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**Workplace Democracy Workshop**

**Working Paper Nr 8**

**CO-OPERATIVES, GOOD COMPANIES BY DEFINITION?  
AN ETHICAL PERSPECTIVE**

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# **CO-OPERATIVES, GOOD COMPANIES BY DEFINITION? AN ETHICAL PERSPECTIVE<sup>1</sup>**

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## **Introduction**

Co-operatives are certainly one of the oldest and probably the most important experience of an “alternative economy” in distinction to the purely private form of enterprise, commonly called “for profit”. This is the reason why a discussion of co-operatives takes us into the heart of the wider movement of the social economy, which represents one of the most significant cultural, economic and social phenomena of the last 160 years. Co-operatives have a long and successful tradition around the world and have proven amazingly flexible in meeting a wide variety of human needs. Co-operatives exist in every sector of the economy and can touch every aspect of our lives. You can be born in a health care co-op and buried by a funeral co-op. In between you can work in a worker's co-op, live in a housing co-op, buy your groceries, clothing and other items from retail co-ops, send your children to a child care co-op, do all your banking at a co-operative bank or credit union, and purchase your insurance from an insurance co-op. Co-operatives performing all these functions are driven not by profit, but by a desire to bring fairness, equity and justice to the marketplace.

The co-operative experience has endeavoured throughout its history to directly link principles to practice. In contrast to the relative novelty of the current trend towards Corporate Social Responsibility, as well as its timid attempts to establish rules and principles, co-operatives have been committed to social responsibility since their inception in the 19<sup>th</sup> century.

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<sup>1</sup> This paper is the thesis (partly modified) for the Master's degree in Applied Ethics at KUL (Academic Year 2006-2007) under the supervision of Prof. Dr. Johan VERSTRAETEN

The European Commission, in its communication “Corporate social responsibility: a business contribution to sustainable development” of 2 July 2002, recognises that “co-operatives, mutuals and associations as membership-led organisation have a long tradition in combining economic viability with social responsibility. They ensure this through stakeholder dialogue and participative management and thus can provide an important reference to other organisations”.<sup>2</sup>

In this essay, I will briefly describe the founding principles that derive from the establishment of the Rochdale Equitable Pioneers Society in England in 1844. The statutes of the Rochdale society, which established the guiding principle of co-operation, have stood the test of time.

In the second chapter I will present the impressive series of official documents and pronouncements of international organisations that have been adopted in recent years. It is quite amazing to see such a flood of statements in favour of the co-operative experience being made over such a short period. It is also intriguing that it is during the same period that the interest in and the debate on CSR reached its maximum level, especially with the initiatives at European level promoted by the European Commission.

Christian solidarity and Catholic social thought are indubitably one of the historical roots of co-operativism, together with utopian socialism and liberalism. In the third chapter I illustrate the special sympathy the Church has always had for the co-operative movement, mentioning the documents of the Magisterium and analysing, in the fourth chapter, how some of the key concepts of CSR and of the co-operative tradition, such as subsidiarity, solidarity and participation, are connected with Catholic social teaching.

Taking some concrete examples, I try in the fifth chapter to demonstrate that there is not only a growing alignment of the theme of corporate social responsibility with the principles and values of co-operatives, but also that the novelties in co-operative legislation increasingly tend to reaffirm the diversity of co-operative enterprise. This is the case with the new reform of co-operative law in Italy that has drawn attention to the mutualistic function of co-operatives. It is also the case with the recent development of new co-operative models, and the consequent national legislations in several countries, that pursue mainly collective goals, carried on beyond the traditional boundaries of the co-operative membership toward an evolution involving multiple sets of stakeholders.

Some concluding ethical remarks and a description of the challenges that I think the co-operative movement has to face in the near future are presented in the final chapter.

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<sup>2</sup> European Commission, *Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development*, COM(2002) 347 final, 2.7.2002

## 1 – The principles of co-operatives

The founding principles of co-operatives come from the establishment of the Rochdale Equitable Pioneers Society in England in 1844.

According to a strict historical analysis, it is certainly possible to find other earlier examples of the creation of co-operatives,<sup>3</sup> but the history of the Rochdale Equitable Pioneers Society is so well documented in the book *Self Help by People* by George Jacob Holyoake<sup>4</sup> that it has taken on a symbolic value for the entire co-operative world.

The book, first published in 1857, describes the inception and the early years of the co-operative.

The weavers in Rochdale were tired of paying high prices for poor quality food at shops that were run by factory owners. Inspired by the co-operative teachings of Robert Owen, they decided to pool their money to start a store. All of the people interested in becoming members and co-owners of the store contributed a small amount of money to a common fund. When the fund was big enough, the Rochdale Pioneers (as they came to be called) were able to rent a building, buy supplies, and open up shop in Toad Lane on December 21, 1844. The shop sold candles, tea, fuel, and basic foodstuffs. The co-op kept track of each member's purchases, and distributed the profits in proportion to how much each member bought. The first consumer co-op was so successful that the members were soon able to rent the upper stories of the building. The extra space was used for a library and educational lectures.<sup>5</sup>

The most important accomplishment of the Rochdale experience is the statutes of the co-operative. The statutes of the Rochdale society, which established the guiding principles of co-operation, have stood the test of time and are still the basis of the co-operative experience worldwide. The distinguishing features of these principles are:

- Profits are returned to members in proportion to the volume of transactions that each member carries out with the co-operative;
- Capital is remunerated only in the form of limited interest;
- The principle of one member, one vote, is employed in the decision making structure;

<sup>3</sup> In 1842 in Lyon and even before that in Slovakia

<sup>4</sup> Holyoake G.J. (1995 reprinting) *La storia dei probi pionieri di Rochdale*, Direzione Generale della Cooperazione presso il Ministero del Lavoro e della Previdenza Sociale, edizioni La Rivista della Cooperazione, Rome

<sup>5</sup> British Columbia Co-operative Association (no date) *Cultivating Co-ops: An overview of co-operatives and their role*  
available from: [http://www.bcca.coop/pdfs/cultivating\\_coops.pdf#search=%22cultivating%20co-ops%3A%20an%20overview%22](http://www.bcca.coop/pdfs/cultivating_coops.pdf#search=%22cultivating%20co-ops%3A%20an%20overview%22)

- The co-operative is managed independently;
- Membership and resignation are voluntary.

Since its creation in 1895, the International Co-operative Alliance (ICA),<sup>6</sup> which is an independent, non-governmental organisation that unites and represents co-operatives worldwide, has been the final authority for defining co-operatives and for elaborating the principles upon which co-operatives should be based.

The ICA has reviewed the Co-operative Principles three times: in 1937, 1966 and 1995. These reviews facilitated the modernisation of the idea of Co-operation, maintained its relevance and provided modern criteria to determine whether an organisation could be designated a co-operative.

The current Statement on the Co-operative Identity was adopted, after a lengthy process of consultation involving thousands of co-operators around the world, at the 1995 Congress and General Assembly of the International Co-operative Alliance, held in Manchester to celebrate the Alliance's centenary.

The statement of co-operative identity was the reaction to some major contemporary trends:

Firstly the disintegration of the centrally planned economies of Central and Eastern Europe. The history of co-operatives in the former communist countries is an example of how totalitarian governments took over what used to be an autonomous social movement. The statistics of co-operative development in the former communist countries were impressive, but were achieved through the sacrifice of any real autonomy. After the collapse of the communist regimes in the 1990s, the word "co-operative" was tainted by its past associations, and many co-operatives were privatised and their assets given away. Then with the help of international organisations like ICA and ILO, new co-operative laws were passed and co-operatives were "co-operativised", and given back to their members and reconstituted as genuine member-owned businesses. In most Central and Eastern European countries the co-operative sector is now growing, both in size and in confidence.

Secondly the ambiguous role of co-operatives in many Southern countries.

In many nations in the Southern hemisphere, co-operative development was also an essential ingredient in the nationalist populist discourse of the 1960s and 1970s. The intention to use co-operatives to reduce poverty tended to distort their character and members saw co-operatives

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<sup>6</sup> See more at: [www.ica.coop](http://www.ica.coop)

as quasi-governmental agencies that provided useful services but which did not belong to them. These co-operatives were propped up by government patronage and in the period of structural adjustments that followed the end of the Cold War, many of them collapsed.

Finally the overpowering dominance of market ideologies and classical liberal thought.

The growth of co-operatives in the developed world into large, powerful business with a large market share had resulted in some hidden costs. Consumer co-operatives in particular had occasionally lost touch with their members because of their large size, and there was a growing uncertainty about what co-operatives stood for and whom they belonged to, leading to a loss of their sense of purpose as membership-based organisations. However, in those areas where co-operatives had experienced a loss of meaning, they had recently begun to recover and to reassert their distinctive identity, to reassert the co-operative “difference” and to see advantages in being ethical, membership-based businesses.

It is for these reasons that there arose, by the 1990s, an urgent need to clarify what was meant by a co-operative. The Statement on the Co-operative Identity<sup>7</sup> is an effort to understand the state and needs of the co-operative movement at the end of the twentieth century. It is composed of a definition, emphasising that co-operatives are independent of government and are not owned by anyone other than the members:

“A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”.

and by a set of values that form the basis and essence of the co-operative movement:

“Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others”.

These values are not unique to co-operatives, but should also be expressed in practice. The basic values are not just rhetorical but are an essential philosophical underpinning of the seven principles that serve as the guidelines by which co-operatives put their values into practice.<sup>8</sup>

The first principle is *voluntary and open membership*. It is voluntary because potential members have freely to accept the responsibilities that go with membership (the value of self-responsibility). It is open because nobody who meets the relevant conditions should be denied membership unfairly (the value of equality). The second principle is *democratic member control*. Co-operatives must, ultimately, be controlled by their members. No matter how large the co-operative becomes, managers and leaders must remain accountable to members. The third

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<sup>7</sup> See more at: [www.ica.coop](http://www.ica.coop)

<sup>8</sup> For a full and detailed illustration of the process and a background paper see: MacPherson I. (1995) *Co-operative Principles for the 21<sup>st</sup> Century*, ICA Studies and Reports, Geneva

principle is *member economic participation*. Members contribute equally to the capital to become members, and any further contribution they can make cannot carry voting rights. The fourth principle is *autonomy and independence*. This used to be assumed, but spelling it out as a principle means that co-operatives have to be independent, genuinely member-owned business, avoiding the dangers of servility and dependence on political powers. The fifth principle is *education, training and information*. It looks in two directions: internally to members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operative, while externally the co-operative needs to inform the general public about its nature and benefits. The sixth principle is *co-operation among co-operatives*. At the level of values this express solidarity, but the strongest argument is at the level of business practices; it recognises that co-operatives will serve their members more effectively when they work together. Traditionally this is achieved through secondary co-operatives (or consortia) and sectoral federations but also less formal methods such as networks and business clusters. Finally there is *concern for community*, which reminds co-operatives members that they should feel solidarity with the wider community in which their business is embedded.

