

THE COOPERATIVE, A HYBRID INSTITUTIONAL ARRANGEMENT, COMPATIBLE WITH FREE-MARKET CAPITALISM

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I

INTRODUCTION

The cooperative phenomenon is a social and economic process that has, throughout history, been subjected to the most contradictory interpretations. Assigned to the causal register, which reveals the origins of human action, the cooperative is given a logical explanation: in the economic evolution of the world, two economic facts remain fundamental—the division of labor and human cooperation. This perspective is attributed to Smith and Hayek, according to whom the economic actors cooperate, without being self-sufficient or compelled by the division of labor (including the natural one). Following this natural path, the cooperative was manifest in the form of a hybrid institutional arrangement, between the private firm with a hierarchical structure, and the market, with a positive role in developing the free economy. Unfortunately, the cooperative phenomenon was not spared either ideological interpretations or pure scientific ones.

On the one hand, since the beginning, both left- and right-wing doctrines claimed the cooperative in order to provide a «social»

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touch to their development networks. By so doing, they diluted, sometimes to distortion, the technical substance of the phenomenon, describing it as a compromise formula between liberalism and socialism. Interestingly, today, this «third way», within which the cooperative aims to be recognized as a strong lead, is claimed especially by the milder interpreters of the liberal doctrine. In socialist thought, following the paths of associational and, allegedly, scientific socialism, the idea of the cooperative was severely compromised.

On the other hand, the cooperative was almost excluded from the economic analysis with the initiation of standard neoclassicism of Samuelsonian origin (Kalmi, 2007). The explanation is relatively simple. The strong social bent, as well as its acknowledged specificity, made the cooperative an improper factor in economic calculus, which was increasingly mathematical and value neutral. It is hard, if not impossible, to find in the behavior of homo-economicus, the main character of the Samuelsonian textbooks, anything of the cooperative essence.

In this article, we aim to rehabilitate the idea of the cooperative, a necessary attempt when addressing the post-communist Eastern European nations. We equally focus our attention on emphasizing that resorting to the cooperative in order to support the existence of the so-called «third way» is fallacious, as there is no third way, at least for now. Furthermore, our purpose is to demonstrate that, basically, the cooperative is and will remain an institutional arrangement that finds its natural place within the perimeter of the free-market economy.

As a general methodology, we will employ a comparative, historical–doctrinal analysis in order to find out how, under the same name, the cooperative acquired different characteristics in the East and in the West under, respectively, communist and capitalist umbrellas. We will thus refer to and analyze the phenomenon as it was manifest on a global level. We will use data from countries with different trajectories in the cooperative evolution. We will consider both types of countries: those that have been, and still are, market economies, and those that, during the period of analysis, passed from the market economy to communism and back again. For the latter, the agriculture cooperative has provided the

synthesizer argument in defining the general trend of the cooperative movement. Hence, there are several direct references to agricultural cooperatives when the former communist states are addressed.

II LITERATURE REVIEW

The cooperative has been, and remains, a generous topic for theoretical and doctrinal debates. Both right—and left—wing doctrines have claimed this subject in order to provide additional arguments for their own assertions from different perspectives.

On the one hand, authors like Jennifer Wilhoit (2010), Roy Morrison (1995), Howie Hawkins (1994), and Steven Deller, Ann Hoyt, Brent Hueth and Reka Sundaram-Stukel (2009), emphasize the close adherence of the cooperative to the intimate values and structures of the market economy. As Wilhoit (2010) argues, the cooperative, as a form of organization of economic activity, is related to the beginnings of economic development, when its purpose was to support the workers in order to improve their quality of life, but especially to protect their interests. Such an objective is to be found in the preoccupations of the well-known Rochdale Pioneers. The Rochdale group's affinity for democratic liberal values is conspicuous. As Johnston Birchall (1997) points out, these were the values aimed at: democratic control over the activity; an open community, to such an extent that anyone could join the group at any time, in exchange for a symbolic amount of money; the division of the surplus in the form of dividends; transactions in cash; the provision of pure and unaltered products; a commitment to education; and political and religious neutrality. Following the same line of argument, Jim Wadsworth (2001) shows that the cooperative was based on the principles of equality, equity and solidarity. Furthermore, its members were strong supporters of ethical values such as honesty, sincerity, social responsibility and concern toward people. In other words, from its early origins, the idea of the cooperative invoked fair and transparent activity, designed in an amicable and intelligent environment (Birchall, 1997).

Consequently, the cooperative possessed all the necessary attributes of a long-lasting and successful model for carrying out economic activity. Such attributes are validated by reality, with the cooperative transforming into a successful entrepreneurial pattern within highly competitive markets (Morrison, 1995). In the same way, Deller et al. (2009) consider the cooperative to be responsible for multiple innovations in the market, as well as for corrections to its imperfections.

Through the advantages created with regards to the instruction of its members, as stated by Ann Hoyt (2004), Wilson Majee and Ann Hoyt (2009), the cooperative became a true ally of prosperity. In addition, Ramon Casadesus-Masanell and Tarun Khanna (2003) and Birchall (2004) highlight the cooperative's positive effects through job creation and capital generation within the communities in which they were active.

As far as the European experience is concerned, studies on the cooperative phenomenon emphasize the same features that render it consistent with the market economy, pointing out conspicuously the fact that it is highly compatible with democracy and freedom. As Hawkins (1994) argues, the cooperative has been considered, ever since the colonial period, a means of production democratization in the economy; in other words, it was a way of protecting small owners against European monopolist capitalism. Moreover, the positive role of cooperatives within developing economies seems to have stirred the interest of international decision-making bodies. Thus, the International Labour Organization emphasized the fact that the institution of the cooperative should be regarded as an essential way of achieving economic, social and cultural development, as well as human capital development (International Labour Organization, 1996).

