

Co-operative Development in a Competitive World

Of all the teachings we receive, this one is the most important.
NOTHING BELONGS TO YOU,
of what there is, of what you take, you must share.
Curve Lake First Nation, Petroglyphs Provincial Park, Ontario, Canada

Written by Russ Christianson

Abstract

Just over two hundred years ago, an energy, technological and organizational revolution started in England with the widespread use of coal as a fuel for the steam engine, and the invention of the “self-regulating market economy.” The industrial revolution quickly spread around the world, along with the free market system, and subsistence agrarian villages were transformed into factory towns and cities, with the emergence of slums, child labour, low wages, and pollution.

Co-operatives were a response to the social misery caused by free markets, and in 1844 the Rochdale pioneers created the co-operative principles that all co-operatives use today. Before the widespread exploitation of cheap fossil fuels (around 1850), the human population had reached about one billion – the natural carrying capacity of a solar agrarian economy. By 2000, the population was 6 billion and we were using 125% of nature’s yearly output. Clearly, using the world’s natural capital (water, soil, forests, fish, minerals and fossil fuels) faster than it can be renewed is not sustainable. As democratic, innovative and community-based organizations, co-operatives are playing an important role in transforming the short-term economic self-interest of the free market system into a socio-economic system that can sustainably fulfill people’s collective needs.

Introduction

Starting co-operative businesses seems to go against the grain of our dominant culture. A culture that celebrates win-lose competition and focuses on the “excitement” of conflict. In recent years, some large established co-operatives have even de-mutualized (the Saskatchewan Wheat Pool for example) as part of their management’s strategy to compete globally with large corporations.

Our society’s major institutions do not encourage co-operation. Nuclear family groupings and single family homes cut our co-operative ties to our communities and extended “tribal” support systems. Schools and universities have competitive evaluation systems built into their intellectual foundations.¹ Sports teams (amateur or professional) are

¹ A recent study found that MBA students in Canada and the United States are more likely to cheat than students in other disciplines because they believe it is how the business world operates — and because they believe their peers cheat. From Sharda Prasad , “MBA Students Likelier to Cheat”, Toronto Star (www.thestar.com), Sep. 20, 2006.

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quickly forgotten unless they win gold. Entrepreneurs and business executives are only successful if they become multi-millionaires. The underlying assumption in all of these examples is that life is a competitive, win-lose game.

Our children's minds, emotions and behaviours are conditioned with these myths, messages and images from a very young age. As they progress through life, they experience subtle and not-so-subtle external rewards and punishments designed to encourage individualism and competition.² It is difficult to peel back the generational layers of competitive conditioning to get to the intrinsic motivation of co-operation. For many people, it is an awakening, and they become lifelong, committed co-operative enthusiasts. In Paulo Freire's words, they develop a "critical consciousness"³:

Education either functions as an instrument which is used to facilitate integration of the younger generation into the logic of the present system and bring about conformity or it becomes the practice of freedom, the means by which men and women deal critically and creatively with reality and discover how to participate in the transformation of their world.

Co-op developers have an inherent responsibility to fulfill as adult educators, animateurs, facilitators, and catalysts for change. This article is intended to provide co-op developers and proponents with ideas that expose the cultural and economic myth of competition. In my experience, this myth is the most significant barrier to co-operative development, and it forms the basis of government policies and programs that favour free trade over fair trade. Our money and consumption driven culture strongly encourages people to act as self-interested individuals, and as people chase the material dream, their behaviour reinforces the myths that people are naturally greedy and that competition is the natural order of things.

Our Natural Propensity to Co-operate

Co-operative development is a complex activity. It requires the apex of human skill and knowledge in group dynamics, leadership, communication, and social organization. As a co-operative developer, it is important to be aware of these dynamics, and to know when to observe and when to intervene in the process of group development. And, this micro level of working with a core group is highly influenced by the macro level – the historical, cultural, social, economic and environmental influences present in our dominant culture.

As human beings, we are born with the benefits of more than two million years of evolution.⁴ Each of us is gifted with a brain that has a substantial inventory of intrinsic knowledge, and the ability to master complex tasks, including learning a wide variety of languages. Language allows human beings to communicate in

² Alfie Kohn, an American author has written two impeccably researched and accessibly written books on these subjects: No Contest: The Case Against Competition (1986, 1992); and Punished by Rewards: The trouble with Gold Stars, Incentive Plans, A's, Praise and Other Bribes (1993).

³ Paulo Freire (1921-1997) – Born in Brazil, Freire was one of the most influential educational philosophers of his generation. By the time his seminal work Pedagogy of the Oppressed was published in English (1972), Freire was already being acclaimed internationally as "the authentic voice of the Third World".

⁴ Ronald Wright, A Short History of Progress, Toronto: House of Anansi Press, 2004, page 16.

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great detail and efficiency because of shared meaning and understanding. As our ancestors evolved over millions of years, our ability to communicate verbally, visually and in writing has become more sophisticated. We have created complex technologies like the printing press, radio, the telephone, television and the Internet to enhance our ability to communicate. The electronic communication tools we all use everyday (and take for granted), only became widely dispersed in the last century – a blink of the eye in human evolution.

