

THE CO-OPERATIVE, CATHOLIC SOCIAL THOUGHT AND THE GOOD COMPANY. THE IMPORTANCE OF PLURALISM IN THE MARKET

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Abstract

The origins of co-operative social theory are to be found in a mix of Early Christian practice, later radical Christian ideas from the European Reformation, Enlightenment Philosophy, and pragmatic approaches to economic and social problems. Despite this possibly unpromising pedigree from a Catholic perspective it has been recognised that Co-operatives attempt to establish democracy, distributive justice and community. Co-operatives have, therefore, since the nineteenth century played a significant role in the practical expression of Catholic Social Theory.

The working definition of the co-operative business and its management proposed by the author as an ideal type shows a clear differentiation from other types of business. Yet co-operatives share in common with their rival's economic goals for the provision of goods and services to customers within a market economy, whether regulated or unregulated. The paper argues that co-operative principles may be said to underpin the idea of the good company in Catholic Social Theory at least as completely as in other ideal types of business.

The paper discusses the underpinnings of co-operative social theory and the model of the ideal co-operative business in terms of the history of co-operative development and the mixed results that co-operatives have produced in practice. The impact of the state, managerial control, membership apathy and other environmental factors on the development and performance of co-operatives businesses are reflected upon.

The review of co-operative practice concludes that the lessons of the co-operative business are that it rarely meets the potential implied in its ideal type. Equally, co-operatives have demonstrated the capacity to effectively provide individuals with access to economic goods/services through an alternative framework to that of the share - based company. Many companies can be identified as "good" and many co-operatives equally may be identified as "bad". Nevertheless, co-operatives as a set, it is argued, do have a genuinely differentiating competitive role relative to the share-based company in the marketplace that can benefit a wider range of stakeholders. Co-operatives create a pluralism that assists the efficient working of the market.

The paper concludes that it is as much this pluralism that co-operatives can bring to the market as their particular aims, ownership and governance structure that underpins their claim to social and economic significance. The challenge is not in making out the case but to persuade Catholic Business Schools to

act upon it. Catholic students studying management and business have a right to be appraised of the Co-operative business as a realistic and significant organisational form in which to serve.

Key words

Business Models, Catholic Social Theory, Co-operative Identity, Purpose and Values, Market Economy, Pluralism (1).

Introduction: the origins of the co-operative enterprise.

For England, the European Reformation was fought out on the battle fields of the English civil war and the subsequent debates of the parliamentary army. Here were made the first modern attempts at co-operation, in this case in the form of communitarian working and living, in the practices of the Diggers and the Levellers. Although defeated, their memory remained a potent force amongst those seeking reform within the United Kingdom. Summing up the Lever / Digger philosophy and agenda during the civil war period, Christopher Hill wrote,

“Man falls when, growing up in the competitive world, he surrenders to covetousness. But there is nothing inevitable or necessarily permanent in this. Reason is in each one of us, and Reason rejects covetousness which underlies private property. Co-operation and mutual help are dictated by Reason for the preservation of the human race.”(C. Hill, 1972, p391)

Thus at the very beginning of the co-operative project we see a striving for morality in opposition to materialism. Co-operation was never just a matter of increasing consumption but of improving character. Robert Owen, not Gerard Wynstanley (leader of the Diggers), is the acknowledged founder of modern co-operation. Owen held some equally heretical ideas to those of the Diggers / Levellers which offended the Christians of his day but like the Levellers and Diggers Owen still felt able to quote from the scriptures extensively in support of co-operation. Owen drew heavily on St Paul’s Letters in his *Address to the inhabitants of New Lanark*, (1816) on the occasion of the opening of an institution supporting character formation (London School of Economics Library). In doing so he created a link in ideas that stretched back to the early practices of the Christian church (Davis, 1988) as well as to the radical wing of the Parliamentary forces of the English civil war.

These origins are, however, ignored in the two substantial "official" histories of the Co-operative Movement in Britain - Hall and Watkins, *Co-operation*, (1934), and, Bonner A, *British Co-operation*, (1961). Although both histories do acknowledge Owen’s communities to be the beginnings of the modern co-operative movement. This latter proposition is also generally accepted by the historians of co-operation outside the UK. Both these British histories consign the Owenite idea of community to a “failed and flawed” model superseded by the “true” form of co-operation - that of consumer co-operation after 1844. Yet today there are at least 600 communities operating in the USA (Communities Directory, 2000) and in the United Kingdom it is estimated that some 600,000 people live in communal establishments. (Gatward, Lound and Bowman, 2002) In the post war context one state - Israel - may be said to have been founded on and built up on the communitarian principle.

Bonner also compresses to a bare outline all accounts of the worker-based manufacturing side of the movement although he considers the reasons for their failures in some detail. Bonner's assumption is throughout that the movement is principally a consumer movement and that this was the case following

the Rochdale Society's introduction of dividend on purchase in 1844. However, even in this respect Rochdale was not a "first". This over-emphasis by Bonner ignores much material presented in the earlier official history by Hall and Watkins (1934) and by G.D.H. Cole (1944). Cole refers to a number of earlier societies and co-operative publications adopting the "Rochdale" principle. Cole's book gives the fullest account of the broader Co-operative Movement.

Bonner's stance is symptomatic of the inability of the post-war British co-operative movement to shake off the consumer ideology and recognise its broader mission. It is sad to reflect that at a time of mounting crisis, when the consumer movement was clearly faltering as a vehicle for the promotion of co-operation the, then new (1960s) official history reduced rather than developed the conflicting currents of opinion that its predecessors had acknowledged. This failure was again repeated in Johnston Birchall's (1994) new history. Johnston almost ignores the communitarian movement, and even suggests that the Rochdale Pioneers may not have been really serious in their insertion of community on the land as one of their objectives even though as Birchall observes they did try to run a co-operative farm for around a decade Birchall still suggests the goal of a community on the land may have been a "ritualistic nod in the direction of their master Robert Owen". (Birchall, 1994, p54) The earlier history by Hall and Watkins, for example, devotes a complete chapter to the Christian Socialists' efforts at worker co-operation whilst Birchall barely mentions them.

