

The Cooperative Economy: Toward a Stakeholder-led Democracy

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Image: A wallpaper by British cooperative pioneer, William Morris

1 Short Abstract

The following proposal summarizes a research project emanating from the applicant’s PhD research project, eponymously titled *The Cooperative Economy*. The proposal concerns the realization of a civic and moral economy, in keeping with, e.g., [Ferrerias, 2017]’s call for a *political theory of the firm*, as well as [Mazzucato, 2021]’s call for a *mission-oriented economy*. As will be argued, the realization of a socially and environmentally sustainable economy can be facilitated – if not guaranteed – via innovations in contract theory, governance and with a shift to relationships as the basic unit of analysis. The proposed perspective is entrenched in interdisciplinary dialogue and seeks to take up and contribute to an innovative new paradigm entitled *relational economics*, itself inspired by [Pfeffer and Salancik, 2003]’s *Resource-dependency theory*. As such, the proposed project seeks to contribute to knowledge building by integrating multiple disciplinary domains to better understand the logics driving intra- and inter-organizational decision-making. The project offers indicators by means of which governments and civic society can assess reform efforts towards building a more socially and ecologically sustainable economy. Moreover, as it argues, many of the building blocks for such efforts already exist in most countries in the world. Knowledge of how to exploit the existing social infrastructure would go to great lengths to save resources and prevent governments from having to “reinvent the wheel.”

2 Extended Abstract

Concretely, the research agenda I wish to advance takes as its starting point my dissertation, *The Cooperative Economy: Towards a Stakeholder-Led Democracy (TCE)*. In this project, I have aimed to contribute to a much-needed *general theory of cooperation*. While many elements of such a theory abound, having their roots in ancient philosophy and finding their modern roots in Charles Darwin’s monumental discoveries, it is arguable that a general theory has never been attempted. Particularly economics has been bereft of a theory of cooperation, basing its theorizing mainly on the “Hobbesian” assumption that human nature is based on competition and the following of “pecuniary interests”, in the language of J.S. Mill. This is particularly strange, as empirical evidence abounds all around us that it is actually *cooperation* that drives the economy.

Thus, as I argue in *The Cooperative Economy*, neoclassical economics and its offshoots are very poorly equipped to deal with issues of cooperation and therefore will continue to lose relevance in domains like the knowledge econ-

omy. Moreover, many cooperative and democratically organized enterprises currently have little recourse to programs and paradigms designed for their particular needs. This comes partly as a consequence of the fact that the overwhelming majority of empirical research on topics like “workplace democracy” or “democratization” take place at strictly traditional workplaces and not in formally *democratic* enterprises. [Weber et al., 2020] Thus, they are frequently forced, *de facto*, to turn to standard-fare MBA tactics when facing crises. As we have observed, these are frequently inappropriate for the tasks facing such enterprises. Thus, there is a need for a new program for interpreting the cooperative economy particularly and cooperation in the economy generally.

The Cooperative Economy chooses three main points of departure from the model, justifying these on the grounds that these assumptions are untenable, as has been shown by individuals like Greg Dow [Dow, 2018]. These three points then serve as the starting point for generating new knowledge about the nature of cooperation in the economy.

The first of these points of departure is the neoclassical model’s insistence that labor and capital can somehow be interpreted as symmetrical “production factors”. As [Ellerman, 2021] has shown, this point of view is based on a “miracle, a mistake and a metaphor”. Thus, I have attempted to show how much of the wealth and improvement in the course of industrialization has been achieved by innovations in the nature of human cooperation in the productive process. Furthermore, I argue there that future improvements can be elicited by focusing more explicitly on generating a *cooperative rent* via what Aristotle called “civic moral”¹ relations, extending these to the domain of labor, replacing the strict focus on an ambivalent factor called “economic growth”.

Secondly, the traditional distinction made in neoclassical schools like New Institutional Economics between markets and hierarchy is mistaken. As Pat Devine comments, “vertical links do not have to be authoritarian and horizontal links do not have to be market-based”. In keeping with Devine’s appeal to “negotiated coordination”, *The Cooperative Economy* seeks to draw a focus on qualitatively different forms of hierarchy and seeks to strengthen the flank of “public choice” or “collective choice” theory by emphasizing the importance of *democratic* choice. In this effort, it closes a significant research gap.

The third point of departure follows along lines set by scholars like Jeffrey Pfeffer, whose *resource-dependency* perspective seeks to find analytical tools to interpret coordination mechanisms beyond the market. Thus, we

¹As opposed to “civic legal” relations.

are interested in viewing cooperation as a coordination logic in its own right. Accordingly, the perspective advanced in *The Cooperative Economy* sees cooperation as foundational for competitive relations to occur. That is to say, contrary to the reigning orthodoxy in neoclassical economics, *relations of cooperation are more foundational than relations of competition, and focusing on efficiency rather than effectiveness undercuts the basis on which competition rests*. Thus, the metrics developed in that work allow us to translate the ethical demand for a more inclusive and environmentally sustainable economy into an “economic” logic, in particular, by extending a multi-stakeholder perspective outside the domain of the individual firm. Cooperation is the logic by which this is possible.

Associated with each of the three points of departure and connecting a relational view of the economy with cutting-edge tools of causal analysis, the project envisions a multi-disciplinary research agenda following three main research strands: the first class of cases involves the analysis and comparison of so-called democratic choice mechanisms (DCMs). The second class of studies consists of the analysis of governance relations internal to firms. In particular, these studies emphasize the qualitative impacts of different types of hierarchy on psychosocial outcomes. The third class of studies consists in ecological approaches to understanding firms as elements in networks of interdependence. While this interdependence is often implicitly assumed or taken as extending only to known relations (e.g., business partners [Granovetter, 1985]), we are interested in investigating the potential for employing the 7 Cooperative Principles and Values to explicitly embed a cooperative logic into enterprises, extending the relational perspective to stakeholders beyond an individual firm’s existing business partners.

During a talk at the conference, I can draw on the lessons my multi-year empirical research has provided into connecting these theories with cooperatives in Italy, Germany and elsewhere, particularly “new cooperatives” like community, social and freelance cooperatives, as well as platform cooperatives.

References

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