

Book Reviews

Humanizing the Economy: Co-operatives in the Age of Capital

By John Restakis

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ISBN 978-0-86571-651-3, US/Can \$19.95

Reviewed by Nick Matthews

With the background of the re-discovery of co-operation as a potential component of the 'Big Society' I have been developing a new module in the business school at Coventry University on Co-operative Enterprise in the Global Economy. The idea is to introduce students to the co-operative business model as a truly global phenomenon. Consequently I have been reading a lot of books about co-operatives and co-operation, which had not been a particularly edifying experience until I came across this delightful book.

John Restakis is the Executive Director of the British Columbian Co-operative Association from which he took a year-long sabbatical to produce this work. This was time very well spent. It is an articulate, passionate, polemical, and well-informed case for contemporary co-operation as both a vital economic, social and environmental force. The author takes on board the crisis in contemporary capitalism - what he calls the 'Grand Delusion' - and also the debilitating impact of modern economic forms on the weakening of social relations.

Restakis explores, via a concise historical and theoretical explanation of the co-operative idea, how co-operative enterprise is making better lives for people on a world tour taking in places as diverse as Italy, India, Sri Lanka, Japan, and Argentina. The topics explored include the challenges of success in Italy, where it is salutary to record that there are roughly twice as many co-operative enterprises in Emilia Romagna as in the whole of the UK. It seems that in Italy:

Provided with the legislative and market tools that enable them to utilize their natural strengths, co-operatives can out-perform their capitalist competitors in sectors that were formerly thought to be natural

capitalist strongholds such as large scale construction and engineering, retailing and financial services.

He explores the Emilian model and makes the case that:

Co-operation can provide a viable alternative to delocalization and the dehumanizing effects of work devoid of skill.

This gives much food for thought. The way the regional government has organised itself to promote co-operative business is a powerful lesson for the administrations in Wales, Scotland and Northern Ireland.

By the time the author reaches Japan he is exploring the challenge of social care and health co-operatives. He looks at the world's largest consumer co-operative movement (with seventeen million members) and how its members are coping with an ageing society with innovative health, social and social-care co-operatives as well as fascinating worker co-operatives for seniors. Japan looks like the future for the aging societies we now inhabit and it is gratifying to see so many co-operative developments arising to meet these new challenges. The strains being placed on the post-war welfare state across the developed world by demographic changes has led to an erosion of publicly funded state care. Sadly in most developed countries public-sector health and social care organisations are relatively easy to privatise because, although state-owned, they are already run as private-sector businesses with little input or control from their workers or users.

In the context of India Restakis looks at a co-operatives supporting sex-workers in Calcutta. To say that this is a challenging environment is an acute understatement but even here co-operation is improving lives.

USHA Multi Purpose Co-operative is a cross between a credit union, a consumer co-operative and a worker co-operative. "Without access to credit and the ability to save money, sex work is akin to bonded slavery": he persuasively argues that with just under thirteen thousand members this co-operative "has revolutionized the lives of its members".

He moves on to visit Sri Lanka and to explore the world of fair trade from its earliest beginnings to the current relationship between fair trade and co-operation. In this chapter the author articulates the worry that many of us have following the rush by the larger retailers to capture the fair trade label.

In the course of securing wider markets through the labelling system what seems to have been lost to sight is the hinge on which the fair trade system turns – the co-operative structure of the producer organisations.

The message is reinforced: it is co-operative structures that enable small farmers to leverage better prices. Clearly for fair trade to really add value there has to be a fair supply chain.

His next stop is Argentina. Many of us have heard of the 'recovered factory movement' triggered by the collapse of the Argentine economy and the arrival of the IMF in 2001. Today, despite all the difficulties, there are well over 300 factories that have been turned into co-operatives by their workers, which continue to produce and train their workers in spite of the global recession. In Bolivia a more remarkable achievement is the takeover of the mining sector by the indigenous workers who had been the exploited labour in these mines for decades. Some 60,000 people now work in these mining co-operatives.

It is impressive to note that the predictions of failure by the former owners of these enterprises have been confounded: only two of the original 200 'recovered factories' have closed down. The challenge that Restakis identifies, however, is that:

The threat to material economic security may be sufficient to spark revolt and unite formerly disparate interests, but to sustain the social impulse for reform beyond crisis, social relations and the institutions of an economy must themselves be changed

through the materialization of transformative ideas.

