

Co-operatives and the Economic and Environmental Crisis

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Introduction

The current economic and financial crisis has had an enormous impact across the world. Here in Ireland, we have experienced the harsh consequences of a sharp reversal of economic growth. During 2009, there was estimated fall of over 7 per cent in GDP, and of more than 10 per cent in GNP. Both measures had already shown a drop of 3 per cent in 2008.

A crisis in the Irish public finances has seen our national debt rise dramatically to well over €20 billion; the ratio of General Government Debt to GDP, calculated to have been just over 25 per cent in 2007, soared over the past two years to reach an estimated 65 per cent by the end of 2009.¹

The impact of the recession on employment has been particularly alarming. By January 2010, there were over 430,000 people on the Live Register as compared to 179,400 in January 2008.² Since the Live Register includes part-time workers, and seasonal and casual employees entitled to unemployment payments, it is not considered to be the official measure of unemployment. The official unemployment rate, as measured by the *Quarterly National Household Survey*, stood at well over 12 per cent by late 2009, compared to just over 4.5 per cent in 2007; in absolute terms, almost 280,000 people were without work, as against just over 100,000 two years previously.³

The widespread loss of jobs touches a deep and atavistic nerve in the Irish psyche. That thousands – hundreds of thousands – of Irish people should suffer what is one of the most shattering of human experiences is a matter of deep concern.

Just when we believed that our demon of unemployment, from which we had suffered since the Famine, had been exorcised by the extraordinary economic growth of the Celtic Tiger years, when Ireland was held up as example to the world (the numbers employed grew from one million to two million), it returns to torment us again. Many are deprived of hope, including people in middle age who have been made redundant

and young people who, despite good educational qualifications, are finding no openings for their talents. Emigration is once more an unwelcome reality for many people in Ireland – both for those forced to leave the country and for their families who remain behind.

Over and above the immediate economic and financial crisis, there looms the environmental, and in particular the climate change, crisis, which is already having significant impact in many parts of the world and which if unaddressed is projected to have a catastrophic consequences for our way of life and for the planet itself.

Co-operative Initiative

In the midst of the gloom and doom of the present situation, many people are looking beyond the immediate response to the crisis and are trying to explore the possibilities for more radical changes that would help bring about a more just and sustainable economic system. In this context, it is worthwhile to look at the potential offered by co-operative effort to contribute to a renewal of our economic and social life.

Definition of a Co-operative

The International Co-operative Alliance, which ‘unites, represents and serves co-operatives worldwide’,⁴ gives the following definition of a co-operative:

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.

The distinguishing values of co-operatives are identified by the International Co-operative Alliance thus:

Co-operatives are based on the values of self-help, 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.

The Alliance identifies seven ‘Co-operative Principles’ – guidelines by which co-operatives put their values into practice. These are:

Voluntary and Open Membership

(‘Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership ...’)

Democratic Member Control

(‘Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions.’)

Member Economic Participation

(‘Members contribute equitably to, and democratically control, the capital of their co-operative.’)

Autonomy and Independence

(‘Co-operatives are autonomous, self-help organisations controlled by their members.’)

Education, Training and Information

(‘Co-operatives provide education and training for their members, elected representatives, managers, and employees ... They inform the general public ... about the nature and benefits of co-operation.’)

Co-operation among Co-operatives

(‘Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.’)

Concern for Community

(‘Co-operatives work for the sustainable development of their communities through policies approved by their members.’)

