CIRCOM, International Research Centre on Rural Cooperative Communities was established in September 1965 in Paris.

The purpose of the Centre is to provide a framework for investigations and research on problems concerning rural cooperative communities and publication of the results, to coordinate the exchange of information on current research projects and published works, and to encourage the organization of symposia on the problems of cooperative rural communities, as well as the exchange of experts between different countries.

Editorial Advisory Board

BARRACLOUGH, Prof. Solon, UNRISD, Geneva, Switzerland.

BIRCHALL, Dr. Johnston, Stirling University, UK.

CERNEA, Prof. Michael, The World Bank, Washington, DC, USA.

CRAIG, Prof. Jack, York University, Ontario, Canada.

CRONAN, Garry, Australian Centre for Co-operative Research and Development, Sydney, Australia.

DON, Prof. Yehuda, Bar Ilan University, Ramat Gan, Israel.

FALS BORDA, Prof. Orlando, Punta de Lanza Foundation, Bogotá, Colombia.


KRESSEL, Prof. G.M., Ben Gurion University of the Negev, Be’er Sheva, Israel.

MARON, Stanley, Kibbutz Maayan Zvi and Yad Tabenkin, Ramat Efal, Israel.

PARIKH, Prof. Gokul O., Sardar Patel Institute of Economic and Social Research, Ahmedabad, India.

PLANCK, Prof. Ulrich, Universität Hohenheim, Stuttgart, Germany.

SCHIMMERLING, Prof. Hanus, Agricultural University, Prague, Czech Republic.

SCHVARTZER, Prof. Louis, Universidad de Buenos Aires, Argentina.

SMITH, Prof. Louis, University College, Dublin, Ireland.

STAVENHAGEN, Dr. Rodolfo, El Colegio de Mexico, Mexico.

STROPPA, Prof. Claudio, Università di Pavia, Italy.

Editor: Dr. Yair Levi
Editorial Assistant: Daphna Bar-Nes

CIRCOM

Information for Subscribers: The Journal of Rural Cooperation is a semi-annual periodical, aimed at the pursuit of research in the field of rural cooperation. Editorial enquiries and other correspondence should be addressed to CIRCOM, Yad Tabenkin, Ramat Efal 52960, Israel (Fax: +972-3-5346376). Subscription rate: $27 per annum (plus $3.00 sea mail; $6.00 airmail).
CONTENTS


Editorial: Cooperatives in an Era of Globalization ........................................... 99

Challenges faced by cooperatives
Globalization and the "Cooperative Difference"
Levi, Y. .................................................................................................................. 105

Be More Cooperative to Become More Competitive
Presno Amodeo, N. .................................................................................................. 115

Cooperative experiences
The Cooperative Movement and Agricultural Cooperatives in the Context of Globalization
Belo Moreira, M. ...................................................................................................... 125

Solidary Economy: Challenges of Cooperative Agrarian Reform in Brazil
Farid, E. and Pimentel, A.E.B. ................................................................................. 141

Virtual Cooperatives in Brazil and the Globalization Process
Bialoskorski Neto, S. ................................................................................................. 153

The transformation of cooperatives
Agricultural Cooperatives and Dilemmas of Survival
Gray, T., Heffernan, W. and Hendrickson, M. ....................................................... 167

Basic Dilemmas of Utopia in Comparative Perspective
Ben-Rafael, E. .......................................................................................................... 193

Appendices: (1) Call for papers to workshop 39;
(2) Report of workshop 39 ..................................................................................... 205
Globalization and the “Cooperative Difference”

by
Yair Levi
CIRCOM
International Research Centre on
Rural Cooperative Communities, Israel

