

Taking Stock, Looking Forward

Robin Murray

A daily economy

This book breaks down the landscape of the British economy into contours that we can recognise. The great national aggregates of GDP, employment, the rate of inflation and the balance of trade are the data of those who control the macro economic levers in London. They obscure the specific character of the economy of our daily lives – the shops, the buses, the farms and the streets of a city. The chapters here come down to a human level, and describe the hidden structures and forces that are shaping the economy as we experience it. In doing so they allow us to think how things could be done differently and map some of the promising paths opening up for co-operators to follow.

What we learn

Three features of these sectors stand out when the chapters are read together. First it is striking how many of them in Britain are dominated by a few large firms. In energy it is the big six, in banking the big five as it is in housebuilding. We learn that the 24 passenger rail franchises are in fact owned by six or seven parent corporations. The top four supermarkets account for three quarters of grocery sales. We would find a similar picture in other sectors touched on this report – the oil companies, the press, book publishers or pharmaceuticals. Economists refer to this as oligopoly. It appears as an inherent tendency of market competition. In Britain it has been naturalised as an inescapable way of life.

Here is the bind. We depend on these companies yet they abuse their position. The banks are the overwhelming case not just for the calamities of 2008, but for the successive scandals of mis-selling and market manipulation. The oil companies and the electricity majors have been intensifying the problems of climate change not resolving them. In the press it has been the scandal of phone tapping. British housebuilders have produced smaller houses, at poorer quality and at higher prices than those in Holland and Germany principally because the money in the UK is to be made in land.¹ All these companies have contributed in their own way to tax avoidance and the growing inequality that, as Thomas Piketty records, is approaching levels last

¹ See David Rudlin and Nicholas Falk (2014) Uxcester Garden City, the winning submission for the Wolfson economic prize for the design of new garden cities

seen in the early 19th century.² There is a consistent pressure driving a wedge between the public and the private interests.

The second striking fact is that in many of the sectors the traditional role of the state of counteracting this divergence has been eroded. In some of the sectors the wedge has deepened as a result of the privatisation of public assets. The social care chapter, for example, shows how privatisation has reached the point where the sector is now dominated by private providers, many of them owned by private equity companies, that have cut pay and the quality of service in order to generate their returns. In education we see the emergence of large quasi corporate chains of academy schools. Public land is being returned to the speculative private market in spite of the need for social housing. Nearly two million council houses have been sold in the past thirty years, and there has been a long-term shift to private renting. Now health care is being opened up to a private market. The chapters give a picture of a state that far from counteracting the wedge between the public and the private interest appears bent on expanding it.

Thirdly, the chapters report on the significance of new technology in shaping the future of these sectors. In many of them a battle has already been joined between the use of information technology by the old majors to strengthen their position and new entrants with disruptive online alternatives. In banking there has been an upsurge of on line banking innovation – so called Banking 3.0 – whose upstart companies threaten the foundations of the old banking models, as they are already doing in Africa and the Far East.³ In retailing, Amazon is surging into one sector after another, leaving traditional retailers struggling to catch up. The Education chapter mentions the Kahn Academy and Massive On Line Open Courses (MOOCs), which have the capacity to transform school and university education respectively. There are similar trends appearing in health care, in food production, and above all in energy, where the relevant chapter records how renewable energy technology provides the scope for each village and even each house to become its own power station. Just as itunes has changed the record industry so these innovations are threatening the foundations on which the old oligopolies have been built.