The implications of the cooperative are even more beneficial to society, as it has repeatedly proven useful in promoting the interests of its members who have limited power. By aggregating human effort and by sharing available resources, the cooperative allows such people to gain the necessary power to participate in and influence both market forces and community development (Majee and Hoyt, 2011).

On the other hand, the idea of cooperation was also fully exploited in favor of the socialist doctrine.

For instance, according to Bruno Jossa (2005), Karl Marx and Friedrich Engels admitted the prospect of cooperation only to the extent to which it was oriented toward the destruction of capitalism. Basically, the abolishment of private property and the support for the cooperative were aimed at eliminating the practice of converting «the labour of the many [into] the wealth of the few» (Marx, 1871, p. 335). On the basis of the class struggle and as a magical solution to help the success of this effort, Marx envisaged the cooperative system as a means through which workers became «their own capitalists» (Marx, 1959, p. 571).

The cooperative was also of great interest for Vladimir Lenin. Humberto Miranda Lorenzo (2013, p. 63) pointed out that Lenin saw in the cooperative system «the seeds of socialism». Furthermore, extended on a very broad scale, especially in terms of production, cooperatives could even be identified with socialism. Similarly, Iñaki Gil De San Vicente (2013, pp. 90–114) noted Lenin's interest in the cooperative system in the light of its huge potential to unify various social groups, potential in which he was particularly interested as a means of ensuring the success of the Bolshevik revolution. Thus, we will show that, Lenin specifically was the first to alter the idea of the cooperative through the establishment of the agricultural cooperatives plan.

It is also De San Vicente who sees in the agricultural cooperative of socialist origin a way to provide protection against human exploitation, and protection of the environment and of resources. Moreover, it also seems to illustrate an opportunity in the fight against the dictatorship of profit (De San Vicente, 2013).

On the theoretical framework provided by Marx and Lenin, the cooperative has been tested in all socialist countries. According to the World Bank Report of 1995, the beginning, as well as the essence, of the cooperative system in the socialist world was closely connected to agriculture (World Bank, 1995). In parallel with the socialist experiment, which completely failed all along the line, the cooperative model has yielded, and still yields, favorable results in countries such as the USA, Denmark, Canada and Germany, among others. In Germany, for example, credit cooperatives remain an effective solution for small farmers and rural laborers. Timothy Guinnane argues that, being better connected to the local

social climate, a cooperative acquires useful information about its potential borrowers; it has lower costs and, if necessary, can impose inexpensive sanctions, and these are the main reasons that make the cooperatives a viable way to support those customers unwanted by ordinary banks (Guinnane, 2001).

The body of literature reviewed on the topic represents a generous, yet unexploited niche; this research attempts to fill that gap. Its purpose is to provide additional arguments showing that, in collectivist economies, the cooperative did not find its natural home; rather, its home is in capitalist market economies. Here, the cooperative takes the form of a neutral institutional arrangement, successfully implemented, without changing the political physiognomy of the system. From such a demonstration, emerging former socialist countries will see that they can use the cooperative, conceived and managed in a different form from the one that they were used to, for their own development.

III SOCIALISM AND THE COOPERATIVE

1. **The phase of associationist utopia**

The socialistoid literature places the cooperative among the underlying myths of communism.

Industrialization, the complete cooperativization of agriculture and central planning illustrated the main «ideological indicators» of communist regimes. By the time communism claimed the cooperative as an integral part of the system and totally compromised it as an idea and a fact, several stages had been undergone. Through these phases, the cooperative was turned into a utopia, and started to be assimilated with what would soon be called «the third way».

A first attempt bears the signature of Simonde de Sismondi (1827). Neither a declared socialist, nor a Smithian liberal, he was among the first to consider the middle way as being the solution for decreasing the abuses of the liberal system and for bringing additional justice in the distribution of income.

This first attempt was followed by the utopian socialists Henri Saint-Simon (1821), Robert Owen (1817), Charles Fourier (1849), Louis Blanc (1845) and Pierre Joseph Proudhon (1853), considered the traditional fathers of socialism and the cooperative system. The utopian side of their new ideology, socialism, is also extended toward the cooperative. From this perspective, several aspects should be considered, including: faith in the universal association of people; the substitution of economic government for political government; the transformation of all nations in productive association; the unification of all means of production into a unique fund, exploitable through association; and the extension of social engineering from the system of integral cooperatives among small communist «citadels» (Fourierist phalanxes) at national and even global levels. At the same time, these first and unrealistic attempts to theorize and even to experiment with¹ the idea of the cooperative also reveals a part of its technical, rational and feasible side. We notice, in this respect, faith in association as a potential force for settling some economic or social problems. On such a basis, the doctrinaire historians such as Charles Gide and Charles Rist (1948) called the initiators of this movement «Associative Socialists» or Associationists because they believed that «voluntary association on the basis of some preconceived plan is sufficient for the solution of all social questions» (p. 231). The idea of freedom of federalization with the preservation of people's individuality is equally worth mentioning. Even though the target of their initiative was not formulated in net terms of productivity growth, their purpose becomes obvious once we discover that the unification of forces was meant to exclude the intermediary from the economic circuit. Merchants, industrialists or pawnbrokers, they were considered undesirable and parasitic in their attempt to gain profit from the increase of prices. The fact that a Fourierist phalanx was designed as a joint-stock company with individual property converted into a