Birchall does however note that the earliest recorded efforts at establishing co-operative societies in the 1760s were to challenge local monopolies of millers in the production of flour. He refers to them as consumer societies even though their objectives were manufacturing. (Birchall, 1994, p4) Neither Hall and Watkins (1934), G.D.H. Cole (1944), Arnold Bonner (1961) or Johnston Birchall (1994) give much space to the bitter power struggle, and give only brief mention of the ideological struggle that took place within the British co-operative movement from 1870 to 1886 between those that supported consumer cooperation and those that saw co-operation as primarily a strategy based on production. The most recent work to analyse in detail the available source material on this power struggle between consumer and worker cooperation is P. N. Backstrom's biography of Edward Vansittart Neale, (Backstrom, 1974). Another lesser-known earlier history by Catherine Webb (1904), being closest to these debates in time, gives the most systematic resumé of the principal developments among producer or worker co-operatives, using the periods 1824-43; 1844-63; 1864-83; and 1884-1900. Her use of these periods gives recognition that there was no exclusive straight-line development of consumer co-operation after 1844.

Catherine Webb introduces much of the theoretical debate into her description of the times. Webb writes, for example, of the co-operative strategies of the Redemptionists, "The Redemption Societies of this period must be mentioned here, although rather as survivals of the old spirit than leaders of the new movement." (Webb, 1904, p19) Cole, too, mentions the Redemptionists in the same chapter as the Christian Socialists. They had much in common in terms of objects as well as their coincidence in time. The existence of these bodies in the 1840s and 1850s, and their own indebtedness as well as their challenge to the rather top-down paternalism of the Owenites, clearly demonstrates the vitality of the wider notion of the co-operative mission well after 1844. The Leeds Redemptionists maintained a community in Wales as late as 1856.

The date 1844 in co-operative history is presented, therefore, not only as the foundation of the Rochdale Co-operative Society but as a clear break with an Owenite and "Utopian" past in the form of the

modern consumer co-operative movement. In fact the record shows on the contrary this whole period around 1844 was not a break with Owen's ideas. Rather it was a period of experimentation in practical approaches to realising Owen's objectives whilst rejecting both his strategy and secular philosophy. The Rochdale Society was founded on the ideas of William King and aimed to establish a community on the land, a hotel and manufacturing. They possessed a set of all 28 copies of King's journal *The Co-operator* (Mercer, T.W, 1922)

The Pioneers were following Dr William King (a Christian) in his gradualist and bottom-up strategy. The Pioneers Co-operative originally formed a small store but then went on to establish with five other local co-operatives and around 90 workers a profit-sharing joint venture for the production of unadulterated flour. This was not a consumer co-operative approach where the latter banned profit sharing with workers. The period from the 1850s to the 1900s saw many initiatives to establish co-operative communities of labour spearheaded by the emerging Anglo-Catholic movement lead by Newman. Edward Vansittart Neale and Thomas Ludlow (the first Registrar of Co-operatives in the UK) were both disciples of the Anglo-Catholic Movement and keen advocates for a vision of co-operation based on production rather than consumption of wealth. In the end the consumers won out as the influence of a self conscious consumer movement arose supported by the powerful institutional weight of the CWS Ltd. and the intellectual critique of workers' co-operation by Beatrice Potter (Webb). The productive movement was forced out of the Co-operative Union into its own federation (Co-operative Productive Federation led by Thomas Blandford). The CPF remained a small, but for some of its life a dynamic and fast growing sector. Blandford helped develop many producer co-operatives and established a particular form of worker co-operative co-partnership that united outside shareholding with democratic worker control. By 1910 there were over 70 producer co-operatives operating within the membership of the CPF (Jones, 1976, p42) Derek Jones's analysis has shown that Potters' predictions that worker co-operatives would degenerate into capitalist firms was not born out by the facts. (Jones, 1976)

The individual enrichment of the consumer through dividend became the main rationale for co-operation in Britain. This did not prevent progressive employment policies including recognition of trade unions, nor did it in practice prevent a rapid accumulation of reserves and capital growth including manufacturing by the C W S Ltd. But the purpose for which that accumulation was being pursued was lost sight of. Firstly, the improvement of character, without which no social improvement was seen as being practical or sustainable, (particularly emphasised by Robert Owen, and the English Labour Economist John Francis Bray, 1839). Secondly, economic autonomy in a democratic community for the dispossessed and poor. Thirdly, distributive justice for all, and finally, the strengthening of harmony, fellowship and solidarity in society. Only in the consumer movements' auxiliaries, particularly the Co-operative Women's Guild, (Salt, Schweitzer, and Wilson, 1993) and the movement's education programmes were there still to be found echoes of these objectives.

Indeed before the latest revision of the International Cooperative Alliance's (ICA) six co-operative principles in 1995 and the adoption of the latest Identity Statement they made no mention of community or of labour hiring capital. The reduction of the original vision of Owen, was down by the 1960s to;

1. Open and voluntary membership
2. Democratic Control
3. Limited interest on capital
4. Distribution of surpluses on basis of transactions

5. Education

6. Co-operation with other cooperatives.

The revised (1995) ICA Identity Statement is a much fuller and developed document which has reinstated or developed the importance of community, autonomy and the collective ownership of capital as key aspects of the co-operative identity thus going a long way towards reversing the earlier “consumer” co-operative position.