These principles are a more concrete interpretation of the co-operative values. They are consequently elastic, and applicable with different degrees of detail to different kinds of co-operatives in different kinds of situations. “Even if not all the principles are applied, the co-operative building is likely to remain standing. However, the more co-operative principles are applied, the stronger the building will be”.<sup>9</sup>

Ian MacPherson, professor at the British Columbia Institute for Co-operative Studies in Canada, who chaired the process of the numerous drafts of the Identity Statement in an effort to understand the state and needs of the co-operative movement at the end of the twentieth century, before the Manchester approval, recently stated:

“There is no final version of the co-operative principles, no permanent definition of the “co-operative identity”. Rather there are only continuous quests to understand the ultimate reasons for co-operative action, the nature of co-operative thought, and the contours of co-operative philosophy”.<sup>10</sup>

This means that the values and principles are not “set in stone”; we can expect to review them again and keep the co-operative way of doing business relevant to changing conditions.

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<sup>9</sup> Vanhove M. (2003) *Working on the future together – The power of co-operatives*, Cera Foundation, Leuven

<sup>10</sup> MacPherson I. (2005) “Foreword to Background Paper”, in *Review of International Co-operation*, General Assembly Edition, volume 98, no. 2/2005, Geneva

## 2 – Pronouncements of international organisations

In addition to the ICA updating of the co-operative values and principles in 1995, the last few years have been punctuated by the publication of several very important statements by international organisations.

### 2.1 – Co-operatives in social development (UN, 2001)

On 19 December 2001 the General Assembly of the United Nations approved Resolution no. 56/114 *Co-operatives in Social Development*.<sup>11</sup> It is the most global and general position of the United Nations on the theme of co-operatives. The Resolution takes into account the Report of the General Secretary no. 2001/68 of 14 May 2001,<sup>12</sup> with the same title, required by Resolution no. 54/123 of 17 December 1999 and the result of a broad consultation with Member States, which proposes guidelines aimed at creating a supportive environment for the development of co-operatives.

The document affirms that the General Assembly recognises "... that co-operatives, in their various forms, promote the fullest possible participation in the economic and social development of people, including women, youth, older persons and people with disabilities, and that they are becoming a major factor of economic and social development".

Governments have recognised the value of co-operatives as associations and enterprises through which citizens can effectively improve their lives, contributing, at the same time, to the political, economic, social and cultural development of their community and nation. And it continues: "the Governments recognise that the co-operative movement is highly democratic, locally autonomous but internationally integrated" and represents "a form of organisation of associations and enterprises whereby the citizens themselves rely on self-help and their own responsibility to meet goals that include not only economic but social and environmental objectives such as overcoming poverty, securing productive employment and encouraging social integration".

The Resolution encourages governments to take appropriate measures to create a supportive and enabling environment for the development of co-operatives.

The Resolution also makes a specific request that governments and co-operative movements develop and strengthen programmes for the education of members, elected leaders and professional co-operative managers.

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<sup>11</sup> United Nations (2001b) The text of the resolution is at:

<http://daccessdds.un.org/doc/UNDOC/GEN/N01/481/26/PDF/N0148126.pdf?OpenElement>.

<sup>12</sup> United Nations (2001a) Report of the Secretary-General on Co-operatives in Social Development, A/56/73-E/2001/68, annex

## 2.2 – Co-operative added value (European Commission, 2002)

At the European Co-operative Convention on 13 February 2002, the President of the European Commission Romano Prodi gave a speech, certainly not out of simply courtesy, entitled *Co-operative added value*.<sup>13</sup> Mr Prodi's speech contains several meaningful passages, which constitute the strongest statement in favour of co-operatives ever made by the highest official of the European Commission.

In his speech, Mr Prodi affirmed that “co-operative enterprises have a very important role to play in helping Europe to achieve its economic, social and political aims” and claimed that co-operatives are the proof that the spirit of solidarity and the entrepreneurial outlook need not necessarily be mutually exclusive concepts, but that the two may combine to produce a virtuous circle.

Mention is also made of three added values of co-operatives that Mr Prodi views as being absolutely in tune with major objectives of the European Commission. The first of these is regional and local development due to the fact that co-operatives are rooted firmly in local communities and “because that feeling of solidarity spreads beyond the confines of co-operatives themselves”. The second is the challenge of corporate social responsibility; the Commission's Green Paper on CSR<sup>14</sup> recognises that co-operatives structurally integrate other stakeholders.

“An enterprise that is free from the primary need to provide a return to investors is also free to take a long-term view of the interests of its stakeholders, be they customers, employees or the wider community.”

The third and final challenge referred to by Mr Prodi was that of governance: particularly in light of the general decline of participation at all levels in Europe. Mr Prodi stated that “co-operatives are schools of democratic participation and active citizenship” offering individuals the possibility to take their destiny in their hands, and that in demonstrating that there is more than one way of doing things, they represent an antidote to the narrow economically-led model of development.

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<sup>13</sup> The speech (speech/02/66) can be found at:  
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/02/66&format=HTML&aged=1&language=IT&guiLanguage=en>

<sup>14</sup> European Commission, *Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development*, COM(2002) 347 final, 2.7.2002. See more about European Commission policies and projects at: [http://ec.europa.eu/employment\\_social/social/csr/index.htm](http://ec.europa.eu/employment_social/social/csr/index.htm)

### 2.3 – The promotion of co-operatives (ILO, 2002)

While Co-operatives are directly or indirectly referred to in various International Labour Organisation (ILO)<sup>15</sup> Conventions and Recommendations, they are given pride of place in Recommendation No. 193 *The promotion of co-operatives*<sup>16</sup> adopted at the 90<sup>th</sup> session of the International Labour Conference in June 2002. There are several important features in Recommendation No. 193:

- The recognition of the importance of co-operatives to economic and social development.

Co-operatives are specifically seen as significant tools for the creation of decent jobs and for the mobilisation of resources for the generation of income. With regard to economic and social development, co-operatives promote the “fullest participation of all people” (Preamble) and facilitate a more equitable distribution of the benefits of globalisation. They also contribute to sustainable human development and have an important role to play in combating social exclusion. In addition, the text states that “the promotion of co-operatives ... should be considered as one of the pillars of national and international economic and social development” (paragraph 7(1)).

- The reaffirmation of the distinctive identity of the co-operative, based on values and principles

The definition of the co-operative that appears in the Statement of Co-operative Identity adopted by the General Assembly of the International Co-operative Alliance in 1995 is incorporated in the text of the Recommendation, ensuring that there is only one, universally accepted definition of co-operatives. In other terms the norms and the principles that the co-operative movement has autonomously given itself have in turn become official norms at international level.

- Equal treatment for co-operatives

The document stresses that while it is important for co-operatives to function as independent and autonomous enterprises in a competitive market situation, they should also be supported if they bring about specific social and public policy outcomes. In addition, it is considered important to stress the need to avoid discrimination against co-operatives because of their special character. It is with this end, that the text states “Co-operatives should be treated in accordance with national law and practice and on terms no less favourable than those accorded to other forms of enterprise and social organisation” (paragraph 7(2)).

The recommendation places great emphasis on the important role played by governments, as the establishment of an appropriate policy framework is central to the growth of the co-operative sector. An active role in co-operative promotion is envisaged for employers’, workers’ and co-operative organisations, both individually and collectively.

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<sup>15</sup> The International Labour Organisation is a specialised agency of the United Nations, established in 1919 to promote social justice and internationally recognised human and labour rights. Within the UN system, the ILO has a unique tripartite structure with workers and employers participating as equal partners with governments in the work of its governing organs. See: [www.ilo.org](http://www.ilo.org)

<sup>16</sup> <http://www.ilo.org/ilolex/english/recdisp1.htm>

#### 2.4 – The European Co-operative Society (European Union, 2003)

The Council of the Ministers of the European Union adopted the statute of the European Co-operative Society (SCE) on 22 July 2003.<sup>17</sup> This statute provides co-operatives with adequate legal instruments to facilitate their cross-border and transnational activities.

SCE gives all co-operatives established in any Member State the possibility to work throughout all the 25 countries of the European Union, a possibility that was previously hampered by legal and administrative difficulties.

The text of the Regulation repeats the reasons behind the establishment of the SCE, with the second recital stating:

“The completion of the internal market and the improvement it brings about in the economic and social situation throughout the Community mean not only that barriers to trade should be removed, but also that the structures of production should be adapted to the Community dimension. For that purpose it is essential that companies of all types the business of which is not limited to satisfying purely local needs should be able to plan and carry out the reorganisation of their business on a Community scale”.

In addition, the sixth recital states that:

“The Community, anxious to ensure equal terms of competition and to contribute to its economic development, should provide co-operatives, which are a form of organisation generally recognised in all Member States, with adequate legal instruments capable of facilitating the development of their cross-border activities...”

Other recitals recall the basic principle and peculiarities of co-operatives: “...groups of persons or legal entities with particular operating principles that are different from those of other economic agents. These include the principle of democratic structure and control...” “These particular principles include notably the principle of the primacy of the individual which is reflected in the specific rules on membership, ...where the “one man, one vote” rule is laid down”.

The SCE is the first recognition in European company law of the association of individuals; all previous cases mention only legal entities.

It can be concluded that there is recognition at European level of the freedom of enterprises,<sup>18</sup> of the plurality of entrepreneurial initiatives, under forms that can be different from capital-based companies.

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<sup>17</sup> Official Journal of the European Union L207 of 18 August 2003, Council Regulation (EC) No. 1435/2003 of 22 July 2003 on the Statute of a European Co-operative Society

<sup>18</sup> see also article in the proposal for a Treaty for the New Constitution for Europe

## 2.5 – The promotion of co-operative societies in Europe (European Commission, 2004)

On the 23<sup>rd</sup> February 2004, the European Commission adopted a Communication on the promotion of co-operative societies addressed to the European Council, the European Parliament, the European Economic and Social Committee and the Committee of Regions.<sup>19</sup>

The Communication reflects the outcome of an extensive consultation process, which began in 2002 with a working document, “Co-operative Enterprise Europe”,<sup>20</sup> that enabled the Commission to collect opinions and suggestions from European and national co-operative organisations.

The Communication tries to concentrate on three main issues raised in the responses and establishes what Member States and co-operatives themselves can do to exploit the business potential of co-operatives. The Communication enumerates twelve concrete actions to be undertaken by the Commission in order to attain the objectives.

The main issues the Communication takes up are the promotion of the greater use of co-operatives across Europe by improving their visibility, their characteristics and the understanding of the sector, the further improvement of co-operative legislation in Europe and the maintenance and improvement of co-operatives' place and contribution to community objectives.