¹ We refer here to a Romanian experiment, directed by Theodor Diamant, faithful follower of Charles Fourier. He is known as the «phalanstery from Scăieni». It turned out to be a bankrupt experience, demonstrating for the first time, even before collectivist socialism did it, that utopia remains utopia and that the attempt to frame real life into its ghostly scheme is an act of defilement. For further information see, for instance, Adrian Dohotaru (2011).

shareholding is another important aspect for the purpose of our demonstration. In such a scheme, dividends were split as follows: 4/12 to capital, 5/12 to work and 3/12 to talent. It is worth mentioning here that they were familiar with the notion of capital, as regards both their judgment and action systems. To the extent that the cooperative will tend to abolish profit and impose a system of equal remuneration, it remains utopian.

2. The phase of communist utopia

The authors of the alleged scientific socialism —Marx, Engels, Lenin, Stalin— considered the cooperative, as presented by associationist socialism, impossible to swallow. They questioned the technical, «bourgeois» side of the phenomenon, and found it insufficiently well equipped to contribute to the abolishment of paid-work exploitation. By denaturalizing the real, strict economic meaning of human resource exploitation, they perverted the idea of the cooperative and subordinated it entirely to the communist perception of the organization of society. In such a context, the cooperative was accepted in both the Manifesto of the Communist Party signed by Marx and Engels (2006), and in the International Socialist Congress in Copenhagen of August 1910 (Gankin and Fisher, 1941) commissioned by Lenin, based only on the following two hypotheses: the enforcement of socialist concepts on the cooperative and the prior expropriation of the future cooperator members. In other words, the cooperative was accepted only through its abolition as a socio-economic autonomous movement. As a matter of fact, Lenin was very clear when he disapproved of the fantastic character of the old cooperators' plans, beginning with Robert Owen, as «they dreamed of peacefully remodelling contemporary society into socialism without taking account of such fundamental questions as the class struggle [and] the capture of political power by the working-class» (Lenin, 1965, p. 474). These were only the beginnings of the vitiation of the cooperative movement. Those who accomplished the metamorphosis were the artisans of forced agricultural cooperativization based on Lenin and Stalin's soviet model, copied to a greater or lesser extent by Mao's China and by

all the satellite countries of the Soviet Union. It was a complete perversion of the idea based on the example of agricultural cooperativization, in the sense that:

- a) The cooperative was implemented by the ideological elite on grounds of a flagship idea pertaining to the totalitarian ideology, rather than because of individualist capitalism's lack of social sensitivity. Communism could not have been declared victorious in the absence of a total agricultural cooperativization, irrespective of the means used in order to achieve it. In other words, cooperativization was not seen as a middle way between socialism and capitalism; it only made reference to the very essence of socialism.
- b) The process of cooperativization was carried out by force, through expropriation rather than affiliation, through the use of violence and brute force. Thus, the agricultural entrepreneur became «the class enemy», a proletarian deprived of property and freedom of his own, often sent to prison or to forced labor camps.
- c) Cooperativization was not designed as a solution to increase productivity. Or, if it was, its results were perverted; where it «definitely conquered the system», it brought famine: Ukraine, Kuban, Kazakhstan, China.
- d) Although it tried to gather people together, socialist agricultural cooperativization, by forcing the process, ended by socially separating them. Deprived of his property, the farmer cooperator was no longer able to understand what common interest really meant.

In conclusion, experienced within the perimeter of socialist-communist ideology, the cooperative lost its meaning. From an instrument of socializing efforts toward achieving collective wealth, the cooperative turned into the enemy of those who initially conceived it.

IV CAPITALISM AND THE COOPERATIVE

While the Manifesto of the Communist Party signed by Marx and Engels announced, in 1847, that «a ghost is haunting Europe» —the ghost of communism— another publication —the Manifesto of the Rochdale Pioneers (Holyoake, 1908)— had already announced the principles of the consumer cooperative in England, a country marked by the industrial revolution. The initiative was accompanied by the launching of the Schulze–Delitzsch system of city cooperative and the Raiffeisen system of rural cooperative, both in Germany (Aschhoff, 1982, pp. 19-41). These starting phenomena are particularly interesting since they have developed into the nowadays great and complex variety of cooperative systems that can be found in all countries with a free-market economy. Such countries host forms in which cooperative organizations coexist with public or private companies, either under the ideological umbrella of liberalism or under that of Western socialism (French or Swedish). Furthermore, the analysis of such initial moments emphasizes the fact that the beginnings of the modern cooperative system resemble, in many respects, the mercantile ones preceding the capitalist society. Let us exemplify.

Firstly, many authors consider that the true fathers of the modern cooperative were the famous Rochdale Pioneers and not the associationist socialists (Holyoake 1908; Cole, 1945). In other words, the abortive experience of the cooperative (especially in agriculture) in the former communist countries is not related to the true and healthy origins of the cooperative system. The cooperative phenomenon in countries with a free-market economy is based on fundamentals created by experiments such as Rochdale, Schulze–Delitzsch and Raiffeisen, and not on the utopias of visionaries like Fourier, Owen, Proudhon or Campanella.