There is a common pattern. The innovations open up spaces for distributed production – where a multitude of small producers are connected through common platforms, grids and protocols. Apple is a new giant, but it has provided the platform for more than a million apps. Coursera, the first MOOC founded 2 years ago, now has 10 million worldwide students receiving 839 free courses supplied by 114 institutions. The renewable energy co-ops in Germany are now pressing for smart grids to support their local systems. Solar technology is set to be even more distributed. The forecasts are that it will be so cheap by 2030 that like the computer we will find it on every home and building.⁴

² Thomas Piketty (2014) *Capital in the Twenty First Century*

³ See Chris Skinner (2014) *Digital Bank*, Marshall Cavendish

⁴ Jeremy Rifkin (2014) *The Zero Marginal Cost Society*

The picture that emerges from the chapters of this book is of a private economy that is out of sync with the major issues of our day and in many cases is making them worse. Climate change, the relentless growth of hazardous materials, pollution and waste, of chronic disease and obesity, of inequality, and most starkly the wider uncoupling of well being and growth – all these described by those within them as time bombs – are intensifying rather than being defused.

To put it mildly, this is not an economic system at ease with itself. And the state faced with mobile capital and an eroding tax base appears paralysed, insisting on seeing the problems of ever increasing corporate economic and political power through the prism of 19th century free trade market liberalism. It has all the marks of a Shakespearean economic tragedy, the principal characters unable to escape from their tragic flaw.

Waves of co-operation

Where does this leave the movement for co-operation? This is the question that runs like a continuous thread through the book. Faced on the one hand with large, often global corporations, how can small co-operative Davids hope to hold their own against the goliaths that command the main spaces in the economy? On the other hand there are the social and environmental ‘time bombs’ – the intractable issues, and the ever more evident wedge between the public interest and the private giants on the path. It is this space – the space of the wedge - that co-operation in its very purpose and ethic is designed to close.

The Hungarian economic historian Karl Polanyi, analysing previous periods of what he called market utopianism – when governments legislated about land, labour and money as if they were no different from bread and potatoes – said that the crises that followed their new policies would trigger a counter movement, a political response demanding an alternative. For Polanyi what was demanded was a democratic and interventionist state. Writing in 1943, he saw the Chartists in the 1830s making such demands, just as he witnessed demands for state management of the economy and then the welfare state in the 1930s and 1940s.

What is fascinating is that these moments of economic and social crisis were also ones for the growth of co-operatives. They were the economic parallel of the democratic political initiatives. The Rochdale Pioneers came out of such a counter movement in the 1830s. There was a surge of co-operation in the 1880s and 1890s in Europe and the US in the wake of the long depression, and of rural electricity co-operatives in the US in the depression of the 1930s. Standing back we can see that just as there have been long waves of economic prosperity and crisis, so there have been long waves of co-operation.

The chapters here, each from its own vantage point, hint that now may be a point for the emergence of a new wave of co-operation. The multiple crises of the mainstream economy are unresolved. There are demands for alternatives.

The question is how the co-operative movement, representing a new moral economy, can develop its networks so that it is able to grow within the hostile world of the private market.

To answer this question requires two things. First a close study of the potential economies of co-operation and how successful systems of co-operation have realised such economies. Second, how the potential for distributed production and collaborative consumption opened up by information technology can be used to the advantage co-operative growth. This book explores both of these and lays the ground for developing a programme for co-operative innovation.

Viral co-operation.

When the history of co-operation in 21st century Britain comes to be written, the remarkable growth of co-operative schools over the past 6 years reported in the Education chapter of this book may have the same inspirational place as that of the Rochdale pioneers in the mid 19th century.

There is the same sense of wildfire growth in them both, of a model that is at the same time visionary and practical, one that is tangibly of the moment. The co-operative movement has from the first highlighted the importance of education. It is the fifth of the seven co-operative principles. The new co-operative schools in England have taken all seven principles and embodied them within the educational process itself. In 1844 the necessities were bread, butter and porridge. Today's necessities in the information age are the values, the capacities of thought and creativity, which are the bread and butter of a school.