The economic consequences of dividend for the movement’s growth are a matter of speculation. It is generally accepted by academics and management that attempting to maintain dividend levels prevented post-war British retail co-operatives from embarking on the capital investment plans they needed to maintain and develop market share. Today the payment of dividend on purchases is for most retail cooperative societies of no practical differentiation as it is also a common practice to pay a loyalty payment amongst their private sector rivals. This failure of dividend as a distinctive cooperative difference, and the virtual disappearance of active membership created a loss both of direction and sense of mission within the British consumer societies that is still being addressed as they try to re-establish themselves as both businesses and vehicles for a genuine social movement.

Having finally achieved a national level of co-ordination, the UK consumer movements’ dividend is to be extended to include its other services like travel, funeral and banking. This may make the dividend a more competitive loyalty payment than hitherto. Members will also be able to donate their dividend or part of it to community and other charitable and reforming organisations. The Co-operative Bank’s customers, for example, already support Amnesty International, Christian Aid and Fair Trade among others through a dedicated credit card and by voting on the distribution of the Bank’s Social Responsibility Funds.

The communitarian strand that had been so prominent from the English civil war in English radicalism faded from view in the face of the rise of Marxism and Fabian Socialism on the left and consumerism on the right. From these trends arose the established English social democratic consensus. Trade unions were limited to bargaining about wages and conditions; co-operatives to looking after consumer interests. The Labour Party had the role of seeking political power to develop state-led welfare, educational, employment and health programmes. On the radical left, Marxism too, led workers to focus on the capturing of political power at the centre - the State. Autonomous self-help solutions in a robust civil society rooted in self-governing communities of labour was branded as Utopian. (Engels, 1892) The association of labour became fixated upon the State. The collapse of Communist regimes in the East and the retreat of Social Democracy in the West have, however, now left the wider Labour Movement without a strategy with which to confront the challenges of globalisation. With the failure of these two approaches it may be time to recognise that the earlier ideas concerning co-operation by men like William King and the English Labour Economist J.F. Bray. Their vision of an autonomous co-operative sector was discarded too hastily in favour of varieties of state-focused solutions.

The time may be right, given the real needs that exist in our modern labour markets and in the growing dependency for the quality of family life on employment, to remind the co-operative movement of its origins and purposes and to present to the movement’s many potential members and activists in communities, trade unions, churches, charities and in educational establishments of the continuing relevance of the co-operative association of labour. It may also be the right time for the Church to re-

emphasise the importance of co-operation for the formation of a character containing those virtues underpinning the robust public moral culture (Weigel, 2003, p20) required for the operation of the free and virtuous society. I return to this issue in the following section.

If the State's role in market regulation today has diminished then a new, market-based pluralism may be a more realistic form of regulation. The pluralist model recognises the force of choice not only in the consumer market but in the capital and labour markets as well. This can involve a variety of co-operative forms of business enterprise. These include, for example, the original communitarian model as in the classical living communities (for example the Kibbutz), and the collectivised production units governed democratically within close regional cultures (for example as in Mondragon, Spain). Another example not unlike Mondragon, following the illegal Turkish invasion and occupation of Northern Cyprus, is the role co-operatives played in reconstructing the Greek Cypriot economy and village life in the areas of financial services, tourism, education and agriculture and exports. Even more universally, however, there are communities of values and styles of living and consuming, for example the UK Co-operative Bank's Ethical consumer programme - Customers Who Care.

Catholic social theology in relation to labour and co-operation (2)

The foundations of Catholic social doctrine are well known and have been encapsulated in four core principles (Weigel, 2003, p17). First there is the principle of personalism which upholds the value and inalienable dignity of the individual who is the subject never the object for family, society, community, tribe, clan, group, party, association, organisation, or state. All social formations exist to protect and uphold the human rights of the individual. In terms of work in employment this must be judged,

“...above all by the measure of the dignity of the subject of the work, that is to say the person, the individual who carries it out” (Pope John Paul, II, *Laborem exercens*, Catholic Truth Society, London 1981, p23)

The second principle is the principle of the common good. (Weigel, 2003, p17) This principle qualifies and also contextualises the first principle. We can only become really conscious of who we are through our interactions and relationships with other people. Thus our actions must always contribute to the general welfare of society or at least in no way harm that general welfare. The proposition is that it is only by living for the common good that we fully realise our own good.

“Solidarity helps us to see the other - whether a person, people, or nationas our neighbour and helper...”
(Pope John Paul, II *Sollicitudo rei scioialis*, Catholic Truth Society, London, 1987, p76)

Our actions with regards others are to act ourselves and encourage others

“.....to make a contribution to the common good” (ibid)

As St Paul puts it

“There are different kinds of working, but the same God works all of them in all men. Now to each one the manifestation of the Spirit is given for the common good.”

(Corinthians, 12 v6-7, *Holy Bible*, International Version, Hoddder and Stoughton, London, 1979.)

The third principle is the principle of subsidiarity or civil society. (Weigel, 2003, p18) Each decision taken should be taken at the lowest possible level of competence in society and ideally at the level of those who will be most affected by the decision. Associations autonomous from the state and governed by their members are seen to be important enabling structures for this principle. These include businesses, trade unions, co-operatives and mutual societies, political parties, charities, community associations etc.

“The supreme authority of the state ought, therefore, to let subordinate groups handle matters and concerns of lesser importance...in observance of the principle of subsidiary function the stronger social authority and effectiveness will be...”

(Claudia Carlen, Ed. *The Papal Encyclicals, 1903-1939*, McGrath Publishing Company, USA, p 28, para 80.