The reality is that our human brain has evolved over two million years to cope with the social intricacies of face-to-face communication. Reading and interpreting body language, facial expressions, and tone of voice are skills that have been finely honed over hundreds of generations. The use of these social skills to navigate the sea of human relationships is the main determining factor in our species' success.

Indeed, the most recent scientific research, in the multi-disciplinary field known as “evolutionary psychology”, confirms that **the way we behave today has its roots in the lives of our tribal ancestors.**

As science writer William F. Allman states in his book, *The Stone Age Present*:

The primary adaptation of our species is not hunting, tool making, or language, but our ability to co-operate. While the process of evolution is often characterized in terms of dog-eat-dog competition and the ‘survival of the fittest,’ this recent research reveals that our species’ success over the eons is due to the fact that we are the most co-operative creatures on the Earth.⁵

Survival of the fittest is a phrase that is often used to justify the racism, oppression, and exploitation that is built into “free-market” economics. It is a phrase that has been incorrectly assigned to the credit of Charles Darwin, the founder of the theory of evolution. In fact, it was the Social Darwinists Thomas H. Huxley and Herbert Spencer, not Darwin, who “coined this term and used it to justify the ascension of the wealthy elite and the exploitation of the poor.”⁶

As a response to Huxley’s 1888 essay entitled, “The Struggle for Existence in Human Society” the great Russian philosopher, Petre Kropotkin wrote his classic work, “Mutual Aid”. Kropotkin, a Russian aristocrat himself, was a keen observer of nature and human society, and spent many years in Siberia studying its geography, geology, and zoology. He also lived with the indigenous people of the region, and was greatly influenced by their co-operative, tribal ways. After a lifetime of study, discourse and observation, Kropotkin came to the conclusion that “in the ethical progress of man, *mutual support – not mutual struggle* – has had the leading part.”⁷

A century later, David Suzuki, Canada’s world renowned geneticist and environmental activist came to the same conclusion:⁸

⁵ William F. Allman, *The Stone Age Present*, Simon and Schuster, New York, 1994, pages 14 & 21.

⁶ *ibid.*, page 27.

⁷ Petr Kropotkin, *Mutual Aid*, Extending Horizons Books, Boston, MA, originally published in 1902.

⁸ David Suzuki with Amanda McConnel, *The Sacred Balance*, Greystone Books, Vancouver, 1997, p. 4.

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Just as the key to a species' survival in the natural world is its ability to adapt to local habitats, so the key to human survival will probably be the local community. If we can create vibrant, increasingly autonomous and self-reliant local groupings of people that emphasize sharing, co-operation and living lightly on the Earth, we can avoid the fate warned of by Rachel Carson and the world scientists and restore the sacred balance of life.

In my experience as a co-op developer, when I talk to people about our natural propensity to co-operate with each other, most people knowingly nod their heads in agreement. It sets a positive context for their hard work in developing their co-operatives, and provides an ongoing affirmation for their efforts. As a co-op developer, you will have to use your judgment regarding the appropriate times or “teaching moments” to introduce these ideas to the co-op members. A natural opportunity arises when we discuss the co-operative principles and values or during initial discussions regarding the reasons for starting the co-op.

Co-op developers need to educate themselves and co-op proponents that our current “free market” economic system is a human creation - it is not a natural system. And, it has only been around for two hundred years. We need to reinforce our intrinsic knowledge that human beings naturally co-operate, help each other, and share. Co-operation has been and will continue to be the most effective survival strategy.

Co-operative Solutions to Free Market Problems

Co-operation is the natural response of self-organizing groups who identify a common need and meet face-to-face to find creative ways to fulfill this need in a mutually beneficial way. As this informal co-operation is formalized in a legal organizational structure, the co-op members will require ongoing education, experiential learning, and the concrete application of the international co-operative principles. The fifth co-operative principle, “co-operative education” affirms the importance of investing in ongoing education to ensure the co-operative’s democratic culture is maintained, particularly in the face of our current economic system’s undemocratic operation.

Our current economic system originated in England at the beginning of the industrial revolution. As Karl Polanyi detailed in his classic work, *The Great Transformation*,⁹ market liberalism was the theoretical response of English thinkers to the massive social disruptions caused by industrialization in the early 1800s. Writers like Adam Smith attempted to provide a moral basis for the theory of market liberalism by defining “economic” rules that justified its core belief that human society should be subordinated to “self-regulating” markets. As England expanded its empire in the 19th century, these beliefs became the dominant organizing principle for the world economy.

Co-operative economics, championed by social reformers such as Robert Owen (a Welsh businessman), provided a more humane and concrete response to the social misery caused by free markets. In 1844, a group of weavers in

⁹ Karl Polanyi, *The Great Transformation – The Political and Economic Origins of Our Time* (Boston: Beacon Press, 1944, 1957, 2000).

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Rochdale, England, inspired by Owen, started a food co-op based on the co-operative principles they penned. As word of their success spread, co-operatives based on the Rochdale principles were started throughout the world.