The first co-operative school at Reddish Vale – significantly in Greater Manchester like Rochdale – had no idea that it would be the spark that led to a wildfire. Those who started it did not have a sector strategy, anymore than did the first 28 pioneers in Rochdale. What they had were strong values, and a model of how a self-governing school could work. They had a keen sense of unfolding the future. At each stage Reddish Vale and the many schools that followed moved forward along the paths of possibility, establishing new initiatives, as they were needed. Some were within the school and their communities, some with other co-operative schools.⁵

Where might this remarkable contemporary story of co-operation lead? There will certainly be more schools. The Education chapter points to the opportunities for the extension into other spheres of education, particularly for further education colleges (some of which are already partnering with their

⁵ It took nearly twenty years for the early retail societies to establish the Co-operative Wholesale Society (CWS) in 1863 to purchase collaboratively. The first 15 co-operative schools set up their CWS – the Schools Co-operative Society or SCS - in three. Like the CWS, the SCS is a source of advice and support and acts as a 'lifeboat' for any member in difficulty.

local co-op schools). But the possibilities go wider. Education is only one of many relational services. In a relational service the quality of the service depends critically on the relation between the front line staff (the teacher in the case of a school) and the user (the pupil). It also is shaped by the communities in which each are involved (the home and its communities, other users, and the service professions). Multi-stakeholder co-operatives are proving to be a remarkably effective model of governance for services of this kind.

Social care is a case in point. Health, particularly well-being and the care needed for those with chronic disease is another. In both of them the authors in this book record cases of viral growth. The social care chapter describes the remarkable story of social co-operatives in Italy. From a few hundred in 1990 their numbers have grown to 14,000 today. Many of them, like the English schools, are multi-stakeholder co-operatives. They involve the carers, the families of those being cared for, volunteers, and funders. Cities like Bologna now have 80% of their care services organised through co-operatives of this kind.

The Health chapter tells a parallel story of health co-operatives in Japan. There are now 120 health co-operatives in Japan, running 81 hospitals and 350 health centres. They are rooted in a network of 26,000 small local groups that promote health care and healthy living. Many of them have developed as offshoots of food co-operatives that sprung up in the late 1960s and 1970s in response to a succession of food scandals and sought to re-establish food as a relational service linking consumers back to local organic producers.

I first learnt about these remarkable food co-ops through fair trade. The Green Co-op in Japan had fostered a project for displaced sugar workers on the island of Negros in the Philippines. The ex sugar workers formed a co-op to grow bananas which they would ship to the Green Co-op's 300,000 members. The producers visited the local Green co-op chapters to raise finance, and once the trade was established delegations from the Green Co-ops paid return visits to stay with producers. It was called 'people to people trade' rather than fair trade, a reminder that fair trade arose out of projects to re-introduce direct relationships between the small farmer co-ops in the South and consumers in the North. The Japanese and the Italians, with their large consumer co-operative networks independent of supermarkets, have been most successful in maintaining these links.

Food and fair trade are cases where co-ops are demonstrating relational alternatives to mass commodity industries. There are others cited in these chapters. In finance it is the local co-operative banks that spread so rapidly in continental Europe and Canada in the second half of the 19th century that still comprise a major part of retail banking in many countries. The energy chapter describes a similar expansion of co-operative renewable energy co-ops in Denmark and Germany over the past 25 years, with 750 being created in Germany in the past five years. The relevant chapters record similar bursts of co-operation in insurance and in German and Spanish professional football.

The strategic point is that all these are growth sectors. Relational services like health and education are taking an ever-greater proportion of GDP in the post industrial countries. There is a rising demand for a return to relational services - from banking to tourism.

The overseas examples of co-operative growth, like that of the English schools, reflect these trends and show that co-ops, and in particular multi-stakeholder co-ops, have a structure and culture particularly suited to relational services. In each case they have become major players in their respective sectors. They are evidence that co-operative systems work, and that co-ops as a form of enterprise are not confined to the margins but provide an alternative human centred model for much of the economy.

That said, the examples of viral growth have been specific to certain countries and regions. The social co-ops have taken root primarily in Italy and Canada. Community banking has been strongest on the continent and is now growing rapidly in the US. By far the largest consumer-farmer food co-ops are in East Asia. The challenge posed by the studies in this book is whether these successful co-operative systems can be replicated in this country. Although the conditions in which they are flourishing are different, are there some lessons we can draw that would contribute to co-operative growth in Britain? The chapters suggest some initial answers.

