

Key Take Home Messages: Imagine 2012 and the International Summit of Co-operatives

Réseau de recherche pour mesurer la
DIFFÉRENCE COOPÉRATIVE



Measuring the Co-operative Difference
RESEARCH NETWORK

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Imagine 2012 speakers and topics

- *Tom Webb. *Why Are We Here?*
- *Stefano Zamagni. *Why Did Cooperatives Disappear From Economic Thought?*
- Manfred Max-Neef. *Economics Unmasked: Can we develop more meaningful economics?*
- Neva Goodwin. *What is the new economy and why do we need it?*
- Ron Colman. *What Is Progress and How Do We Measure It?*
- Richard Wilkinson. *How Bad Is Income Inequality and Why Does It Matter?*
- William Rees. *Are Prosperity and Sustainability Compatible?*
- Peter Victor. *Are there Limits to Growth?*
- Thomas Homer-Dixon. *Resilience: What promotes Innovation and Adaptation?*

- *Avner Ben-Ner. *Do co-ops need a different type of employees and organizational design than conventional firms? Lessons from behavioral economics*
- *David Erdal. *How Is Worker Ownership Related to the Health of Communities?*
- *Vera Negri Zamagni *Is bigger better? New opportunities for cooperatives.*
- John Fullerton *What Is the Role of Financial Capital In the New Economy?*
- *Claudia Sanchez-Bajo *Is the Debt Trap Avoidable?*
- *Stephen C. Smith *What Is the Role of Co-operatives In the New Economy?*
- Dr. Barbara Allen tribute to Dr. Elinor Ostrom .*What are the Commons and how Should We Manage Them?*
- *Sonja Novkovic *Co-operative economics? Key directions from the new economics and implications for co-operatives*

Imagine 2012 message

It is time for a **new economic paradigm**

We need a shift in **values**

Co-operatives can play a leadership role in this
shift

Key lessons

- Limits to growth and to what the economy has been about in the last 50 years: resource limitations; a finite planet
 - Ecological overshoot
 - Exponential growth with reliance on fossil fuels cannot be sustained
- Outcomes of the last 50 years
 - concentrated wealth and entrenched power;
 - inequality;
 - poverty;
 - damage to the planet and society;
 - political instability and conflict