After the First World War, the United States and Canada experienced a sustained economic boom, “The Roaring Twenties”, which came to an abrupt halt with the stock market crash of 1929. A deep economic depression ensued, and in 1933, the newly elected Democratic President of the United States, Franklin D. Roosevelt, introduced his “New Deal.” This brought together a broad coalition of social groups that supported an activist role for the federal government, and FDR regulated capital markets, used fiscal policy to create jobs by building infrastructure, and introduced relief (welfare), unemployment insurance and social security. In Canada, the Conservative Prime Minister, Richard Bennett, attempted to implement similar reforms, but, like today, the provinces challenged the federal government’s right to manage these programs. Canada’s economy was protected from further decline when Britain more than doubled the value of its purchases from Canada.¹⁰

During the “Dirty Thirties”, there was a successful flurry of new self-help co-operatives organized in the United States, including 300,000 members in California’s “reciprocal economy”.¹¹ In Canada, several established co-operatives hired organizers to help start new co-operatives of all kinds.¹²

After the Second World War, the citizens of western democracies ensured that the social programs and constraints on the “free market” introduced during the Great Depression were solidified, and co-operatives began to thrive again. For the next four decades, the world’s two remaining superpowers, the free market United States (and its allies) and the communist Soviet Union, competed against each other (in the “Cold War”) for world influence, building enormous stocks of conventional and nuclear weapons. By December 1991, the Soviet Union could no longer keep pace, its highly centralized economy collapsed, and the United States emerged as the world’s sole super power. Proponents of “free markets” viewed this as a victory, and every US President, British Prime Minister, and Canadian Prime Minister since has unabashedly promoted market liberalization.

Since Ronald Reagan, Margaret Thatcher, and Brian Mulroney reigned as conservatives in the 1980s, “free trade” and global competition have been the economic mantra of our governments, transnational corporations, and international financial institutions. Globalization is a code word for a collection of “free market” economic policies, including:

- Unfettered international movement and concentration of capital,
- Corporate and personal tax cuts (mostly benefiting the wealthy),
- Deregulation, including diminished labour and environmental standards,
- Privatization of public assets, and
- Diminishing governments’ role in the economy.

¹⁰ www.wikipedia.ca

¹¹ Jonathan Rowe, “Entrepreneurs of Cooperation”, YES! A Journal of Positive Futures. Bainbridge Island, Washington USA: Issue 38, Summer 2006.

¹² Ian McPherson, Co-operative Movement, www.canadianencyclopedia.com

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This emphasis on global competition creates a very challenging political, economic and cultural ethos within which to develop co-operatives. Even though co-operatives have an excellent track record in Canada, with one in three people being members, and a survival rate that is twice as high as conventional businesses,¹³ it is an ongoing struggle to gain supportive government policies.

Like the old proverb says, with every challenge there is an opportunity. As the globalized economy leaves more and more people and communities behind, groups all over the world have identified opportunities to meet their needs by co-operating together locally. There are thousands of examples of these local co-operative initiatives, from credit unions in India, fair trade coffee growers in Nicaragua, industrial worker co-ops in Argentina, renewable energy co-ops in Denmark, and forestry co-ops in Canada. The following statistics paint an impressive picture of the worldwide impact of the co-operative model:¹⁴

- In 1994, the United Nations estimated that the livelihood of nearly 3 billion people, or half of the world's population, was made secure through co-operative enterprises.
- Over 800 million people in over 100 countries worldwide are members of co-operatives.
- Co-operatives provide over 100 million jobs around the world, 20% more than multinational enterprises.
- In the United States, more than 120 million people (40% of Americans) belong to 47,000 co-operatives.
- There are 132,000 co-operative enterprises in the European Union, with 100 million members and 2.3 million employees.
- Canada has over 9,500 co-operatives and credit unions, with combined assets of approximately \$300 billion, employing over 155,000 people.
- Quebec, a province that has had co-operative friendly policies for decades, accounts for almost 40 percent of all co-operatives in Canada, and nearly 50 percent of co-op jobs.

The principles and values of co-operatives provide a positive alternative to the hierarchical business structure favoured by the neo-liberal economy. The table below provides a comparison between the values of the competitive “free-market”, and the co-operative, “fair-market”.

¹³ *Survival Rates of Co-operatives in Quebec*, Quebec Ministry of Industry and Commerce and the Co-operatives Secretariat – Government of Canada, www.agr.ca/policy/coop/accueil.html, 2000.

¹⁴ International Co-operative Alliance, www.ica.coop, 2007; National Co-operative Business Alliance, www.ncba.coop, 2007; and Canadian Co-operative Association, www.cca.coop, 2007.

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Value Comparison

Competitive (Free-Market) Versus Co-operative (Fair Market) Economic Systems

Competitive Values	Co-operative Values
Self-interest (win-lose)	Mutual Benefit (win-win)
Maximize Individual Wealth	Fulfill Collective Needs
Short-term	Long-term
Global Fear	Local Empowerment
Autocratic	Democratic
Information Control	Information Sharing
Bigger is Better	Small is Beautiful
Centralized	Decentralized
Status Quo	Visionary Change

These values provide the underlying motivations for people in their daily activities. The contrast between the competitive values and the co-operative values is startlingly clear. Given the last few years of very public corporate scandals, and the greed exhibited by many corporate officers, it is not surprising that co-operatives enjoy a very favourable public perception. Here are some results from recent public opinion surveys.

In the United States¹⁵

- 77% of people said co-ops have the best interests of consumers in mind, compared to only 47% for private corporations.
- 76% agreed that co-ops run their businesses in a trustworthy manner and for the benefit of their communities, compared to 53% for publicly traded corporations.