Finally, the fourth principle is solidarity or civic friendship (Weigel, 2003, p18) sometimes called fellowship. Relationships are not based solely on formal contracts but on informal ties of kinship, friendship and of loyalty arising from our sense of belonging. It is not always the case that co-operative members do show solidarity and fellowship with their fellow members but there is no doubting the importance of unity within the ranks of the membership for the success of the co-operatives enterprise. (Watkins, 1990, p19)

Within these founding principles are woven several themes which it goes beyond the scope of this paper to explore comprehensively or in detail. I will only touch briefly here on five of those that are particularly relevant to the issues raised in this paper in the economic sphere. (Weigel, 2003, p19) The first is the theme of work as a means of fulfilment of the human character and as a spiritual practise that enables the individual to participate in the creative work of God. (ibid.) Furthermore work has a spiritual dimension through its capacity to realise our real potential as fully human beings.

“As a person man is therefore the subject of work. As a person he works, he performs various actions.....these actions all serve to realise his humanity”

(Pope John Paul, II *Laborem exercens*, Catholic Truth Society, London, 1981, p20)

Technology in all forms of business creates challenges and often leads to boring, repetitious tasks with little opportunity for human ingenuity or variety. In the co-operative form of business the closeness to the community and its serving of the common good in that community can provide an intrinsic meaning and dignity of purpose to work even when the task itself may not be such as of itself to realise that person’s humanity.

The case of social relevance is not unique to co-operatives and is seen as being a feature of the good company from at least as far back as Martin Luther at the beginning of the Reformation. “Men serve God in their calling, however vile, because they serve their neighbour” (C. Hill , 1967, p3) The co-operative however has social goals as an integral part of their business objectives which makes the issue of service to the community a more immediate and direct emphasise for the measurement of their business performance.

The second theme is the recognition of voluntary and free associations as an essential component to economic, political and social development. (Weigel, 2003, p20)

“Here we should remember the numerous efforts to which Christians made a notable contribution in establishing producers, consumers and credit co-operatives, in promoting general education and professional training, in experimenting with various forms of participation in the life of the workplace and in society in general.”

(Centesimus annus, in *The Encyclicals of Pope John Paul II*, Ed. Michael Miller, C.S.B. Our Sunday Visitor Publishing Division, Huntington, Indiana, 1996, p605)

Third, that development requires an open, transparent and participatory system of governance. (Weigel, 2003, p20) This should be one of the strengths of the co-operative form of business but often poor quality leadership has led to failures in governance. The privileged position of management in a co-operative can pose challenges in the context of a membership without education and any real appreciation of how to conduct a business. (3)

The fourth theme developed by Pope John Paul II is that development should not be measured in terms of consumerism. (Weigel, 2003, p20) Here co-operatives have clearly defined objectives beyond that of simply self-enrichment. Economic development is a means to the development of the whole person and their society. Education and community remain as important as economy in developing the co-operative agenda / mission.

Fifthly, that development requires the recognition of moral as well as economic interdependence. (Weigel, 2003, p20)

“It is above all a question of interdependence, sensed as a system determining relationships in the contemporary world, in its economic, cultural, political, and religious elements and accepted as a moral category.” (Pope John Paul, II *Sollicitudo rei socialis*, Catholic Truth Society, London, 1987, p74)

The Church’s role is to proclaim the importance of a free and virtuous society which can only be based on an open economy, democratic politics, and a robust moral culture. A strong moral culture requires individuals possessed of the right values, attitudes and character to uphold it. The Church in its proclamation of the moral truth that is the foundation of a moral culture helps to develop such character. (Weigel, 2003, p21) The political implication in the proclamation of the free and virtuous society is a free and virtuous state. It is hard to envisage a free and virtuous society functioning effectively when restricted by an oppressive and authoritarian regime of government that limited human rights. The Church supports autonomous, voluntary associations as being important in developing the right character for the moral culture that underpins and restrains the individualism and greed that might otherwise infect and corrupt an open economy and democratic politics (Weigel, 2003, p21).

This is not the only reason the Church supports such associations however as in its championing of the common good as a key to establishing individual human good the Church has recognised that these same associations are themselves also essential structurally to ensure a) access to the market for the poor and relatively disadvantaged individual worker, farmer, fisherman, and consumer and b) mobilisation of individuals to enter the political process as policy makers rather than as policy takers. For many years

trade union funding of the British Labour Party ensured that party political processes in the UK were not simply a domain dominated by rich donors.

Privilege always seeks to buy or manipulate the political process for the interests it represents. Marx himself noted in his work *The Eighteenth Brumaire of Louis Bonaparte* (Karl Marx, 1885 Ed. of the original) how a constitutional republic could be usurped without the core economy (in this case big finance and manufacturing) being adversely effected by monarchical absolutism. In similar fashion Cromwell had as Lord High Protector usurped absolute monarchy only to usurp democracy whilst still supported by the emergent merchant and capitalist class. In modern China we see the thriving of capitalism and authoritarianism side by side as materialism diverts attention from human rights issues.

Even the poorest people can be mobilised and have the potential to break free of dependency and marginalisation through the application of solidarity in association. Welfare is not solely about redistribution by the state. Daniel Fairchild agonises over the technical economic consequences of interventionist economic policies, arguing that those that impact least on economic efficiency are going to be most effective (Fairchild, D. 2003, p102.) In fact, true welfare is much more centrally about unleashing the freedom of people to produce and exchange than it is about benefits that are merely handed out and consumed at some other's expense.

Whilst the freedom to produce obviously requires access to the means of production and distribution it does not require the expropriation of wealth. Rather, it is about creating new sources of wealth and income. As the new sources of wealth grow so the relative balance and polarisation between rich and poor is addressed. The Church, in its recognition of the productive potentiality in all human labour recognises the potential of co-operation. So did the English Labour Economists whose labour theory of value followed the teachings of Adam Smith, not David Ricardo. (Davis, 2000 (a) pp195-197) They laid the theoretical foundations for a self-help co-operative development. For it is people, when they employ their creative powers through labour by hand and by brain, that are the principal factor of production. Even relatively modest increments of capital derived from wages not profits can, when applied to labour, create real increases in wealth and well-being. These ideas were dismissed as utopian by Marx and Engels but they have proved to be more durable than the Marxist notion of the inevitable collapse of capitalism. (Davis 2000 (a) pp211-212.)