The Global Picture

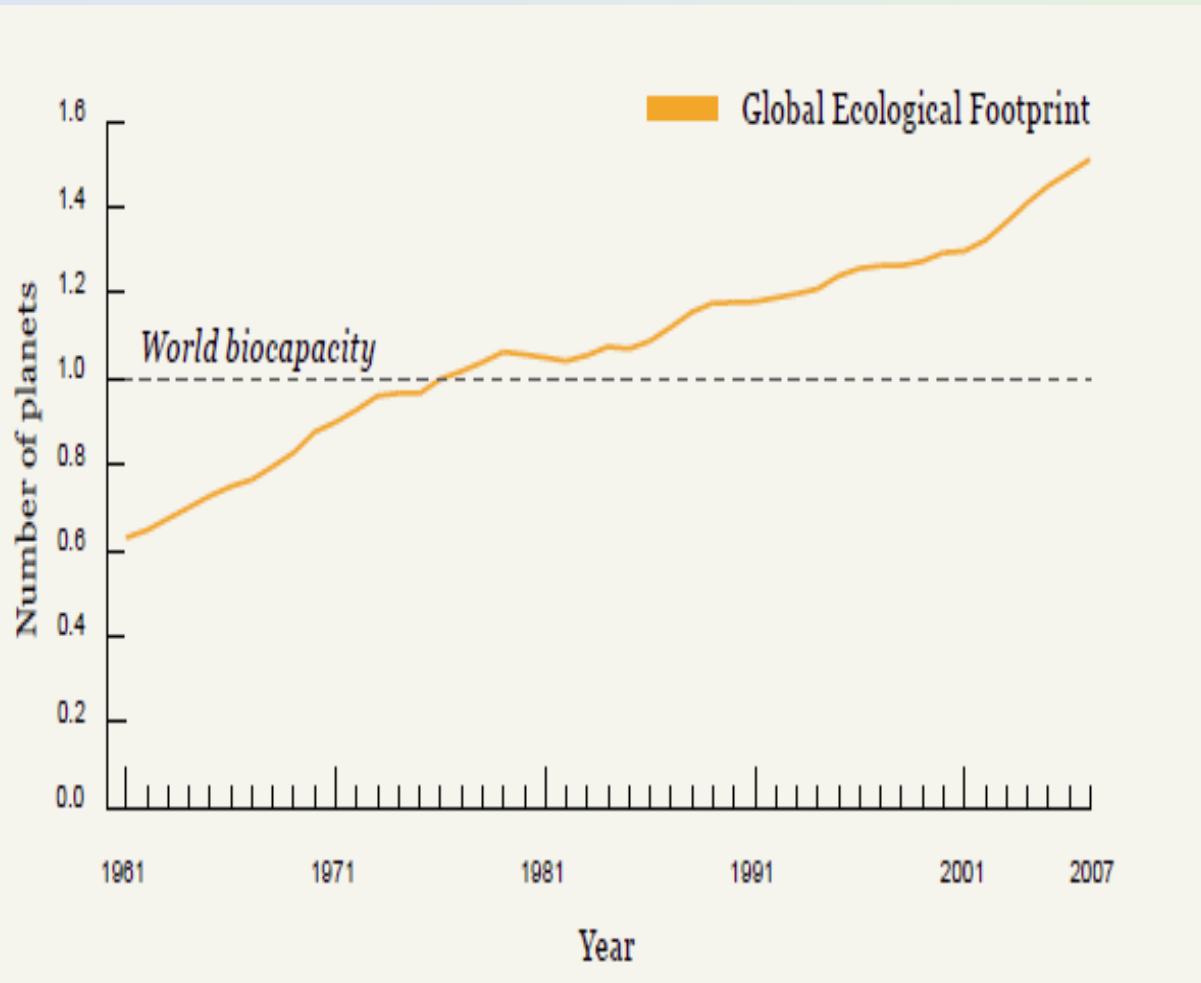
Source: Bill Rees



current human eco-footprint:
18.0 billion hectares

global biocapacity:
12.0 billion hectares

Ours is a world in 'overshoot'



- Human demand has more than doubled since 1961 and already exceeds global carrying capacity by 50%.
- We reached 'overshoot day' for 2012 by 22 August.
- Since then humanity has been living by depleting natural capital.
- Source: Bill Rees

Followed by a financial overshoot

Economic Efficiency

Finance



Economy



Source: John Fullerton

What's wrong with this picture?

Finance



Economy



Source: John Fullerton

Desired Outcome



Economy

Finance

Source: John Fullerton

Outcomes....

In summary... bigger income gaps lead to deteriorations in:-

Social Relations

- **Child conflict**
- *Homicide*
- *Imprisonment*
- **Social capital**
- *Trust*

Exceptions:
suicide?

Health

- **Drug abuse**
- *Infant mortality*
- *Life expectancy*
- *Mental illness*
- **Obesity**

Human Capital

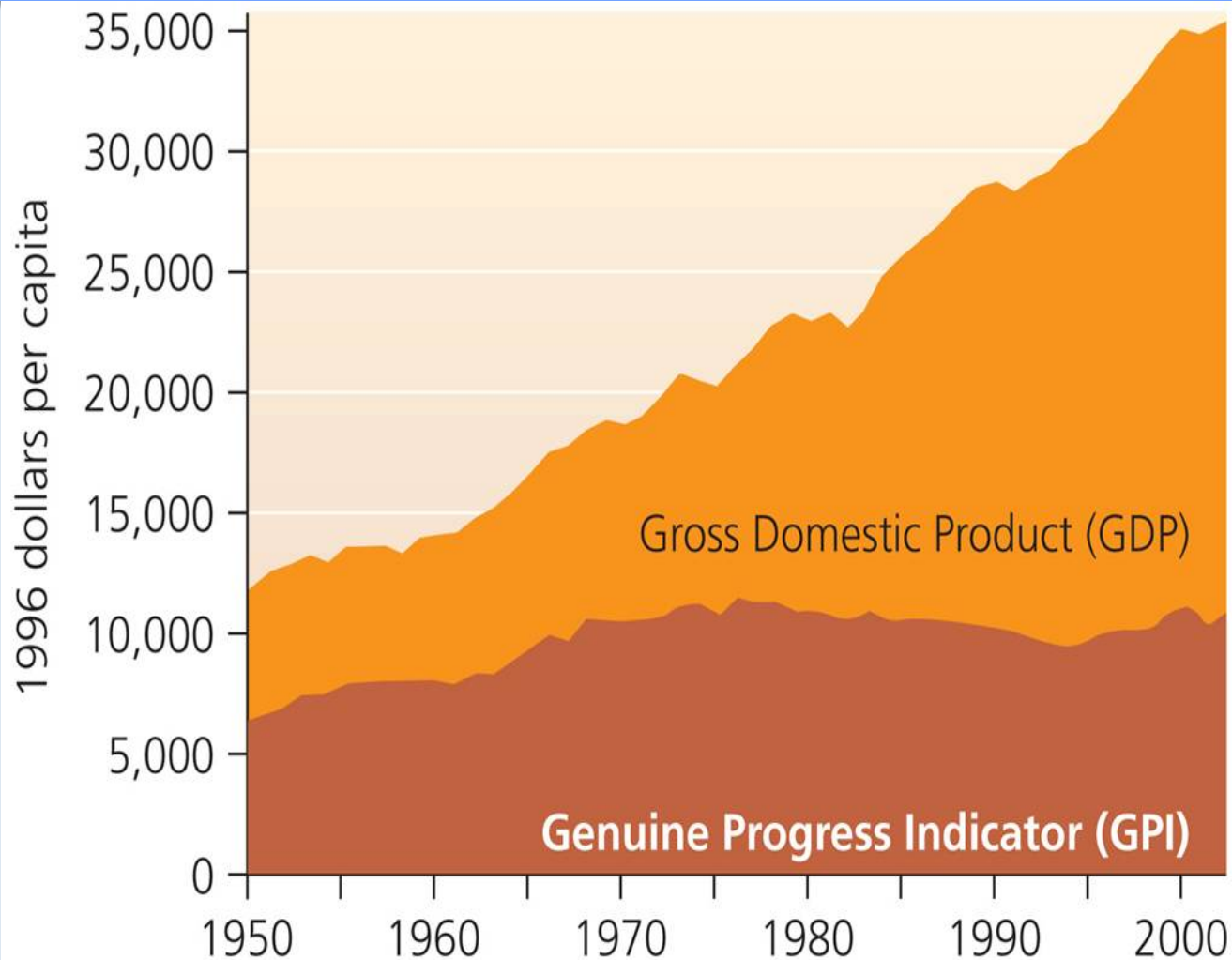
- *Child wellbeing*
- **High school drop outs**
- **Math & literacy scores**
- *Social mobility*
- **Teenage births**