In Quebec¹⁶

- 75% of the general public view co-ops as a good solution to economic challenges.
- 79% believe they offer better prices than corporations.
- 83% believe that they encourage a hands-on, take-charge approach to the local economy.

¹⁵ National Co-operative Business Association, survey performed by The Opinion Research Corporation of Princeton, N.J. 2003; from <http://www.co-opmonth.coop/primer/perceptions.html>

¹⁶ Bruno-Marie Béchard, "A Co-operative Approach for Uniting Our Society", 2006 Co-operative Forum, Université de Sherbrooke, March 14, 2006, from http://www.usherbrooke.ca/accueil/direction/allocation/2006/forum_cooperation-060314_eng.html

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If we look at the overall outcomes of globalization, we can easily understand why co-operatives are so positively embraced by nearly a billion people worldwide.

Concentration of Wealth

It should come as no surprise that the wealthiest families (who own the majority of shares in transnational corporations) have been globalization's main beneficiaries. Free trade has resulted in substantial gains for the owners of capital at the expense of wage-labourers. Corporate profits have risen everywhere, while in four out of five developing countries the share of wages in manufacturing value added is much lower than it was thirty years ago.¹⁷

Tax Cuts

Not only are corporations and their wealthy owners making higher profits, they are also paying less income tax. For example, since Canada's federal budget in 2000, the corporate tax rate has declined from 28% to 21%, making it significantly lower than the United States (35%). And yet, Canada's business elite continues to lobby strenuously for further tax cuts – using the usual “globally competitive” argument. In the words of Don Drummond, Chief Economist of the Toronto Dominion Bank, “Canadian corporations are riding a wave of record profits and sitting on an unprecedented pile of cash”. So much cash that “it raises questions about whether they need or would make productive use of further tax relief.”¹⁸

Diminished Labour Standards

In the name of trade liberalization and labour market flexibility, corporations, the IMF, and the World Bank have required developed and developing countries to water down their labour standards. Labour market deregulation makes it easier to hire and fire employees, lower wages, and diminishes collective bargaining standards. Today, a full-time permanent job is an oxymoron. Instead, more and more people live from short-term contract to short-term contract, with no benefits or job security.

Privatization

Privatization of public assets has resulted in fire sale prices, a direct transfer of wealth from the overall population to private owners – transnational corporations and local elites. In some cases, privatization has been marked by extreme corruption, creating a small group of billionaires who have gotten away with stealing the public's wealth. For example, the Russian gas giant Gazprom was privatized for \$250 million when Russia embraced the IMF's free market policies. Three years later, Gazprom's market value was \$40 billion. In the United States, it would have been valued between \$300 billion to \$900 billion USD. Other publicly owned oil,

¹⁷ Robert Wiessman, “Grotesque Inequality - Corporate Globalization and the Global Gap Between Rich and Poor”, *Multinational Monitor Magazine*, July / August 2003; extracted from www.thirdworldtraveler.com/Third_World/Grotesque_Inequality.html

¹⁸ Don Drummond, TD Bank Report, April 2005.

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mining, and electricity companies were privatized at prices less than a twentieth of their subsequent market value.¹⁹

The economic reality I have briefly sketched out above is not generally reported in the mainstream media – including television, radio and print. The Internet and public broadcasters, like the CBC, the BBC or NPR provide a more balanced approach, but they too are often hamstrung in the belief system of global competition and economic self-interest.

As a co-op developer, I find it essential to have a thorough understanding of the global economic system and its shortcomings. As wealth is concentrated, more people around the world do not have their basic physiological needs met. Co-operatives provide them with a collective do-it-yourself approach to meeting their needs for decent housing, financial services, employment and a variety of social services, like health care, child care and home care. Understanding and communicating this critique of the free market system and the co-operative alternative can provide a powerful motivation for people to meet their collective needs by joining the co-operative movement.

One area of co-op development that I've been involved with for the past twenty years is organic food and agriculture. The industrial food system is much like other industries – there are a few very large corporations that control most of the market. Over the past decade, as organic food has become a mainstream consumer item, most large food processors have added organic food product lines. One of their major strategies is buying out pioneering firms who have developed organic brands. For example, in the last seven years, Heinz's 57 varieties (\$17 billion USD capitalization) has found room for the buyout or merger of 21 leading organic entrepreneurial companies, including: Hain-Celestial, Westbrae, Imagine/Rice Dream, Health Valley, Arrowhead Mills, Spectrum Organics, Garden of Eatin', Earth's Best, and Walnut Acres. Cargill (\$1.3 billion profit USD in 2003) also has an ownership share in these same companies through Hain-Celestial.

And the world's largest food retailers, including the behemoth – Wal-Mart (\$288 billion USD in sales), have all jumped on the organic bandwagon. "Wal-Mart says it want to democratize organic food".²⁰ This is an absurd statement, given that the family that owns Wal-Mart, the Walton family, make up five of the top ten wealthiest Americans, with a combined fortune of \$100 billion USD. Let's take a couple of minutes to look at the incomes of other middlemen and suppliers in the industrial food market:²¹

- Big Oil – four companies own 75% of Canada's refining capacity (Exxon/Imperial Oil, Petro-Canada, Shell, and Irving) – they are all enjoying record profits with Return on Equity or ROE between 19% to 32%.