It is a cliché of co-operative development that co-operation needs co-operators and there is a parallel observation that co-operation grows out of places with a strong sense of community. As a former community organiser, Restakis turns his mind to the question of "the crisis of community", having taken a career move that did Barack Obama no harm, he obviously has an insight into the nature of the strength of community in contemporary society. He observes that:

At some basic level co-operation is hard wired into human behaviour - otherwise there could be no possibility of human society - but the instinct is unrefined and atrophied in a society in which the norm of social relations is competition, dependence or subservience to authority.

He points out that it is the weaknesses of communities that makes the development of a more co-operative economy difficult, and yet it "is that precisely at those times when co-operation is most needed it is in least supply". We know from our own experience how important communities are to the creation of co-operatives and that these process can become self perpetuating.

After an exhilarating journey we come to the final chapter, "Humanizing the Economy: Co-operatives in the Age of Capital", by which time the author has more than made the case for co-operative enterprise. He warns us, however, that whilst the conditions are making a more co-operative economy possible it will not happen by itself. One of his most important points I feel is his proposition that:

the idea of co-operatives and co-operative economic systems, based on the principle of reciprocity, be promoted, extended, studied, taught and reinvented, not only as a matter of public policy, but as a far higher political priority within the co-operative movement itself. For if the co-op model is not promoted far more vigorously by the co-op movement, its role as an alternative to contemporary capitalism will remain as tenuous and marginal as it is today.

There are a small number of minor errors in

this book: Robert Owen was born in Newtown not Newton and the author has the unfortunate North American habit of confusing socialism with communism, but these are as blots on

the sun. If you have any interest in contemporary co-operation you will enjoy and benefit from reading this book.

The Reviewer

Nick Matthews teaches at Coventry University, is Chair of the UK Society for Co-operative Studies, a Director of the Heart of England Co-operative Society and of Co-operatives UK.

Co-operative Banking: Innovations and Developments

Edited by Alessandro Carretta, Paola Schwizer and Vittorio Boscia

Published by Houndsmill: Palgrave Macmillan. 2009

ISBN 978-1-40399-669-5, £65

Co-operative Banking in Europe: Case Studies

Edited by Vittorio Boscia, Alessandro Carretta and Paola Schwizer

Published by Houndsmill: Palgrave Macmillan. 2009

ISBN 978-0-23057-677-3, £60

These two books are in the Palgrave Macmillan *Studies in Banking and Financial Institutions* Series, edited by Philip Molyneux

Reviewed by Johnston Birchall

Since the recent banking crisis and the resulting economic recession, an intense spotlight has been shone on the financial sector. Questions are being asked about how to prevent such a near meltdown in the future, and about what alternatives should be promoted to the investor-owned banks that have proved to be so disastrously unreliable. Suddenly, all round the world co-operative banking has gained significance. My own report on the resilience of co-operative banking (with Lou Hammond Ketilson and published by the International Labour Organisation) showed how strong co-operative banks and credit unions have been during the crisis, and how they are now gaining market share. Their advantages are plain: member ownership, closeness to the customers, concentration on retail banking, and lack of risk-taking, have all become attractive to policy-makers, while customers all round the world have been 'voting with their feet' and transferring to these less risky banks.

Under these extraordinary circumstances the publication of two books on European co-operative banking by a team of Italian financial experts is to be welcomed. The first book provides an overview of the experience of co-operative banking in Europe, where such banks are major players with a market share of over 20 per cent. It looks at the main characteristics of such banks, discusses their responses to the recent increased integration and competition in the market, and analyses the impact of regulatory changes (Basel 2 and IAS-IFRS) on the governance of co-operatives. The second book provides a series of detailed case-studies of co-operative banking sectors in several countries; Portugal, Spain, France, the

UK (the building society sector), the Netherlands, Germany, Italy and Finland. It then looks at ten newly admitted EU countries, Romania and Bulgaria. The overwhelming impression left by reading the books is that co-operative banking has been remarkably successful, outperforming other types of banks on most indicators and being able to modernise its services without compromising co-operative principles.

