**Whose Capital? Is Cooperative Ownership a More Sustainable Model for Capitalism?**

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**Draft paper: please do not cite or distribute without permission of the author**

## Introduction

When we think of capitalism, particularly with regard to sustainability, we tend to think of large, investor-owned corporations: Walmart, GM, United Airlines, Chevron, and so on. This is reasonable, since these companies dominate not only the economy itself but also our thinking about the economy. However, “capitalism” can take different forms depending on who controls the capital. In this chapter I will discuss an alternative to the traditional investor-owned model that, because it is inherently democratic and rooted in community, tends to be more sustainable: the cooperative.

Cooperatives are owned by their members and are democratic by design on the basis of one-member-one-vote. There are several different forms of cooperative—agricultural (producer) cooperatives, consumer cooperatives, worker cooperatives, and service cooperatives, as well as hybrid forms that combine parts of different forms. The members of the cooperative supply some of its capital through membership fees, and it may retain capital from its operations, but other capital needs are met without giving outside investors property rights—in other words, by renting it. The question is whether these member-controlled enterprises (which in some cases translates into their being community-controlled) are inherently more sustainable than the traditional form.

Although often dismissed as a fringe practice, cooperatives represent the largest alternative model to traditional capitalism. With over a billion members worldwide, including an extensive presence in the United States and other advanced economies, they represent a kind of low-hanging fruit for reorienting the economy toward a more sustainable model. By rooting capital in communities through a structure that is inherently democratic, what we might call *cooperative* capitalism could lead to a more sustainable economic system.

## What Is a Cooperative?

According to the International Cooperative Alliance, the apex organization for cooperative societies worldwide, “A cooperative 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. Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others” (ICA 2014). This is notably different from the standard view of the typical for-profit corporation, which has a single purpose: increasing the value of the holdings of its stockholders, reflected in the current share price of its stock—so-called “shareholder primacy.”[[1]](#endnote-1)

A cooperative is a business, but with some significant differences from your typical company: It is owned and democratically controlled by the people who use it, who also are the ones who retain its net revenue, or profit. From humble beginnings in England in the first half of the 19th century, the global cooperative movement is remarkable in its size and diversity. The ICA bills itself as the world’s largest non-governmental organization, with 233 member organizations representing over a billion people in over 100 countries worldwide. In 1995 the United Nations (U.N.) estimated that nearly half the world’s population is in some way affected by cooperatives. Indeed, the U.N. declared 2012 the International Year of the Cooperative in light of the movement’s extensive global presence and substantive impact in people’s lives (https://www.un.org/en/events/coopsyear/).

Cooperatives are well-integrated into all of the world’s leading economies, including the U.S. As of 2009, there were nearly 30,000 cooperatives in the U.S. operating 73,000 places of business. Altogether, cooperatives in the U.S. own over $3 trillion in assets, generate over $500 billion in revenue and pay over $25 billion in wages. While the number of individuals who are co-op members is difficult to estimate (because one person or family can belong to more than one cooperative), cooperatives nationwide count over 350 million members, reflecting an estimated 120 million individuals (Deller et al. 2009).

Any kind of business can be organized as a cooperative. A cooperative can be thought of as a kind of association, and the owners are the members of that association. In this way, they are no different from stockholders in a corporation. Also, like any other corporation, most cooperatives operate as for-profit entities,[[2]](#endnote-2) and the profits are returned to the owners as a dividend (at least, what isn’t used for debt service, held as retained earnings, or used in some other way the members may choose).

There are some important differences between a cooperative and a traditional corporation. One is that all of the members of the cooperative are equal as owners—that is, they all pay the same amount to join, and they are governed on the familiar democratic principle of one person-one vote.[[3]](#endnote-3) This may take the form of direct participation in decision-making (common in small cooperatives), or there may be an elected board of directors. Another difference is that the profits are returned to members not on the basis of their level of investment (i.e., how many shares they own—since all members only own one share), but on the basis of how much they use the co-op.[[4]](#endnote-4)

In terms of their operation, some small cooperatives are organized as collectives, in which all members participate in decision-making at a high level. However, many cooperatives operate like any other business, with a CEO and a hierarchical management structure. Yet even in these cases, rather than being answerable to investors, the management is answerable to the members of the cooperative.