¹⁹ Robert Wiessman, "Grotesque Inequality - Corporate Globalization and the Global Gap Between Rich and Poor", *Multinational Monitor Magazine*, July / August 2003; extracted from www.thirdworldtraveler.com/Third_World/Grotesque_Inequality.html

²⁰ Melanie Warner, "Wal-Mart Eyes Organic Foods", *The New York Times*, May 12, 2006; www.nytimes.com

²¹ National Farmers' Union, "The Farm Crisis & Corporate Profits", November 30, 2005, Canada.

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- Big Fertilizer (natural gas) – four companies control 94% of the market, the biggest, Dow Chemical – 23% ROE.
- Big Seed – Dupont (Pioneer Hi-Bred) – 16% ROE.
- Big Drugs – Merck – 34% ROE.
- Big Banks – 15 to 20% ROE.

And let me add one more ROE , Canada’s small and medium sized family farms, negative 5%.

So, paraphrasing Charles Dickens, it is the best of times (for corporations) and the worst of times (for family farms). In fact, it’s even worse than the Great Depression for farmers, and without government support programs many more would be bankrupt. As bleak as this seems, the silver lining is the growing importance of the co-operative business structure in organic food. The two largest organic dairy producers in the United States and Canada are co-operatives, owned by farmers. The leading fair trade marketing companies in the United States and Canada are co-operatives, including Equal Exchange, Just US!, La Siembra and Planet Bean – all worker co-operatives. And, as the public, economic and environmental pressure mounts in favour of local food production and distribution, co-operatives have the opportunity to play an even more significant role, as a decentralized, community-based and regional business model overtakes the highly centralized “global” business model that is completely dependent on cheap energy.

When writing a feasibility study or business plan for a co-operative, it is important to take these broader economic, social, political, legal and environmental aspects into account. A thorough analysis of this “situational environment”²² will form the basis of the business strategy for the co-operative and the long-term sustainability of its business model. The underlying advantage of the co-operative model is the creative collaboration that can be harnessed with a well-designed and facilitated co-op development process.

A well facilitated co-op visioning session²³ with the founding members will often draw out a deep understanding of these issues and the ramifications in their day-to-day lives. The ensuing discussion will provide the group members and the co-op developer with a good overview of the various perspectives the members bring to the co-op and whether they have a shared vision for the co-operative. Having facilitated hundreds of these sessions with start-up groups, I always find the discussion worthwhile and often very inspiring. The visioning process is a powerful tool for organizing co-operatives, testing members’ propensity to co-operate, and potentially providing an ongoing source of inspiration that will keep the co-op going when times get tough.

Given the seemingly overwhelming influence of “global competition”, it is very useful to help co-op proponents put this in perspective. Nascent co-ops need to understand that they are part of something bigger – the world’s largest and fastest growing socio-economic movement. Every new co-op that starts up and survives the crucial first five years of operation becomes an important addition to the co-op movement. Newly developed co-ops should be

²² Please refer to “Co-op Business Plan” in the appendix.

²³ Please refer to “The Co-op Vision – Facilitator” in the appendix.

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strongly encouraged to join their sectoral or regional co-operative associations – it will open up new and unexpected opportunities for co-operation amongst co-operatives, and will usually enhance their business success. Often new, innovative co-ops bring entrepreneurial energy and ideas to the larger, established co-ops, while the established co-ops can offer access to expertise, business networks and capital resources.

Sustainability and Co-operation

Whatever else may be said about the century now approaching an end, it must be recorded as the period in which mankind has done more to poison and destroy the environment than in all previous eras of history. The industrial revolution of modern times, beginning about 200 years ago, started society on the road to destruction and spoilage of the whole human habitat, using the adage "muck makes money". The degradation of the environment has gone hand in hand with wasteful use of resources and disturbance of the delicate balances of nature.

International Co-operative Alliance: *Cooperatives in the Year 2000*, London, 1980

While "economic growth" has been the *raison d'être* of government economic policy for the past 150 years, we are in transition towards a new understanding. "Sustainability" is the new term that is gathering momentum. Over the past twenty years, since the release of the United Nations' Brundtland Commission Report²⁴ (the World Commission on Environment and Development) the term *sustainable development* has been used to describe an "ideal" kind of economic development that balances free market economic growth while halting ecological destruction. However, to many (including myself), the term is an oxymoron, because the scale of global economic development that has and continues to occur is simply not sustainable. Therefore, I will use the term sustainability. The question is, what will a sustainable economy look like and what role might co-operatives play in creating this future?

Before I answer this question, it is important to look at our current state of ecological and economic affairs, and how we got here. Twenty-seven years ago, the International Co-operative Alliance identified the root cause of the severe environmental, economic and social challenges that our species faces today: the industrial revolution and its supporters' retrospective, theoretical justification – "self-regulating markets". In October 2006, Sir Nicholas Stern, Head of the British Government Economic Service and former World Bank Chief Economist issued his report, "The Economics of Climate Change" with this admission: "*Climate change is the greatest market failure the world has seen.*"²⁵

These are significant and stark words to come from the lips of a neo-classical economist who was born in 1946 and has spent his adult life studying and supporting the "self-regulating" market system. And as quickly as he provides this courageous admission, he also describes climate change as an "*economic externality*". This is economic speak, words that economists use to theoretically justify the public cost of pollution that is a direct result of private market

²⁴ United Nations. 1987. "[Report of the World Commission on Environment and Development.](#)" General Assembly Resolution 42/187, 11 December 1987. Retrieved: 2007-04-10

²⁵ Nicholas Stern, [Stern Review: The Economics of Climate Change](#), October 2006, Executive Summary, page viii.

