

Consegna del Sigillum Magnum di Ateneo a Ivano Barberini

University of Bologna, 14th October 2008

Introduction from Johnston Birchall, University of Stirling

Magnifico Rettore, Professor Masetti, Ivano Barberini, Professor Grandi, members of Legacoop, fellow co-operators, thank you for inviting me to take part in this event. I want to begin by saying how pleased we all are that you are honouring the leader of the international co-operative movement in this way. Everyone in the British co-operative movement, and my fellow academics the world over, will want me to convey their congratulations and best wishes to Ivano on this great occasion.

Today I want to talk about the international co-operative movement. In his book on the International Co-operative Alliance, Will Watkins said 'international organisation is inherent in the Co-operative idea'. Yet many people who are active members or employees of co-ops still do not appreciate just how international it is. They think that co-ops are confined to their own country and are surprised when they find that people all round the world are running similar organisations on exactly the same principles, facing the same kinds of problems, and perhaps also thinking that co-ops exist only in their country. The fact is that modern co-operatives are a self-conscious attempt to put people at the centre of a business organisation. They did not just emerge but were designed and then replicated by people who had absolutely no respect for national borders. The Rochdale model of consumer co-operation began in a small English mill town in 1844 (though the principles they adopted had all been invented earlier by co-ops in Scotland – I have to say this because my wife, Bernadette, is Scottish). The idea soon spread all over Europe and by the end of the century was being tried out in places as far apart as Canada, Russia, and Japan. The worker co-op was invented in France but spread right away to Italy and Britain. In the 1870s, the Italians then refined it further into a labour co-op (that contracts with government to provide public works), a form that has proved hugely popular in India. The German rural co-operative banks spread all around continental Europe and were even tried out by colonial administrators in East Africa, India and Sri Lanka, while a parallel credit union movement begun in Quebec spread all over North

America and then worldwide. The agricultural co-op was invented early in the nineteenth century in the USA, but taken straight to Denmark, from there to become the dominant form of agricultural marketing in countries as far apart as New Zealand, Korea and Brazil. Early in the twentieth century, Swedish co-operators began to adapt the Rochdale model to a new form, co-operative housing, but then in the 1960s the favour was returned, when co-operators in Britain visited Sweden and brought the idea back. We are still doing it, looking enviously at the Mondragon system of worker co-ownership and the new generation agricultural co-ops of the American mid-West and wondering how to make them work at home. I would say we were all busy stealing each others' ideas, except that the idea of co-operatives has always and everywhere been given away free to anyone who can make use of it.

What is the international co-operative movement? This is a question I have never asked before, despite having written a book on the subject. I would say it is the sum total of all the actions taken by co-operators that goes beyond national borders. The most obvious focus of this activity is the International Co-operative Alliance (ICA), which was founded in 1895 and is the keeper of the movement's identity, values and principles. An international movement needs three things: recognition, protection, and promotion, and the ICA has provided all of these. It has helped national governments and international agencies *recognise* co-operatives as a legitimate form of business that has particular strengths in providing 'economic growth with equity'. It has *protected* the integrity of the co-operative form by updating the principles, first in 1937, then in 1966 and then again in 1995, and it has *promoted* new co-operative laws in the ex-communist and developing countries so that co-ops that were dominated by government bureaucrats and politicians can be set free. I guess that most of the people who are committed to an international view at one time or another have served on one of the ICA's regional, sectoral or thematic committees, but the international movement is more than this. It includes other international agencies such as the World Council of Credit Unions, the International Raiffeisen Union, the International Co-operative and Mutual Insurance Federation, the International Federation of Agricultural Producers, the worker co-op union CICOPA, and so on. Most are in membership of ICA, but some are not. We should also include the Co-operative Branch of the International Labour Organisation that specialises in co-operative development worldwide, and is in a

partnership with the ICA. People from other UN agencies are also involved, and they are members of a steering group called COPAC, the Committee for the Promotion and Advancement of Co-operation. Then there are the co-op development agencies such as the Swedish Co-operative Centre and the American Overseas Co-operative Development Corporation who provide assistance to co-ops in developing countries, and national federations such as Legacoop, Desjardins and the Canadian Co-operatives Association who provide direct movement to movement assistance. Then there are the primary co-operative societies who provide funding for useful work to be done with co-ops in the 'south' or, better still, create a direct North-South link in what we might call 'society to society' assistance. Co-ops have never been comfortable providing charity, and so the most exciting development must be fair trade, by which co-ops in the North and South meet on equal terms and do business for their mutual benefit.