Co-operatives, then, operate under a set of values very different to those associated with capitalism. These values require of co-operative enterprises, for example, that in their democratic decision-making, members (both individuals and groups) try to balance ‘the need for profitability with needs of their members and the wider interests of the community’.⁵ Only in the case of co-operatives are the three basic interests inherent in an enterprise – ownership, control and benefit – ‘vested in the hands of the user’.⁶

International Perspective

It is estimated that, worldwide, the co-operative sector has about 800 million members in more than 100 countries. The sector accounts for over 100 million jobs – 20 per cent more than the combined total of multinational enterprises.⁷ The scale of employment provision in some countries is striking: in France, for example, 21,000 co-operatives provide jobs for 700,000 people; in Germany, 106 co-operatives provide jobs for 440,000 people; in Kenya, 250,000 people are employed by co-operatives, and in Canada, co-operatives and credit unions employ over 160,000 people.⁸

An interesting case is Argentina where there are 12,670 co-operative societies with over 9.3 million members (around 23 per cent of the population). Argentina suffered a huge economic crisis in 2001, with devaluation of the currency and widespread unemployment. Since then, over 200 failing businesses have been occupied by their workers, expropriated more or less legally and re-opened as worker co-ops. Not one of these co-ops has gone out of business; they employ over 15,000 people.

A ‘world map’ of participation in co-operatives published by the International Co-operative Alliance shows, for example, that in Canada, one person in three is involved in a co-operative; in both the United States and in Norway, it is one person in four. In India, 236 million people are members of co-operatives; in China, 180 million; Brazil, 5.6 million; UK, 9.8 million.⁹ The ‘world map’ does not include a figure for Ireland, but the scale of membership of credit unions alone means that co-operative involvement in this country is extensive.

Worldwide, it is evident that the co-operative model can be applied across a wide range of activities. Co-operative enterprises are probably most commonly associated with areas such as agriculture, fisheries, financial services, industrial production, and retail, but co-operatives are also providers of housing; utilities (water, electricity and gas supply); health and social care services; transport; sport and recreational activities.¹⁰

It is noteworthy too that the co-operative movement is increasingly conscious of the need to formally address environmental questions, and in many countries co-ops are now engaged in initiatives with an environmental focus. The 2009 General Assembly of the International Co-operative

Alliance had, as one of its key themes, co-operative efforts to respond to questions of climate change and energy. In 2009 also, Cooperatives Europe (the European region of the International Co-operative Alliance) launched *ACT!*, a project designed to provide a European framework to encourage co-operatives to do more, by way of action, education and advocacy, to address the climate threat.¹¹

Co-operatives range from small-scale organisations to multi-million dollar enterprises. The Global 300 data base report for 2008 of the International Co-operative Alliance showed that the world's top 300 co-operatives alone were responsible for an aggregate turnover of 1.1 trillion US dollars, which 'is the size of the 10th economy of the world and is nearly the size of the Spanish economy'. Furthermore, co-operatives 'are major players in the national economies of developing countries ... [where they] play an important role in poverty reduction and job creation.'¹²

The Mondragon Experience

Probably the most successful co-operative system in existence is based in the small Spanish town of Mondragon in the Basque country in Spain. As is frequently the case in the development of co-operatives, the Mondragon co-operative was born of a great crisis, following the conclusion of the Spanish Civil War.

During the Spanish Civil War, the Basques, a very independent people with their own language and culture, took the side of the Republicans against Franco. When Franco captured the rest of Spain and advanced against the Basque country, the Basques put up a very spirited defence. They suffered greatly as a result, with Franco throwing the weight of his army against them, destroying their towns and imposing a very punitive regime. Many of the Basque army ended up in concentration camps; many fled to France but many were executed. The region's industry, which had been highly developed (and which dated back to the days of the Spanish empire) was destroyed.

Serving in the Basque army was a young priest, Fr. Jose Maria Arizmendi. He was captured, put in a concentration camp and narrowly escaped execution. When the situation had cooled down he was sent as a curate to the small town of Mondragon. He determined to do something about the high level of unemployment in the town. In

1943, he started a school for young apprentices and he made sure that they were highly qualified. He also taught them about the idea of worker co-operatives in which all members share in the ownership, the management and the profits of a concern. (The concept of co-operative initiative had been referred to in key social encyclicals of the Catholic Church.¹³)

When the students qualified they went to work in a local industry. Following the teaching of Fr. Arizmendi, they asked for a share in the management and the profits of the firm. When this was refused, a group of five left and, in 1956, established an enterprise of their own – an industrial co-operative making gas heaters and cookers. As Spain began to prosper, the demand for their products grew.