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transactions. In other words, the market economy has not factored in, or bothered to measure the short-term or long-term costs of the environmental pollution caused by our energy intensive, consumption-driven, wealth obsessed economic system. Stern thus provides his fellow free market economists the escape hatch they desire – “market forces” can find the solutions to the climate change problem, by, for example, developing a global market for carbon emission credits. So, while Stern slaps the wrists of his free market colleagues (most of the political, academic, and corporate leaders in the Northern Hemisphere), he also winks at them with his fingers crossed behind his back.

The Stern Review is just one of hundreds of studies, publications, movies and television documentaries that have come to the same conclusions – the human species is causing the unmitigated ecological destruction of our earth. Perhaps the most significant of these studies is the United Nations’ *Millennium Ecosystem Assessment* (Millennium Assessment or MA for short).²⁶ Published in April 2005, the MA is the most extensive scientific study ever completed regarding the health of our planet’s ecosystem and how it affects human well-being. Four years in the making, it brought together nearly 1,400 experts from 95 countries. The objective of the MA was to assess the consequences of ecosystem change for human well-being, and establish the basis for actions needed to enhance conservation and the sustainable use of ecosystems.

The results of the study are unmercifully sobering. **Sixty percent of the planet's ecosystems** are currently being degraded by human activities. These activities include polluting the atmosphere with excess greenhouse gases, draining freshwater aquifers, over-harvesting our forests and fisheries, polluting our oceans, and introducing alien species to new regions. As a result, twenty percent of the world's coral reefs have been lost, forty percent of the planet's rivers have been fragmented, and our climate has been seriously disrupted.

The Millennium Ecosystem study has four main conclusions:

1. Over the past fifty years, humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history, largely to meet our rapidly growing population’s demand for food, fresh water, timber, fibre and fuel. This has resulted in a substantial and largely irreversible loss in the diversity of life on Earth.
2. The changes that have been made to ecosystems have contributed to material net gains in economic development, but these gains have been achieved at growing costs in the form of the degradation of many ecosystems, increased risks of abrupt collapse, and growing disparity between rich and poor. Unless they are addressed, these problems will substantially diminish the benefits that future generations obtain from ecosystems.
3. The degradation of ecosystems could grow significantly worse during the first half of this century.
4. The challenge of reversing the degradation of ecosystems while at the same time meeting increasing demands for food, water, timber, fibre and fuel can be partially met under some scenarios that the MA has considered, *but these involve significant changes in policies, institutions and practices that are not currently underway.*

²⁶ Millennium Ecosystem Assessment, 2005. *Ecosystems and Human Well-being: Synthesis*. Island Press, Washington, D.C.

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The incredible growth of the world's industrial economies and human population (world population has doubled since 1960) has been fuelled by cheap fossil fuels (gas, oil, coal, and natural gas). The early 1900s witnessed the birth of the most dramatic century of material and technological progress in the history of human kind. And, it was also a century of unprecedented human conflict and suffering, and ecosystem and species destruction.

Now, at the dawn of the 21st Century (two hundred years after the beginning of the Industrial Revolution and one hundred years after the beginning of the Petroleum Age), we are facing a looming energy and environmental crisis.

The natural carrying capacity of the earth's ecosystem before the exploitation of cheap oil and gas was approximately one billion people.²⁷ As we come to the end of the Petroleum Age, the following facts provide unprecedented challenges for humanity:

Human Population

- World population is now over 6.5 billion.²⁸ Half of humanity lives in abject poverty with income of less than two dollars a day,²⁹ and one in six goes hungry every day.³⁰
- Since the early 1900s, the world's population has multiplied by four, and its economy – a rough measure of the human load on nature – by more than forty.³¹
- The rapidly growing gap between the world's rich and poor is the root cause of much of the violence and wars in the world. In 1960, the gap was 30:1, it is now 154:1³², and 86% of the world's wealth is owned by the richest 20 percent.³³
- In the 1960s, humans used 70% of nature's yearly output; in the 1980s it was 100%, by 1999 it was 125%.³⁴

²⁷ James Howard Kunstler, *The Long Emergency – Surviving the Converging Catastrophes of the Twenty-first Century*, New York: Atlantic Monthly Press, 2005, page 6; and Paul Johnson, *The Birth of the modern*, New York: Harper, 1991.

²⁸ World Bank, *World Development Report 2000/2001: Attacking Poverty*, September 2000.

²⁹ www.globalissues.org/TradeRelated/Facts.asp; and World Bank, *World Development Report 2000/2001: Attacking Poverty*, September 2000.

³⁰ [State of Food Insecurity in the World 2005](http://www.fao.org/docstore/01/01010e.htm). Food and Agriculture Organization of the United Nations.

³¹ Ronald Wright, *A Short History of Progress*, Toronto: House of Anansi Press, 2004, page 30.

³² www.thirdworldtraveler.com/Third_World/Grotesque_Inequality.html.