Abstract
Opposing logics support the global capital market and cooperatives. The first, in its pursuit of maximum gain, tends to detach itself from non-economic considerations. The latter, in their pursuit of maximum member and community servicing, have to subordinate the economic to social and other meta-economic considerations if they want to preserve their difference and raison d’être. For the purpose of this paper and drawing on Polanyi, the separateness of the economic from other institutions of society will be denoted as disembeddedness and its contrary as embeddedness. The disembeddedness/embeddedness phenomenon can be observed at the micro and macro level and is viewed here as strongly related to the “cooperative difference”. It is argued that: 1) the greater the degree of disembeddedness in a cooperative, the less it is likely to differ from non-cooperative organizations, mainly investor owned firms (IOFs); 2) the greater the degree of embeddedness in a cooperative, the more it is likely to differ from other organizations; 3) the greater the degree of global disembeddedness, the greater the capacity of mainstream economics to weaken the cooperatives; 4) the greater the degree of global embeddedness, the greater the cooperatives’ capacity for asserting and defending their difference. These propositions are put to the test of empirical experiences.

Key notions

Globalization
By globalization and its impact on the agrarian sector is commonly understood a process of standardization of farm policies, increased permeability of national borders, uniform measures of environmental protection, increased competitiveness in food production and marketing and a growing control by transnationals over the whole process. However, far from leading to homogenization of rural issues, globalization can offer the opportunity to rethink local diversity and help local communities to either find niches in a new global economy or resist global pressures (McMichael, 1996). In a similar vein, we argue that globalization processes, in spite
of, perhaps grace to, the threats and the pressures involved, can bring to the fore and sharpen the “cooperative difference” and in so doing help to redefine the potential role cooperatives can fulfill in asserting and pursuing meta-economic norms and practices.

"Cooperative difference"

What is meant by “cooperative difference” is the extent to which cooperatives, as nonprofit and democratic organizations, are distinguished from non-cooperative ones, mainly IOFs (investor oriented firms). Far from being unequivocal, the cooperative difference has been ever since debated and questioned from both within and without the cooperative camp. This has generated a wide range of attitudes, from trend towards isomorphism and adaptation to mainstream economics, through the well-known “degeneration” theory to a clear assertion and defense of the cooperative distinctiveness.

"Embeddedness/disembeddedness"

By embeddedness is meant, in a general way, the “immersion” of the economy in the social context (Polanyi, 1957) or the extent to which the economic is influenced by non-economic considerations and factors (Granovetter, 1985; Barber, 1995; Portes and Sensenbrenner, 1993; Kurien, 1994). Disembeddedness, on the contrary, is based on the separateness of the economic from noneconomic considerations and institutions and on individual self-interest:

...The disembedding of economic from noneconomic requires that individuals engage in economic activity on the basis of motivations peculiar to the economy itself. These motivations have been termed “self-seeking”, “self-aggrandizing” and the like (Caporaso and Levine, 1992:37).

Our interpretation is based on the extent to which the economic is subordinated to the social in the current performance of the very cooperative organization. As such it is an inherent, built-in device, unlike controls or limits established outside the economic system. It is argued that cooperative difference/adaptation and the extent of embeddedness/disembeddedness obtaining at the local and global level, are related. Before we turn to specific illustrations of the issue, let us consider how economic embeddedness manifests itself in a cooperative.

Difference as an inherent feature

What most distinguishes a cooperative from a non-cooperative organization is at the core of its original aim to counter the capitalist model by depriving capital of its power. Major norms and operational tenets would include:

- excluding the possibility of an economic objective being the main objective of the cooperative;
• dissociating the decision-making power of the member from the type and amount of his/her equity;
• precluding the tradability of members’ shares;
• limiting the remuneration of members’ shares;
• precluding the possibility of distributing operational surpluses to members according to the kind and/or amount of their equity; distribution should rather be done either on an equal basis or according to members’ participation (patronage) in the activities of the cooperative;
• precluding the possibility of distributing the collective reserves of the cooperative during its lifetime;
• “disinterested devolution”, to mean that in case of dissolution, the remaining net assets cannot be distributed among the members but should rather be transferred to another nonprofit organization (though strongly debated by the ICA, this principle was not included in the official list of principles lastly approved by the ICA in 1995, yet is observed in many countries).