The European Commission stated that:

“Co-operatives have a strong tradition dating back to the industrial revolution; however, they should not be seen as a relic of the 19<sup>th</sup> century. Today the Commission recognises that the rich variety of enterprise forms in the EU is an important element for the EU economy. They are modern and dynamic enterprises with high potential. ... The Commission will therefore support the effective promotion and development of co-operative enterprises in the European Union and candidate countries.”<sup>21</sup>

This impressive series of pronouncements in favour of co-operatives from international organisations clearly illustrates that: “A balanced society necessitates the existence of strong

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<sup>19</sup> Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of Regions on the promotion of co-operative societies in Europe, COM(2004)18 of 23.2.2004. The document can be found at: [http://ec.europa.eu/enterprise/entrepreneurship/coop/social-cmaf\\_agenda/doc/coop-communication-en.pdf](http://ec.europa.eu/enterprise/entrepreneurship/coop/social-cmaf_agenda/doc/coop-communication-en.pdf)

<sup>20</sup> The consultation document can be found at: <http://ec.europa.eu/enterprise/entrepreneurship/coop/consultation/index.htm>

<sup>21</sup> European Commission, Communication on the promotion of cooperative society in Europe COM(2004)18 page 17

public and private sectors as well as a strong co-operative, mutual and other social and non-governmental sector”...<sup>22</sup>

### 3 - Historical roots of co-operatives and catholic social thought

Although collectively owned enterprises have existed since the early middle ages (we can indeed also look at the history of monasteries from an economic point of view, and at the mediaeval guilds) the contemporary co-operative movement is deeply rooted in the concepts of social philosophy that appeared in the 19th century. These concepts referred basically to the ideas of socialism, liberalism and Christian solidarity.<sup>23</sup>

The first French “utopian socialists”, Claude Henri de Saint Simon and Charles Fourier, criticised the contemporary capitalist system and propagated the idea of a total reorganisation of the state system and the establishment of new social structures as well as new labour relationships. The “new society” was to be based upon voluntary productive associations referred to by Fourier as “phalansters”.

In Britain, William King and Robert Owen, inspired by these ideas, believed that the main aim of all social actions was to create a “new man”, a total reconstruction of social and economic conditions and that such a reconstruction could be obtained through the co-operation by all individuals in all fields of economic life.

The followers of utopian socialist concepts believed that the supreme aim of all social actions, including co-operatives’ and trade unions’ activities, should be the transformation of the whole society, which meant responding to the interests and needs not of individuals but of social groups and classes in a collective way.

They did not neglect the economic role of co-operatives in assisting the poorest groups of society in achieving well-being, but emphasised their educational role in preparing the future proletarian revolution.

<sup>22</sup> ILO, Recommendation 193, Paragraph 6 <http://www.ilo.org/ilolex/english/recdisp1.htm>

<sup>23</sup> Interesting presentation in :

Eliécer Quijano Penuela J. and Mardoqueo Reyes Grass J. (2004) *Historia y doctrina de la cooperación*, Editorial Universidad Cooperativa de Colombia, Bogotá

Birchall J. (1997) *The international co-operative movement*, Manchester University Press, Manchester UK

Bidet E. (1997) *L'économie sociale*, Le Monde Edition, Paris

Charles Gide's ideas, which were also born from early socialist concepts, proposed the evolutionary transformation of local communities, states and finally the whole world into a huge "co-operative republic", rather than social revolution. This could be achieved through self-help and the self-organisation of society, by various forms of co-operatives, social associations etc., which, on a voluntary basis, would fulfil all functions previously fulfilled by state organs. We refer to this vision as "pan-co-operativism".

The other ideological sources of co-operativism – liberalism and Christian solidarity – had no such ambition to totally reconstruct existing society; rather, they aimed to adjust and improve its structures.

According to the concepts of liberalism, the supreme good of humanity is the full autonomy of all individuals and their right to fulfil their personal interest. Naturally, developing sustainable economic co-operation among individuals will be more profitable for them than the creation of conflicts. It is only for this strictly pragmatic reason (and not for any other moral reasons as in the case of other social philosophies) that it is justified to found institutions that minimise conflicts and promote co-operation.

One of the founding fathers of the co-operative movement – Herman Schulze-Delitzsch – adhered to such concepts. The first co-operative banks (and later, other kinds of co-operatives) that he founded in Germany focused on assisting not the poorest social groups, but those who already had something: small and medium scale producers, artisans, and moderately wealthy farmers. According to liberal concepts, it is in assisting the "productive middle class" and the development of private enterprise, that one contributes to job creation, to the general well-being and to the improvement of conditions for the lower classes.

The third source – Christian solidarity – shares some features with the doctrines presented above, even if the conceptual background has a much longer history. Several major Christian thinkers, such as Saint John Chrysostom, Saint Ambrose, Saint Augustine and Saint Thomas Aquinas, gave rise through their teachings to a series of principles which referred to the dignity of the human being, the common good, the role of the so-called intermediate bodies, the principle of subsidiarity and the communitarian life – principles which have provided a foundation for the construction of the concepts of co-operativism.

Ever since the appearance of the founding document of Catholic social teaching, the Encyclical *Rerum novarum* (1891) by Pope Leo XIII, there is evidence of continuity in the defence of the inalienable dignity of workers, connected with the importance of the right to property, the principle of co-operation among the social classes, the obligations of workers and employers

and the right to form associations. Leo XIII proposed that the gulf between the classes should be narrowed by enabling as many workers as possible to become owner of property.<sup>24</sup>

The orientation of ideas expressed in the encyclical strengthened the commitment to vitalise Christian social life, which was seen in the birth and consolidation of numerous initiatives with a high civic profile: groups and centres for social studies, unions, co-operatives, rural banks, etc.

Since *Rerum novarum*, the Church has consistently mentioned co-operative enterprises in all subsequent social documents.

In the Encyclical *Quadragesimo anno* (1931) Pope Pius XI suggested the creation of workers' associations. In his radio message of September 1944, Pius XII also proposed the creation of co-operative unions for small and medium enterprises in the sectors of agriculture, arts, retail and industry. In the Encyclical *Mater et magistra* (1961) of John XXIII there is a specific chapter on "artisans and co-operative enterprises"<sup>25</sup>; also the Vatican II Council, in the "*Gaudium et spes*" constitution<sup>26</sup> dealing with the subject of the economic reforms, calls for an effective co-operative organisation.

We also can find specific references to co-operatives in the Encyclical *Laborem exercens* (1981):

In the light of the above, the many proposals put forward by experts in Catholic social teaching and by the highest Magisterium of the Church take on special significance: proposals for joint ownership of the means of production, the inclusion of workers in management structures, profit-sharing, so-called shareholding by labour, etc. ...<sup>27</sup>

I have recently discovered that my Latin America counterparts in the co-operative movement have added a new Encyclical to the long teaching of John Paul II, the "Co-operative Encyclical",<sup>28</sup> by referring to the speech that John Paul II gave in Faenza, in the region of Emilia Romagna, in May 1986 during a meeting with local co-operators. This speech is indeed full of praise for the co-operative experience:

"The Church has always been favourable to such rich experiences of community practice, because they do not limit their action to the economic dimension of the co-operative, but also assure the human, social, cultural and moral growth of their members. What has pushed the

<sup>24</sup> Leo XIII (1891) Encyclical Letter *Rerum novarum*, n.35

<sup>25</sup> John XXIII (1961) Encyclical Letter *Mater et Magistra*, nn. 72-77

<sup>26</sup> Pastoral Constitution *Gaudium et Spes* (1966), n.71

<sup>27</sup> John Paul II (1981) Encyclical Letter *Laborem exercens*, n. 14

<sup>28</sup> Jaramillo F. (2000), *Iglesia y Cooperativismo*, Las Equidad Seguros, Santafé de Bogotá also in Eliécer Quijano Penuela J. and Mardoqueo Reyes Grass J. (2004) *Historia y doctrina de la cooperación*, Editorial Universidad Cooperativa de Colombia, Bogotá

workers to come together in co-operative organisations has certainly been first of all an economic need: to survive and to defend themselves from the negative effects of the new industrial society. However one should not ignore the consequent motivation born of the desire to live an experience of unity and solidarity, that allowed them to overcome the economic differences and even the social conflicts among the different groups”.

...

“In the economic field the value of the co-operative enterprise is characterised by the development of a local economy that looks for better answers to the needs of the community. Likewise, in the moral sphere, it distinguishes itself by accentuating the sense of solidarity, also by respecting the necessary autonomy of every individual, who has to grow towards full maturity. This is one of the clearest aspects of the importance of co-operation: it gives everyone in the community a valuable role, through an ethical commitment, which does not exclude the defence of the legitimate interests of the person.”<sup>29</sup>

In the *Compendium of the social doctrine of the Church*, prepared in 2004 by the Pontifical Council for Justice and Peace, there is a chapter entitled *Business and its goals* (339), which reminds us that business plays a role in the community and of the importance of real co-operation among the different actors involved.

339. All those involved in a business venture must be mindful that the community in which they work represents a good for everyone and not a structure that merely permits the satisfaction of someone’s personal interest.

Only this awareness makes it possible to build an economy that is truly at the service of mankind and to create programmes of real co-operation among the different partners in labour. A very important and significant example in this regard is found in the activity of so-called co-operative enterprises.

It is possible to summarise the long series of statements by the Church in support of the co-operative experience again in the words of John Paul II in Faenza in 1986:

“We can say that the novelty of the co-operative experience lies in its effort to combine the individual and communitarian dimensions. In this sense it is a concrete expression of the complementarities that the social doctrine of the Church has always tried to promote between the person and society; it is the synthesis between the advocacy of the individual rights and the promotion of the common good.”<sup>30</sup>

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<sup>29</sup> Pastoral visit to Romagna May 1986  
[http://www.vatican.va/holy\\_father/john\\_paul\\_ii/speeches/1986/may/documents/hf\\_jp-ii\\_spe\\_19860510\\_agricoltori-faenza\\_it.html](http://www.vatican.va/holy_father/john_paul_ii/speeches/1986/may/documents/hf_jp-ii_spe_19860510_agricoltori-faenza_it.html)

My translation from Italian

<sup>30</sup> *ibid.*

As I have tried to illustrate, the Church has always looked with sympathy at the development of the co-operative movement: there is a sort of “doctrinal coincidence” as Francisco de Paula Jaramillo puts it.<sup>31</sup> If we compare what characterises the co-operative enterprise with the principles of Catholic social thought, we find that the co-operative enterprise exemplifies the duality of the demands of the person as an individual and the demands of the community, between reciprocity and civic engagement, or, in more modern terms, between mutual and public benefit.

The co-operative enterprise conjugates some fundamental principles of social doctrine, principles which bring to mind different economic visions, but which deserve to be developed in an integrated and complementary fashion: the principle of subsidiarity, according to which “all societies of a superior order must adopt an attitude of help (*subsidium*) – therefore of support, promotion, development – with respect to lower-order societies” (Compendium 186) and that of solidarity and participation that characterises the nature and existence of the co-operative enterprise.

#### **4. Subsidiarity, participation and solidarity in Christian Social Thought**

##### 4.1 Principle of subsidiarity.

Let us start from a look at the etymology of the word. The word “subsidiarity” derives from the Latin *subsidium*, which indicates the reserve troops. Using Roman military terminology we can distinguish the cohorts that fight on the front line from the cohorts that stand ready off the battlefield, which are called the “*subsidiariae cohortes*”. Thus, as a first meaning, we can define subsidiarity in terms of help, support, supplementary assistance.