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In 1959, a co-operative bank, the 'People's Worker Bank' (*Caja Laboral Popular*), was set up and played key role in the expansion of Mondragon by facilitating access to capital and providing management training. Its 'Empresarial Division' provided direct support both to co-operatives in the process of development and to those already established. Groups of workers with a proposal for the establishment of a new co-operative enterprise could approach the Division and if accepted would be assigned an advisor and provided with expertise and support in order to establish the feasibility of the proposed project. If the initiative was able to proceed, the advisor would usually continue in that role until the enterprise had reached break-even point. This financial and managerial support enabled many new co-operatives to be set up and become successful.

In the 1980s, the 150 companies then in existence banded together as the Mondragon Co-operative Corporation. Mondragon is now regarded as the world's largest worker co-operative. It has been described as a co-operative multinational. Its supermarket arm, Eroski, is the largest Spanish-owned retail food chain. It runs co-operative schools for the children of the workers. In the 1990s, the original old village school was converted

into a co-operative technological college where students could work to help pay for their education.

For each individual business there is a workplace council, the elected President of which assists the manager. It is very important to note that the co-operative rules governing Mondragon allow the workers to have equity in the co-op which gives it a dynamism, making it possible for it to grow to its present impressive size.

The scale of the growth of Mondragon from its small beginnings over fifty years ago is evidenced in its Annual Report for 2008: this showed Mondragon to be the seventh largest business organisation in Spain and the foremost in the Basque region, with a turnover in 2008 of €15,584 million. It employed 92,773 people (77,835 in Spain) in 256 companies, the breakdown of employment by sector being: 51.8 per cent in retail; 44 per cent in industry; 3.1 per cent in finance and 1.1 in the knowledge economy.¹⁴

Co-operatives in Ireland

Credit Unions

As we attempt to find solutions to the problems of the current crisis, it may encourage us to remember that in middle of another recession, that of the 1950s, the initiative of ordinary citizens – not of government – led to the establishment of credit unions in Ireland. Today, credit union membership represents the most widespread form of co-operative involvement in this country.

The Irish credit union movement was founded as a result of the efforts of three dynamic, pioneering and entrepreneurial people – namely, Nora Herlihy, from Ballydesmond, a teacher based in Dublin; Sean Forde, an employee of Peter Kennedy Bakers, Dublin, and Séamus P. MacEoin from Kilkenny, a civil servant working in Dublin.

In Dublin in the 1950s, they witnessed the effects of high unemployment: sickness, malnutrition, money-lending, hunger, poor clothing, poor housing, and inevitably, emigration of one parent or of the whole family. State unemployment payments were low, leaving many of the families dependent on them in abject poverty.

The founders resolved to identify a system that would allow people on limited incomes to gain more control over their finances. In 1948, Séamus

MacEoin, together with Sean Forde, attended a course in Social and Economic Studies, organised by UCD and given by a Jesuit priest, Fr. Eddy Coyne. Fr Coyne had a good knowledge of co-operatives (he later became President of the Irish Agricultural Organisation Society) and during the course he spoke at some length about co-operatives as an instrument of development.

Numbers of his listeners were enthused and, following the example of the Folk Schools in Denmark, set up some discussion groups. After this course, Séamus MacEoin read a paper on the co-operative movement and it was on this occasion that he met Nora Herlihy for the first time. A meeting of minds took place at the Daonscoil (folkschool) in Red Island, Skerries in 1957. The theme was co-operation and the week-long event, organised by The National Co-Operative Council, was opened by the then Taoiseach, Eamon de Valera.



Nora Herlihy with President de Valera at the signing of the Credit Union Act, 1966

© Irish League of Credit Unions

The Daonscoil provided encouragement to the small band of credit union enthusiasts who now felt the time had come to turn theory into action. In September 1957, as a result of the Daonscoil, the Credit Union Extension Service (CUES) was set up within the structure of the Council. CUES was established to review and co-ordinate the various activities in progress and to stage promotional talks. CUES was the launch-pad for the credit union movement in Ireland. In the promotion of the credit union idea, CUES gained much knowledge from close association with Muintir na Tíre under Canon Hayes of Bansha.