Secondly, the principles that configured the starting program of the above-mentioned experiments result in the promotion values consonant with democracy, freedom and capitalism, and not with totalitarian systems. Thus, in the English system of the Rochdale Pioneers we encounter values such as free association, democratic leadership and selling at market price (Cole, 1945). The Schulze–

Delitzsch system promotes the idea of owned and borrowed capital, as well as the idea of risk and dividend or decentralized management (Guinnane, 1995). And through Raiffeisen experiments are set the bases of the rural credit system (Guinnane, 1995).

Thirdly, it is true that the actors in these early forms of cooperative manifested in the free world cannot be completely assimilated into the favorite subjects of capitalism analyzed by Max Weber. However, just as in the situations described by the great sociologist, where the classical representatives of the nineteenth century were «the self-made parvenus of Manchester and Westphalia, who often rose from very modest circumstances» (Weber, 1950, p. 64), in this case, we are also dealing with individuals who, endowed with entrepreneurship and animated by the cooperative spirit, starting from a precarious situation have acceded to the middle class. Thus, the Rochdale Pioneers were 28 unemployed weavers who, for one year, had accumulated from real economies the minimum amount of money needed to start their business —a consumer cooperative store. Herman Franz Schulze devoted himself to the organization of a cooperative system from the moment he became unemployed. Starting as a poor young man who lost his father at the age of four, Friedrich Wilhelm Raiffeisen also became an organizer in the particular business known as the village credit cooperative.

The example of the first entrepreneurs in a cooperative activity with the characteristics of a business fits perfectly into the logic of early capitalism. In addition, the same example confirms Smith's thesis of social dynamics in a free economy (Smith, 1830). Only in such a social structure, hierarchical and yet mobile, was the ascension of the aforementioned entrepreneurs possible. Within a socialist economy, the «invisible hand» is not allowed to place each and every participant where they belong; social «levelling» obstructs any individual initiative. The cooperative can exist here also, but it is the result of state instruction, and its role is not to emphasize individual creative potency. It does not allow the emergence of a middle class but, rather, it answers an ideological imperative.

Fourthly, the three initiatives we referred to did not emerge anymore as a reaction to a doctrinaire political system, as the cooperative was considered by the associationist socialists as a way to

fight capitalism. On the contrary, attention was focused on strengthening the free economy, by removing or decreasing its excrescences and parasitic manifestations. It thus promoted the idea of the small artisans' coalition against the stifling competition of great capitalist industry, or the cooperation of small businesses in their fight to access inexpensive credit and such like. Theoretically, in this situation, the «enemy» is no longer capitalism in general, but the exploitative middleman within the system. If the cooperative system had opposed capitalism, the latter would have rejected it from the start. But this did not happen; from the very beginning, capitalism integrated the cooperative into its internal structures.

In conclusion, the cooperative has not affected the pedigree of capitalism (neither at the beginning, nor today). On the contrary, by making a common body, it has strengthened it on the inside and provided it with additional diversity. And this diversity is in full consonance with the spirit of free market economy and not with the totalitarian communist ideology. The novelty of cooperative experiment called Marinaleda² (in Southern Spain) is a strong evidence of it. A fact which is made possible in today capitalist Spain, but certainly not in a centralized planned economy which doesn't allow any exit from the official paradigm.

V COOPERATIVE, A HYBRID INSTITUTIONAL ARRANGEMENT

Both in the incipient stage as well as along the way, the cooperative—as an extension of the Rochdale, Schulze–Delitzsch and Raiffeisen systems—proved to be a hybrid institutional arrangement compatible with the theoretical and factual register of the free market.

Regardless of the field, most cooperatives have emerged through a joint effort of accumulation. This is how the initial capital was gathered. At present, such a perspective is also shared by

² Giulia Sbarigia, *The Smallest of Revolutions*, Wednesday, 12 June 2013, <http://www.eastonline.eu/en/east-47/una-rivoluzione-piccola-piccola>, p. 69-71

the Austrian School of Economics, which considers capitalized and invested real savings (not fictional credit) as sources of accumulation (Kirzner, 1994). Profit, at least initially, followed the well-known trajectory of division between accumulation and dividends. The whole business has evolved and still evolves within the market and with its permanent support. Within its perimeter, the measure of the quality of this activity is the result of competition between cooperatives or private and public companies. Taking into consideration the existence of owned-capital, formed of subscribed and paid shares, in conjunction with the principle of joint liability, the cooperative acquires specificity, being closer to a hybrid arrangement. The principle of capital remuneration with a fixed annual interest and not with dividends, even if it is partially functional, feeds back to the same hybrid formula. In other words, by emphasizing such features, the cooperative exceeds the Coasian diptych market-firm and enters the realm of judgment in which Oliver Williamson proved to be original (Williamson, 1973). Thus, the cooperative becomes an institutional arrangement placed somewhere in the middle, between the market and the firm.

Identifying the «hybrid contractualization» as a distinct form of governance, Williamson presented the features of the cooperative and provided the arguments which account for certain economic agent's preference, to the detriment of the market or of the firm (Williamson, 1999). Pursuing its endeavor directly or through the work of qualified interpreters such as Claude Ménard (2003), we find that joint investment illustrates the most important binding factor. From this perspective, we place ourselves within the cooperative boundaries precisely because here, the future cooperators, interested in organizing their activities in a particular manner, gather their efforts, resources and investment to achieve a common goal. Gathered in a network, the economic agents, the so-called cooperators, provide their resources for a common use. Moreover, the cooperative is defined through the contractual character specific to the hybrid arrangement described by the neo-institutionalist economists. What is more, the cooperative is based on a contract, usually incomplete, which only provides the general framework for action. Considered from a long-term perspective, the cooperative agreement is shaped on the free-market pattern.

