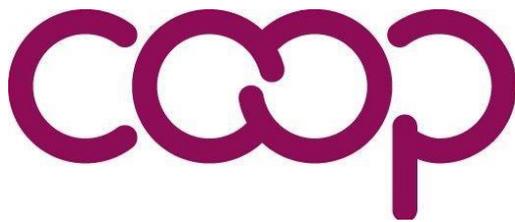


**ICA CCR EUROPEAN RESEARCH CONFERENCE 2022**

*“Rethinking co-operatives: From local to global and from the past to the future”*

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**Organizers:**



**International  
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& ΜΕΛΕΤΩΝ (ΙΖΕΜ)

## **Title of abstract**

### **The court that killed the Co-op: The de-mutualization of Israeli historic consumers' cooperatives**

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#### **Abstract : (max. 300 words)**

20 years ago, on February 2022, Israel's Supreme Court had given a final decision requiring the de-mutualization of one of the biggest, most influential economic organization in Israel's history - the biggest consumers' cooperative. The decision, only two and a half pages long, referred to the 'rights' of old age, long term 'investors' to enjoy their 'investment' and receive a market value for the 'shares' they were holding for 20-50 years.

This was the last stage of a two-year legal processes, started with an eccentric petition to the supreme court suggesting the consumers' cooperatives members share model, according to which shares hold nominal value are un-constitutional, as they contradict the right for property.

Johnston Birchall wrote that "when a conventional investor-owned company fails people ask why it failed. When a co-operative fails, people ask whether co-operatives can ever be made to work<sup>1</sup>." In the case of Israeli consumers' cooperatives, it seems all parties succumbed to the notion that the cooperative model is e-relevant – though not due to business failure but to great profits. The first to operate according to that notion were the leaders of the cooperative, who transformed it over a two decades to a profit-maximization-like conglomerate. This 'companization' process evolved into what can only be described as full-fledged corruption, ending in transferring all the cooperative assets to a daughter-company, issuing its stocks at the stock market and granting 5% as options to high rank managers of the daughter-company and the cooperative chair-person.

Instead of bringing criminal charges against the cooperative and daughter-company leaders, it was the cooperative that got accused.

The presentation will describe the legal and economic environment, and the legal and regulatory processes that brought to the demise of the Israeli consumers' cooperatives – once served a third of the population - and will discuss the ramifications of these processes on the future of cooperative enterprises in a highly capitalist environment.

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<sup>1</sup> Johnston Birchall, "The Governance of Large Co-operative Businesses", A research study by Professor Johnston Birchall, Co-operatives UK, 2017. (9)

Keywords: Companization; Consumers Cooperatives; Cooperative law, Capitalism