This international co-operative movement is bigger than you might think. Most co-op members and workers only catch a glimpse of it when celebrating the International Day of Co-operatives on the 5th of July. However, when you think of the immensity of the tasks the movement has taken on it begins to look much smaller. We cannot do everything, and we have to be realistic about what can be achieved. If I were to ask you 'what are the most important priorities for action by the international movement?' I wonder which you would choose. Would it be gender equality, combating HIV/AIDS in Africa, promoting co-ops among poor people, campaigning for a fair globalisation, combating climate change, promoting world peace? The list is a long one and if we are not careful we will become demoralised by the enormity of the task we have set ourselves. I am reminded of the old Billie Holliday song 'Crazy he calls me', in which she sings the lines:

The difficult I'll do right now

The impossible will take a little while

I want to suggest my own list of six important priorities for the International Co-operative Movement, which we can act on right now and which, while difficult, are not impossible to achieve.

First, we need to understand the way in which large, nationally based co-ops are expanding to take advantage of growing regional and global markets. Some big agricultural and financial service co-ops have demutualised but others are finding

innovative ways to preserve member ownership. They enter into partnerships with investor-owned businesses, or offer non-voting shares in the co-op, or set up an investor-owned front organisation through which they do business, or they keep the traditional co-op federation but then buy up companies that become wholly- or partly-owned subsidiaries. Take the Nationwide Mutual Insurance Company in the USA. It is one of the largest insurance and financial companies in the world, listed as number 108 in Fortune 500. It is still owned by American farmers but the first thing you see on its website is its current share price, because it operates through an investor-owned company. Contrast this with Rabobank, which is the dominant bank in the Netherlands, serving over 50% of the population. It is also owned by farmers and local people through 174 local Rabobanks and, though it has lots of subsidiary companies all over the world it is committed to remaining Dutch and a co-operative. It is all very confusing, and I think we need to ask how such business expansion can be achieved without compromising co-operative principles. The problem gets more acute when co-ops expand their core business beyond national borders. Will they offer membership to people in other countries? If not, are they acting just like capitalist businesses? This question has been asked recently of the Mondragon Corporation, and the answer is not clear. Should co-ops expand into other countries at all, or should they just provide assistance to set up new co-ops in other countries and then form joint buying or marketing groups? As far as I know, the Eroski Co-op in Spain has chosen the first method, NTUC Fair Price in Singapore the second. The international movement ought to be providing some clear guidelines on this subject. The ICA's Global 300 Project is an excellent starting place for the kind of debate we need, as it is gathering information on those co-ops that are, in one way or another, going global.

A second priority has to be to defend the co-operative business model against attacks on its integrity. The subject of international accounting standards is not the most interesting on our agenda but it is one of the most important. If the International Accounting Standards Board gets its way, co-op shares will be reclassified as liabilities rather than assets, and this will have a profound effect on co-ops' ability to raise money. We have to make the international standard-setters realise that co-ops are not the same as capitalist businesses and that their members own the co-op. There is a similar misunderstanding among competition authorities on the nature of consumer co-ops. In Switzerland, Migros and Co-op Suisse have a

market share of more than 50%, and they are often being accused of creating a monopoly against the consumer. When Migros recently bought another supermarket chain, Denner, it was not allowed to integrate it into its business but to continue to operate it independently. I guess this means that customers will not be able to become members. But how can a consumer co-op operate against the interests of consumers? It does not make sense and we have to make sure the authorities know they are dealing with a different form of business.