Given the high degree of promoted tolerance, the cooperative agreement is precisely the type of «relational contract» analyzed by Williamson. Such a contract simultaneously impels the parties to perform transactions, while exonerating them from imposing strict contractual terms. Furthermore, the contract also facilitates the mutual adaptation and flexibility for the same cooperative purposes (Williamson, 1991). As already stated, the contract specific to the cooperative does not exclude competitive tension. The competitive environment is another distinctive feature of the institutional arrangement analyzed by Oliver Williamson. Competition is the way to avoid monopoly, strongly disapproved of by the great Nobel-awarded institutionalists Ronald Coase (1997, pp. 227–236) and Douglass North (2005). Similarly, competition policy can determine, under certain circumstances, reconfigurations; mutations in the structure of the contract can induce transformations from one hybrid form to another (Palay, 1984, Joskow, 1987). The structural dynamics of cooperation is familiar with such techniques. Following the same line of argument, partnership and alliances give shape to the neo-institutionalist framework of a hybrid form of governance. They are also to be found among the characteristic features of the cooperative agreement.

Neo-institutionalist analyses have also pointed out the role of government policy in shaping the hybrid forms of governance. The administrative authority can modify the rules of the game, thus changing the type of arrangement originally agreed upon. Such an aspect is of particular interest when addressing the development of the cooperative system in former communist countries. In these nations, through governmental decisions, property suffered numerous changes. While the Rochdale or Raiffeisen systems allowed the joint use of resources without «dissolving» the contracting parties, which remained separate legal entities, this is precisely what happened within the cooperative system of the communist countries. Here, the cooperative members became «a drop in the ocean», given that their inclusion in the cooperative structures occurred after they had already been expropriated by the public authority. The final outcome of such practices cannot be compared to the hybrid institutional arrangement highlighted by the neo-institutionalist economists. The result was an abortive product, even in

relation to the utopian-associationist draft created by the first socialists.

VI THE IDEOLOGICALLY NEUTRALITY OF THE COOPERATIVE

Seen from the outside, the idea that the cooperative is similar to any other business and exceeds the bipolar division between capitalism and socialism is highlighted in the definition provided by the International Co-operative Alliance (ICA). According to this organization, the cooperative represents «... an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise». It is important to point out the neutral character of the cooperative identified in this officially recognized definition, a feature that is not compatible with any particular doctrine. The keywords in the definition are: autonomous or voluntary association, and democratic enterprise. The neutral character of this definition brings to the fore the essence of the neutrality of this phenomenon as well as that of the international organization which has managed it from the beginning. Furthermore, it was not managed as a commodity, passed from socialism to capitalism or vice versa, but as a type of merchandise emerging and developing under its own brand —the brand of the cooperative. Moreover, it is obvious that such a definition clearly states free world values without socialist or capitalist connotations; hence, the autonomy of volunteering, democracy, Christian morality.

The ICA was established in London at the first world Cooperative Congress of 19 August 1895. Since then, 42 other congresses have been organized. The thematic evidence of these congresses, briefly presented in the work of Jack Shaffer (1999), emphasize that the relationship between the cooperative and socialism was tackled only during the congresses of 1910 and, rather irrelevantly, in 1927, as the problem was settled at the Congress of Ghent in 1924, where the main focus was on «cooperative neutrality». From 1927

onwards, debates have focused on technical issues regarding economic and social development, from economic integration to cooperative democracy, protection of the environment, unemployment, inflation or sustainable development.

Nowadays, ICA is a global organization, the largest non-governmental organization in the world, the only one that has survived the two world wars and crisis.

On 20 October 2013 (ICA, 2014) the number of individual members from 94 countries was as follows: Africa: 18,889,471, the Americas: 279,355,841, Asia-Pacific: 349,097,324, Europe: 70,890,607. The country with the largest number of individual members indirectly represented by ICA is the USA, with 256 million members. The next countries are located in Asia, with India and Japan following right after the US with 93.7 and 77 million individual members, respectively. Five of the top ten countries, by membership, are located in Asia. In Europe, Italy is first, with 22.5 million individual cooperative members.

The United Nations has given constant attention to cooperatives, and declared 2012 the International Year of Cooperatives. The initiative was aimed at a technical and not an ideological objective; that of raising global awareness on the chances of success of the cooperative type of business.

In this context, it should be noted that the European Union also provides support and officially backs the right to existence of the cooperative movement in order to promote and increase its role within economic and social areas (European Commission, 2003).

The historical path of cooperatives as an institutional arrangement manifested beyond any ideology (Holyoake, 1908) was difficult, but, once initiated, it followed an upward trend, beyond any social, political or geographical barriers.

Tables 1 and 2 summarize the statistics with regards to the historical beginnings and the current state of the cooperative. The countries are grouped in two main categories. First, in Table 1, are included the countries that manage the business called cooperative in a single system—the free-market economy. The second category, presented in Table 2, covers the countries in which the cooperative is managed both in communist and capitalist re-

gimes. This arrangement both facilitates the analysis and shows how each analyzed group reaches different conclusions.