Creative instruction

The first thing to note is that many of the cases were the result of social movements usually sparked by some crisis or threat. Some were movements of those marginalised by the market - small farmers or tradesmen, ill-housed tenants, those without access to equitable finance. They have been part of Polanyi's counter movement. Others are modern movements that question the trajectory of growth and its impact on well-being and the environment.

Secondly, these co-operatives have grown organically. The idea and the methods of one successful initiative inspire others. There is a distinctive 'co-operative multiplier'. In some cases the multiplier remains informal. But there are many ways it can be actively promoted. In Italy, each new social co-op is helped to its feet by an existing co-op but on the understanding that once it is up and running it will become the foster parent of a new co-op. As described in the opening chapter, they refer to this as the 'strawberry patch' principle.

Thirdly as the numbers multiply the system grows in complexity. The cells remain distinct, but they increasingly collaborate. Many establish intermediary support organisations – the Italians refer to them as consortia – to provide market intelligence, or finance, or shared standards, or political advocacy. For the retail societies and village shops the collaboration is for purchasing. For the milk producer co-ops of Parma, it is for the branding and quality control of their Parmesan cheese. In all cases the intermediary or second level co-ops are controlled by the first level. The result is an inversion of the customary pyramid.

Fourthly, these co-operative networks have found a way of achieving sufficient economies of scale and specialisation through such networks of collaboration without undermining the quality of relationships that lie at the heart of the co-operative advantage. This balance is critical. The strength of the goliaths of the mainstream is based on economies of scale, of scope and specialisation. Co-operative collaboration can limit their advantage but cannot hope to match it. Where co-operatives have the edge is in realising to the full the 'economies of co-operation' and these depend critically on maintaining the quality of the relationships as experienced by all those involved.

There is a continuing tension between the two forces. Co-operative history has many cases where the drive for scale and the shift in balance from the locals co-ops to the central service providers has led to the weakening of the economies of co-operation and the re-absorption of co-operative enterprises into the mainstream commercial economy. Some have characterised this in terms of an S curve, where a period of rapid co-operative growth comes to a point where the core relationships are lost and degeneration sets in.⁶

The successful ones have resisted re-absorption. Each of the cases cited in this book have fascinating histories of how they mixed and matched so that they hold their own in the market while maintaining their central ethic and sets of relationships. When their size threatens to create too great a distance from the ordinary members, they split up their organisations rather than consolidate them, or work to reach a consensus of every branch and level. The Desjardins bank in Quebec took 10 years to negotiate a consensus balance between the primary, the secondary and in their case the tertiary levels in order to maintain their relational core in the face of liberalised financial markets.⁷

What they have taught us is that co-operatives have to give equal priority to expanding their economies of co-operation as to driving down their costs through scale and specialisation. The care of members, the nurturing of relationships and a deepening of a shared co-operative ethic are not supplementary but the precondition for successful co-operation.

Co-operative Sector Strategies

Any sector strategy needs to keep the above lessons in mind as it assesses the possibilities for co-operative expansion. As the introduction to this book points out, the purpose of a sector strategy is for those actively involved in the sector to understand its structures and the contending currents shaping its future in order to inform its own choices and plans. It provides a map for the traveller.

One element of a co-operative strategy will be similar to that of any cluster of small and medium firms (SMEs) – how to find spaces where they can compete against the large firms. Thirty years ago it was still thought that competitiveness depended on scale. That remains the case in mass commodity

⁶ Michael Cook and Molly Burress (2009) A Co-operative Life Cycle, The University of Missouri, Columbia

⁷ See Claudia Sanchez Bajo and Bruno Roelants (2011) Capital and the Debt Trap

and service industries. But in the post Fordist era mass markets have fragmented and new sources of competitiveness have opened up. Design, innovation, specialisation, speed of response, service quality have all underpinned the growth of SMEs in this period. So too has the growing significance of ethical and sustainable production.