Subsidiarity is among the most constant and characteristic directives of Church social thought and has been present since the first great social encyclical (*Rerum Novarum* of Leo XIII in 1891) but more precisely the first clear expression is found in the Encyclical Letter *Quadragesimo Anno* in 1931 of Pope Pius XI. In two of the key chapters of the Encyclical the Pope wrote:

79. As history abundantly proves, it is true that on account of changed conditions many things which were done by small associations in former times cannot be done now save by large associations. Still, that most weighty principle, which cannot be set aside or changed, remains fixed and unshaken in social philosophy: just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of the just order to assign to a

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<sup>31</sup> Jaramillo, op. cit.

greater and higher association what lesser and subordinate organisations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them.

80. The supreme authority of the State ought, therefore, to let subordinate groups handle matters and concerns of lesser importance, which would otherwise dissipate its efforts greatly. Thereby the State will more freely, powerfully, and effectively do all those things that belong to it alone because it alone can do them: directing, watching, urging, restraining, as occasion requires and necessity demands. Therefore, those in power should be sure that the more perfectly a graduated order is kept among the various associations, in observance of the principle of "subsidiary function," the stronger will be social authority and effectiveness, and the happier and more prosperous the condition of the State.<sup>32</sup>

We have to be aware of the historical context of the Encyclical: the growth and expansion of totalitarian regimes (Soviet Union, Italy, Mexico) and in 1933 Germany. Subsidiarity is presented more in a negative way with the aim of preventing the state from doing anything that would de facto restrict the existential space of the smaller essential cells of society, in other words of defending the dignity of the person and civil society from being overpowered by the state regimes of the period.

On the basis of this principle, all societies of a superior order must adopt attitudes of help (*subsidium*), therefore of support, promotion, and development with respect to lower order societies. The principle is imperative because every person, family and intermediate group has something original to offer to the community. Experience shows that the denial of subsidiarity, or its limitation in the name of alleged democratisation or equality of all members of society, limits and sometimes destroys the spirit of freedom and initiative.

Various circumstances may make it advisable that the state step in to carry out certain functions. One may think of the serious economic problems, to address which the state must directly stimulate the economy. Or, situations of greater inequality, injustice or social imbalance, where only the intervention of the public can create better conditions. But in the light of the principle of subsidiarity, these institutional substitutions must not continue any longer than is absolutely necessary.

As we can see, subsidiarity is part of a logic of "harmonic social order", where society is hierarchically structured and most importantly, the relations are regulated "vertically" from the bottom to the top. That is, from the individual, family, intermediary bodies, and protected against the predominance of the central power of the state.

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<sup>32</sup> Pius XI (1931) Encyclical Letter *Quadragesimo Anno*, nn.79-80

It is thanks to historical evolution that the Church's social doctrine provides evidence of the progressive extension of the application of the principle of subsidiarity to the sphere of economic and political activity:

It should be stated at the outset that in the economic order first place must be given to the personal initiative of private citizens working either as individuals or in association with each other in various ways for the furtherance of common interests.

But – for reasons explained by our predecessors – the civil power must also have a hand in the economy. It has to promote production in a way best calculated to achieve social progress and the well-being of all citizens.

And in this work of directing, stimulating, co-ordinating, supplying and integrating, its guiding principle must be the "principle of subsidiary function"...<sup>33</sup>

Finally its extension to the sphere of institutions at supranational level and international relations is implemented using the same logic that rules internal relations.

140. The same principle of subsidiarity which governs the relations between public authorities and individuals, families and intermediate societies in a single State, must also apply to the relations between the public authority of the world community and the public authorities of each political community. The special function of this universal authority must be to evaluate and find a solution to economic, social, political and cultural problems which affect the universal common good. These are problems which, because of their extreme gravity, vastness and urgency, must be considered too difficult for the rulers of individual States to solve with any degree of success.

141. But it is no part of the duty of universal authority to limit the sphere of action of the public authority of individual States, or to arrogate any of their functions to itself. On the contrary, its essential purpose is to create world conditions in which the public authorities of each nation, its citizens and intermediate groups, can carry out their tasks, fulfil their duties and claim their rights with greater security.<sup>34</sup>

The Second Ecumenical Vatican Council insists on the application of the same principle in the correct functioning of the social state: citizens and their associations have rights and the duty to actively participate in public activity:

Rulers must be careful not to hamper the development of family, social or cultural groups, nor that of intermediate bodies or organisations, and not to deprive them of opportunities for legitimate and constructive activity; they should willingly seek rather to promote the orderly pursuit of such activity. Citizens, for their part, either individually or collectively, must be careful not to attribute

<sup>33</sup> John XXIII (1961) Encyclical Letter *Mater et Magistra*, n. 39-40

<sup>34</sup> John XXIII (1963) Encyclical Letter *Pacem in Terris*, n.140-141

excessive power to public authority, not to make exaggerated and untimely demands upon it in their own interests, lessening in this way the responsible role of persons, families and social groups.<sup>35</sup>

John Paul II in the Encyclical *Centesimus Annus* claims that the principle of subsidiarity is opposed to certain forms of centralisation and bureaucratisation, and should be based on the primacy of civil society and the promotion of associations:

Malfunctions and defects in the Social Assistance State are the result of an inadequate understanding of the tasks proper to the State. Here again *the principle of subsidiarity* must be respected: a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to co-ordinate its activity with the activities of the rest of society, always with a view to the common good.<sup>36</sup>

Also in the recent important document of the Pontifical Council for Justice and Peace, the *Compendium of the Social Doctrine of the Church*,<sup>37</sup> which offers a complete overview of the fundamental framework of the doctrinal corpus of Catholic social teaching, there are specific chapters on subsidiarity. It gives a comprehensive and interesting definition:

#### IV. The Principle of subsidiarity

185. ....It is impossible to promote the dignity of the person without showing concern for the family, groups, associations, local territorial realities; in short for that aggregate of economic, social, cultural, sports-oriented, recreational, professional and political expression to which people spontaneously give life and which make it possible for them to achieve effective social growth. This is the realm of civil society, understood as the sum of the relationships between individuals and intermediate social groupings, which are the first relationships to arise and which come about thanks to "the creative subjectivity of the citizen". This network of relationships strengthens the social fabric and constitutes the basis of a true community of persons, making possible the recognition of higher forms of social activities.

#### 4.2 Subsidiarity from different cultural, philosophical, and political traditions

As we have seen, subsidiarity is a concept that has been deeply rooted in theological tradition but is present also in western philosophical and political traditions.

We can find traces in Aristotle, who describes a society where the family, the village, and the city must, each from its own perspective, respond to the needs of the citizens.

<sup>35</sup> Pastoral Constitution *Gaudium et Spes* (1966), n.75

<sup>36</sup> John Paul II (1991) Encyclical Letter *Centesimus Annus*, n. 48

<sup>37</sup> Pontifical Council for Justice and Peace (2004), *Compendium of the Social Doctrine of the Church*

Later, Thomas Aquinas further developed Aristotelian thought. He does not believe that the city is the perfect political body, rather it is the person who becomes the essence. The person maintains an individual relation with God and cannot be totally dependent on the political community, which must limit itself to supplying what is lacking, and to improving things where possible.

The concept has also been developed by the German Calvinist Johannes Althusius<sup>38</sup> who claimed that the purpose of the state (or kingdom) was to protect and foster social life as it was expressed in the family, college, city, and province. Althusius emphasised that each of these associations had their own integrity – indeed he has been seen as the originator of the neo-Calvinist principles of 'sphere sovereignty'. As a defender of small communities against territorial absolutism he maintained that cities and provinces should possess considerable autonomy as part of a confederal, quasi-democratic German empire. One of his major goals was to defend the autonomy of cities and provinces against contemporary trends towards the centralisation of sovereignty in new nation states.

Other classical political theorists like Alexis de Tocqueville and John Stuart Mill expressed the analogous thesis: democracy itself depends on active engagement by citizens in community affairs. According to Alexis de Tocqueville, private associations form the fabric of social integration and the means whereby individual inequalities of resources can be counterbalanced by collective resources. The collective organisation of interests is also an important counterweight to the centralised power of the state. From his famous work *Democracy in America* we can read that: "In democratic countries the science of association is the mother of science; the progress of all the rest depends upon the progress it has made".<sup>39</sup>

An Italian political theorist, Luigi Sturzo,<sup>40</sup> offered his vision of the dynamic relation between society and state.

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<sup>38</sup> Johannes Althusius was born in Westphalia in 1557. Upon receiving his doctorate in both civil and ecclesiastical law at Basle in 1586, he accepted a position on the faculty of law at the Reformed Academy at Herborn. The greatest achievement of his Herborn years was the publication of the *Politica* in 1603. Its success was instrumental in securing for Althusius an offer to become municipal magistrate of Emden in East Friesland, which was among the first cities in Germany to embrace the Reformed articles of faith. Althusius accepted the offer in 1604 and exercised an influence comparable to that of Calvin in Geneva; he guided the city without interruption until his death in 1638.

<sup>39</sup> Tocqueville de A. (1994), *Democracy in America*, Wordsworth Editions, Ware Hertfordshire UK, chapter 5, page 219

<sup>40</sup> Luigi Sturzo, (1871-1959) Italian priest and political leader. In 1919 he founded the Popular party and became its political secretary. In the elections of November 1919, the new party secured about one-fifth of the seats in parliament and became an important force in Italian politics. After the rise of Fascism, Sturzo was forced to live in exile, first in England and later in the United States; his party was officially

For us the State is the society politically organised to attain specific goals; it does not suppress, it does not annul, it does not create the natural rights of man, of the family, of the class, of the communes, of religion; it only recognises them, it protects them, it co-ordinates them within the limits of its own political function. For us the State is not the first ethical entity, it does not create ethics, but it translates them into laws and confers social strength; for us the State is not freedom, it is not above freedom: it recognises it, it co-ordinates it and it limits the use of it because it does not degenerate into licence.<sup>41</sup>

Luigi Sturzo also stressed the fundamental distinction between political democracy and social democracy. As regards political democracy he believed that representative democracy should be based on the centrality of the Parliament, while social democracy is a result of the pressure and strength of the movements that are able to interpret the wishes of the population. His vision is not of a centralised model of the state, but a sovereignty that is divided between the intermediate bodies and the political bodies.

The concept of subsidiarity is also fully incorporated in the debate on European integration, but the interpretations still diverge. The difficulties come from the positive or negative accent that can be stressed in the formulation of the principle. For some, it is a limitation of the action of the Union to the strict necessary : it is the *non interference* duty. For others it is the responsibility of the Union to intervene in cases of deficiency of Member States: it is the *substitution* duty. These are the two sides of the same coin, but of course with differing political philosophies.<sup>42</sup>

A common denominator of these theories is that the welfare of the political system stems from the free, responsible and co-operative action of individuals (single or associated), and not vice versa.