In the establishment of credit, producer and consumer co-operatives the founding influence has often been either a Catholic priest or nun. The problem is that the influence of the founder will quickly diminish as the secular forces that surround the co-operative begin to take effect. This is particularly true in the absence of lay people filled with the character and qualities that can resist and overcome these tendencies. It is surely strongly implied by the Church's own statement of its mission to society that it will lead in the development of persons with the character and qualities capable of exercising leadership in the institutions of civil society? These institutions can in the economic domain never be focused solely on just one form of business ownership but rather must cover all of them. In recognising in each form its separate and particular potential contribution to individual development and to the common good, lay vocations need to be developed and the full range of opportunities explored.

All three forms of co-operative business provide frameworks for countering individualism and consumerism whilst strengthening solidarity and fellowship in community and society. (See below three case studies of co-operative business) Whether they can also counter secularism and increase the

influence of Christian values within civil society will depend on the attention given them by the Church particularly in terms of the provision of leadership. The development of Co-operative Management as a Catholic vocation (Davis, 2000 (b)) is one way of developing Christian leadership for the co-operative movement and for the wider society.

This is a responsibility that the Catholic Business Schools should take on board. The church as the body of Christ is itself a community, but one that is nurtured and strengthened by its inclusion of communities within the body as a whole. These communities of religious and lay members are crucial to the vigour of the Church. Christian leadership of more secular communities that reach out beyond the Church may also be critical to the establishment of the free and virtuous society. The truth is that left alone in the pursuit of these economic goals without the stewardship of persons with character to uphold both individual dignity and the common good these institutions are as vulnerable as any others to materialism and individualism. (4)

Various forms of business

The structure of the modern economy has been characterised by a duality (Averitt, 1968, Agarwal, 1983, Masson, 2001, Temple, 2002). In the dual economy model the core economy is characterised as dominated by giant trans - national corporations engaged in high - tech science and engineering based manufacturing, raw materials extraction, agriculture, banking and financial services, and logistics. In the last thirty years retailing has also become increasingly trans - national and concentrated within a dominant oligopoly. The peripheral economy on the other hand has many small and medium sized firms competing in a much more labour intensive and low - tech environment. There are exceptions to this model with many small firms emerging in the IT sector but even here the sector as a whole is dominated by a few giants such as Microsoft and IBM. In the main the small firm is a price taker and often in a position of dependency on the larger core economy enterprises. The dominant oligopolies determine the rules of competition and market behaviour.

The main forms of enterprise to be found operating in one or other segments in the dual economy can be characterised in the following terms.

The individual enterprise or self employment. Essentially a labour-based enterprise dependent on loan capital or self generated funds. Individualistic and anti-authority anti-bureaucracy culture. (Periphery)

The small family business. Essentially a labour-based organisation but with a collective element of shared responsibility for the running and conduct of the business based on husband-wife relations and including children when young but not necessarily continuing across generations.(Periphery)

The larger family firm. Essentially a capital-based business often strongly patriarchal and paternalistic in culture where employment relations tend to be long standing with management often in the hands of family members. (Periphery)

The Partnership. A labour-based business where the intellectual or human capital of the partners is the key to the real worth of the business. Essentially based on long - term relationships with a high degree of personal trust between partners. Culture strongly informed by the prevailing frameworks of professional ethics and practice. (Periphery)

The Joint Stock Company. A stakeholder-based business where direction and power lie with the largest mobilized block of shareholders - often institutional - supporting a generally managerial control model. The degree of managerial autonomy will be contingent on various factors relating to the regulation of the enterprise, labour relations and the nature of the competitive and broader business environment. (Both Core and Periphery)

The Joint Venture. A partnership between the same or different models of business where partner businesses are types of business with complimentary competences and resources. (Both Core and Periphery)

The Franchise. A capital-based business that combines the benefits of scale with the advantages of local ownership and control. (Controlled by the Core but facilitating small units of dependent franchise holders)

The Mutual Society. A membership-based business which can only trade with its members and where membership, not shareholding determines ownership. Mainly providing financial services. (Both Core and Periphery)

Co-operatives. A membership-based business that trades with members and non - members. Activities cover financial services, other retail and health services, educational services, agriculture, fishing building, production, and personal services. What unites these diverse businesses are their common identity statement and values and, in a general way, their strong sense of distributive justice, community and social responsibility. (Both Core and Periphery)

All these forms of business enterprise make important contributions to the general welfare of society and economy. The co-operative difference lies in its particular ability to mobilise people from disadvantaged positions in the marketplace and give them the collective leverage to have a realistic access to any given market. Increasingly the small family business is being marginalised and the partnership form has in practice a fairly narrow range of applications. This leaves co-operatives and mutual societies as a labour/membership - based businesses offering an alternative model of ownership and business goals that can operate at any size and in any space within the marketplace. They can provide realistic competition for the share based business that dominates the core economy. At the same time they can help small firms, producers, workers and family businesses to gain greater leverage and mitigate their market disadvantages from inside the peripheral economy.

What often goes wrong in co-operatives

Internal subversion

We have seen in the recent past a number of management-led privatisations, perhaps the biggest have taken place recently in the United Kingdom and Canada. The destruction of almost all the bigger building societies after years of service enriched many of the top managers and only one large society remains – the Nationwide whose management has remained firmly committed to its mutual status. The Saskatchewan Wheat Pool, formerly the largest co-operative in Canada, is no more - as a direct result of managerial policies that failed to explain the risks involved in the early privatisation. The members were not consulted before making such a far-reaching change. This led to the final demise of the co-operative and the loss of services to many small and medium-sized farmers in Canada. (Hubich, 2006)

“In 1996 the SWP without submitting the decision to a vote of the membership converted to a public trade company” (Hubich, 2006, p13.)