The above broadly reproduce the classical principles\(^1\) and outline what is specific about cooperatives. It would be simplistic, however, to think that even the most strict and committed observance of these tenets might guarantee the distinctiveness of cooperatives over time, especially under globalization. To preserve their difference, cooperatives need to go beyond normative rules, especially as to their role in the broader community and surrounding context. Let us turn to the field and observe how globalization may affect cooperatives.

**Beyond normative rules: a typology of farmers’ attitudes**

In an attempt to understand the reaction of Spanish farmers to globalization, four different types of discourses have been identified (Entrena and Moyano, 1998). These range from a stance, which stresses the mutualistic character of cooperatives and manifests an absolute rejection of globalization, to one, which favors an instrumental adaptation to globalization as a reality of our time and emphasizes efficiency rather than mutualism. The corresponding types of discourse emerging are a “radical left-wing” in the first case and an “official line” ready to substitute cooperative principles for pragmatic adjustments, in the second case. Here, cooperatives may remain as such in name only, working in practice as if they were full-fledged business enterprises. The two intermediate types have been labeled as “moderate left-wing” and “managerial”. To what extent can such “pure” types adapt to situations in

\(^1\)Special attention should be given to the changes and additions, mainly with regard to the need to acknowledge the possible participation of external capital, albeit under due precautions as to the cooperative’s autonomy (principle 4); and the concern for the community (the newly approved principle 7).
other countries? For the purpose of comparison, let us consider four countries, all in Europe, yet with disparate backgrounds and socio-economic characteristics, like Norway, Italy, Greece and the Czech Republic.

**Norway.** Strong international competition, the new European regulatory policies and changes in the tastes of consumers have put the big dairy cooperatives before the need for strategies aimed to combine mass production and niche production in a system of flexible specialization. This may jeopardize the egalitarian ethos among the Norwegian farmers and severely impact their whole life as milk producers, not least in the way they, as members, see their cooperative as a meeting place and a forum of direct, one man-one vote, democracy (Almås et al., 1997).

**Italy.** As a country with a particularly high level of cooperative development in the West, Italy puts relative high demands on reciprocity as a territorial strategy oriented towards the local community. A study of two farm cooperatives in the Po delta, highlighted four major strategies in order, for these cooperatives, to adjust to globalization of markets in terms of lower prices and better quality with less support from EU authorities: 1) increasing farm size; 2) reducing labor costs; 3) diversifying and increasing the quality of agricultural products; 4) providing the local community with services (territorial strategy). Each of the above needs special care and strategies as to how to relate reciprocity and space, in turn applied to a variety of institutional actors such as land reform agencies, consortia of cooperatives, worker unions, agri-tourism bodies, municipal authorities and other (Osti, 1997).

**Greece.** The corporatist heritage of the Greek agricultural cooperative organizations (ACOs) seems to have left them insufficiently prepared to face the threat of market, mainly transnational, competition. “The 'social' role of Greek cooperatives appears to be dissolving to the benefit of market forces. A new role is sought for the ACOs in Greece, which would mobilize the first grade (village level) organizations that have virtually remained inactive and are still attached to obsolete forms of cooperative activities and of representation” (Papadopoulos and Patronis, 1997).

**The Czech Republic.** Given the particular circumstances in which globalization trends developed in the Czech Republic, the reactions to this phenomenon are expected to be framed within the state-market-civil sector triangle. “The role of the civil sector (where grassroots cooperatives are an important component) should increase. It should help, for instance, to ...promote the emergence of various movements of farmers, consumers and supporters of alternative lifestyles expressing the values of non-unified, non-globalized cultures” (Hudečková and Lošták, 1997).

The above shows that globalization generates reactions which make a sort of a leitmotif cutting across national boundaries and constituting a serious concern, for farmer members, beyond the specific context of agricultural policies and pure
economic reasoning. What emerge are extra-economic considerations that touch upon local cultural-community issues.