All these traditions have sought to limit the arbitrary policies of overly concentrated and pervasive state powers, preferring the development of social and territorial autonomy.

#### 4.3 Principle of participation and solidarity in Christian social thought

The co-operative enterprise is then, the reflection of another principle of social teaching that is closely connected with that of the subsidiarity – namely, the principle of participation, a principle that underpins the co-operative structure. One major feature of co-operative organisations is the

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banned. It was revived, however, after Benito Mussolini's downfall and renamed the Christian Democratic party. Sturzo returned to Italy after World War II and in 1952 was made a senator for life.

<sup>41</sup> Speech at the 4th National Congress of the Italian Popular Party, Turin 12 April 1923, my translation from Italian

<sup>42</sup> De Schoutheete P. (1997), *Une Europe pour tous*, Paris, edition Odile Jacob

inextricable link between the realisation of objectives and the active participation of members. The co-operative enterprise widens the possibility to practice the right to economic initiative underlined by social doctrine, a right that is an expression of the liberty of the people in the economic field and a guarantee of greater economic democracy. In effect, "experience shows us that the denial of this right, or its limitation in the name of an alleged "equality" of everyone in society, diminishes, or in practice absolutely destroys the spirit of initiative, that is to say creates the subjectivity of the citizen." <sup>43</sup>

A clear reference can be found in the Compendium:

189. The characteristic implication of subsidiarity is participation, which is expressed essentially in a series of activities by means of which the citizen, either as an individual or in association with others, whether directly or through representation, contributes to the cultural, economic, political and social life of the civil community to which he belongs. Participation is a duty to be fulfilled consciously by all, with responsibility and with a view to the common good.

In conclusion, the co-operative enterprise can give concreteness to what John Paul II considered was essential to always keep in mind in the field of work: the "personalist argument". The worker, in this perspective, must always have a sense of working "for himself":

"it must be emphasised, in general terms, that the person who works desires not only due remuneration for his work; he also wishes that, within the production process, provision be made for him to be able to know that in his work, even on something that is owned in common, he is working "for himself."<sup>44</sup>

In addition to historical pronouncements, there are also some elements of ethical reflection. A first aspect to consider is that, according to Catholic social thought, social and economic justice are not elements that we can add at the final stages of economic production. They cannot simply be separated from the entire process.

Social doctrine considers that solidarity and justice are essential components of the entire economic cycle; with production and consumption, saving and finance, investment and delivery. It is only in this way that we are able to assert that the commitment to solidarity and justice must be respected by all the actors in the economic cycle and not only as a moralistic act that is added at the end *a posteriori* (ex post) after the completion of the economic cycle.

It is often said that it is necessary to produce wealth before distributing it. While this may be true, this sentence means that the ethical moment of solidarity is only present at the point of

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<sup>43</sup> John Paul II (1987) Encyclical Letter *Sollicitudo rei socialis*, n. 15

<sup>44</sup> John Paul II (1981) Encyclical Letter *Laborem exercens*, n. 15

distribution and not throughout production. This is a mistake of perspective and is most certainly not in line with Catholic social doctrine. There is certainly a social dimension in distribution, but also in production, and it is especially important to consider above all “WHAT” is produced and “HOW” it is produced.<sup>45</sup>

On this point John XXIII is clear and unequivocal, stating “Justice is to be observed not only in the distribution of wealth, but also in regard to the conditions in which men are engaged in producing this wealth. Every man has, of his very nature, a need to express himself in his work and thereby to perfect his own being”.<sup>46</sup>

Co-operatives demonstrate this point: they use an organisational approach, which, if properly used, promotes solidarity in production methods based on participation and sharing of values and ends. The aim of a co-operative is to produce goods and deliver services, and to satisfy the legitimate needs of the members. But there is a more important aim, and it is not only instrumental: it is to produce co-operation, relations, participation and consequently to promote interpersonal connections.

In other words, while co-operatives may attach importance to what they produce, it is the way in which this end product is obtained that is arguably more important.

And it is in this way, in the words of John Paul II, that there is an overlap between the needs of the individual and the needs of the community. The co-operative is founded on this aspect: to satisfy the needs of the individual through the social and participative dimensions of co-operatives.

This clear reference of the co-operative action to the personalist theory and its ethical foundation merits a short analysis. The personalist principle is one of the bases of Catholic social teaching. John XXIII efficiently described the role of this principle, which today is widely accepted:

Any well-regulated and productive association of men in society demands the acceptance of one fundamental principle: that each individual man is truly a person. His is a nature that is endowed with intelligence and free will. As such he has rights and duties, which together flow as a direct consequence from his nature. These rights and duties are universal and inviolable, and therefore altogether inalienable.<sup>47</sup>

In the Compendium there obviously are important specific references, among others:

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<sup>45</sup> Crepaldi G. (2006), *L'impresa cooperativa e la dottrina sociale della Chiesa*, Speech at 4th Assembly of Federsolidarietà – Confcooperative, Rome 18 January 2006

<sup>46</sup> John XXIII (1961) Encyclical Letter *Mater et magistra*, n. 82

<sup>47</sup> John XXIII (1963) Encyclical Letter *Pacem in Terris*, n. 9

All of social life is an expression of its unmistakable protagonist: the human person. The Church has many times and in many ways been the authoritative advocate of this understanding, recognising and affirming the centrality of the human person in every sector and expression of society.<sup>48</sup>

The “personalist” tradition, as understood within Catholic social thought, is influenced by the basic philosophical approaches of Aristotle and St Thomas Aquinas. Personalism has also developed from other sources and with other influences, but it has become central to Catholic social thought at least since the work of the French philosopher Jacques Maritain in the first half of the twentieth century and has thus been well developed.<sup>49</sup>

Maritain’s reflections on the human person and the common good are fundamental for the contribution that a Christian personalist approach can make to social, political and economic life. Maritain’s most visible contribution to the shaping of modern society can be seen in his contribution to the 1948 United Nations Declaration of Universal Rights, as well as to the drafting of some national Constitutions, such as Italy’s post-war constitution, and in his intellectual influence on the social encyclicals of Pope Paul VI and John Paul II. His long-term friendship with Paul VI was corroborated at the close of the Vatican II Council, when the Pope presented to Maritain his *Message to Men of Thought and of Science*. His fundamental work *Integral Humanism* is a milestone in the evolution of Catholic political and social thought in the last century.<sup>50</sup>

Emmanuel Mounier is also an influential thinker with regard to personalism,<sup>51</sup> which was seen as an alternative to both Liberalism and Marxism, and which respected human rights and the human personality without indulging in excessive collectivism. The entire work of Mounier is built on the categories of “person” and “community”.<sup>52</sup>

Today there are some signals of the development of a neo-communitarism and neo-personalism.<sup>53</sup>

The rediscovery of the communitarism has to take two fundamental concepts of the communitarian dimension identified by Mourier into account: the family and the job.

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<sup>48</sup> Pontifical Council for Justice and Peace (2004), *Compendium of the Social Doctrine of the Church*, n.106

<sup>49</sup> <http://www.maritain.org/>

<sup>50</sup> Chenu F. (2005) *L’Umanesimo Integrato di Jacques Maritain*, Jaca Book, Milan

<sup>51</sup> Mounier E. (2004) *Il Personalismo*, Campanini G. and Pesenti M (eds), twelfth revised edition, Editrice AVE, Rome

Interesting web sites are : <http://www.emmanuel-mounier.net/>; and

[http://classiques.uqac.ca/classiques/Mounier\\_Emmanuel/Mounier\\_emmanuel.html](http://classiques.uqac.ca/classiques/Mounier_Emmanuel/Mounier_emmanuel.html)

<sup>52</sup> Calvez J.-Y. (2002) *Chrétiens penseurs du social*, Cerf, Paris

<sup>53</sup> Campanini G.(2006) Eclissi e riscoperta del personalismo comunitario, in *Aggiornamenti Sociali*, 11/2006, Milan

It is particularly interesting to analyse the questions that interested Mounier in the 30s and the 50s, concerning the issues arising from the 1929 economic crisis and from the unavoidable and necessary comparison with the totalitarian ideologies. They have strongly restated the problem of the return to the sense of community as (in some sense necessary) way out of the crisis that has gripped Western civilisation.

This same crisis is addressed today, even though in a deeply changed context, in terms of the "limits of development", of environmental degradation, of the probable end of the increasing satisfaction of material needs.

The questions that Mounier posed in the thirties are still posed today. It is legitimate to wonder whether an economically prosperous society is sufficient to guarantee the full development of personal life, or if instead a choice is needed for the quality of the relationships rather than the maximisation of material goods.

The breakdown of bourgeois individualism that Mounier reported in the 30s has nowadays become more widespread and more destructive, almost to the point of turning into deserts the places where people should live. The "community of work" increasingly appears to be overwhelmed and to become a functionalist and productivity form, while the family risks being reduced to a pure aggregate of casual individuals, who have lost the sense of the conviviality that is an essential element of the spirit of community.

This same process of desertification of the traditional places of the community spirit is however setting in movement the latent communitarian energies, of which, quite properly, the co-operative dimension is part. The men and the women of the era of the globalisation, having lost the memory of the ancient community traditions, have now become, according to the scribbled expressions of one of the most acute interpreters of post-modernity, "tourists" and "vagabonds", men and women without roots, without a past and without a future.<sup>54</sup>

But, in reality, out of this eradication springs the search for new roots. Post-modern society is in search of this new equilibrium and of a road to long-lost community.

The historical involvement of the Catholic Church in the promotion of co-operatives is not only evidenced by statements and official pronouncements. It is intertwined with the history of Christians – both laity and priests – who are motivated by their faith and by the problems of social justice, of the needs of their fellow people. This not only happened in the period of "*res novae*", but continues to be seen today.

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<sup>54</sup> Bauman Z. (2002) *Dentro la globalizzazione. Le conseguenze sulle persone*. Laterza Roma – Bari (original edition 1998 *Globalization: The Human Consequences*. New York: Columbia University Press).

The co-operative enterprise remains the privileged model used by many Christians and ecclesiastical initiatives to promote human dignity and autonomy and the empowerment of disadvantaged populations throughout the world.

The list would be very long, as some of the most successful stories of the co-operative movement worldwide come from Christian roots.

The promoter of one of the most outstanding and well-known example of the co-operative organisation is Father José Maria Arizmendiarieta, a newly ordained priest who arrived in the small town of Mondragón in the Basque country in 1941 after the devastation of the Spanish civil war.<sup>55</sup>

The influence of Catholicism has been especially important in the history of the Quebec co-operative movement. Another example in Canada, this time in Nova Scotia, is the Antigonish movement, which was formed by a Catholic fishing community to set up an adult education co-operative and thereby ensure their cultural and social emancipation. The Antigonish movement evolved from the pioneering work of Rev. Dr Moses Coady and Rev. Jimmy Tompkins in the 1920s.<sup>56</sup>

In Latin America co-operative economic initiatives are very common in grassroots ecclesial communities. In Colombia the diocese of Secorro y San Gil in the province of Guanenta was defined as the “co-operative diocese”, because of a pastoral philosophy of co-operative actions led by the father Ramon Gonzalez Parra.