My third priority is member development. This is an old theme but still an urgent one - how can large co-ops reconnect with their members at the same time as they are becoming even larger and more complex? Take for example the Co-operative Group in the UK that, with the takeover of a large supermarket chain, Somerfield, is now the fifth largest retailer in the UK. A few years ago we did some research on this issue, interviewing 500 people who serve on the Group's area committees. We found that democracy can be alive and well even in such a large business and that the way to involve members is to reconnect them with their local stores and to encourage them to act locally - for instance by sharing out the co-op's community dividend - and globally - by promoting fair trade. Yet it is still a big challenge to design co-operatives in such a way that thousands of members feel that they are involved in their governance. Looking at the Global 300 listing, I was surprised to find that the old federal structure of primary, regional and national level co-ops is still intact in most cases, but that the bigger consumer co-ops and co-op banks now measure their membership in millions, agricultural co-ops in hundreds of thousands. The biggest of all is probably Amul, the Indian dairy federation that has 23 district unions, 13,000 primary societies and 2.7 million dairy farmers in membership. We know that unless the interests of three groups - members, boards of directors and managers - are aligned, then co-ops deform, losing their sense of purpose and becoming prey to demutualisers. There is an urgent need to identify and promote best practice in member democracy.

My fourth priority is the reform of co-operative sectors in developing countries. You might think that this is another old song, and that with the liberalisation of markets in the 1990s and the passing of new co-operative laws that guaranteed the autonomy of co-ops this has already been achieved. Do not be fooled by the rhetoric of governments. Things are not always what they seem. In some countries the reform process is well advanced, but in others it has not even got started. Take, for

example, the cases of Tanzania and Sri Lanka. For the last two years Richard Simmons and I have been working in these countries trying to measure the potential and comparative advantages of co-ops in poverty reduction. In Tanzania the reform process has taken the form of a new law, new by-laws for primary co-ops, and a sweeping programme of re-elections overseen by the Registrar of Co-operatives that are designed to root out corruption and install real member democracy. The process has only been partly achieved because of lack of funding, and because it takes time; nothing less than the complete re-educating of the members is needed, along with a great deal of strengthening of co-operative management and business practices. The process could still fail. Savings and credit co-ops are growing fast, but everyone is worried about their growth outstripping their ability to keep their members' deposits safe, and there is the danger that government will co-opt them for its own purposes. Agricultural co-ops are being reformed and fair trade is giving them a boost, but there are now not enough of them and they can only make a real difference to farmers' incomes in two coffee growing regions. In Sri Lanka, vested interests have prevented reform. No new co-operative laws have been passed since 1991, and the government continues to dominate the system of multi-purpose co-ops that provide consumer goods to poor people in the rural areas. They and other types such as the Sanasa savings and credit movement face interference from a large bureaucracy of local, provincial and national co-operative commissioners. While Sanasa has avoided political interference and remains independent, critics say the multi-purpose co-ops are still 'governmental' organisations. Other developing countries are somewhere in between Tanzania and Sri Lanka but there is much hard work to be done. The United Nations is planning to declare an International Year of Co-operatives for 2012, and I think that one of its main priorities should be to persuade governments to set the old co-operative sectors free, return them to their members, and then make sure that politicians do not creep back in.

My fifth priority is the strengthening of the managerial and business capacity of co-operatives in developing countries. One answer is, of course, fair trade, and in this the consumer co-operatives of Italy and the UK and the coffee, cocoa and cotton co-ops of Africa are leading the way. We know that to get fair trade you have to have competent, committed organisations at both ends of the supply chain, and intermediate agencies that process, transport and package the goods. Preferably,

these intermediaries should be businesses jointly owned by co-ops so that the benefits all go to their members. Fair trade is only part of the answer, because there is potential for inter-cooperative trading within developing countries that far outweighs that between north and south. This has proved difficult to organise so far. Another part of the answer is the sharing of expertise. Some Northern co-ops are really good at this. The Canadian Co-operatives Association and Developpement International Desjardins are working in many countries sharing knowledge of how to run credit unions and introducing new technology and risk management techniques. The American National Rural Electricity Co-operatives Association is developing electricity co-ops in Bangladesh and Bolivia, while ACDI/VOCA is sharing knowledge of how to set up agricultural co-ops. However, some of the co-operative development agencies have been diverted into chasing project funding and have lost their co-operative focus. Similarly, when Northern co-op federations and primary co-ops respond to emergencies and crises in the South, they either provide charitable donations or work with co-ops through local non-governmental organisations (NGOs) that do not know much about co-op development. It is time to refocus our activities, not necessarily towards greater co-ordination of effort, but towards direct movement to movement relationships that emphasise co-operation rather than charity. If we all speak with the same clear message, then donor funding will surely follow and our impact will be much greater.