**Relating “cooperative difference” and embeddedness/disembeddedness**

It is argued that disembeddedness and difference are inversely related, to mean that the greater the degree of disembeddedness in a cooperative (in other words, the lesser the subordination of economic to social considerations) the less the cooperatives are likely to differ from non-cooperatives. Conversely, the higher the degree of embeddedness, the more the cooperatives are likely to differ from non-cooperatives. This is supposed to apply on both the global-macro and the local-micro level.

Underlying are two opposed logics. On the one hand, those in favor of blurring the difference and focusing instead on the need to dissociate the economic from the social component of the cooperative with a view to ultimately converting the cooperative into an IOF or a co-op PLC (public companies with farmer cooperatives as majority shareholders). On the other hand, those who believe in the potential of the social and “relational” aspects of the cooperative, like members’ commitment, loyalty, the need for self-determination and an outward commitment to the community and the larger society and – last but not least – that “extra something” that makes the difference between cooperatives and IOFs:

Cooperatives, through their history and practice, are deeply embedded in the social: this is their advantage, not their liability... let’s never forget that cooperatives are in a position to offer much more than a strong bottom line...we need to spend more time discovering, defining and demonstrating what that extra something is; (that extra something is cooperatives’ unique capacity to) empower people in their companies, in local communities...in Washington, D.C. (Freeh, 1993:192).

The very notion of disembeddedness stems from the penchant of neo-classical economics to view the economy as something that can be analyzed in isolation from other disciplines, thus dismissing whatever pertains to norms, traditions, and in a general way social – as “irrational” (Ormerod, 1994). It follows that the stronger the effect of this rationality through separating the economic from the social side of the cooperative, the higher the potential of mainstream economics to weaken the cooperatives:

...what is being challenged by the expert reprivatization discourse is not simply the discourse of cooperatives but the material form of cooperation as a social relationship that enjoys a relative autonomy from strictly private forms of capital investment, production and circulation... this very quality of cooperatives is related to its capacity to resist the radical
separation of economic from political and domestic spheres that is so characteristic of the neo-classical economic discourse (Mooney et al., 1996).

The macro level

A telling illustration of the weakening impact of economic disembeddedness on cooperatives can be observed in recent European policies. A group of experts appointed by the European Union to investigate the situation of agricultural cooperatives in 15 member countries issued a number of recommendations such as eliminating subsidization of prices, no recruitment of new members on account of social arguments, capital remuneration at market prices, reducing the amount of collective capital and issuing tradable shares (van Bekkum and van Dijk, 1997, quoted by Røkholt, 1999.). In brief, a sort of recipe for disembedding the economic aspects of the cooperatives from the non-economic ones, thus blurring the difference between cooperative and non-cooperative organizations. Ignoring the differences and emphasizing the economic inefficiencies serve the case of those in favor of demutualizing cooperatives and turning them into investor owned companies or "hybrid" cooperatives. On the contrary, emphasizing their special identity can help cooperatives to resist attempts at demutualization. The recent attempted takeover of the British Co-operative Wholesale Society (CWS) illustrates the issue (Birchall, 1998).

The micro level

The Canadian Saskatchewan Wheat Pool (SWP) illustrates an instance of high disembeddedness-low difference. With a membership of 74,000 (of whom 50,000 active farmer members) SWP had at the end of 1997 sales of $4.2 billion and net earnings of $47.3 million. To enable the cooperative to obtain the required capital without compromising obligations to members, to achieve a stable financial base without incurring in excessive debts and remain a voluntary cooperative, SWP launched in 1994 a conversion plan providing for the transfer of member equity to class “A” and class “B” shares, the first having voting rights, being non-tradable and available only to members, the second being for investments purposes and publicly traded. In April 1996 SWP was listed in the Toronto Stock Exchange as a publicly traded cooperative. Since then over 18 million shares were traded and it was estimated that by February 1997 about 80 percent of SWP shares were held by Canadians and that 47 percent of the members were owners of class “B” shares (Bryck, 1997).