This phenomenon has a long history, going back to the very origins of the co-operative movement in the UK. We saw earlier that in 1850 some Rochdale working men attempted to start a co-operative corn mill. Finding it difficult to raise the necessary capital they sought the support of members of the Rochdale Co-operative Society. The venture proved to be a great commercial success but was destroyed in 1862 by the admission of outside shareholders. The outside investors voted down profit-sharing with the workers and the Rochdale Co-operative Society withdrew from the Flour Mill venture. The admittance and its consequences was possibly with the connivance of GWT Mitchell, the manager of the mill and later the manager of the CWS Ltd and champion with Beatrice Webb of Consumer Co-operation. (Davis, 1996)

In a study of twelve failures in worker co-operatives in the 19th Century Hall and Watkins (1934, pp 100-101) found that in six cases management subverted the business for their own ends and they become converted to private companies, in two others it was incompetent management, and in two more lack of discipline by the workingmen themselves. Arnold Bonner noted from reports of failure at the time that some societies soon changed their form to that of private companies and that poorly thought through self-governing management systems and little attention to the quality of recruited members were significant factors explaining co-operative failure. (Bonner, 1961, pp63-65)

Membership corruption and apathy

There is not a lot of research evidence to confirm the problem of corrupt boards, but considerable anecdotal evidence and some cases based on the direct experience of the author. In the UK lay board resistance has been blamed for the failure of the movement to implement the 1950s Commission recommendations to reduce to 40 the number of retail societies (at the time over 300). Rather than merge from strength, the lay boards of small societies clung onto their positions and the perks that derived from them. There was also lacking a strong C.E.O. to challenge these boards in the real interests of the wider membership.

A coffee growers co-operative in Kenya I visited had an interesting system of loaning money to their members against their crop harvest. The trouble was that come the harvest the members sold their crops to the private traders and defaulted on their co-operative. I asked the manager why they did not take

legal action to retrieve the coffee. I was told that the board would not allow him to make the members sign contracts on the loans. Why? Because the board members were also engaging in this practice. The board members at the time were probably members/supporters of the ruling party and if the co-operative made a loss the government (pre-liberalisation) would bail them out.

In the Philippines a co-operative board refused to fund the training and development of their manager but at the same time wanted the author to organise board member training and development for them in London. Needless to say the author did not respond to this request except to tell them that he would not collaborate in a misappropriation of the co-operative training and development budget.

In the consumer movement in the UK members' apathy and indifference to their co-operative means that less than 2% attend Sectional or Annual General Meetings today (Davis and Donaldson, 2000, Table 4.3, p58). Getting a significant number of members to attend meetings in credit unions and other forms of co-operative is always cited as a problem. Most members are more than willing to leave decision making up to others and are unwilling to give of their time to the affairs of their co-operative. In my experience lack of a charismatic leadership and lack of a positive vision for the co-operative's future, and generally poor and uninspired communications by management and board do nothing to discourage the feeling of apathy. The message implicitly to members tends to be "we don't need your input". There is only one UK consumer society that has experimented with postal voting. This society has increased its member's participation in elections as a result but to date no other UK consumer co-operative has followed its example. Very rarely are members consulted by management (Davis and Donaldson, 2000, Table 4.5, p60)

Cases where co-operation has got it right

The Israeli Kibbutz

Founded in 1910 the principles of solidarity, fellowship and the common good could be said to be clearly enshrined in these Israeli communities, although the levels of collectivism differ in the various types of Kibbutz. By the end of the 20th century there were close to 300 Kibbutz with an average population of between 300 to 600 persons with some of the largest having memberships of close to 1000. Kibbutz members account for less than 3% of Israel's population and are thus clearly not the first choice for the average Israeli. Yet their military, economic and cultural importance to the development of the Israeli state is undeniable. They generate around 7% of Israeli industrial sales. (Moran, 1993, p5)

The Kibbutz stands as an alternative model of the household that unites and sustains families and their relationships across a life-time, leading to stability and solidarity across generations within families and communities. Its relationships are real interactions between individuals who are given equal rights and dignity according to a democratic process of governance. (Moran, 93, p7) Resources and responsibilities and rewards are distributed according to relative abilities and needs with due regard to the common good of the Kibbutz.

There may well have been occasions in the history of Kibbutz when fears of their relative weakness and vulnerability led to a collectivism that repressed the individual and they even experimented with the collective rearing of children. Today however as a leading veteran activist Stanley Moran has claimed latter generations of Kibbutz members "...see growth of the individual as a means for strengthening the community and not as a disintegrative process." (Moran, S. 1993, p61)

The recent trends towards liberalisation and privatisation in the wake of globalisation has had a negative impact on some of the Kibbutz just as it has resulted in demutualization in other countries such as Canada and the United Kingdom nevertheless the economic response to the opportunities for international trade is impressive where they account for around 9% of Israeli exports if you exclude diamonds (Moran, S. 1993, p5) Today Kibbutz are responding to the challenges by encouraging community development and growth in social capital through individual development. (Heilbrunn, 2005, p111)

Mondragon

The Mondragon co-operatives started from a somewhat different political and social agenda from those of the Kibbutz. Notwithstanding this they do in fact exhibit the same strong sense of fellowship, community and service to the common good and nationalism exhibited by the Kibbutz. In this case the strong sense of social justice is derived directly from a strongly-rooted Catholicism (Spear, R. 1982, p7) Founded by four friends under the leadership of the local Catholic priest Father Jose Maria Arizmendiarieta. They have helped the Basque region to develop culturally, economically and politically following the defeat of the Basques in their alliance with the republican forces by General Franco's Nationalists supported by the German Nazis'. The founders' purpose was to create "...a workplace as a community without differences." Although this ideal cannot be said to be realised literally there is still a relatively narrow range in differentials in income and a real attempt to ensure both collective and individual capital accounts reflect the real inputs and productivity of its members.