Most co-operatives sail in these seas. Their position is much like that of other SMEs. They need their distinctiveness and quality. They also need to collaborate with others to provide some services that would be available to a large firm internally. Many of these are to do with information – market research, technical intelligence, sales representation, and branding. In Italy and Spain the consortia to provide these services comprise co-ops and small family firms – and on the evidence of this book such a model of firm-firm co-operation is of ever growing importance today.

In some of the chapters – such as that on the Creative Industries – the co-operation may be between individual producers, members of the so called precariat. In others such as tourism and agriculture, it is collaboration Italian-style. The agricultural chapter gives the example of Welsh co-operatives. The traditional farmer purchasing co-ops have been declining in the face of large scale private competition. But there are growing number of small farm-farm producer co-ops that have been flourishing with their own specialist products, their joint processing and branding.

The message is that co-operation by itself is not enough. Co-operatives on their own or in sectoral collaboration need their specialisations, and their capacities for design and innovation to succeed in the new competition. This is the material dimension of strategy. It has to run in tandem with the relational strategy. For co-operatives the two are intertwined.

Economies of co-operation

The argument running through this book is that co-operatives have an added edge in the material field as a result of distinct 'economies of co-operation'. These economies are at the core of the economics of co-operation. They stand in contrast (and often in tension) with economies of scale. They are discussed in terms of the 'co-operative advantage'. But whereas economies of scale are delivered by machines and the systems surrounding them, economies of co-operation depend on people and relationships.

Motivation is one of these economies. Long-term commitment to the co-op is another – particularly significant in the case of workers with key skills. But in an information age it is the nature of 'co-operative intelligence' that has the most far-reaching significance. A collaborative culture encourages the generation and sharing of ideas within co-operatives. It is one of the features of successful workers co-ops such as Suma or the scientific instruments co-ops in Wales. But it also applies to the sharing between co-operatives, which gives them a marked potential advantage over private firms concerned as they are with their patents and confidentiality clauses.

The open source movement has taken the principle furthest. Two thirds of the world's software is now based on programmes developed by co-operators, working voluntarily, and giving away what they have collectively produced. They are not formal co-ops because they don't need formal enterprise structures. But they provide a paradigm for the principle of co-operative working in the information age.

The parallel developments of crowd sourcing, crowd searching, crowd funding, and citizen science highlight the advantage co-ops have in accessing the collective intelligence of their members and of others inspired by the work of the co-operative and sharing its values. The core idea of openness – of sharing information between collaborators who do not abuse that sharing – is the driving idea of the new peer-to-peer movement and feeds into the idea of open co-operation.⁸

It means that eco housing co-operatives share their development knowledge with new projects. The same has happened with mini-hydro schemes, with organic farmers and among farmers markets. In state funded services it points towards the establishment of public-social partnerships with open accounting and the joint sharing of knowledge for service improvements. Co-operation allows private knowledge to become social.

It also generates trust. The link between information and trust is at the heart of the success of local co-operative banks. The banks are rooted in their localities. Their managers may have been at school with the customers and local businesses. They know each other in a way which the statistical assessments on which large banks depend cannot hope to match. As a result co-operative banks have consistently had higher loan rates to small and medium businesses, lower default rates and greater resilience in periods of economic crisis.

What distinguishes co-operative sector strategies then is that they are concerned both with material strategies and relational strategies, and how to maximise the collective 'economies of co-operation' among co-operatives. That will also influence the sectors and the spaces in each sector where the co-operative advantage will count for most. The knowledge sectors stand out as do relational and environmental services. Then there are those sectors, like housing, that have been badly affected by land speculation and where co-operative ownership of the freehold not only secures affordable land but also the future of valued facilities and shares any gains among members and their communities. All these are sectors where there is that growing gap between the public and the private interest, which co-ops are in a position to bridge.