Cooperatives can be categorized in different ways. The four most significant types of cooperative are distinguished based on the way ownership is structured. These are:

* **Consumer cooperatives**, which are owned by those who purchase the goods or use the services of the cooperative. These include credit unions, as well as retail, service, and utilities such as electrical and telecommunications cooperatives. Credit unions generally operate as non-profit companies, generally offering higher interest on savings and lower interest rates on loans, with fewer and lower fees than most banks or other savings institutions.
* **Producer cooperatives**, which are owned by people or enterprises who are engaged in producing similar goods, and who use the cooperative for distribution and marketing. This includes agricultural cooperatives, as well as independent craftspeople and artisans. Agricultural cooperatives are common around the globe, including familiar brands (e.g., Sunkist and Yoplait) and in some cases dominating national markets (90% market share for dairy cooperatives in the U.S.).
* **Service or supply cooperatives**, often called “purchasing cooperatives,”are a cross between consumer and producer cooperatives. These are usually formed by independent businesses or public agencies that come together to take advantage of advantages of scale and to establish services collectively that none would be able to provide separately. Municipal agencies sometimes form cooperatives to provide such things as fire services, or to reduce costs through shared purchasing arrangements.
* **Worker cooperatives** are owned and governed by the people who carry out the functions of the enterprise—the workers. Worker cooperatives tend to be small, although they can be quite large—some of the cooperatives in the Spanish cooperative conglomerate Mondragon have thousands of workers. In order to adhere to the cooperative principles, workers must govern their business, but they may hire outsiders to manage the day-to-day operations.
* A relatively new form, **multi-stakeholder cooperatives** distribute ownership and governance rights among different stakeholder groups, including producers, consumers, and workers, and even members of the broader community who don’t fall into any of those three groups (for example, recipients of home care services paid for by the government). Depending on the situation (and the laws in effect), only some stakeholders may have ownership (and receive a distribution of the profits), but all stakeholders have some representation on the board of directors in order to have a share in governance.

Something common to all of these forms is that the capital of the cooperative is controlled by its members—people who are directly engaged with the activity of the cooperative. This connection can be quite intensive, as it is in worker cooperatives where the members may work side-by-side, or more remote, as in consumer cooperatives where most members may have little or no interaction with other members. But even in a cooperative where the members don’t have much interaction, the difference from traditional corporate capitalism is substantial—the members enjoy governance rights because they are part of a community of members, as opposed to the traditional model where governance rights flow from the investment of capital and nothing else.

## Cooperatives and Sustainability

In a typical corporation, the principle of shareholder primacy means that all that really matters is the “bottom line,” reflected in the level of the company’s profits (the dividends it pays out) and its share price. Many companies may claim to be “values-based,” and corporate social responsibility (CSR)--including a focus on sustainability--is increasingly popular. But in many enterprises CSR is only considered valuable if it contributes to profitability; moreover, CSR may not be part of the core of a company’s identity (Lindgreen and Swaen 2010).

In theory, cooperatives should be more sustainable than traditional capitalism for a number of reasons. First, the absence of shareholder primacy means that co-op members can put other priorities before profits. This is most clear in consumer cooperatives. Although they receive the profits of the business in the form of dividends, those profits come out of the purchases the members themselves have made. In a way, it’s like they get some of their money back at the end of the year (or quarter, or whatever period the co-op chooses). For them, there is no value in maximizing profits. This is less true in producer and worker co-ops, for which profit may still be a powerful motive, but even these will be more likely to advance sustainability goals. In the first place, in contrast to shareholder-owned companies, they are more strongly rooted in the communities of which they are a part—instead of extracting wealth, they help communities retain it and spread it more evenly. In fact, they reduce inequality and can help to alleviate poverty by enabling people in lower socioeconomic groups obtain and retain wealth. As community-based enterprises, cooperatives are more likely to place greater priority on the health of the community, and to engage in long-term planning that emphasizes stability and modest growth.

Some arguments for the greater sustainability of cooperatives are less economic in nature and more social. Social capital has been identified as an important contributor to sustainability—the kinds of social connections that exist within a community and link it to other communities (Selman 2001). At the same time, cooperatives contribute in important ways to the development and strengthening of social capital, as Saz-Gil, Bretos, and Díaz-Foncea (2021) show in a recent review of the literature. Sustainability is also often associated with democracy, albeit in complex ways (Bornemann, Knappe, and Nanz 2022). Indeed, the difficulties major democratic republics have had in addressing pressing issues of climate change can easily lead to skepticism about whether the two ideas are even compatible. However, a good argument can be made that the problem here is not democracy itself, but the need for greater opportunities for public engagement, participation, and active deliberation (Setälä 2022). Cooperatives, as democratic institutions, can help with this, because they are places where people can gain direct experience in democratic practices, that they can then make use of in engaging with the political institutions of their community (Kaswan 2014).

In fact, these theoretical advantages are reflected in real life. Sustainability is an important part of the cooperative identity. At its 100th anniversary congress in 1995 the ICA adopted seven principles as central to cooperative identity. Many of these had been a part of the organization since its founding a hundred years earlier, but a new principle was adopted at that meeting. Principle #7, Concern for Community, reads, “Cooperatives work for the sustainable development of their communities through policies approved by their members” (ICA 2014). Thus, the connection between cooperatives and their community, and the commitment to sustainability, is at the core of the cooperative difference.