The first credit union co-operative in Ireland was established in Dún Laoghaire in County Dublin,

and the second in Donore Avenue in Dublin city. These were followed by another, set up by a priest, Rev. Patrick Gallagher, in Clones, County Monaghan. It was important that one should prosper outside the capital to help the spread of the movement.

When the Government set up a committee to consider the issue of the legislation under which the credit union co-operatives should operate, Nora Herlihy was appointed to serve, alongside twelve men, as a member. Its deliberations were to form an important part of the process that led to the 1966 Credit Union Act, now the legal framework of the movement in the Republic of Ireland. The photograph of President de Valera signing the Credit Union Act, 1966 into law shows Nora Herlihy beside him. It was the crowning moment of her career.

The credit union movement grew rapidly: by the early 1960s there were one hundred credit unions throughout the country, and by the mid-1970s there were over 400. We now have over 500 credit unions in Ireland, North and South, with almost three million members.

Comparing credit unions and mainstream banks
Perhaps a good way to gain an understanding of the nature of co-operatives at this time when banks are at the centre of a great economic and social crisis is to compare the workings of credit unions or co-operative banks with their capitalist counterparts.

A key reason there are so many credit unions is that they are not in competition with one another: each of the credit unions in Ireland is totally independent and self-governing; each is rooted in a community and its *raison d'être* is to support that community.

A very important co-operative principle, which helps to explain this connection with community, is the principle of the 'common bond' which guides credit unions. The common bond is the factor which unites all the members of a credit union – it is what all members have in common. Because of the common bond, all members have the good of their credit union at heart; they know and trust each other. The common bond ensures that the savings of members are available to fellow members as loans at a fair rate of interest. It also enables credit judgements to be made on character and personal record as well as on commercial risk factors.

The most usual common bonds are:

- Community bond (where all the members live, and in some cases work, in a particular locality).
- Occupational bond (where all members are in the same profession or occupation, or work for the same employer).
- Associational bond (where all the members are in the same society or association).

Banks are in business to make money for their shareholders. They will, if necessary, withdraw from localities where their returns are diminishing. We have seen this happen in poor areas of Dublin, for example, and along the west coast of Ireland. Credit unions by contrast are democratic organisations and are run on the basis of one person one vote. They have no outside shareholders but are owned by the people who invest in them who are, in fact, their owners. Any 'profits' which are made by the credit union are returned to their members and by extension to the local community. So they can exist in the poorest of places, in both urban and rural areas.

It follows that if you join a credit union you are a member and part-owner of a democratic organisation which works for your benefit and by extension for your community. The organisation is yours with all the motivation and interest which that bestows. And you have the right once a year to vote in new members of the board and can go forward for election as a member of the board yourself. You can influence policy. It is therefore a fact that membership of a credit union can provide the opportunity for a deep learning experience which gives members a knowledge of business and business affairs.

Like a bank, each credit union is governed by a board of directors. But unlike banks, all of these directors are volunteers and are not paid for their services, though they give many hours of their time to their work each week. Compare this to the boards of the mainstream banks, whose directors receive handsome remuneration for their contribution.

Agricultural Co-operatives

Like credit unions, the agricultural co-operative movement in Ireland developed as a response to a crisis. Towards the end of the eighteenth century, the British Government in the person of the Prime Minister, Gladstone, began to buy out the Irish landlords and return the land to the

people. Sir Horace Plunkett, who was a landlord himself, decided to found a co-operative movement which would help the former tenants deal with the demands of their new status as independent farmers. After much effort, he got the first co-operative going in 1894 in County Limerick. The movement grew rapidly, and by 1904 there were 800 agricultural co-ops; by 1915 there were 1,000.