³³ United Nations, from an interview with Linda McQuaid, CBC Radio, September 23, 2000.

³⁴ BBC World News, April 8, 2004.

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Energy Depletion

- The original endowment of oil was about 2 trillion barrels. Since 1850, 50% has been used, and the remaining 50% is the hardest to get and the lowest quality.³⁵
- At the dawn of the Petroleum Age (1916) each barrel of oil drilled provided an energy return of 28:1, it is now 2:1.³⁶
- Worldwide discovery of oil peaked in 1964 and has followed a firm downward trend since.³⁷
- The rate of oil use has increased 20-fold in the last four decades.³⁸
- The world has likely passed the point of peak oil production already, or will within this decade.³⁹ After peak, world demand will exceed world capacity to produce oil, and costs will escalate and ripple through the economy causing rapid inflation.
- Natural gas production is expected to peak within the next decade – by 2014 in Canada.⁴⁰
- Our food system consumes 10 times more energy than it produces in food energy.⁴¹
- In Canada and the United States, we use 1,500 litres of oil to feed each person each year.⁴²

Climate Change

- Our planet is warming, and the most significant greenhouse gas is carbon dioxide (CO₂). Carbon dioxide is created every time we burn something or when things decompose, and it is the major cause of global warming (approximately 80%).⁴³
- If we continue burning fossil fuels at our current rate, the 21st Century will see a doubling of CO₂ in the atmosphere, from three parts per ten thousand that existed one hundred years ago to six parts per ten thousand. This has the potential to heat our planet by three to six degrees Celsius,⁴⁴ resulting in drastic weather changes and the world's oceans flooding all coastal cities (most of which are less than 1 meter above sea level).⁴⁵
- More than half of humanity lives on a coastline, or lives within 200 kilometres of one.⁴⁶

³⁵ James Howard Kunstler, *The Long Emergency – Surviving the Converging Catastrophes of the Twenty-first Century*, New York: Atlantic Monthly Press, 2005, page 66.

³⁶ *ibid.*, page 67.

³⁷ *ibid.*, page 66.

³⁸ Dale Allen Pfeiffer, “Without Oil, Families Will Go Hungry, Not Just Their SUVs”, *The CCPA Monitor*, April 2006, page 22.

³⁹ James Howard Kunstler, *The Long Emergency – Surviving the Converging Catastrophes of the Twenty-first Century*, New York: Atlantic Monthly Press, 2005, page 67; and David Goldstein, *Out of Gas*, W.W. Norton & Company, New York: 2004, page 28.

⁴⁰ Dave Hughes, a leading energy analyst at Natural Resources Canada, predicts that with all available resources on line, there will be a shortfall of natural gas by 2014.

⁴¹ Dale Allen Pfeiffer, “Without Oil, Families Will Go Hungry, Not Just Their SUVs”, *The CCPA Monitor*, April 2006, page 22.

⁴² *ibid.*, page 21.

⁴³ Tim Flannery, *The Weather Makers – How We Are Changing the Climate and What it Means for Life on Earth*, Toronto: Harper Collins, 2005, page 28.

⁴⁴ *ibid.*, page 26.

⁴⁵ *ibid.*, page 150.

⁴⁶ Don Hinrichsen, “Coasts in Crisis”, *September 1995*, from www.aas.org/international/ehn/fisheries/hinrichs.htm; and UN Atlas of the Oceans, “Human Settlements on the Coast”, from <http://www.oceansatlas.org>

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The evidence regarding the impact of the global free market economy on the natural world is irrefutable. Our human population has far exceeded the natural carrying capacity of the earth's ecosystems, and we have accelerated climate change by indiscriminately burning fossil fuels. Our current global economy is not sustainable. "Survival of the fittest" economics is a failure. Our world is on the precipice of ecological collapse. If we continue with competitive free market policies, billions of people will perish this century.

This is not "fear-mongering", it is a conclusion that has been reluctantly reached by some of the world's best scientific, ecological, economic, and political minds. When we are able to suspend our disbelief and our brains begin to absorb this knowledge, we cannot help but feel our stress levels rise as our involuntary fight or flight survival response reacts. This knowledge will provide the motivating factor, the moral imperative that will be required to initiate the changes we each need to make to move into the future with our children and grandchildren.

A few climate change deniers may remain (although the oil companies recently cut off their funding), but most people realize that we have to do something different. Business as usual is no longer an option. In order to survive and slow down the ecological destruction, we will have to radically alter our patterns of consumption and our belief systems – and how we define success.

To answer the sustainability question, for humanity to move forward into the future with hope for coming generations, like our tribal ancestors, we will have to co-operate. This cannot be forced co-operation, like the misled practices of totalitarian or fascist regimes. It has to be voluntary co-operation, based on the natural yearning we all have within us to work together to create something more positive and nurturing than we are able to as individual human beings. Indeed, even Sir Nicholas Stern acknowledges that we have to co-operate globally to solve the climate change challenge.