This case, a typical “hybrid” cooperative, has been severely criticized as undermining the objective of local financial control by members in favor of non-user (non-farmer) investors (Ketilson, 1995); as questioning the right to use the label “Cooperative” (Rhodes, 1999); and on the ground that when “...assets and control formerly in farmers’ hands are now shared with private non-farmer interests...” a
situation is created where “...in order to survive over the long term a privatized cooperative will have to be more focused on maximizing profits and less on high levels of services” (Caceres, 1998).

Cases of high embeddedness-high difference can be observed in unconventional cooperatives typically—though not exclusively—in newly emergent multi-stakeholder cooperatives. Basic to the classic cooperative doctrine is the “identification of the notions of member and user” to mean that the interests of the member are usually represented by a single stakeholder as a consumer or a producer. This is at odds with the new practice of multi-stakeholding. Multi-stakeholders have recently proven their applicability and won popularity in such disparate domains as banking (see the experience of the UK Co-operative Bank, Thomas, 1997; MacKian, 1999); the day-care centers of Sweden (Pestoff, 1995; Stryjan, 1994); the Eroski consumer movement of Spain (Soraluce, 1998); and the social cooperatives of Italy (Borzaga, 1994; Barbetta, 1997; Levi, 1995 and 1998). Underlying these new experiences we find the idea that business can be approached with a view to ethic principles and by substituting the wellbeing of a variety of individual, group and community stakeholders for shareholder interests (the Co-operative Bank); that the privatization of welfare and health centers opens up new opportunities for cooperative formation (the day-care centers of Sweden); that time has come to implement the old plan of cooperation to have the workers share in the decision-making and financial benefits in the consumer domain (the Eroski experience); and to enable a new dialogue between healthy and disabled people under the same organizational framework (the social cooperatives of Italy). All these experiences share a strong orientation toward service and new “relational” occupations and a concern for the community. More recently, it has been claimed that the cooperative issue should be approached by focusing on the cooperatives’ “strengths” as embedded in their relational dimension, rather than on their “weaknesses” as manifested in their inability to abide by common economic “rationality” criteria and to meet the assumptions implied by transaction costs and agency problem theories. In a situation of increasing calls for solidarity, attempts by cooperatives to rely on “power based loyalty” rather than on “solidarity based loyalty” are doomed to fail. Hence the need for congruity between proclaimed aims and means to achieve them. The cooperative principles and values as recently approved by the ICA “have a pure ideological function” but lack a consistent theoretical basis. They focus on the relational dimension of cooperatives but fail to provide a theoretically developed theory capable of matching the transaction costs and the agency theory (Rokholt, 1999).

The tendency to give a new emphasis to relational features beyond the classic cooperative official discourse is gaining momentum on both the theoretical and empirical level.
Conclusion

Using the notion of embeddedness/disembeddedness can ease our approach to the globalization-locality issue. At a time when getting global implies getting free from local bonds and controls, embeddedness bring to the fore the importance of "immersion" (Polanyi, 1957) of something into a given context: in this case, of the economic into the other institutions of society. Locality, traditions and community are all too natural concomitant factors of a process of approachment. Distancing the social-organizational component of cooperatives from the economic-enterprise one matches the general tendency of globalization towards distancing the local from the increasingly virtual global. Being "local" in a globalized world has become evidence of inferiority and social degradation (Baumann, 1998). Globalization, as commonly understood, means overcoming the barriers of space. No wonder that the advocates of a reform of cooperatives and their conversion into common businesses act upon the distance between the social and the economic component to weaken the cooperative distinctiveness, thus easing the process of their conversion.

Historically and by their very definition, cooperatives can be supposed to be adequately equipped to counter the economic system into which they were born. This, however, was hardly true at that time, the less so today. Neither the classic values nor the principles seem to provide sufficiently robust means of facing the menace, as well as the lure, of the neo-liberal paradigm. This implies going beyond conventional cooperative tenets and forms resorting to the variety of social, cultural and political values endowing cooperatives – especially rural ones.

References


Borzaga, C. “La cooperazione sociale di inserimento lavorativo: un’analisi empirica dell’efficacia e dei fattori di successo”. Rivista della Cooperazione, 1994,