The well-established and prosperous co-operative movement in the Trentino region in Italy was founded by a priest, Don Lorenzo Guetti.<sup>57</sup>

A study carried out in the province of Brescia in the north of Italy has shown that in a few decades, from 1886 to 1923, priests were present as “promoters” of co-operatives 319 times; in 43 cases the same priest was a “promoter” of more than one co-operative initiative, so the precise number of priests involved in the creation of co-operatives and recorded in the founding legal statutes preserved in the Chamber of Commerce archives is 276, a significant percentage of the clergy of the diocese.<sup>58</sup>

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<sup>55</sup> There is a huge bibliography about the Mondragon experience. See : [www.mcc.es](http://www.mcc.es)

<sup>56</sup> See <http://www.coady.stfx.ca/history.cfm>

<sup>57</sup> [http://www.cooperazionetrentina.it/federazione/chi\\_siamo/storia](http://www.cooperazionetrentina.it/federazione/chi_siamo/storia)

<sup>58</sup> Pezzini E. and Gheza F. (1989) *Le cooperative a Brescia dalle origini al 1926*, Edizioni di Storia Bresciana, Brescia

Today the co-operative continues to be an enterprise form which is frequently used by Christians who are motivated by ideals, ethics and the desire to work together in order to create economic activities<sup>59</sup> and also in some circumstances to overcome difficult situations.

Among others the illuminating experience of the involvement of Giancarlo Maria Bregantini, bishop of Locri, in promoting and supporting co-operative enterprises in order to create an economic and business alternative in a very difficult and dangerous social and political context, heavily influenced by mafia oppression, in Calabria is particularly significant. In his speech at the regional conference of Caritas in January 2007 he explained some reasons for his commitment:

Engagement with co-operatives is then a space to which we have slowly been accustomed as the Policoro project,<sup>60</sup> which is so precious in the struggle against the mafia, as can be deduced from the episodes of these years. It is not the creation job in itself that pulls away people from the mafia. This is not enough because the mafia also provides jobs. But a job in a co-operative, in a motivated and ethically re-motivated cooperative, frees people from gangsterism.

In our experience it is vital to move onwards from the co-operative to the consortium, which strengthens the single co-operative, by building links with other areas of Calabria and Italy, in a web that creates safety, economic solidarity and cognitive support of the means of liberation from fear and from discouragement.<sup>61</sup>

## 5 – Recent development of the co-operative identity.

There is a growing alignment of the theme of corporate social responsibility with the values and principles of co-operation. Owing to their specific nature, co-operatives and their business models are inherently socially responsible. CSR is naturally embedded in the co-operative identity.

Co-operatives are different in three key ways: they have a different purpose, a different control structure and a different approach to the allocation of profit. The corporate governance of co-operatives is also unique, demanding and delicate. Co-operatives are a specific genus in the market economy and are not always understood.

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<sup>59</sup> Bruni L. (2004) 'Cooperazione' in *Dizionario di dottrina sociale della Chiesa*, Vita e Pensiero, Milan

<sup>60</sup> It is a project of the Italian Bishops' Conference that endeavours to find answers to the problem of unemployment in the south of Italy, launched after the national ecclesiastical conference of Palermo in 1995 ([www.progettopolicoro.it](http://www.progettopolicoro.it))

<sup>61</sup> My translation from Italian of Bregantini G.M. (2007) 'Rinunciare, annunciare, denunciare', in *Aggiornamenti Sociali*, 7-8/2007, Milan

Two cases will be illustrated here: the first is the recent Italian reform of company law, with specific reference to co-operatives. The reform recognised the unique diversity, based on the nature of co-operative enterprises vis-à-vis other kinds of enterprises, and also drew attention to the mutualistic function of co-operatives. The second example is the evolution of the co-operative form toward multi-stakeholder structures as paradigm of “concern for the community”.

#### 5.1 – The example of the recent reforms of co-operative law in Italy<sup>62</sup>

In recent years the Italian co-operative movement has experienced a period of unprecedented activity, with one of the main results of this activity being the profound modification of the legislative environment of Italian co-operatives. These measures have provoked a change that is so wide-ranging and so deep, that it is no exaggeration to speak of a “revolution” in Italy’s co-operative law. Some fundamental legislative changes have been brought about:

The new discipline of “associated work”,<sup>63</sup> also called “worker-ownership”, which is typical of workers’ co-operatives, namely co-operatives where the members are the staff of the enterprise, i.e. worker-members. These enterprises are characterised by a distinctive type of labour relations, which are different from those experienced by conventional employees or by self-employed people.

The new regulations aimed to bring some order to a confused situation, with contradictory norms and frequent litigation. In the past, it was not uncommon that the worker-member was considered to be a “conventional worker”, especially when there was a contribution to pay, but was not accorded the same status when it came to eligibility for benefits.

The law and the modifications that followed have served to clarify the associative link between the worker-member and the co-operative and the subsequent contract of employment. In other words the contract of employment is an expression of the associative link. The contract of employment is an instrument of the associative relation that is predominant.

The reform of the co-operative audit<sup>64</sup> allows it to regain its original purpose of stimulating the improvement of management and the democracy of the enterprise. It confirms and reinforces the principle of the autonomy of the co-operative movement, which is deeply-rooted in Italian tradition, as well that of many other European countries. It confirms, in other words, the law’s confidence in the capacity of the co-operative movement to ensure the preservation of its identity.

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<sup>62</sup> Pezzini E. (2003) ‘La réforme du droit coopératif en ‘talie’ in *RECMA – Revue Internationale de l’Economie Sociale* n° 290, Paris

<sup>63</sup> Law 142/2001 and its modifications (art. 9 Law 14/02/2003 no. 30).

<sup>64</sup> Legislative Decree 2/08/02 no. 220

The objective of the co-operative audit is a legal provision requiring that all registered co-operative societies be audited annually. This audit, however differs significantly from the traditional accountancy audit, in that it aims to:

- Provide the organs of the co-operatives with suggestions and advice to improve management and internal democracy, in order to promote the real involvement of the members in the life of the enterprise.
- Verify, potentially by examination of the accountant and managers, the mutualistic nature of the co-operative, the effective involvement of the members in its social life and mutual exchange, and its accompanying eligibility for fiscal incentives.
- Ascertain the existence of an internal regulation of the worker-members and the conformity of the contracts of employment.
- Verify the capital assets, by acquiring all available elements: balance sheets, proceedings of the board of directors, reports of the auditors.

For most Italian co-operatives, a co-operative audit is obligatory every two years. For social co-operatives, housing co-operatives and larger co-operatives in general, it must be carried out annually.

The reform of company law<sup>65</sup> is a modernisation of the part of the civil code that concerns enterprises. It involves a rewriting of book V of the civil code, the part relevant to co-operatives being title VI, articles 2511 to 2548.

For co-operatives several innovations have been introduced, the most remarkable being that which defines "predominant mutuality" and the precise criteria needed to retain state fiscal approval.

The new company law creates a distinction between those co-operatives with "predominant mutuality", which remain eligible for fiscal incentives foreseen by the special laws, and those co-operatives without "predominant mutuality" that do not benefit from the same advantages.

Article 2512 of the civil code stipulates that "co-operative societies with predominant mutuality, because of the type of mutual exchange among members, are those that:

- a) Carry out their activity mainly in favour of the members, the consumers or the users of goods or services;
- b) Use mainly, in the exercise of their activity, the work of the members;
- c) Use mainly, in the exercise of their activity, goods or services provided by the members."

Article 2513 of the civil code gives precise criteria for the measurement of "predominant mutuality":

"The directors must, in the notes to the balance sheet, document the condition of predominance while establishing that the following parameters are true:

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<sup>65</sup> Legislative Decree 17/01/2003 no. 6

The revenues resulting from sales of goods and the benefits from services to the members must be greater than 50% of the total of the products of the sales and benefits.

The cost of the remuneration for the work of the members must be greater than 50% of the total cost of the remuneration for work.

c) The price paid for the services or goods provided by the members must be greater than 50% of the total cost of the services, of the cost of the goods or raw materials bought or brought."

The interesting aspect to underline is the reaffirmation of the original and essential diversity of the co-operative enterprise, and the stopping of the creeping process of forced assimilation of the co-operative to the traditional capitalist company. These attempts at assimilation have been made in a more or less overt manner for a number of years.

Indeed, co-operative members who have chosen to associate themselves and to create a company, do so for reasons that are very different from the rationale of the capitalistic company – to maximise value and capital.

The members of a workers' co-operative are generally more interested in the remuneration they receive for their work than in the capital. The members of an agricultural co-operative are more interested in the payment they receive for their products than in the capital. Different goals lead to different forms of organisation and management.

It is for this reason that the reform of company law in Italy can be described as a decisive act: it could have led to the further assimilation and trivialisation of co-operatives – or to the reaffirmation of their identity and their mission.

Therefore the reform, as well as confirming pre-existing conditions, introduced the new condition (one that has no effect as regards fiscal incentives) of predominant mutuality.

This is an additional condition that co-operatives are asked to fulfil, and it is also a new coercive element that is added to their regulation. It has however, the merit of confirming the identity and the mutual function of co-operatives, and of reminding them of the consistency and the respect that is due to their identity and their function.

The condition of "predominant mutuality" is not the only reaffirmation of mutuality and the specific relationship among the members as a strong distinctive characteristic of authentic co-operation. Various other provisions of the new civil code serve to orient the co-operative toward the mutual needs of its members,<sup>66</sup> and one is particularly significant.

For the first time, a general regulation of the dividend that the co-operative society assigns to the members at the end of the financial year, in proportion to their transactions with the co-

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<sup>66</sup> The possibility to operate with non-members must be the subject of a statutory disposition (art. 2521, paragraph 2); the social object must be linked with the qualities and needs of the members (art. 2521, paragraph 3); the statutes must regulate the exercise of the mutual activity with the members (art. 2521, paragraphs 2 and 5); and the principle of equality of treatment of the members must be respected (art. 2516).

operative (the mutual exchanges made during the year), find its place in the civil code. It is the dividend that exemplifies the mutual advantage that the co-operative must pursue.

#### The democracy of the co-operative enterprise

Following this reform, Italian co-operatives are confronted with several choices that derive from the statutory autonomy that co-operatives enjoy. Increasing the statutory self-determination of the co-operative means increasing the level of the democracy of the enterprise, with accompanying consequences for the level of the involvement of the members, rights, procedures, mechanisms etc.

The sense of the reform, and not only because numerous decisions are expressly devolved to the assembly, is to make the co-operators more conscious of the goals that they want to pursue through the co-operative, of the needs that they aim to satisfy and of the most effective organisation of the common enterprise. With these conditions, the reform of co-operative law is a real opportunity to accelerate the development of a stronger sense of co-operative authenticity.