There is one other economic trend where the moral economy of co-operation gives it a potential advantage. In a growing number of sectors users/consumers are playing a substantial part in the production of a service. They have become 'producers'. For example 98% of the care of people with

⁸ For the extent and richness of the new peer to peer economy see the website of the P2P Foundation <http://p2pfoundation.net/>

diabetes is provided by themselves and their family and friends rather than the NHS. In some measure this is the case with much chronic disease, of care services more generally, of much education, transport, leisure, personal finance as well as today's environmental management of the home.

The modern producer requires skills, some tools, but above all s/he requires support. A new support economy is emerging that provides advice, information and help in assembling a customised package of services. The processes re-integrate what are otherwise siloed services around the needs of the user. The support has to be independent with no other interest than that of user for it is a relationship that depends centrally on trust.

While there are some private firms and social enterprises that are seeking to provide such services, it is consumer and multi-stakeholder co-ops that have the principles of member needs and trust encrypted in their structures and guiding principles.⁹ In some services it is individual packages of support that are required. In others it is packages for members that might not otherwise be available.¹⁰

The co-operative economy has certain hubs that are well placed to play this role of advice and assembly. The retail societies are one, co-operative GPs surgeries another. Some of the co-op schools are beginning to perform this function.¹¹ This is a field of ever expanding opportunities as public services are aware that they are constricted by their silos, and the private market and much of the charity sector is experienced as such. Along with other economies of co-operation, these particular opportunities should be on the strategic agenda.

Co-operative innovation

The importance of innovation for the future of co-operation has been a principle theme of this book. It is a further dimension of a co-operative sector strategy. One of the features of successful co-operative economies is that they have institutionalised the capacity to innovate. The Mondragon group of co-ops have their own research and development laboratories to support innovation in their member co-ops. The light industries in Emilia Romagna have established consortia that scour the world for the latest technology on behalf of their members. A visitor to the small furniture workshops of Emilia Romagna, will find the latest equipment for producing specialised parts or

⁹ One innovative firm that has developed this approach successfully is the concierge management service Ten UK. They see themselves as a trust based knowledge management business on behalf of their 350,000 clients. The single parent charity Gingerbread has a similar approach for those it supports, as does Manchester's Big Life consortia of 3 charities and 7 businesses that have brought together a package of services to support vulnerable people in the North of England. All these contain valuable lessons for the co-operative movements.

¹⁰ The Lincoln Co-operative Society acts in this way to sustain a thriving local economy, ensuring the survival of some threatened services (such as a valued bakery, local libraries and post offices or the town's football team), and developing others (like a grief council co-op, or new housing, a Science Innovation Park and a laboratory in co-operation with Lincoln University's School of Pharmacy).

¹¹ In Latin America, the peasant co-ops have become the hubs.

processes. The ceramic co-operatives of Imola have become European leaders on the back of their innovations in the design, the machinery, and the quality of their tiles.

There are examples of 'hard innovation' in products, services, processes and the formal codes (as against the tacit knowledge) governing those processes. All sectors need to consider how to promote and share such innovations as part of their material strategy. There is no single technological path. Co-ops may develop a distinct one. The retail chapter gives the example of Mydex, the company that designs software so consumers control their own data – a small data response to the rise of big data. There are similar initiatives in developing patient control of their data in health. The chapter on insurance gives an example of mutual policies linked to the miles driven by members and the quality of their driving while preserving their data privacy. There are human centred paths of innovation that are particularly appropriate to co-operatives.¹²

Material innovations such as these are, however, only one kind of the innovations described in this book. There are other 'soft' ones. One that recurs in all the chapters is relational innovation – the adoption of a co-operative culture and a structure that reflects that culture. This is the kind of innovation that generates the economies of co-operation. Co-operative schools exemplify the liberation of energy that comes from such a change. The criminal justice proposals carry a similar promise. Fans owned sports clubs, co-operative wind turbines, village pubs and shops are all examples where the major innovation is a change in the ownership and governance of an enterprise, and the change in culture that goes with it.