Today Mondragon is the centre of a large network of around 147 co-operatives covering production, finance, distribution, research and training services, employing around 60,000 persons with a turnover in 2001 of eight billion Euros (Amozarrain, A. M. E., 2003, p2). The economic success of the Mondragon Co-operatives is founded on the communities' ability to mobilise finance and retain investment and human resources within their community. The establishment of the Mondragon Bank was a classic practical illustration of the principles of the incremental accumulation of capital that informed the core of the English Labour Economists' strategy in which the small savings of the community were mobilised to establish economic and technological development creating jobs and services and increased opportunities for the Basque people. The Mondragon technical and educational establishment has grown to a University today and helps to ensure the training and retraining and re-tooling of the various co-operative people, products and processes. The bank supports the financing and strategic development of the co-operatives by operating a consultancy and corporate planning agency for the co-operatives. The bank has co-opted members who sit on the boards of those co-operatives that are starting up financed by the bank and of those that are developing in new directions.

The success of Mondragon has led to some of its businesses becoming multinational, which has created tensions and challenges in governance that remain to be resolved. The group now has 60 productive centres throughout the world. (Amozarrain, A. M. E. 2003, p4) The rising concentrations of capital and ratios of capital to labour are making it difficult for new employees to enter into full co-operative membership. The ratio of full members to employees is estimated at 4 members to every 6 other categories (temporary members, employees etc.) (Amozarrain, A.M.E., 2003, p7) about two out of the six are made up of peripheral workers that are hired and fired given the market situation (Amozarrain, A.M.E., 2003,p7). The co-operatives remain deeply embedded in their Basque community and perhaps

the most self consciously developed alternative co-operative business model that has drawn its inspiration from Catholic Social Doctrine.

The UK Co-operative Bank

The UK Co-operative Bank is an altogether different form of co-operative, operating in a very different cultural context from both the Kibbutz and the Mondragon examples. In terms of its legal constitution it is a plc as it must be under UK Banking Law. It is a wholly owned subsidiary of the UK Co-operative Group itself owned by some 30 plus consumer co-operative societies. British society, unlike that of the Israeli and Basques is highly heterogeneous and individualistic and even though there are strong regional and national identities no Welsh, Scottish or Yorkshire equivalents to Mondragon have emerged. There are community co-operatives, but they remain weak and poorly supported. The British co-operatives have none of the social / cultural rootedness that is displayed in the Kibbutz or Mondragon examples. In addition the mutual financial services sector has undergone a dramatic process of privatisation during the Thatcher years in Britain (1979-90). Consumer co-operation in the UK, after a century of successful growth as been in decline since the 1950s. A decline that so far it has not been able to reverse.

It is all the more surprising therefore to find in this unpromising environment a co-operative success story that has picked up on a number of the themes found to be significant in my other two examples. The UK Co-operative Bank's Mission statement talks of solidarity with other organisations of like values and with the wider international co-operative movement. It espouses the ideal of fellowship and social responsibility and responsibility to community. The Co-operative Bank has in practice defined its' community as a community of ideas and values. It has embedded itself with its core customer segment in the sense of reflecting in the way it conducts its business their core values. The Bank keeps in touch with thorough and regular market research and customer surveys. Interestingly the Bank's research has demonstrated that even in consumerist, individualist Britain there are "moral subcultures" if not a "moral culture". Its research identified five clusters of consumer attitude (Cowe and Williams, 2001, p32). Only five per cent were totally committed to ethical values in their consumption choices and were characterised as "global watchdogs". However another eighteen percent were identified as "conscientious consumers" and forty nine per cent were willing to do something as consumers on ethical grounds - characterised as the "do what I can" cluster. There were 22% of characterised as "look after my own" who showed little inclination to purchase ethically the majority of which felt they were powerless to change things. The remaining 6% characterised as the "brand generation" showed a strong consumerist culture where brand was important. This group displayed a mix of conscientious consumers and the look after my own cluster. Thus only twenty eight per cent of the research respondents could be characterised as possibly indifferent to ethical issues in determining their consumption decisions.

If the co-operative forms of the Kibbutz and Mondragon are driven by strong membership identity and participation, the UK Co-operative Bank has successfully substituted in the presence of the lack of community in the UK, a strong management-led organisational culture. The Bank's management have used market research to evolve the Bank's ethical as well as commercial agenda and an co-operative values led HRM strategy to ensure staff are fully committed to 'making it happen'. (Davis, 2004, Ch 11) The Banks stakeholders are its customers, owners, workers, suppliers, the local communities within which its offices and branches are located, the international co-operative movement, and past and future generations. The Bank's engagement with all its partners (stakeholders) is impressive. The Bank has over 90 measures of added value between them and demonstrates its transparent commitment to

upholding its social and ethical values in its business by hiring, and publishing the reports of high-profile experts in the various aspects of its ethical and social programmes.

The Bank has consistently delivered impressive profit growth whilst evolving new high standards in products, services and quality standards that have met criteria relating to social, political and environmental goals. It is rated as one of the top 50 employers in the UK and has received awards for its equal opportunities programmes. It was the first Bank in the UK to provide a charge-free gold card guaranteed for life and was amongst the first to provide interest on current account. The Bank recently in alliance with the Nationwide Building Society stood up to the big four banks and refused to levy ATM charges to anyone using their ATMs whether or not they held an account with the Co-operative Bank. The big four banks were forced to withdraw their proposal.

The Co-operative Bank is a plc not a membership-based association, but is a wholly owned subsidiary of the Co-operatives Group, itself owned by Britain's 30 plus remaining consumer co-operative societies. Yet it has, through top management commitment to co-operative values, created a unique organisational culture that has raised ethical and social responsibility standards. (Davis, 2004, Ch11) It has given the UK Co-operative Movement a positive national brand image and a strategy to regain some at least of its former market presence.