From the 1980s, significant changes occurred in the agricultural co-operative sector in Ireland, with many large dairy co-operatives establishing wholly or partly owned capital based subsidiaries or exchanging assets in the co-operative for shareholdings in public limited companies. Nonetheless, agricultural co-operatives remain highly significant in Ireland: they constitute 30 per cent of all co-operatives other than credit unions (and account for 65 per cent of the membership of such co-operatives) and their turnover represents a huge share of Ireland's important agricultural sector.

Other Co-operatives

More than 300 group water schemes, including almost all the larger schemes, are registered as co-operatives; these schemes, which exist to provide water to households not directly connected to a public water supply, represent around 30 per cent of all co-operatives outside the credit union sector in Ireland.¹⁵

Housing co-operatives exist to provide not-for-profit housing either on an owner-occupier or rental basis. The earliest home-ownership co-operatives in Ireland were established in the 1950s¹⁶ and in the 1970s and 1980s around 3,000 homes were built on this basis.¹⁷ Since the late 1980s, co-operatives have completed twenty-seven housing projects for rent, availing of the assistance of State-subsidised loan schemes.¹⁸

Despite the significant role and impact of co-operatives in the economic and social life of the country, the co-operative movement overall plays a more limited role in Ireland than it does in many other countries. A 2007 study by Forfás highlighted the fact that co-operative activity in Ireland was highly concentrated in particular sectors, so that many areas – such as industrial and craft enterprises, housing, health and social services, retail – which in other countries were the focus of significant co-operative activity were undeveloped in Ireland.¹⁹ There is, therefore, considerable scope for an expanded role for co-operatives in this

country, especially in the context of the economic and social challenges confronting us.

Co-operatives in the Search for a New Economic Order

The financial and economic crisis has exposed some critical fault-lines in the current profit-driven and multi-national dominated economic model. Many commentators and public figures are now raising the issue of what should happen beyond the immediate response to the crisis and the various attempts, at national and international level, to devise measures to try to prevent the re-occurrence of a financial collapse in the future. Increasingly, it is being pointed out that a return to a path of never-ending growth is neither realistic nor desirable.

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The narrowness of existing measurements of 'growth', the limitations of increased wealth in itself to enhance human well-being, the need to take account of the importance of personal, community and social 'goods', are now being repeatedly highlighted. In particular, there is a growing acknowledgement that a model of economic 'progress' based on patterns of production and consumption that involve the depletion of natural resources and the emission of environmentally damaging levels of carbon, is simply not sustainable.

In this context, it is clear that the values and principles that underpin co-operatives – such as social responsibility, solidarity, equity, participation in democratic decision-making – are central to the task of seeking more just and sustainable ways of meeting economic and social needs and promoting development.

The co-operative movement, therefore, can see in the current crisis an opportunity for its distinctive approach to find new and diverse ways of expression, in order to meet the serious challenges of our time. In her acceptance speech as newly-elected President of the International Co-operative

Alliance in November 2009, Dame Pauline Green, said:

*Our model with its commitment to returning surplus to the business, members and the community, its unique ownership structure and democratic traditions ... has a real potential to build a more plural economy, a diversified economy that will ensure that such a corporate collapse should never again occur. Our model gives back to communities and individuals a sense of control and engagement with their own economic good health ...*²⁰

The values of the co-operative movement are also highly relevant to the task of addressing the environmental crisis and can find expression not just in specific initiatives in relation to the environment but in the educational role which the co-operative movement has specified as one of its functions.

Throughout the world, co-operatives have, of course, been affected by the current economic crisis but the overall picture appears to be one of co-operative enterprises showing themselves capable of surviving and even thriving in the face of the downturn.²¹ Furthermore, Iain Macdonald, Director General, International Co-operative Alliance, has pointed out that the resilience and adaptability of co-operatives is being increasingly recognised by key international organisations and media:

*The World Bank, the International Monetary Fund, the International Labour Organisation and the United Nations alongside international business and national media including the Economist, Wall Street Journal, the Financial Times, Le Monde, El Pais, the New York Times, and many more have started looking at the co-operative model and acknowledging its success – albeit reluctantly!*²²

UN International Year of Cooperatives

International recognition of the potential role of co-operatives in the current situation received a significant boost when, on 18 December 2009, the United Nations adopted a Resolution proclaiming 2012 to be the ‘International Year of Cooperatives’.²³

The UN Resolution recognises that, ‘in their various forms’, co-operatives ‘are becoming a major factor of economic and social development’.