A second kind of organisational innovation is that which is at the core of the 'enterprise systems' developed by the viral co-operative networks described earlier. It transforms the 20th century model of the corporate pyramid, which was itself a major organisational innovation. The pyramid model was based on the principle of compartmentalisation, that management like work could be broken down into separate self-contained parts. Each part could operate according to rules established from above and co-ordinated by those at the top. It was a model suitable for mass production, and was developed first for private corporations and then for the state.

¹² These examples bring out the point that material innovations are not solely technical. They embody and shape relationships in both production and use. There is a strong current of work on human centred technology which looks at skilled work as life to be enhanced by tools and machines rather than replaced by them. The City University runs a Masters course in Human Centred Systems, much of it now concerned with human centred computing. For a recent introduction to the literature and applications to the practice of technological innovation see Adrian Smith (2014) Technology Networks for Socially Useful Production, in the Journal of Peer Production, Issue 5, October 2014, <http://peerproduction.net/issues/issue-5-shared-machine-shops/peer-reviewed-articles/technology-networks-for-socially-useful-production/> An influential early text was by Mike Cooley, Architect or Bee, Hogarth Pres 1987. The social perspective of technology has a close fit with the idea of co-operative innovation.

Yet it is a model that is quite unsuited to the complexity of modern production. Now the demand is to increase the autonomy of the front line, and break down the silos that have traditionally divided them. If Fordism was about compartmentalisation and centralisation, post Fordism is about re-integration and decentralisation. The silo walls are being dismantled.

The employee owned business Ove Arup, described in the Energy chapter, organises its 10,000 worker owners on the basis of projects not organograms. The same happens in IBM, or in film production. Teams are now taking the place of divisions. And organisations are becoming open, involving their workers, their suppliers and their customers in the development of strategy, and the generation of new ideas. Firms that have developed these new ways of working have been outcompeting those still bound to the 20th century pyramids.¹³ It has been one of the primary innovations of the past 40 years.¹⁴

The successful co-operative systems described in this book have been pioneers of this new latticed model. They combine autonomy of the parts with integration of the whole. Their threads of connection are lateral. Common service consortia are controlled by their members. Information is open and shared. The critical binding is one of a shared ethic.¹⁵

The community food and retail chapters both describe one of the most remarkable examples, the Japanese Seikatsu co-op with 350,000 members. Their basic cell is the han of 6-10 households, that are organised into 19 districts which although they are independent, collaborate in the sharing of knowledge and political advocacy nationally.¹⁶

The result is an enterprise system of great complexity. The autonomy of the parts means that each has been able to control its own operations and their direction of development (including what new products to develop, who should produce them and how quality is controlled and improved). It has also meant that they have been able to use their resources as springboards into other services. Seikatsu means 'life' and the co-op, like other similar networks in the country, has diversified into those fields which their members see as necessary for a good life.

¹³ For a detailed comparison of the two see Ted Piepenbrock (2009) *Toward A Theory of the Evolution of Business Ecosystems: Enterprise Architectures, Competitive Dynamics, Firm Performance & Industrial Co-Evolution*, http://lean.mit.edu/component/docman/doc_details/2374-toward-a-theory-of-the-evolution-of-business-ecosystems-enterprise-architectures-competitive-dynamics-firm-performance-industrial-co-evolution?Itemid=776

¹⁴ The change in organisational and management thinking between the 1960s and the 1990s is the subject of a major study by Luc Boltanski and Eve Chiapello (2005) *The New Spirit of Capitalism*.

¹⁵ Michael Best's *The New Competition*, Polity Press (1990), chapters 8 & 9, is still one of the most perceptive descriptions of the networks in the Italian district. He also draws he parallels between them and the organisational innovations of 'Toyotatism' in Japan.

¹⁶ On Seikatsu and the Japanese livelihood co-operatives see John Restakis (2010) *Humanising the Economy*, chapter 6 and the earlier book by Katsumi Yokota (1991) *I Among Others*, Seikatsu Club.

