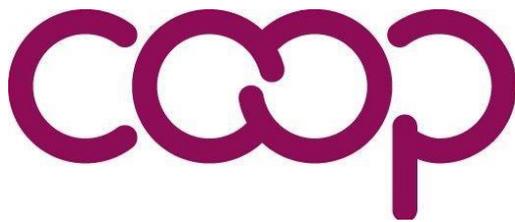


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ΙΝΣΤΙΤΟΥΤΟ ΕΥΝΕΤΑΙΡΙΑΤΙΚΩΝ ΕΡΕΥΝΩΝ

& ΜΕΛΕΤΩΝ (ΙΣΕΜ)

The economic rationale of limited liability legislation for cooperatives

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Abstract :

The economic rationale of the limited liability company was the incorporation of a legal entity, separate from the owners, having legal property rights of a real person. Beyond the separate entity, limited liability relates exclusively and specifically to the business entity's membership. The introduction of limited liability was a critical event that contributed to the institutional evolution of the capitalist firm. It served as a measure against the counter-incentive for investors to be unlimitedly liable for business risks and as an incentive for investors to have a diversified share portfolio. Also, the limited liability principle ensured "longevity" to business ventures since they could exist beyond the lifetime of any of its members.

If the limited liability company is the dominant paradigm in the current capitalist economy, which paradigm of liability do cooperatives follow? Which was the rationale of several parties that demanded it? Which were the peculiarities of cooperatives, and the impediments by the disputants that delayed the limited liability principle adoption from cooperatives? The constitution of cooperatives as limited liability entities has been available to cooperatives in several countries, albeit at different times and under varying conditions. When and under which conditions was limited liability principle adopted by cooperatives? Was it provided with a special law for cooperatives, or it was an amendment in commercial or company law?

The apparent variation in cooperative law is the outcome of a path-dependent process through which cooperative law regime have co-evolved alongside cooperatives, capitalist firms and markets. We examine the contemporary limited liability law provisions for cooperatives in a few European countries. We compare them with the relevant legal provisions for capitalist firms, as well as their impact in terms of governance.

Keywords: limited liability, paradigm, cooperative law, governance

The submitted abstract is related to a: Paper