TABLE 1
NUMBER AND MEMBERS OF COOPERATIVES
IN COUNTRIES WITH A CAPITALIST SYSTEM
OVER THE ENTIRE ANALYZED PERIOD

CO	1937 ⁽¹⁾		'1980s ⁽²⁾		1996 ⁽⁵⁾		2009 ⁽⁶⁾	
	# Coops # Members*	% Pop.	# Coops # Members*	% Pop.	# Coops # Members*	% Pop.	# Coops # Members*	% Pop.
AT	5478 808	12.0	NA NA	NA	1485 3839	47.6	2339 4866	59.2
FR	90,433 8501	20.3	25,008 ⁽⁸⁸⁾ 13,175	23.5	23,573 17,486	30.0	21,000 23,000	37.7
DE	51,095 8356	12.3	10,185 ⁽⁸⁵⁾ 14,018	18.1	10,320 22,322	27.3	7415 20,510	26.0
GB	3794 8406	17.8	3638 ⁽⁸⁵⁾ 9323	16.4	10,656 9652	16.4	977 8435	14.2
IT	14,948 1957	4.5	45,000 ⁽⁸³⁾ 8346	14.8	39,025 7625	13.3	41,552 13,064	23.0
SE	12,437 1337	21.3	2574 ⁽⁸⁸⁾ 3063	36.2	15,106 ⁽⁹⁸⁾ 4780	54.0	9170 4070	44.6
CH	11,723 1032	24.7	NA NA	NA	1651 3657	51.5	1416 3426	46.6
US	NA NA	NA	34,956 ⁽⁸⁴⁾ 84,768	35.8	27,599 ⁽⁹⁵⁾ 150,692	57.3	29,322 ⁽⁴⁾ 356,272	73.0
CA	1100 ⁽¹⁹³⁰⁾ NA	7.4	2391 ⁽⁷⁵⁾ ⁽⁴⁾ 2109	9.3	7870 ⁽⁹⁵⁾ ⁽⁴⁾ 4504	15.2	5642 7239	22.5
JP	NA NA	NA	12,490 ⁽⁷⁰⁾ ⁽⁴⁾ 16,901	16.3	9688 ⁽⁹³⁾ 57,527	46.1	719 ⁽⁴⁾ 76,516	60.0

Notes: * Members are expressed in thousands.

Sources: ⁽¹⁾ Parker and Cowan (1944), pp. 6–9. ⁽²⁾ Italian Documentation Centre on Cooperatives and Social Economy (2014). ⁽³⁾ European Economic and Social Committee (1986) p. 75. ⁽⁴⁾ Hoyt and Menzani (2012), pp. 41–44. ⁽⁵⁾ Shaffer (1999), pp. 437–440. ⁽⁶⁾ Cooperatives Europe ASBL (2010), pp. 4–13.

For population, we used the data from Lahmeyer (2014).

What conclusions can be drawn from a brief review of the data in Table 1?

First, as expected, the cooperative phenomenon found favorable home on the perimeter of the market economies of these nations. There is a rising trend for all the ten analyzed countries. Even if, in several cases, like Austria and France, the number of cooperatives declined in several periods (a phenomenon explained by integration and combination for economies of scale), both the number of cooperative members and its penetration in country's population increased over the period; including in the aforementioned countries.

Second, it is tempting to believe that the very high percentage of cooperative members in countries with strong social-democratic tradition, like Austria (59.2%), or Switzerland (46.6%), or with socialist traditions, like France (37.7%) or Sweden (44.6%) argues for recourse to a third way in order to provide a favorable environment for cooperatives. However, in countries recognized as bastions of capitalism, like the USA and Japan, the indicator for the year 2009 display percentages of 73% and 60% respectively; numbers that make derisory such a conclusion; the correlation between the free-market mechanisms of the USA and an alleged third way tends to zero.

TABLE 2
NUMBER AND MEMBERS OF COOPERATIVES
IN COUNTRIES WITH DIFFERENT ECONOMIC SYSTEMS
(CAPITALIST/COMMUNISM) OVER THE ANALYZED PERIOD

CO	1937 ⁽¹⁾		'1980s ⁽²⁾		1996 ⁽⁴⁾		2009 ⁽⁵⁾	
	# Coops # Members*	% Pop.	# Coops # Members*	% Pop.	# Coops # Members*	% Pop.	# Coops # Members*	% Pop.
BG	5509 1009	16.0	385 ⁽⁸⁷⁾ 2090	23.3	4814 1213	14.5	1273 179	2.2
CZ	17,337 4670	32.4	1805 ⁽⁸⁹⁾ 2281	22.0	2185 1382	13.4	1395 898	8.3
SK	17,337 4670	32.4	865 ⁽⁸⁹⁾ 1767	33.5	1108 783	14.6	383 571	9.8
EE	1957 ⁽³⁸⁾ 220	19.5	NA NA	NA	30 54	3.8	1604 410	19.7
HU	3516 1303	14.4	NA NA	NA	3497 3013	29.6	2769 547	5.7

LV	1729 375	19.1	NA NA	NA	98 306	12.2	74 17	0.7
LT	1257 175 ⁽³⁸⁾	6.8	NA NA	NA	99 246	6.6	490 222	6.6
PL	13,908 3122 ⁽³⁹⁾	9.0	15,233 ⁽³⁸⁾ 14,969	39.4	13,774 2585	6.7	8823 8000	19.9
RO	6444 1398	7.2	NA NA	NA	4163 ⁽⁹⁴⁾ 6165	27.1	1,577 809	3.5
RU	286,595 60,760	57.0	6817 NA	21.2	54,149 ⁽⁹⁷⁾ 14,123	9.6	3163 4408	3.1

Notes: * Members are expressed in thousands.