Conclusion

When I was twenty-five years old, I made a choice to work on the margins of the mainstream competitive economy. I took the Manager's job with a small co-operative food wholesaler, the Ontario Federation of Food Co-ops and Clubs Inc. Over the next three years, I worked together with other dedicated employees, members and board members to turn the organization around. We did this by shifting the focus from developing conventional supermarket co-ops to supplying organic food to natural food co-ops, buying clubs, day care centres, and small independent retailers. Our goal was to break \$1 million in sales. In 2006, the co-op was thirty years old and had over \$23 million in sales. This not-for-profit co-operative has become Ontario's premier independent organic and natural food distributor, while dozens of private, for profit natural and organic food distributors have come and gone.

After leaving the food co-op wholesaler in 1988, I worked for a year with a worker co-op in northern Ontario, Kagiwiosa Manomin, that produced Canada's first certified organic fair trade product – wild rice. This project was capitalized by generations of indigenous knowledge regarding traditional wild rice harvesting and processing, years

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of sweat equity by community members, ongoing long-term support from Canada's Mennonite Central Committee, and a few hundred thousand dollars from the Canadian government. The co-op built a small processing plant on the Wabigoon First Nation, performed and implemented very innovative market research, and broke into co-operative and fair trade markets throughout Canada, the United States and Europe. Kagiwiosa Manomin still operates today, and spurred the development of two other co-operative businesses – a wild-crafted jam processor and a sustainable tree harvesting and planting operation.

Returning to southern Ontario in 1989, I became one of the founding members of a worker co-operative food company. Origins Co-op developed a national brand for certified organic foods and distributed the products through the five co-operative natural food wholesalers across Canada. We also attempted, unsuccessfully, to negotiate distribution agreements with Canada's large, established co-operative food wholesalers, Federated Co-operatives and Co-op Atlantic. The managers of these co-op businesses did not see the potential for organic food sales, and they were not willing to champion the products by educating their members. Origins Co-op also worked for five years (from 1990 to 1995) to successfully lobby the Ontario Milk Marketing Board to allow a separate pool for organic milk. Milk which is now sold under the Organic Meadow label, the subsidiary company of OntarBio Organic Farmers Co-operative (the first start-up co-op I worked with as a Co-op Developer).

In the early 1990s, a group of worker co-op proponents inspired by the Mondragon co-ops founded the Ontario Worker Co-op Federation (OWCF) and the Canadian Worker Co-op Federation (CWCF). In Ontario, we lobbied the provincial NDP government to provide start-up and operating funds for four years to support seven worker co-op developers in five regional centres. The OWCF worked with hundreds of groups to help determine their feasibility, and a good number of the co-ops that proceeded through the entire business development process are still operating today.

During the mid to late 1990s, I worked with a number of Green Community organizations in southern Ontario to develop their business plans and create effective revenue generating and marketing programs focussed on residential energy and water conservation. In the late 1990s and into the new millennium this work was complimented by the development of a number of renewable energy co-operatives, inspired by the wind farm co-ops in Denmark, and supported by the Ontario Sustainable Energy Association and the Ontario Co-operative Association.

After many years of lobbying the Liberal federal government, the Canadian Co-operative Association (CCA) and the Conseil Canadien de la Coopération (CCC) received a commitment of \$15 million over five years (2003 to 2008) to support domestic co-operative development. This followed the Canadian Worker Co-op Federation's (CWCF) successful pilot project, Tenacity Works that was also funded by the federal government. In Ontario, the Ontario Co-operative Association (On Co-op), the Conseil de la Coopération de l'Ontario (CCO), the CWCF and the OWCF worked together to design a province-wide co-operative development strategy. Now in its fifth year, the Ontario project has been very successful in:

- developing new, innovative co-ops,

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- expanding established co-ops, and
- providing coaching services to newly developed co-ops in an effort to increase their survival rate.

This strategically integrated approach (in both official languages) is a model for co-operative development and for leveraging cash and in-kind resources from established co-operatives and other co-op funders – particularly given the small amount of money provided by the federal government (less than \$200,000 per year for the province of Ontario). Unfortunately, the demand for the co-op development services has far exceeded the supply.

I provide these few examples of co-operative development from my experience to show that even within a very competitive dominant culture, small groups of people who are dedicated to creating a more humane and ecologically sound economic system can make a difference. Imagine what could be done with co-operatives in a societal environment that is supportive, through:

- educational institutions
- government programs and regulations
- capital funds levered from established co-operatives and senior levels of government
- technical assistance (feasibility studies, business planning, incorporation, governance and board training, management training and coaching)

In fact, your imagination doesn't have to run wild, all you have to do is study the co-operative systems in Mondragon Spain, Emilia Romagna Italy, and Quebec to quickly understand what is possible.

The reality in our relationships, families, work places, and communities is that those who get along get ahead. The social glue of co-operation sustains personal and business relationships. The daily give and take of life demands that we share with each other, that we tolerate our differences, and find mutually beneficial solutions to our challenges and conflicts.

This century can be the turning point, or the next “Great Transformation”, from a destructive, competitive economy, to a nurturing, co-operative economy. Co-operatives have the potential to experience exponential growth throughout the world, as people come to the realization that sustainability requires co-operation, and that co-operatives are a proven organizational model that can successfully fulfill our economic, social and environmental needs.

Everything on this planet functions according to the law of nature. Particles come together, and on the basis of their co-operation everything around us, our whole environment, can develop and be sustained. Our own body too has the same structure. Different cells come together and work together in co-operation, and as a result, human life is sustained. In a human community the same law and principle of co-operation applies.

The Dalai Lama