Source: Richard Wilkinson

Limitations of neoclassical economics

- Supporting these economic developments; training future leaders to do more of the same;
 - Assumed economic behaviour; purely monetary incentives; focus on private ownership and allocative efficiency
 - Measuring success that followed from this logic; GDP growth as one of the most important indicators of progress
 - Growth has limits; development does not
 - Financial capital as an **end in itself**.
 - Debt trap (government debt; household debt; private sector debt)

GDP growth does not equal well-being



(b) Change in U.S. GDP vs. GPI

Source:
Ron Colman

Challenges from the New Economy to Economic Theory

The New: 21 st Century Contextual Economics	The Old: 20 th Century Economics
1. Any economy must have goals: e.g. that it be socially & environmentally just, sustainable and satisfying .	The economy's goals are growth and maximizing consumption.
2. Economic scale must remain within ecological limits .	Economic growth is always desirable.
3. Understand the economy in its social and ecological context .	An economy is a stand-alone system.
4. Knowledge of future constraints must influence economic behaviour.	Prices are always the best guide to economic behaviour.
5. Using markets and other means, set prices that will appropriately recognize human values .	All economically important human values are automatically represented in market prices.
6. Work incentives and rewards should recognize work's social value as well as the worker's experience.	Markets always give workers just what they deserve according to their marginal contribution to the value of their outputs.


 Source: Neva Goodwin

**Our challenge, should we choose to accept it:
Write a new, more adaptive cultural narrative**

- ❑ The economic policy emphasis must shift from efficiency and growth (merely getting bigger) toward equity and development (qualitative improvement, getting better).
- ❑ The underpinning values of society must shift from competitive individualism, greed, and narrow self-interest, toward community, cooperation, and our collective interest in survival.

Source: Bill Rees

Context: New (renewed?) social movements

- **Social justice:** Occupying spaces; occupying jobs and the right to work; Re-drafting the social contract and redefining the role of government
- **Democracy:** Political and economic democracy . People (and the planet) before capital and concentrated power (limit the voice based on wealth; increase the voice based on representation)
- **Different economic and political institutions:** People-centered economies and systems; the commons – natural resources are limited; private ownership does not result in socially optimal solutions ;

Cooperatives

- Why have co-ops disappeared from economics?
 - Anthropological error and
 - Methodological error
- Evidence that humans do not behave as *homo economicus*
 - *Policy implications; incentives*
- Misinterpreted by economists in the 20th century due to prevailing assumptions in neoclassical economics and inadequate methodology to capture their socio-economic character

Co-operative economics?

Towards the development of
socio - ecological economic theory and policy

What do co-ops have to offer?

- Economic *self-help*.
- *Cooperation*.
- Governing by *self-defined rules*.
 - Developing governance methods and tools to assist democratic governance processes.

What do co-ops have to offer?

- Joint ownership; common pool resources;
 - **solidarity** principle – building non divisible reserves to mitigate risks
- Limiting the return on financial investment.
 - Financial capital as a *means* to a different end.
- Internalizing the externalities
 - avoiding ecological and social costs (negative externalities), as opposed to inflicting them and paying a penalty (the market solution) ;
 - coupling economic goals with social benefits (positive externalities)

What do co-ops have to offer?

- Small and locally entrenched – full cost accounting;
- Spin-off growth model;
- Networking for scale economies;
 - **Subsidiarity** principle (decisions are taken as closely as possible to the member)
- Influence new measures of progress at the micro-level (3-bottom line) that feed into macro level measures such as the GPI, GNH.
 - Measures built on the values and principles of cooperation.

Challenges

- Internal
 - Effective democratic co-operative governance
 - Capitalization = access to the right kind of capital
- External
 - Regulation
 - Misconceptions; awareness, promotion

Co-operative movement

- The co-operative movement, lead by the ICA, is well placed to impact:
 - Global **co-operative development** – resources, tools and methods
 - Increase co-op ‘density’
 - Expertize in democratic governance and coordination
 - Independent **co-operative capital** reserves
 - Patient capital; ethical investments;
 - **Regulation** in support of the cooperative model
 - **Redefining economic success** on a finite planet

- Thank you!