Sources: ⁽¹⁾ Parker and Cowan (1944), pp. 6–9. ⁽²⁾ Italian Documentation Centre on Cooperatives and Social Economy (2014). ⁽³⁾ International Labour Office, Cooperative Branch (1996). ⁽⁴⁾ Shaffer (1999), pp. 437–440. ⁽⁵⁾ Cooperatives Europe ASBL (2010), pp. 4–13.

For population we used the data from Lahmeyer (2014).

For the ex-communist countries analyzed in Table 2, the dynamic of the cooperative phenomenon also confirms the starting assumptions.

Thus, until around the 1990s, a historical milestone in the collapse of the totalitarian system, the cooperative registered a growing tendency in all countries, if not always as the number of cooperatives, then permanently as a percentage of cooperative members in the total population. This dynamic has two stages: in the first phase, the cooperative develops naturally under the influence of the same factors that determined its emergence and evolution in countries with free-market economy; in the second phase, approximately between 1950 and 1990, the cooperative increased under normative communist legislation. The fact that it did not grow naturally, but was forced, is demonstrated by the generalized and continuous decline of the phenomenon after the 1990s. A decline that, at the end of the analyzed period, the year 2009, led to a percentage of cooperative members in the total population of under 10% in most of the countries analyzed. Noteworthy is that the decrease was even more drastic in countries with a more deeply implemented communist system. For example, in Bulgaria, Romania and Russia the levels fell to 2.2%, 3.5% and 3.1%, respectively. Only Poland, with 19.9%, and Estonia with 19.7%, are an (insignificant)

exception, possibly explained by an understanding that the cooperative is not an evil itself, but only that communism changed its purpose in a negative manner.

VII WHY IS THE COOPERATIVE ASSIMILATED TO THE «THIRD WAY»?

The attempt to systematize the causal circumstances which turn the cooperative into a main feature of what is intended to be the «third way», placed somewhere between liberal capitalism and collectivist socialism, might be explained in the light of three major arguments.

Firstly, «cooperative» is among the keywords of the works of both those liberal reformer economists who were reluctant to accept the infallible virtues of liberal doctrine, and of some socialists dissatisfied with Marxist discourse. Historically speaking, the social market economy, as theory and as «empowered» phenomenon, able to design the «brand» of «the third way», emerged at the crossroads of such perspectives.

Let us consider first the economists from the first group, specifically John Stuart Mill and Leon Walras. The liberal socialist and dissident Mill identifies in the state establishment of production cooperatives a possible solution, among others, to reduce social cleavage and so ensure harmony and consensus (Mill, 1909). Leon Walras clearly pointed out the way to the stabilizing compromise «... only by reconciling communism with individualism for in this way alone you will be harmonizing private interests with the requirements of justice» (Walras, 1874, p. 45). In the same philosophical direction, he founded the Journal of Cooperatives precisely to realize his concerns as a reformer and a man touched by the issues of social justice (Duignan, 2013).

In their turn, Eduard Bernstein (1907) and Jean Jaurès (2011) appear as «renegades» of the Marxist collectivist socialism. Their socialism aims to be a reformed version, uncontaminated by Marx's revolutionary utopia. The doctrinal path indicated by the «independent» Jaures further allows for the development of the doctrine

of «socialism à la française.» Such a philosophy is based on the revision of Marxism and a critical attitude toward individualist capitalism. This direction is adopted by all representatives of the modern French leftist movement in their attempt to shape a specifically French «third way»; a way opposed both to the catastrophic failure of communism and the rapacity of Smithian capitalism. A case in point is Louis Blanc (1845) who, while respectful toward the general framework of capitalism, sees in association the remedy to all its shortcomings. Blanc's association was a kind of «social workshop», attainable with the support of the state; a mix of public economy and private capital—in other words, a mixed economy. On the basis of the «social workshop», the socialists of the 1980s conceived the «relational society» (Attali, 1972) or the so-called «socialism in liberty». Furthermore, the socialist project identified the updated shape of the «social workshop» in the macro dimension of self-management. Through the voice of the party leader, Michel Rocard (1979), we thus find out that self-management illustrates a third way, between wild capitalism and bureaucratic collectivism, one that is socially fair and economically efficient.

Secondly, even within the doctrine, as long as the cooperativism provided such attributes, some of its advocates placed the phenomenon «in the mid-position», attempting thereby to produce either additional ideological neutrality or further harmony. William King and Gheorghe Zane illustrate two significant examples. King was one of the most fervent proponents of the phenomenon, and did not hesitate to provide hypotheses according to which the cooperative movement might become an equivalent to the «third way» (Mercer, 1922). Zane was a prominent Romanian theorist and supporter of the cooperative, which he perceived as the foundation of the national, solidaristic and democratic state. He settles the issue by stating that «... between capitalism and communism, we are on the third way» (Zane, 1936, pp.15–38). A way that is obviously «paved» with cooperative organizations.

Thirdly, it should be noted that such a «third way» perspective, once established by those who shaped the doctrine, remained alive and, furthermore, was even adopted by those authors placed outside this thematic arena. Practically, the historical-doctrinarian analysts who provided an external view

of the cooperative phenomenon preserved the same register, being influenced by it. An illustrative example is provided by the Romanian professor Gheorghe Popescu. In his work entitled *The Evolution of Economic Thought*, he clearly states that «while the utopian Socialism proved unattainable in practice, the Cooperative has developed an experiment continuously strengthened until present day, which managed to coexist both with the capitalist development and with the socialist experiment of the 20th century» (Popescu, 2004, p. 414). It can be inferred that the cited author considers that the virtuous cooperative succeeded in serving both capitalist freedom and absolute socialist social engineering. While the first relationship may be true, history has clearly demonstrated that the second is not: the example of the forced cooperativization of agriculture in the Eastern European socialist system is self-evident and requires no further argument. In this world, consumer or handicraft cooperatives existed and functioned very well however, they represented a true capitalist «oasis» in the grey ocean of the planned economy. They showed, to anyone willing to see, that their natural home was not provided by the socialist economy.