The first book provides a very general overview and could have benefitted from providing some concrete examples, while the second book has many concrete examples but with a very brief overview. There is still some work to be done here in integrating these approaches. For instance, the country case-studies are said to show that co-operative banks vary greatly between countries, whereas from a more global perspective they look remarkably similar. The fact that they have maintained their principles intact, and have kept their federated system of local, regional and central banks is much more important to the reader than the fact that some countries have a two tier rather than a three tier system. The chapter on banks in my recent book (*People-centred Businesses*, with the same publisher) focuses much more on the historical continuities and the remarkable way that co-operatives have not just survived but have prospered throughout continental Europe and (under the title of 'credit union') in most of the rest of the world.

However, these books are written by financial and banking experts rather than co-operative theorists, and they should be valued for what they do rather than what they do not do. They provide a valuable baseline for further work on

the subject, work that is made urgent by the banking crisis. It is unfortunate that, judging from their statistical analyses, their work seems to have been completed before the crisis hit; they do not mention it at all. This means that some of their generalisations are now out of date, particularly their views on the relative advantages of co-operatives and the likely impact of regulation. Had they been writing now they would surely have focused more on the questions of risk management and managerial incentives. Someone has to pick up the

challenge and update this work soon, and also extend it to cover an important question that the books touch on but do not explore: the meaning of membership. The crucial question now is whether the banks can maintain and, where necessary, renew their relationship with members. Can they make membership meaningful and make sure members participate in governance? If so, then they truly are an alternative to the greedy risk-taking of the investor-owned banks.

The Reviewer

Johnston Birchall is a Professor of Social Policy at the University of Stirling. He focuses on the subject of member-owned businesses: co-operatives, mutuals and consumer-owned public service agencies.

The Right to Learn: the WEA in the North of England 1910-2010

Edited by Jonathan Brown

Published by WEA North East Region, Newcastle-upon-Tyne. 2010

ISBN 978-0-900823-89-3, £14.99

Reviewed by Molly Scott Cato

Since its establishment in 1907, the Workers' Educational Association has made education in the broadest sense available to generations of working people. At a time when many are finding their opportunities to access education reduced this timely book provides a wide-ranging view of the role of the WEA in one part of the UK over the past 100 years. The book is in two parts: the first providing a historical perspective, the second more personal accounts. In Part 1 three chapters give detailed history before the First World War (the period of establishment and consolidation) and then between 1920 and the present, together with a general historical overview of the role of the WEA in the twentieth century. The remaining chapters offer case-studies of specific local branches or particular formative events.

Several of the authors of the chapters in Part 2 are themselves testament to the education provided by the WEA and are evocative and wonderfully written. In a chapter called 'Work Cums Fust' (surely a title that tutors would not have approved of!), Sid Chaplin, a miner from county Durham, describes his experience of fellow WEA students:

Tom Green was the first of many authentic scholars I was to meet in the WEA. Badly injured in a fall ... he had set about teaching himself to read Greek and Hebrew. Short and stocky, he lived behind his pebble-thick glasses with no other aim (so far as I could see) but the joy of disputation. Reading the texts was for him the equivalent of growing

leeks or racing pigeons, and he brought to it the same hotly competitive spirit. (p124)

One can read the WEA as a response based on mutual aid to the inadequacy of public provision of education and, while it is so much more than that, in this role it has perhaps been eclipsed by the provision of state education, and especially by its expansion into the fields of post-compulsory and adult education. The shift of funding to local education authorities and the rise of the Open University, for example, certainly contributed to the 'crisis' in the northern district in the 1970s. But the more interesting reading is one that challenges the predominant approach to post-school education today, based as it too often is on the transmission of information, what Paolo Freire called 'the banking model' of education. This book consolidates an alternative view that is due for a renaissance: of educational as emancipator and participatory.

For those of us who work in higher education, the sight of young people on the streets defending their right to come to university is at once a cheering and a disturbing one. Recognising that students value a university education is balanced by our knowledge that we could be the first generation of lecturers ever to see fewer young people, especially from working-class backgrounds, being able to come to our classes and lectures. At such a time the inspiration offered by the WEA is a valuable one, and perhaps its role in widening participation in education could take on a new significance in this age of austerity.

The Reviewer

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