The ICA has taken a number of steps to advance sustainability. In 2012 it adopted the Blueprint for a Cooperative Decade, which included sustainability as one of its five key priorities (Mills and Davies 2013). The ICA has worked to push the recommendations included in the Blueprint through various means. As part of this initiative, the ICA performed a “sustainability scan” to identify markers or indicators of sustainability within the cooperative movement. The report found that, “The UN is correct to place its hope in the co-operative model as an engine of sustainability. There is a clear and direct relationship between sustainability and how co‑operatives describe themselves. The linkages to social dimensions of sustainability are stronger than the linkages to environmental and economic dimensions, but all three are present…. [C]o‑operatives embed sustainability into their operating model and values.” Still, they acknowledge that “further study is required to understand definitively the degree to which co‑operatives are ‘walking the talk’” (Dale et al. 2013).

Are cooperatives “walking the talk”? Quantifying the sustainability impacts of such a large and dispersed object as the cooperative movement is quite difficult. Nonetheless, the Committee for the Promotion and Advancement of Cooperatives (COPAC) has produced a series of reports that attempts to accomplish this—one brief for each of the 17 UN Sustainable Development Goals. These provide examples of the ways cooperatives all over the world are contributing to the sustainability of their communities. Most of these are small and local in scope, but in some ways, that’s part of the point—sustainability is more often associated with small-scale projects than large ones, and the democratic character of a cooperative is usually stronger when it is smaller (Kaswan 2014). A few examples will suffice.

* Ending Poverty (SDG 1): Pipinas Viva in Pipinas, Argentina, is a worker-owned hotel that was started after a local cement factory closed, leaving the community of 1,000 people with 65% unemployment. Pipinas Viva employs an approached it calls “community-based tourism,” which places sustainability as a primary principle. According to COPAC, the cooperative has helped to bring tourists into the town and contributes to the “flourishment of other micro and small enterprises in the local economy” (COPAC 2018a).
* Sustainable Water and Sanitation (SDG 6): Kuapa Kokoo is a cocoa-growing cooperative in West Ghana. In addition to supporting local cocoa farmers, Kuapa Kokoo has worked to improve sanitation and access to clean water in three communities (COPAC 2018b).
* Responsible Consumption and Production (SDG 12): The cooperative movement has long been at the forefront of the organic movement (Sligh and Cierpka 2007). Both consumer and agricultural cooperatives have demonstrated a strong commitment to sustainability, as the COPAC report shows. Consumer cooperatives, in particular, engage in a number of different sustainability practices, and some of these co-ops are very large businesses (COPAC 2018c).

The advantages of cooperatives for sustainability should not be taken for granted. For one thing, sustainability is a complex constellation of different elements that, in some cases, may conflict with one another (e.g., Valkila 2009). It’s also true that the producers and workers in agricultural cooperatives and worker cooperatives may still be motivated by a desire for profit in a way that can undermine sustainability (e.g., Hogeland 2006). Consumers that run consumer cooperatives may be motivated by a desire to keep prices low and may be resistant to investing large amounts of money that would be required to change a fundamental component of the business to make it more sustainable (for example, for an electrical cooperative to change the way it generates its power[[5]](#endnote-5)). If cooperatives are really democratic entities, then the way they operate should reflect the values of their members—so if their members are not concerned about sustainability, then it is unlikely that the cooperative will.

## Conclusion

The experience of the past 200+ years seems to suggest that capitalism as we know it is not sustainable. However, perhaps the problem is not capital itself, but the way it is used. So, the question is, who controls the capital? If capital is controlled by capitalists, people whose primary goal is to accumulate more wealth, then achieving sustainability may be difficult. But if capital is controlled by a broader group rooted in local communities with a diverse set of interests, ends, and values, then a more sustainable approach is not only possible, but probable. It is not a magic wand—if the global economy were to become cooperativized in an instant the challenges of sustainability would not suddenly disappear—but it seems clear that a society in which more enterprises were cooperatives would be more sustainable than otherwise.

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1. This concept is considered by some to be a “foundational concept of corporate law and corporate governance” (Rhee 2018). However, there have been some recent challenges to it, with some scholars saying that “shareholder primacy is losing its grip on the corporate world” (Grant M. Hayden and Matthew T. Bodie 2020; ; see also Lee 2006). [↑](#endnote-ref-1)
2. They can also be organized as non-profits. In fact, the two largest cooperative sectors, credit unions and electrical cooperatives, are required to be non-profits by statute. [↑](#endnote-ref-2)
3. In contrast, in most joint-stock corporations the shareholders receive one vote per share owned, meaning that the more shares one owns, the more votes one has. [↑](#endnote-ref-3)
4. What “use” means varies depending on the type of cooperative, as I discuss below. For example, in a consumer cooperative, it typically means the amount the member purchases; in a worker cooperative, it may mean the number of hours worked. [↑](#endnote-ref-4)
5. In 2020, approximately 20% of total US electricity production was through renewable sources (2021). In 2019, electric cooperatives, which cover 56% of the US land mass and serve 42 million people, produced 19% of power through renewables (NRECA 2021). While this is a negligible difference, the fact is that electric cooperatives are not more sustainable than the US electric system as a whole. [↑](#endnote-ref-5)