VIII IS THERE A «THIRD WAY»?

Those who accept and defend the existence of a third way, between socialism and capitalism, focus on a mixed economy, illustrated by the social market economy which offers itself as «... a mixture of state socialism and liberalism, responsibility and solidarity, associationism, institutionalism and individualism» (Baslé, 1991, p. 59). In other words, such an economic system solves the dilemma liberalism–socialism by means of compromise. It takes from both doctrines the convenient features: from capitalism, the free market and the entrepreneurial spirit likely to provide productivity; from socialism, additional social justice.

Can the cooperative find a place within this landscape? And if the answer is yes, does the cooperative provide it in a specific «color»? To answer these questions we must recall that, thanks to

Adam Smith (2007), the world has realized that the division of labor and human cooperation are the two fundamental economic facts. Cooperation exists, and it is as old as economic activity itself. The cooperative, as a formal institutional arrangement conceived to shape the idea of cooperation in a modern formula, goes back to the 18th and 19th centuries. In parallel with the crystallization of the cooperative theory, the world has experienced two systems—capitalism and socialism. Within the first system, the cooperative effort was a natural and normal one, answering the standard classical requirements for increasing labor productivity. Under collectivist socialism, the cooperative effort was dictated. The individual will to cooperate was suppressed by the interference of a totalitarian interventionist state. Therefore, within this system, the cooperative lost its meaning and its reason for being. It remained for the cooperative to prove its true vocation in the free world, in the market economy. Is this system able to hybridize the cooperative to such an extent as to change its essence? The answer is NO. The cooperative has its own specific theoretical paradigm and practical matrix which do not overlap completely with the hedonistic arithmetic of the market economy. Even so, the cooperative illustrates a mixed arrangement that completes the existing composite elements shaped on the basis of the market economy framework, without changing its fundamental structure. The result is a capitalist market economy which, forced to adapt to circumstances, allows a dose of state control, justice and equity. Furthermore, under the strictures of competition, such an economic system also accepts the cooperative. In other words, the cooperative cannot be perceived as a third way; it is not a third way, neither by itself, nor in a hybrid combination with any other system. It cannot be grafted onto a socialist structure on grounds of incompatibility. Preserving its specificity, it can only be grafted onto a capitalist-liberal structure. The outcome, in this case, is also a capitalist system, given the fact that, as Mises judiciously noted «... the idea of placing by the side of these two systems or between them a third system of human cooperation under the division of labor, one can always start only from the notion of the market economy, never from that of socialism» (Mises, 1996, p. 716). Mises's message is clear: there is no third way. The alternatives are already known

—capitalism or socialism— and the place of the cooperative is definitely within the capitalist market economy.

IX GENERAL CONCLUSION

The aim of this article is to demonstrate that the cooperative phenomenon is a natural extension of human activity which, consumed under the imperative of the division of labor, is compelled to cooperation. In other words, the cooperative is a relatively neutral institutional arrangement. The features of such a hybrid institutional arrangement can be identified in the register provided by the neo-institutionalist Oliver Williamson (1973). Unfortunately, from a historical perspective, the cooperative was not left to work out within a neutral perimeter. On the contrary, it was claimed by both left and right ideological movements, a situation which brought it both losses and gains. The cooperative institutional arrangement was deeply harmed when the socialist doctrine placed it among its founding myths, the essence of communism also meaning complete cooperativization. Socialism could not assimilate the cooperative. Its irrational and unnatural structures did not allow the useful implementation of the cooperative setting. Instead, it suffocated and compromised it, as it also did the idea of planning. If, in associationist socialism, the cooperative was given the attributes of utopian naivety, in totalitarian socialism —experienced in Eastern Europe— it proved to be an unsuitable piece in a blocked system. However, the cooperative won when the free-market economy gave it the necessary space for establishment. And it offered this space not to the version provided by the associationist socialists, but to that originating in the Rochdale, Schulze-De-litzsch and Raiffeisen systems. Consequently, once accepted within its «perimeter», the free-market economy was not changed by the cooperatives into a mixed economy or a «third way». Rather, the cooperative was added to other categories of «impurities» that the free-market economy assimilated in its attempt to adapt to circumstances. However, its fundamental structures remained untouched; it remains a capitalist economy, entirely different from

the socialist economy, and with no connection to a «third way» — a way that does not exist.

If the socialist–collectivist experience of the cooperative is an abortive one, the capitalist experience proves to be a complete success. The former socialist countries in transition must start from this premise. From this point of view, the «path dependency» phenomenon can be overcome. The cooperative ended its socialist history, but the idea as such, as well as its practice, is not compromised. The free-market economy, the direction which these countries are oriented toward, may be a chance of rehabilitation for the cooperative. Once assimilated into their structures, the cooperative will support them in configuring their economic and social policies. It will provide them with diversity and strengthen them from the inside. The citizens of these countries do not have to be afraid of the cooperative. As it was successful in the developed Western nations, it may also generate significant advantages in their own countries.

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