The Bank's culture change and ethical strategy came about as a result of a change in leadership when Terry Thomas took over as C.E.O. (Davis and Donaldson, 1998 Ch 6) Terry Thomas was deeply influenced by and greatly admired the ideas and work of Robert Owen and went so far as to have a statue of him erected outside the Bank's headquarters in Manchester. Thus Owen's ideas and influence continue to stimulate co-operative innovation more than a century after his death.

Pluralism and the pursuit of justice

If the free and virtuous society is to become a reality two key elements are required. Firstly we need an open political system. The role of the association of labour is often overlooked in the British road to democracy. In 1821 the Six Acts ensured people had few civil rights and hardly anyone had a vote. Political reformers and trade union activists were imprisoned and / or transported to Australia. Yet by 1921 Britain had achieved one person one vote, free independent trade unions with governmental recognition of the legitimacy of collective bargaining in the public sector, (Cole and Postgate, 1971, p547), a retail system dominated by the co-operative sector and the beginnings of the welfare state. All this social improvement was achieved without civil war or revolution. The moderate leadership, the democratic governance, and socially rooted membership base of the British associations of labour clearly played an important part in establishing this peaceful transition to the triumph of a democratic polity in the United Kingdom.

Secondly, we need an economic system that is both inclusive and competitive. The way to ensure this is by having real competition between different forms of business ownership. Membership-based businesses form a significant segment of the modern economy. At their best they have made major contributions to economic and social development - as in the cases of the Kibbutz and Mondragon. They can also show that even when relatively small in size next to the share-based competitors they can respond providing real consumer choice that can prevent oligopolistic manipulation of prices as in the case of the attempted levy by the big share-based banks of ATM charges in the UK Co-operative Bank

case. The UK Co-operative Bank case also demonstrates that market research can be used to seek out and give a focus for action for “a robust moral culture” within the consumer market. People with values that support justice and peace are found to be out there waiting for an opportunity to give expression to those values in the economic behaviour.

Without a pluralism of ownership forms the contemporary trends towards concentration in share capital based business are likely to create market conditions conducive to the realisation of Adam Smith’s fear of a conspiracy against the consumer. Whilst all business organisations can find theological, ethical or pragmatic arguments for meeting the good company criteria, market conditions may very well undermine the good company principles in practice. Co-operatives, with their different values and goals, non-transferable (non-tradable) shares, and membership base, can challenge oligopolistic market structures and force a genuine competitive standard in the marketplace. Pluralism in terms of ownership may shape the market into a facilitating framework in which the good company, whether in a co-operative or share based structure, can prosper.

There is however a gap between theory and practice that has hampered co-operative development. Co-operatives will have a better chance to succeed in the global market if they have appropriate management training and development. (Chamard, 2004) I have argued that co-operative values and ownership structure provide a context different enough from the share based business to have a particular style and process of management (Co-operative Value Based Management). See Davis 1995, and Davis and Donaldson, 1998, Davis 1999, Davis 2000 (b), Davis 2004 and Davis 2005). Catholic social theology sees co-operatives as an important mechanism for the development of individual character, social solidarity, and central to the mission of making humankind the subject rather than the object of the economic process. It’s not a case of “if you support co-operative management you are against management in other contexts”. Rather it’s a case of recognising that providing alternative models enriches the marketplace as a whole.

Conclusion

The reaffirmation of the agenda of extending the democratic model and the recognition of its importance for the realisation of the free and virtuous society could not be more important during this crisis for the West and the global attack on our values by extremism. In many parts of the world struggling with transition, liberalisation and extremism the British experience with the co-operative and other membership based organisations may be an interesting and relevant model of the possibility for peaceful transition to fundamental democratic and economic social change.

It is in the competitive environment that the behaviour of all types of business organisation is tested and shaped. The management of co-operatives is, I believe, one important area for the development of a vocation of service for the fulfilment of Catholic Social Theology. (Davis 2000 b) I have argued that the whole project of establishing the good company requires a pluralism of forms of business ownership. Who has a better claim than the Catholic Business Schools to have a responsibility to consider the issues of management in the co-operative context and to assist in up-grading the provision for management development for this sector? If Catholic business schools continue to ignore co-operatives they fail their students, the co-operative movement’s three quarters of a billion members, and the Catholic Church.

Notes

1. I assume pluralism, for the purposes of this paper, to mean a common overarching social value set that recognises the validity of various interests and viewpoints and their right to mobilise and compete within certain confines that does not disturb the status quo except gradually and by at least majority consent whilst respecting the rights of minorities. I see this concept at work in western democracies in their political, economic and cultural spheres. It is beyond the scope of this paper to discuss the concept in its detail or to address the complex questions that it raises. For a serious and comprehensive discussion of pluralism see Gregor McLennan, *Pluralism*, Open University Press, Buckingham, 1995 and John Donaldson, *Key Issues in Business Ethics*, Academic Press, London and New York, 1989.

2. The author wishes to acknowledge George Weigel and his paper listed in the bibliography below for the structure as well as many of the source materials for the section of this paper dealing with Catholic Social Theology.

3. The case for Co-operative Management as a distinctive approach to management has been made over an extended period by me and my co-author John Donaldson. See bibliography below: Davis 1995, Davis and Donaldson, 1998, Davis 1999, Davis 2000 (b), Davis, 2004 and Davis 2005. Whether we are right or wrong there is no question that the co-operative context presents particular problems and challenges and goals not found in all other types of business model.

4. For an interesting discussion of the importance of character and particularly important character traits for the successful practice of management see Alan Coppin and John Barratt, *Timeless Management*, Palgrave Macmillan, 2002.

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