rates, and thirdly to counter the price-optimizing effects of competition. Dairy farmers formed cheese-making cooperatives, cooperative creameries and milk-marketing cooperatives to enhance their bargaining positions with city milk dealers. Dairy farmers selling milk were particularly vulnerable to collusion as the perishable nature of their goods made it impossible to withhold their produce strategically. Grain growers used cooperatives as a mechanism to counter market concentration of distribution monopolies that controlled elevators and railroad lines.

By day, cooperatives buy and sell goods and services on the same terms to the same customers as investor-owned corporations – they even pursue profits. By night, like a vigilante, cooperatives democratically elect a board on the basis of personhood, not investment; they maintain places of business even though it may not make the most economic sense to do so; they focus on their members' needs, not their desires. Profits become a surplus for learning and research endeavours. In essence, cooperatives redefine the relationship between labour and capital, and they manifest an economic endeavour that is about collective wealth.

The prospects of a "revolution" in which cooperatives dismantle the existing structure of accumulated wealth are remote. But there is clearly a case for citizen movements and public policy to coalesce around cooperatives as an engine of economic development that respects equality and equity.