The challenge is to reconcile mutuality and development, authenticity and improved competitiveness, and the role and participation of members is the key issue.

#### 5.2 – The evolution of the co-operative form towards multi-stakeholder structures

In recent decades we have witnessed a number of changes concerning co-operative models. The development of new co-operative models is connected above all to their increased engagement in the supply of educational and social services, which are carried out beyond the traditional boundaries of the co-operative membership.

This trend is also underlined by the European Commission which stated in its consultation document preparatory to the adoption of the *Communication on the promotion of co-operatives in Europe*, that:

An interesting recent development is the multi-stakeholder co-operative, which can accommodate wider interests than traditional co-operatives (which are oriented to members' interests) or capital companies (which are oriented towards investors' interests). These stakeholders may include employees, consumers, local authorities and local enterprises.<sup>67</sup>

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<sup>67</sup> European Commission (2001) Consultation document *Co-operatives in Enterprise Europe*

New types of co-operatives started to emerge from the 1980s onwards to take care of elderly people, children and disadvantaged people, and to provide basic services, such as health care and other social support services.<sup>68</sup>

At the same time, vulnerable groups started to join workers' co-operatives or community based service co-operatives,<sup>69</sup> and new co-operatives have started to flourish in a number of different sectors (waste management and recycling, environmentally friendly tourism, etc.).<sup>70</sup>

The aforementioned co-operatives, mainly supplying community services that benefit both members and the local community, resulted both from the changing role of the local state as regulator, rather than provider, and the combination of new unsolved social and environmental problems. That these co-operatives have managed to successfully enter into public sector activities is due to their ability to integrate different interests such as the good of their members and the common good with personal and societal gain.<sup>71</sup>

These new co-operative solutions take different denominations, due to different national traditions and legislative evolutions.

It is fair to say that it is the Italian social co-operatives who are the main innovators in this field. Social co-operation has become a strong, consolidated reality in Italy, comprising some 7,200 businesses with a total of 267,000 members, 31,000 volunteers, and 223,000 associated workers, among whom are 24,000 disadvantaged people. Annual sales for these social co-operatives are estimated to be around 5 billion euro.

By virtue of Law 381 of 1991, which recognised, after ten years of parliamentary debates, this new form of co-operative enterprise, social co-operatives have to carry out their activities "for the general benefit of the community and for the social integration of citizens". This is an acknowledgement that social co-operation is an instrument for the pursuit, not of the members' interest, but of the general interest of the wider community. Consequently, membership may consist of various kinds of stakeholders, including worker members, user members who benefit directly from the services of the co-operative, and voluntary members who work for the co-op in "a personal, spontaneous and free manner without any profitable aim", although the latter may not constitute more than 50% of the total workforce.

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<sup>68</sup> Galera G., (2004) 'The evolution of the co-operative form: an international perspective', in Borzaga C., Spear R. (eds) *Trends and Challenges for Co-operatives and Social Enterprises in Developing and Transition Countries*, Edizioni 31, Trento

<sup>69</sup> International Co-operative Alliance (1995), *Co-operatives towards the XXI Century*, Geneva

<sup>70</sup> ILO (2001), *The promotion of co-operatives*, Geneva

<sup>71</sup> Lorendhal B. (1997) 'Community and multi-stakeholder Co-operative/Social economy, toward a Swedish model', *Annals of Public and Co-operative Economics*, Vol. 68, no. 3 September

The law distinguishes between two types of social co-operatives:

- Social co-operatives generally defined as Type A, delivering social, healthcare and educational services. These co-operatives are primarily organised around: home aid, care centres, socio-educational centres, therapeutic communities, education and prevention, and hostels and rest homes for the physically and mentally handicapped, the elderly, minors and drug addicts.
- Social co-operatives generally defined as Type B whose activities further the integration of disadvantaged persons. These co-operatives are primarily organised around: agriculture, maintaining green spaces, cleaning, industrial laundry, information technology, binding and typography, cottage-industry activities and services. The disadvantaged workers in these “work integration” co-operatives include the physically and mentally handicapped, psychiatric patients, drug addicts, prisoners on probation and disadvantaged adults – who together must represent at least 30% of the workforce. In exchange they do not pay social security contributions.

Social co-operation had developed long before the promulgation of the 1991 law, with the phenomenon seeing the light of day in the late 1970s. In various regions of Italy, co-operatives were viewed as the business form best suited to the initiation of socially-oriented activities that needed to be managed as businesses. It was in this way that the first co-operatives came into being, backed by volunteers, social workers, the families of the handicapped and/or local administrations. All these experiences were based on the organisation of socially-oriented services and the variety of actors involved.<sup>72</sup>

Another example can be found in Portugal, which in 1996, and with the approval of the new Co-operative Code,<sup>73</sup> introduced the social solidarity co-operative. The statute of this new form of co-operative was defined by the law in 1998,<sup>74</sup> the aims being to give support to vulnerable groups (children, teenagers, disadvantaged persons, old persons), families and socially disadvantaged communities in view of their economic integration, as well as to Portuguese emigrants in difficulty. “The 1998 law differentiates ordinary members – beneficiaries of the services supplied, members of the families benefiting or paid workers – from voluntary members – providers of goods or services which are not remunerated, donors. The latter do not have the right to vote, or to be elected, but may constitute, together with the other co-operative bodies, a consultative committee called the General Council.”<sup>75</sup>

As François Espagne cleverly analysed, Portuguese social solidarity co-operatives are expected to satisfy the social needs of their members, their promotion and integration, but at the

<sup>72</sup> Pezzini E. (2001) ‘Le Consortium CGM. Le développement d’une « entreprise réseau »’ in Côté D. (ed.) *Les holdings co-opératifs*, De Boeck Université, Bruxelles

<sup>73</sup> Law 51/96 (7 September 1996)

<sup>74</sup> Decree Law 7/98 (15 January 1998)

<sup>75</sup> Galera G., op. cit.

same time are expected to carry out activities that benefit the wider community.<sup>76</sup> There are currently 60 social solidarity co-operatives in Portugal.

The third example of social co-operation is provided by France. On 28<sup>th</sup> June 2001,<sup>77</sup> the French National Assembly adopted law 624/2001 which, thanks to its article 36, introduced a new co-operative form: the Co-operative Company of Collective Interest (*Société Coopérative d'Intérêt Collectif* – SCIC).

The SCIC is in reality not a completely new legal framework, rather it is an adaptation of the co-operative law of 1947. Consequently, it shares with all other co-operatives the same prerogatives, types of structure, constraints and opportunities.

Alix Margado, one of the driving forces of the whole legislative process, describes the SCIC as “the result of a pragmatic approach. It was indeed those involved in associations and/or in co-operatives who asked the legislator to adapt the texts, and to extend the existing provisions so as to ensure that they were better suited to their objectives and their work”.<sup>78</sup>

The main characteristics of SCICs are: the opportunity for different types of actors to be associated within the same project: workers, volunteers, users, public bodies, companies, associations, private individuals etc. As regards the ownership structure, more member categories are admitted. The law prescribes the presence of at least three categories of members, of which workers and users are compulsory. Beyond the minimum of three categories, the multi-partner aspect of the SCIC is open to any other individual and any private and/or public legal person. All these persons can subscribe to the capital of the co-operative. Each associate takes part in the collective decision-making via the category to which it belongs, and each has one vote.

SCICs produce a wide variety of goods and services which meet the collective needs of a territory, involving the best possible mobilisation of its economic and social resources. The social utility of a SCIC is also guaranteed by its vocation to organise, among any actors, a practice of dialogue, democratic debate and citizenship formation.

In a further quotation from Margado, he states: “The multi-partner aspect of the SCIC, its capacity to enhance co-decision taking by people having a different relationship to the same activity, no matter what its activities, is the cornerstone of this new type of co-operative. It is the

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<sup>76</sup> Espagne F., (1999) ‘Les co-opératives à but social et le multisociétariat’, *Revue Internationale de l'Economie Sociale*, Paris

<sup>77</sup> Law 624/2001 (17 July 2001)

<sup>78</sup> Margado A., ‘A new form of co-operative in France: Société Co-opérative d'Intérêt Collectif (SCIC)’, in Borzaga C., Spear R. (eds) *Trends and Challenges for Co-operatives and Social Enterprises in Developing and Transition Countries*, edizioni 31, Trento

trademark and the guarantee that the SCIC's activity is well-rooted in the territory in which it operates." At present, 83 SCICs have been officially registered in France.<sup>79</sup>

This list of social co-operatives could be longer. In Spain, we are witnessing the development of the so-called "social initiative co-operatives", which are engaged in educational, welfare, medical and work integration services.

Since 1997 in Quebec (Canada) legislation has allowed for the creation of multi-membership, or solidarity, co-operatives. The relevant legislation states, "the solidarity co-operative concurrently consolidates members who are users of the services offered by the co-operative, and members who are workers employed within the co-operative. Moreover, any other person or company who has an economic and/or social interest in attaining the objective of the co-operative may also be member of the co-operative."<sup>80</sup> More than 250 solidarity co-operatives are active in Quebec; they are present in various fields of activity, with a dominant presence in the area of personal home services.

In Greece too, social co-operatives with limited liability came into being following new regulations introduced in 1999. In Japan, established and newly created co-operatives have started to take part in the social health care sector ...

In light of the seventh principle of the co-operative identity, "concern for the community" is really taken into account. Similarly, the involvement of various kinds of stakeholders in the activities of the co-operatives and in the decision-making process contributes to the promotion of a sense of social responsibility at local level. Once again, this demonstrates the commitment of co-operatives to corporate social responsibility as, instead of merely paying the concept lip service, co-operatives have shown their willingness to employ corporate social responsibility in practice.

The birth of social co-operation has returned the relationship between mutual and public benefit to the focus of the debate. Co-operation in fact is born with the purpose of profiting the members as consumers, workers or producers, in other words of assuring a mutual advantage to the members who co-operate to achieve common purposes (mutual benefit).

This rediscovery of mutuality, as distinguished from personal interest (which is the purpose of private business) and from altruism (which is the basis for charity and philanthropy), was one of the principal points on which most of the first theorists of co-operation insisted. It was also

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<sup>79</sup> More details at: <http://www.scic.coop/>

<sup>80</sup> Girard P. (2004), *Solidarity co-operatives in Quebec (Canada): overview*, in Borzaga C., Spear R. (eds) *Trends and Challenges for Co-operatives and Social Enterprises in Developing and Transition Countries*, edizioni 31, Trento

known in classical liberal doctrine that a co-operative, by creating jobs and generating wealth, indirectly contributes to the public wealth, in other words produces a public benefit.

In the past, some economists have identified in co-operation a phenomenon of "group egoism" (similar to but distinct from individual egotism). The experience of social co-operatives is a strong challenge to this distinction between the interest of the members and the public interest. It is now clear that the distinction between mutual and public benefit does not necessarily involve an opposition, as often the two elements are tightly interconnected.