Organisations of this kind are not blueprints that can be simply transferred and copied. They face continuous changes in technologies, in the wider society, and in the needs of their members to which they most always be ready to respond. They are in this sense open systems, and how to develop them needs to be part of the relational strategies in any sector.

The spread of the internet is introducing further changes in open organisational models. The chapters in this book give many examples where web-based technology is opening up new ways for consumers to combine. There are the peer-to-peer sharing sites that have mushroomed over the past few years. There is the case of collaborative purchasing of insurance, and of crowd funding future services in advance. These examples point to the potential for new types of co-operative enterprise system in which the co-operative is responsible for a platform that promotes informal collaboration

Finally there is innovation in how complexes of production are organised – so-called ‘productive systems’. The chapters on community food and renewable energy both sketch the outlines of such a transformation. Community food has developed as a counter movement to industrialised food. It emphasises the centrality of healthy and nutritious food (and how it is produced and shared) to health and well-being. It has promoted local and organic production, connected directly to consumers through box schemes and farmers markets. In the more developed systems it has led to co-operative processing industries, ‘closed loop’ composting, distributed technologies and community food preparation and eating. In parts of Japan this system has outcompeted conventional supermarkets and intensive farming.

Similarly the emerging system of distributed renewable energy plants has led to the development of technology for energy storage and smart grids, and for new methods of reducing the need for energy in the home, in transport and in industry. This is a quite different model to that of capital and carbon intensive, centralised electricity systems that developed in the 20th century. As with community food, co-operative and local ownership is a central feature of the new renewable energy system. It confronts the giants on the path of all such transitions – from technology and finance, to the large corporations and regulatory regimes of the old systems.

What emerges from this discussion is that co-operative innovation is many sided: from the generation of new co-ops with the cultures that encourage ‘economies of co-operation’ to the establishment of the outlines of new systems of production. The soft relational streams run alongside the material ones, each with a distinctive character in co-ops. In each case the strategies for innovation are often best pursued by co-ops in collaboration as part of a wider sector strategy. The sixth principle, of co-operation between co-operatives, is the guiding one for an innovation driven co-operative sector strategy.

Next steps

This book is the launch of such a process. The chapters provide a first sketch for those engaged in the sector to develop. The process should be open and involve those researchers with knowledge of the sector, as well as co-operative practitioners from overseas.¹⁷ The value of this book goes further. Because it looks at the 15 sectors together, it identifies the opportunities for cross-sectoral collaboration. It moves beyond the sectoral boundaries to connect the threads of a wider co-operative system.

For the kind of growth we have witnessed in co-operative schools, much will depend on changes in the policy envelope within which each sector is operating. The changes in policy are the subject of a separate chapter. What is clear is that national policy and the regulatory system in every sector – whether it be agriculture, energy, planning, housing, health or banking – can be more or less friendly to co-operative development. To date it has largely been less. Trentino and the other co-operative regions in Italy, described in the opening chapter with their ‘co-operative effect’, show what can happen if it is more.

We turn next to this framework, of policy that can harness the contribution of co-operative innovation. Policy makers, however, want to know that co-operative systems work. This book is the first systematic collection of the evidence that it does.¹⁸

¹⁷ A valuable model is that of Euricse, the co-operative think tank based in Trento in Northern Italy, which undertakes background research, and also meets regularly with the main co-operative sectors in Trentino (notably the agricultural co-operatives and the 45 co-operative banks) to discuss future directions and collaborative activity. An engaged co-operative think tank of that kind is an urgent requirement in this country to support the co-operative growth that the current economic situation calls for.

¹⁸ The work then needs to be expanded. The study of the successful co-operative systems and what we learn from them needs to be synthesised. What the Nobel prize winner Elinor Ostrom and her team have done for the use and governance of common resources, needs to be done for co-operatives. From the thousands of in depth studies, she identified eight key features of for the successful self-governing of the commons. There is a similarly rich volume of studies of co-operatives. The task is to distil similar principles of success, which can underpin a strategy for co-operative expansion.