My last priority is also the most immediate. It is about the global banking crisis and what the co-operative banking sector can do about it. In the last few months, we have been made painfully aware that one of the most urgent human needs is for low-risk, people-centred financial services to counteract the destabilising effects of what we now know to be the high-risk, greed-centred approach taken over the last few years by investor-owned banks. Banks are meant to be safe, rather dull organisations about which there is not much to say. Certainly, I have not studied them with much enthusiasm until now. However, in the last few weeks we have all woken up to just how important they are. The global banking crisis has focused attention on some fundamental questions concerning who owns our banks, who controls them, and for whose benefit they are run. Banks are organisations that are meant to ensure financial stability and provide the means by which the 'real' economy produces and distributes the goods and services that keep us all alive. Over the last two decades, they persuaded governments that they were trustworthy

and did not need more than light regulation. Now we are forced to watch the spectacle of right wing politicians, who have been loud advocates of a free market and persistent critics of state interference, running to their governments for public funding that will be the biggest welfare handout in history. We are becoming aware of the sheer magnitude of the disaster, and of the waste of resources that, if the world's leaders had a similar commitment to ending world poverty, could have enabled us to reach the Millennium Development Goals and beyond by 2015.

In the public debate that this has provoked, the assumption tends to be that there are only two types of organisation, private and public. Banks are private because they are owned by investors and controlled by managers whose interests are meant to be aligned by a common interest in making money. Governments are public and it is their job to regulate the banks in the public interest. When the immediate crisis is over, the debate they would both like to have is about how to regulate the banks more narrowly to prevent such a crisis happening again. We must get across the message that there is another way of owning and controlling banks that puts the customers rather than investors at the centre of the business. There is no excuse for ignoring the co-operative banking sector – it is just too big for that. The World Council of Credit Unions has 49,000 credit unions in membership, with 177 million individual members in 96 countries. The International Raiffeisen Union estimates that 900,000 co-operatives with around 500 million members in over 100 countries are working according to the co-operative banking principles worked out in Germany by Friedrich Raiffeisen.

It will be interesting to see just how many of these member-owned banks get into trouble. I suppose if the banking crisis is deep enough they may all be at risk, but the evidence so far is that they are stronger than the investor-owned banks because they have put the interests of their members before short-term profit, have made less risky investments and have relied less on the wholesale money markets. The essence of co-operative banking is quite simple. It is that members, who include both savers and borrowers, use the co-op to recycle money from those who have it to those who need it, without anybody taking a profit and with interest rates set so that the system works in everyone's interest. The latest news is that the Canadian credit union sector is riding out the storm quite comfortably, because its business is essentially a safe one, of recycling money in what is called the 'retail market', enabling families and small businesses to save and borrow in a modest way, without anyone having

an incentive to make money out of them. The UK building society sector is also looking very healthy; on average they have borrowed only 30% of their funds on the wholesale markets and investors are now deserting the investor-owned banks, seeing the societies as a safe place to put their money. In contrast, two of the building societies that demutualised a few years ago, Northern Rock and Bradford and Bingley, have been nationalised and their investors – who swapped membership for share ownership – have seen their shares become worthless. Now is the time to spread the message that co-operative banking has a lot to offer in the biggest crisis the world economy has faced since 1929.

These are my six priorities for the international co-operative movement. No doubt you will have your own, and your aims may be more ambitious than mine. How do we decide what our priorities should be? I think we should be asking ourselves two key questions about what our international movement should be doing. First, are other non-cooperative organisations also doing what we are doing? If so, should we be doing something else that better promotes our unique co-operative values, principles and practices? Second, are we attempting something that is impossible? Should we not be doing the difficult things and letting the impossible ones go for the moment? I am not suggesting we choose to ignore the big issues. For instance, there are some things co-operatives *can* do to combat climate change or help bring world peace. But we should be realistic and use our resources wisely, always thinking what is specifically *co-operative* about what we are doing. In my own writing on the subject I find it helpful to keep in the back of my mind the words of Billie Holliday's song:

The difficult I'll do right now

The impossible will take a little while

Johnston Birchall, Glendevon 11th October 2008