And this is in fact one of the new areas in which co-operation is increasing today. It is the phenomenon typical of many non-profit experiences, of the economy of communion,<sup>81</sup> known as "mutual contamination" between the logic of the market and the logic of the solidarity.<sup>82</sup>

It challenges a whole deeply rooted economic and social culture that for at least a century has conceived of the logic of the enterprise and that of solidarity as incompatible and irreconcilable: the market creates wealth in an efficient way and does not have to deal with solidarity; the world of the solidarity (from the social state to charitable organisations) redistributes that wealth according to different criteria from that of efficiency.

Co-operation has always challenged this dichotomous vision and it is shifting more and more towards the social enterprise<sup>83</sup> (in a substantial sense, not merely a formal one), where solidarity is performed with efficiency and efficiency is achieved inside a solidaristic vision of the whole productive process.

Co-operation has always had its principal strength in knowing how to identify needs which neither the market nor the state has succeeded in meeting, and knowing how to resolve them by activating the capacity of solidarity and co-operation of the people.

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<sup>81</sup> Interesting publications on the experience of Economy of Communion are:

Bruni L. (1999) ) *L'economia di comunione: per una cultura economica a più dimensioni*, Città Nuova, Rome;

Lubich C. (2001) *Economia di Comunione: storia e pensiero*, Città Nuova Rome;

Gold, L (2004) *The Sharing Economy – Solidarity Network Transforming Globalisation*, Ashgate, Aldershot, Hampshire

Bruni L. (2005), *The Economy of Communion – When market meets gratuitousness*, Lebanon 25-27 January 2005, paper at [http://www.edc-online.org/uk/testi-PDF/bruni-txt\\_050127-29-e.pdf](http://www.edc-online.org/uk/testi-PDF/bruni-txt_050127-29-e.pdf)

<sup>82</sup> Bruni L., Zamagni S. (2004) *Economia civile. Efficienza, equità felicità pubblica*, Il Mulino, Bologna

<sup>83</sup> Borzaga C., Defourny J. (eds), (2001) *The Emergence of Social Enterprise*, Routledge, London – New York

## 6 – Conclusions

To summarise, co-operatives differ from other businesses in three key ways:

*A different purpose:* The primary purpose of co-operatives is to meet the common needs of their members, whereas the primary purpose of most investor-owned businesses is to maximise profit for shareholders.

*A different control structure:* Co-operatives use the one-member/one-vote system, not the one-vote-per-share system used by most businesses. This helps the co-operative to serve the common need rather than the individual need, and is a way to ensure that people, not capital, control the organisation.

*A different allocation of profit:* Co-operatives share profits among their member-owners on the basis of how much they use the co-op, not on how many shares they hold. Co-operatives also tend to invest their profits in improving service to members and promoting the well-being of their community.

Co-operatives are not a transitional form on the way to something else, they are what they are: people-centred businesses that can, under the right circumstances, enable people to pool their assets, talents and energies in such a way that they can collectively meet their own needs.

The sociologist Zygmunt Bauman<sup>84</sup> would say, perhaps, that in the global market co-operatives are happy anomalies, they are the "solid bodies" inside the ruling "liquid modernity". This seems to be a valuable response to a society based on movement, fluidity, flexibility, rootlessness and a way of living in an eternal present, with no yesterday and no tomorrow.

The concept of liquid modernity proposed by Zygmunt Bauman suggests a rapidly changing order that undermines all notion of durability. It implies a sense of rootlessness in all forms of social construction. For Bauman, "fluidity" and "liquidity" are the metaphors he uses to understand the nature of the historical phase that we are living through. Liquid modernity tries to eliminate all the solid bodies that hamper it. Solid bodies are the bonds that turn individual choices into projects and collective actions.

For Ulrich Beck<sup>85</sup> these solid bodies are, for instance, the family, class, the neighbourhood. He defines them provocatively as "zombie categories"<sup>86</sup> – dead but still living. In effect the family and traditional territorial links, especially in large cities where half the world's population already lives, seem to be undoing, in other words, liquefaction. Bauman concludes that every dense and

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<sup>84</sup> Zygmunt Bauman is emeritus professor of the universities of Leeds and Warsaw. He is very well known throughout the world by his numerous publications. I took inspiration from his famous book: Bauman Z. (2000) *Liquid Modernity*, Polity, Cambridge (Italian translation *Modernità Liquida*, Laterza Bari, 2002)

<sup>85</sup> Ulrich Beck is a German sociologist who holds professorships at Munich University and at the London School of Economics

<sup>86</sup> <http://www.caffeeuropa.it/attualita/115attualita-beck.html>

deeply rooted network of social ties in the territory is an obstacle to be eliminated. Global powers are intent on dismantling such networks so as to be able to enjoy a constant and increasing fluidity, the principal source of their strength and guarantee of their invincibility. And it is the frailty, the brittleness, the insubstantiality and the provisional nature of the bonds and networks of human interaction that allow, in the last analysis, such powers to carry out their intent.

Co-operatives are among these solid bodies. Their success is the demonstration that liquid modernity has to take into consideration powerful antitoxins produced by society, or – better – by groups of people who risk their own liberty to build and to reaffirm solid bonds.

Raising awareness about and operating under a different and diverse approach to governance, while remaining true to co-operative principles, is a key challenge. There are also several challenges that the co-operative movement has to face, in order to be able to respond to the expectations that are attached to it:

*A cultural challenge.*

Why is the historical, cultural and principled heritage of co-operatives not present in public opinion? Does the “obligatory” diversity of this specific form of enterprise mean that it is difficult for it to be translated into wider society? How can co-operatives overcome the “burden” of the past, which in some countries, means making a break with the old ideological distinction between “white” co-operatives and “red” co-operatives?

There are numerous strong signals that a growing proportion of the general public supports or wants a more balanced economic model and more sustainable and participative life styles.

After the fall of communism and the doubts about the capacity of liberalism to produce balanced solutions, co-operation has become a reference for a more balanced model for our economy or, to employ a term used in the draft Treaty for a new Constitution for Europe, an essential component of a new “market social economy”.

*The challenge of development and the eradication of poverty.*

Co-operatives hold a special place in the construction of stable societies in the South. Evidence from NGOs engaged in development programmes in southern countries clearly shows that the co-operative is a widely used tool.<sup>87</sup> One specific example of this is provided by the southern producer co-operatives who participate in the fair trade movement.

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<sup>87</sup> Defourny J., Develtere P. and Fontenau B. (eds.) (2000) *Social Economy – North and South*, Katholieke Universiteit Leuven – Hoger Instituut voor de Arbeid / Université de Liège – Centre d’Economie Sociale, Leuven / Liège

We can affirm that the co-operative model is an essential tool for the development of less economically developed countries. In the past, co-operatives failed when they were imposed by outsiders seeking to modernise people. In the future, the co-operative should develop organically, as a consequence of a community's evolution.

"No type of organisation is blessed with magic properties, not for-profit companies, nor trade unions, nor NGOs, nor decentralised local governments, nor co-operatives. This does not mean that the opposite is true, that any type of organisation can be made to do the same job. Organisational type determines which of several stakeholders owns and controls a business. It has important consequences for who gets control of the assets and how the profits are distributed. It provides different kinds of incentives for investors, managers, employees and customers. This makes one type more useful than others at doing particular tasks. If we want to enable less favoured people to help themselves through economic activities that build on their strengths and compensate for their weaknesses, then people-centred business such as co-operatives have built-in advantages."<sup>88</sup>

*The challenge of the new forms of "social and solidarity based economies".*

It is important to maintain the centrality of the co-operative experience in the development of the variegated and multicoloured world of the so-called solidarity, ethical and "alternative" economy, which shares models and co-operative principles but is reluctant to see itself as directly part of the co-operative movement. From the point of view of co-ops, they have to ensure that their original values are clear and strong, because over the years they have been clouded by the experiences of state interference in some countries or from the identification with capitalistic liberalism in others.

*The challenge to play a role to make democracy real.*

How to increase democratic participation, against the risks of a formalised and artificial or incomplete democracy? Free elections are important but are not sufficient to guarantee a real democracy. Ralf Dahrendorf entitled one of his recent articles "An election does not make democracy".<sup>89</sup> In fact, what about economic life, media control, administration of justice, etc.? Substantive, real, true democracy is a holistic approach. From the co-operative experience some answers can emerge – answers as to the quality, the depth and the effectiveness of democracy. In fact, co-operative enterprises provide a key opportunity for participation – they are organisations which practice and experience economic democracy and creators of "social capital" in communities. This means that the co-operative is a motor for trust, cohesion and subsidiarity.

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<sup>88</sup> Birchall J. (2004), *Co-operatives and the Millennium Development Goals*, International Labour Office, Geneva

<sup>89</sup> Ralf Dahrendorf, *Un'elezione non fa democrazia*, La Repubblica, Rome, 8 December 2005

Co-operatives also provide answers in terms of the equilibrium of economic power, in fact co-operative enterprises can also excel in very competitive sectors. This is largely due to the employment of organisational models that exploit the capacity of networking, a formula which allows co-operatives to overcome the "*pensée unique*" that claims that it is absolutely necessary for enterprises to be very large, that the economy is run only by the logic of profit and competition, and that in the capitalistic market there is a unique form of enterprise – those controlled by capital.

*The challenge of sticking to principles.*

I think that co-operatives have a clear economic and social role to play in today's society. This applies to countries in the North and in the South, in traditional sectors and in the social and solidarity-based economy. What the future role of the co-operative movement will be depend largely on the organisations themselves.

If the movement can continue to work with economic and social aspirations as well as renewing and adapting itself while retaining its fundamental values, this will undoubtedly be the case. For this reason, it is important that the members, managers and directors of co-operatives are, and continue to be, aware of the fact that co-operatives exist to serve their members and their community. Members, managers and directors must take full responsibility for this. The saying goes that "co-operatives do not have members, members have co-operatives"<sup>90</sup> and it will be a challenge for the coming decades to give shape to this idea.

The future of the co-operative movement lies in providing the answers to these challenges.

I hope the content of my text has made it clear that co-operatives have an important message in these periods of transformation and uncertainty, because they know how to turn needs into enterprises, problems into projects, and they know how to give answers, at least partially, to the questions of sense and identity for individuals and for local communities.

Are co-operatives good companies "by definition"?

The answer to the question is definitively "yes!". "Yes" because the co-operative, much more than any other business organisation or legal form of company, has the intrinsic characteristics of combining economic and social aims. To be extremely prudent we can add a small "but", that as the co-operative is a complex and demanding form of enterprise, it requires sophisticated governance. The question of whether or not the co-operative is a "good" company hinges on its level of coherence with principles, organisational model and mission.

The history of the co-operative movement that goes back 160 years, and its present, involving 800 million members throughout the world, prove that this is possible.

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<sup>90</sup> Hans-H. Munkner, quoted in J. Birchall (2003), *Rediscovering the co-operative advantage*

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