It draws attention to their role throughout the world in reducing poverty, generating employment and income, providing opportunities for vulnerable and marginalised groups, and supporting sustainable development in both urban and rural areas.

The Resolution encourages United Nations Member States, international organisations and the co-operative movement itself to take advantage of the International Year to promote the growth of co-operatives and to foster public awareness of their contribution to social and economic development.

It mentions specifically promoting the growth of agricultural co-operatives; financial cooperatives (describing these as a means of ‘providing easy access to affordable financial services for all’); and co-operatives to meet social service needs. It urges governments, in collaboration with the co-operative movement, to take ‘appropriate measures’ to create ‘a supportive and enabling environment’ for the development of co-operatives. Specific reference is made to ‘promoting and implementing better legislation, research, sharing of good practices, training, technical assistance and capacity-building ...’.

As a Member State of the United Nations, Ireland is called on to respond to the challenge, and opportunity, presented by the designation of 2012 as the International Year of Cooperatives. It is to be hoped that the Irish government, Irish co-operatives, and Irish civil society generally, including the churches, will seize this opportunity reinvigorate interest and action in relation to the contribution which co-operatives can make to achieving economic and social development that is balanced, sustainable and equitable.

Notes

1. Department of Finance, *Monthly Economic Bulletin, February 2010* (www.finance.gov.ie).
2. Central Statistics Office, *Live Register January 2010*, 3 February 2010 (www.cso.ie).
3. Central Statistics Office, *Quarterly National Household Survey, Q3 2009*, 16 December 2009 (www.cso.ie).
4. The International Co-operative Alliance has its headquarters in Geneva. Founded in 1895, it now has 237 member organisations coming from 89 countries (see www.ica.coop).
5. ‘What is a Co-operative?’, Website of International Co-operative Alliance (www.ica.coop).
6. *Ibid.*
7. *Ibid.*
8. International Co-operative Alliance, ‘Statistical Information on the Co-operative Movement’ (www.ica.coop/members/members-stats.html).

9. *Ibid.*
10. *Ibid.*
11. See www.actonclimate.coop
12. See International Co-operative Alliance, *Global and Developing 300 Data base* (www.global300.coop).
13. Pope Leo XIII, *Rerum Novarum*, Encyclical Letter on Labour and Capital, 15 May 1891; Pope Pius XI, *Quadragesimo Anno*, Encyclical letter on Reconstruction of the Social Order, 15 May 1931. Support for 'intermediate' and collaborative bodies is also to be found in later social encyclicals, such as Pope John Paul II, *Laborem Exercens* (On Human Work) 14 September 1981 and Pope John Paul II, *Centesimus Annus* (On the Hundredth Anniversary), 1 May 1991 (www.vatican.va).
14. Mondragon Corporation, *2008 Annual Report* (www.mondragon-corporation.com).
15. Forfás, *Ireland's Co-operative Sector*, November 2007 (www.forfas.ie).
16. NABCO (National Association of Building Co-operatives) website (www.nabco.ie).
17. Forfás, *op.cit.*, p. 21.
18. NABCO (National Association of Building Co-operatives) website (www.nabco.ie).
19. Forfás, *op.cit.*
20. <http://www.ica.coop/calendar/ga2009/ga2009-green-acceptance.pdf>
21. Iain Macdonald, Director General, International Co-operative Alliance, 'Co-operatives and the World Economic Crisis – Co-operative Opportunity', Bangkok, 2 July 2009 (<http://www.ica.coop/directorpape/presentations/2009-crisisopportunity-bangkok-july.pdf>).
22. *Ibid.*
23. United Nations General Assembly, Sixty-fourth session, Resolution 64/136, *Cooperatives in Social Development*, 18 December 2009.

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